Appendix 4: Science and Industry Endowment Fund Annual Report 2012–13

THE FUND IN A GLOBAL CONTEXT

One of the most rewarding aspects of my role as Trustee of the Science and Industry Endowment Fund (SIEF) has been the opportunity it affords to step back and consider the role and direction of Australian science in a global context. The Fund's resources of over $150 million, principally derived from funds gifted by CSIRO, have enabled SIEF to make a contribution to the shape and direction of Australian science with a global perspective in mind.

As a Fund originating in 1926, with the purpose of funding Australian scientists to travel overseas and improve the quality of the fledgling nation's science sector, I am constantly reminded of the relevance of this enterprise for the Fund today. Even though our nation was only 25-years-old and at that time was isolated and remote from the established centres of global science, there was a clear conviction that, with appropriate investment, Australian science could achieve international standards.

Almost a century on, the Fund continues to invest in Australian science to enable Australia, not just to keep up with global standards, but to set them.

RESEARCH INFRASTRUCTURE

Under its Research Infrastructure Program, the SIEF has been investigating investments in activities that will increase collaboration between industry and researchers for the purpose of delivering world-class science. Its intention is to advance the development of major national research precincts in Australia that are global in scale and relevance, and as such all infrastructure activities must contribute to this vision for positioning Australian science in a global context.

The first such investment under this Program will support the development of an Advanced Resource Characterisation Facility (ARCF) as part of the National Resource Sciences Precinct in Perth. Together, the three instruments that are included in this facility will provide a global hub for metre-to-atomic scale analyses of mineral resources. It is envisaged that, combined with the four dimensional data integration provided by the Pawsey Centre, the ARCF will develop into a unique characterisation facility located in a resource-focused research precinct unmatched anywhere in the world.

The geographical isolation that in earlier years acted as a barrier to the development of Australian science has become an advantage in the modern age of radio astronomy. The rare commodity of radio silence made possible by this country's sparse population and geographical isolation provides the ideal conditions to foster world-leading facilities in radio astronomy.

The SIEF recognises the global importance of the Australian Square Kilometre Array Pathfinder (ASKAP) telescope currently being developed at the Murchison Radio-astronomy Observatory in Western Australia. This telescope will become the most powerful survey radio astronomy instrument on the planet. It will allow the entire visible sky to be surveyed at great sensitivity and very quickly. It is designed to survey vast tracts of the sky rather than the traditional approach of looking at a single object, thus creating massive new databases of astronomical radio sources – an unparalleled resource for the scientific community. In addition to being a world-class telescope in its own right, the ASKAP will act as a key precursor to the future international Square Kilometre Array (SKA) telescope and will itself be incorporated into Phase 1 of the SKA project to be hosted by Australia and southern Africa. The SKA will secure substantial ongoing overseas investment in Australia through the largest science project to be undertaken anywhere in the world in the next few decades (with additional international funds for construction and operation).

Recognising the global significance of this facility, SIEF has initiated a second Special Research Program to allow scope to assist the ASKAP's construction. This support is consistent with SIEF's funding for the Australian Synchrotron, another major national facility, under the SIEF Special Research Program (SPR).

PROMOTION OF SCIENCE

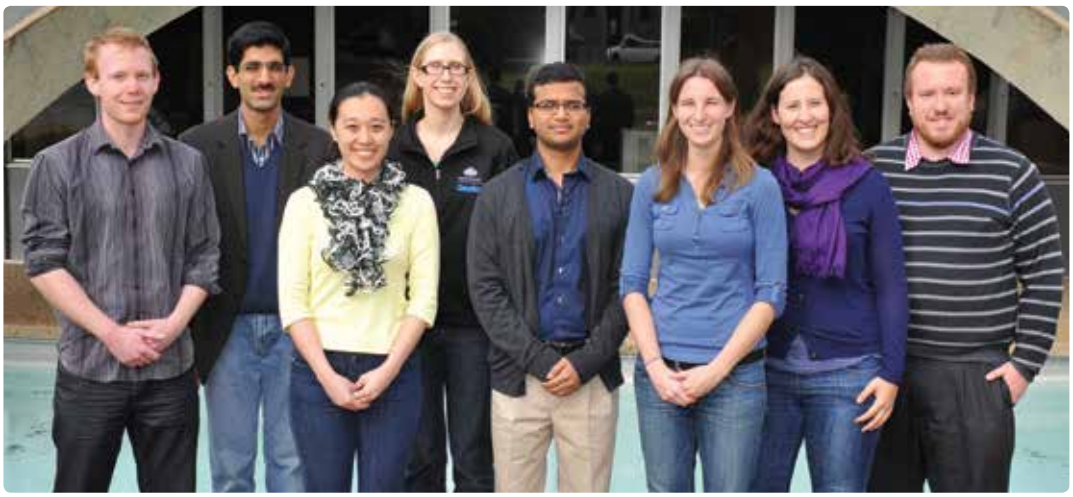
Furthering SIEF's commitment to fostering international standards and connection of Australian science, SIEF has initiated a prestigious new program this year in partnership with the Australian Academy of Science. The SIEF-Australian Academy of Science Fellowships to the Lindau Nobel Laureate Meetings provide a unique opportunity for young Australian researchers. The Lindau Meetings create a platform to facilitate encounters between Nobel Laureates and the world's best young scientists of tomorrow. It also provides the opportunity for young researchers to network with the elite of their peers from around the world. With SIEF's support, up to fifteen early career researchers per year will have this opportunity opened to them over the next seven years.

SIEF has never regarded geographical remoteness as an insurmountable barrier to science excellence. It also regards science as a key tool for the future economic prosperity of Australia. These ideals have been drawn together in a program under which students from remote or indigenous, and of low socioeconomic backgrounds are supported during their undergraduate science or engineering degrees. The inaugural Undergraduate Degree Scholars commenced in 2013 and will receive not only an ongoing stipend, but also academic and social support throughout their undergraduate degrees.

RESEARCH PROJECTS

This year saw the final round of grants awarded under SIEF's Research Projects Program, with the funding pool originally allocated to this Program largely committed. A total of 17 projects have been funded under this successful Program, and SIEF will be monitoring outcomes and impacts of these projects as they continue to progress and contribute benefits to the Australian community.

The Research Projects Program has committed a total of $77 million to over 35 research organisations, as a result of CSIRO's gift. The Program has promoted research in a cross section of scientific areas and contributed to a diverse spectrum of socioeconomic objectives. The early round Research Projects are coming to a conclusion, including the world-leading Australian Imaging, Biomarkers and Lifestyle (AIBL)2 longitudinal study of a cohort of older Australians to investigate the onset of Alzheimer's disease. It is one of the first studies to look at early detection of the disease and has attracted an increasing level of international funding over its life. The Project, a collaboration between CSIRO, Edith Cowan University, Melbourne Brain Centre at the University of Melbourne and the National Ageing Research Institute, has generated over 60 publications (more on page 37). This is one of the first of many projects whose outcomes are already fulfilling SIEF's primary objective of furthering the interests of the Australian community.



2013 recipients of the SIEF-Australian Academy of Science Fellowships to the Lindau Nobel Laureate Meetings. Image: Mark Graham, Australian Academy of Science

SIEF ADVISORY BODIES

My role as Trustee has been greatly assisted by the Fund's Advisory Council, Expert Panel and Undergraduate Scholarship Panel. The members of these bodies have loyally supported the Fund, many since its rejuvenation in 2009, and provide constant guidance and insight on a *pro bono* basis. My gratitude to these supporters of the Fund, both personally and on behalf of Australian science, is profound.

My thanks also extend to the many reviewers who generously give their time and expertise to assessing reports and applications for scholarships and fellowships. It is this spirit of generosity and goodwill within the Australian science community that has created the dedicated and thriving landscape in which SIEF operates today.

As the Fund develops maturity, I look forward to the year ahead as one characterised by an increasing abundance of results and outcomes from projects, scholarships and fellowships that have been initiated in previous years. The Advisory Council and I will maintain our focus on research infrastructure investments in the coming year, and through these investments our commitment to promote science of global significance, in the rich tradition of SIEF, continues.

Dr Megan Clark
Trustee SIEF

Advisory Council
Prof Alan Robson (Chair)
Prof Tom Spurling
Dr Ezio Rizzardo
Prof Margaret Sheil
Mr Nigel Poole

Expert Panel
Prof Tom Spurling
Dr Ezio Rizzardo
Dr Oliver Mayo
Prof John McKenzie
Prof Elaine Sadler
Dr Trevor Powell

Undergraduate Degree Panel
Prof Margaret Sheil (Chair)
Prof David Symington
Dr Terry Lyons

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Trustee of the Science and Industry Endowment Fund

I have audited the accompanying financial report of the Science and Industry Endowment Fund for the year ended 30 June 2013, which comprises: a Statement by the Trustee and Chief Finance Officer of the Commonwealth Scientific and Industrial Research Organisation; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; and Notes to and forming part of the Financial Statements including a Summary of Significant Accounting Policies.

Trustee's Responsibility for the Financial Report

The Trustee of the Science and Industry Endowment Fund is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), and for such internal control as is necessary to enable the preparation of the financial report that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Science and Industry Endowment Fund's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Science and Industry Endowment Fund's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Trustee as well as evaluating the overall presentation of the financial report.

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Phone (02) 6203 7300 Fax (02) 6203 7777

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

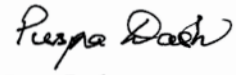
Opinion

In my opinion, the financial report of the Science and Industry Endowment Fund:

(a) has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations); and

(b) gives a true and fair view of the Science and Industry Endowment Fund's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Puspa Dash
Executive Director

Delegate of the Auditor-General

Canberra
21 August 2013

SCIENCE AND INDUSTRY ENDOWMENT FUND

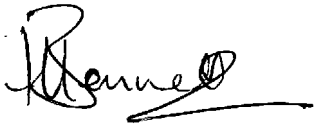
STATEMENT BY TRUSTEE AND CHIEF FINANCE OFFICER OF CSIRO AS SERVICE PROVIDER TO THE SCIENCE AND INDUSTRY ENDOWMENT FUND

In our opinion, the attached financial statements for the year ended 30 June 2013 have been prepared based on properly maintained financial records and in accordance with Australian Accounting Standards and other mandatory financial reporting requirements in Australia, and give a true and fair view of the financial position of the Fund as at 30 June 2013 and of its performance for the year then ended.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Megan Clark
Trustee of the Science and Industry Endowment Fund

21 August 2013



Hazel Bennett
Chief Finance Officer of CSIRO as service provider to the Science and Industry Endowment Fund

21 August 2013

SCIENCE AND INDUSTRY ENDOWMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2013

	Notes	2013	2012
		$	$
EXPENSES			
Scientific research grants	5	25,659,369	15,083,556
Gift fund services fees		466,090	496,050
Audit fees		7,000	7,000
Professional fees		-	4,415
Advertising and approval fees	6	4,873	4,961
Other fees		9,148	7,843
Total expenses		**26,146,480**	**15,603,825**
LESS:			
REVENUE			
Interest		6,540,473	8,694,011
Resources received free of charge	6	4,873	4,961
Total revenue		**6,545,346**	**8,698,972**
Net deficit		**(19,601,134)**	**(6,904,853)**
Other comprehensive income		-	-
Total comprehensive loss		**(19,601,134)**	**(6,904,853)**

The above statement should be read in conjunction with the accompanying notes.

SCIENCE AND INDUSTRY ENDOWMENT FUND
BALANCE SHEET
As at 30 June 2013

	Notes	2013 $	2012 $
ASSETS			
Cash	7	121,612,429	140,705,328
Interest receivable	8	1,438,235	1,577,577
GST receivable		1,350,269	331,916
Prepayments		-	2,466
TOTAL ASSETS		**124,400,933**	**142,617,287**
LIABILITIES			
Payables			
Creditors		2,937,997	1,702,212
Accrued expenses	9	542,527	393,532
Total payables		**3,480,524**	**2,095,744**
TOTAL LIABILITIES		**3,480,524**	**2,095,744**
NET ASSETS		**120,920,409**	**140,521,543**
EQUITY			
Contributed equity		200,000	200,000
Retained surplus		120,720,409	140,321,543
TOTAL EQUITY		**120,920,409**	**140,521,543**

The above statement should be read in conjunction with the accompanying notes.

SCIENCE AND INDUSTRY ENDOWMENT FUND
STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2013

	Retained Surplus		Contributed Equity		Total Equity	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Balance as at 1 July	**140,321,543**	**147,226,396**	**200,000**	**200,000**	**140,521,543**	**147,426,396**
Net deficit	(19,601,134)	(6,904,853)	-	-	**(19,601,134)**	**(6,904,853)**
Closing balance at 30 June	**120,720,409**	**140,321,543**	**200,000**	**200,000**	**120,920,409**	**140,521,543**

The above statement should be read in conjunction with the accompanying notes.

SCIENCE AND INDUSTRY ENDOWMENT FUND
CASH FLOW STATEMENT
For the period ended 30 June 2013

	Notes	2013 $	2012 $
OPERATING ACTIVITIES			
Cash received			
Interest received		6,679,815	7,899,168
Net GST received		1,572,687	1,580,824
Total cash received		**8,252,502**	**9,479,992**
Cash used			
Payments to grantees		26,828,181	15,120,858
Other payments		517,158	638,569
Bank fees paid		62	227
Total cash used		**27,345,401**	**15,759,654**
Net cash provided/(used) by operating activities	10	**(19,092,899)**	**(6,279,662)**
Net increase/(decrease) in cash held		(19,092,899)	(6,279,662)
Cash at the beginning of the reporting period		140,705,328	146,984,990
Cash at the end of the reporting period		**121,612,429**	**140,705,328**

The above statement should be read in conjunction with the accompanying notes.

SCIENCE AND INDUSTRY ENDOWMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the period ended 30 June 2013

Note 1 Summary of Significant Accounting Policies

1.1 Basis of Preparation of the Financial Statements

The financial report is required by section 10 of the Science and Industry Endowment Act 1926 and is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention. No allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Balance Sheet when, and only when, it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured.

Revenues and expenses are recognised in the Statement of Comprehensive Income when, and only when, the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

The financial statements are presented in Australian Dollars and values are rounded to the nearest dollar unless otherwise specified.

1.2 Cash

For the purpose of the Cash Flow Statement, cash includes cash at bank and deposits at call. They are readily convertible to cash.

1.3 Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement.*

1.4 Resources Received Free of Charge

Services received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

1.5 Financial Instruments

Accounting policies for financial instruments are stated in Note 11.

1.6 Taxation

The Fund is exempted from all forms of taxation except the GST.

1.7 Events after the Balance Sheet Date

At the time of completion of this note, the Trustee is not aware of any significant events occurring after the reporting date that could impact on the financial statements.

1.8 Grant payments

Scientific research grants are normally paid inclusive of the GST.

Note 2 Principal Activity

The Fund was established under the Science and Industry Endowment Act 1926 with the Trustee of the Fund being the CSIRO Chief Executive. An appropriation of 100 000 pounds was received at the time the Fund was established. The funds were invested and have subsequently earned interest over time.

The principal activity of the Science and Industry Endowment Fund is to provide assistance to persons engaged in scientific research and in the training of students in scientific research.

New Gift October 2009

In October 2009, Senator Carr announced a gift of $150 million to be donated by CSIRO to the Science and Industry Endowment Fund. The gift is intended to be used for scientific research for the purposes of assisting Australian industry, furthering the interests of the Australian community or contributing to the achievement of Australian national objectives. The gift was made subject to the terms of a Deed of Gift between the Trustee and CSIRO dated 15 October 2009.

$100 million was received in financial year 2009–10. The final instalment of $50 million was received in financial year 2010–11.

The maximum amount to be disbursed from the Gift Fund in any one financial year does not exceed $25 million (GST exclusive).

Note 3 Schedule of Commitments

	2013 $	2012 $
BY TYPE		
Grants payable	54,990,428	35,936,867
Total grants payable	**54,990,428**	**35,936,867**
BY MATURITY		
One year or less	19,512,086	11,821,391
From one to five years	35,326,742	24,115,476
More than five years	151,600	-
Total grants payable	**54,990,428**	**35,936,867**

Note: Commitments are GST exclusive.

Note 4 Contingent Assets and Liabilitilies

No contingent assets and liabilities existed as at 30 June 2013 (2012: nil).

Note 5 Scientific research grants

CREST Program awards	18,529	31,141
Macquarie University joint chair in Wireless Communication	-	246,480
Scholarships and Fellowships	1,906,800	1,399,000
Research Infrastructure Investment	7,900,000	-
Special Research Program	2,500,000	-
Research Project Grants	13,334,040	13,406,935
Total	**25,659,369**	**15,083,556**

Note 6 Estimated value of resources provided free of charge by CSIRO are as follows:

– advertising and approval fees	4,873	4,961
Total	**4,873**	**4,961**

		2013	2012
Note 7	**Cash**	**$**	**$**
	Cash at bank	3,391,594	35,997
	Deposits – at call	118,220,835	140,669,331
	Total	**121,612,429**	**140,705,328**
Note 8	**Receivables**		
	Interest receivable	1,438,235	1,577,577
		1,438,235	**1,577,577**
	Gross receivables are aged as follows:		
	Not overdue	**1,438,235**	**1,577,577**
Note 9	**Accrued expenses**		
	Macquarie University joint chair in Wireless Communication	-	246,480
	Service fee under Services Agreement with CSIRO	120,883	108,911
	CREST Program awards	24,644	31,141
	Research Project Grant	390,000	-
	Audit fee	7,000	7,000
	Total	**542,527**	**393,532**
Note 10	**Cash Flow Reconciliation**		
	Reconciliation of operating surplus to net cash from/(used by) operating activities:		
	Operating surplus/(deficit)	(19,601,134)	(6,904,853)
	Changes in assets and liabilities		
	(Increase)/decrease in receivables	(879,011)	(752,910)
	(Increase)/decrease in prepayments	2,466	(2,466)
	Increase/(decrease) in payables	1,384,780	1,380,567
	Net cash from/(used by) operating activities	**(19,092,899)**	**(6,279,662)**

Note 11 Financial Instruments

11A: Categories of Financial Instruments	2013	2012
	$	$
Financial assets		
Cash	121,612,429	140,705,328
Interest receivable	1,438,235	1,577,577
Total financial assets	**123,050,664**	**142,282,905**
Financial liabilities		
Supplier payables	3,480,524	2,095,744
Total financial liabilities	**3,480,524**	**2,095,744**

The net value of the financial assets are their carrying amounts.

11B: Credit risk

SIEF is exposed to minimal credit risk as financial assets represent cash and short term deposits held at reputable Australian financial institutions and receivables from CSIRO. For the purpose of this note GST receivables are not disclosed as financial instruments as they do not meet the definition of a financial asset. SIEF has assessed the risk of default on payment to be nil as of 30 June 2013 (2012: nil).

11C: Liquidity risk

SIEF's financial liabilities are supplier payables. The exposure to liquidity risk is based on the notion that SIEF will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to funding that is in place and internal policies and procedures to ensure that there are appropriate resources to meet its financial obligations (2012: nil).

11D: Market risk

SIEF holds basic financial instruments that do not expose SIEF to any market, currency or other price risk (2012: nil).

11E: Interest rate risk

SIEF maintains an operating bank account and short term deposits which are subject to short term interest rates. Funds are maintained in term deposits for short periods. In 2012–13 the average return on cash and short term deposits was 4.97% (2012: 5.88%).