

# Appendix 4: Science and Industry Endowment Fund Annual Report 2011–12



As the recipient of funds from CSIRO's successful wireless local area network (WLAN) technology, the Science and Industry Endowment Fund (SIEF) has taken seriously its responsibility to grow and leverage those funds, to ensure

that the benefits to Australian science and the Australian community are maximised. In times of economic downturn, the wisdom of setting aside funds to ensure that national challenges can be addressed by the best science teams in Australia becomes even more apparent. As most sectors of the Australian community, public and private, come under increasing financial pressures, SIEF has been successful in continuing to implement its strategic goals and expand its programs through the financial stewardship of the Fund.

In reflecting on the Fund's activities over the past twelve months, I have been reminded of the faith invested in the Fund by Australians since its establishment in 1926. The government of the day expressed that faith as follows:

*'[Scientists] with reputations to uphold can generally be trusted to rise above the petty considerations which so often influence other people. I am prepared to trust them with sums of money, believing that they will use it in the best interests of humanity.'*

It has been my endeavour, in partnership with the esteemed members of the Fund's Advisory Council and Expert Panel, to uphold that historic ideal, and it is my pleasure to report on how this has been achieved in the foregoing year.

## USE OF INVESTMENT PROCEEDS

The availability of \$10 million of investment proceeds derived from the Fund's capital has enabled me to create an entirely new program responding to a need to invest in Australian Synchrotron Science. The program fills a gap in the National Innovation System by providing access for Australian Publicly Funded Research

Agencies to the Australian Synchrotron and forms part of a co-ordinated funding effort that includes the government and university sectors.

Round 4 of SIEF's Research Projects program, currently in the process of selection, has been supplemented by \$4 million of investment proceeds to ensure that sufficient funds are available to appropriately support all meritorious proposals. The Australian Synchrotron Science program and extension of the Research Projects program are examples of the tangible benefits for Australian science that have arisen by virtue of prudent investment of SIEF's capital.

The Fund also continues its support of the CREativity in Science and Technology (CREST) program out of the investment proceeds derived from the original 1926 appropriation of 100,000 pounds.

## LEVERAGED FUNDS

Equally important as prudent financial investment has been my determination to ensure that SIEF funds are used to attract additional funding for science from other sources.

For example, SIEF pledged \$4 million of cash funding for the eReefs project, designed to provide tools for scientists and policy-makers with respect to our unique national resource, the Great Barrier Reef. This pledge was made conditional on the project securing additional support from other sources, and this approach resulted in the project attracting an additional \$3.5 million.<sup>1</sup>

Another SIEF-funded project, investigating stem cells in relation to human blood, has enabled two of the collaborators, CSIRO and the Walter and Eliza Hall Institute, to direct resources to a further project investigating breast tissue stem cells. This is another example of the many ways in which SIEF funding has had a multiplying effect on Australian science.

<sup>1</sup> The eReefs Project is a collaboration between the Great Barrier Reef Foundation, the Bureau of Meteorology, CSIRO, the Australian Institute of Marine Science and the Queensland Government, supported by funding from the Australian Government's Caring for our Country, the Queensland Government, the BHP Billiton Mitsubishi Alliance, and the Science and Industry Endowment Fund.



**Speakers at the CSIRO, AIBL and Alzheimer's Australia public lecture, Professor David Ames, Dr Maria Carrillo and Ms Ita Buttrose, President, Alzheimer's Australia, with Dr Richard Head, Flagship Director, CSIRO Preventative Health Flagship.**

It is gratifying that SIEF-funded projects, such as the Australian Imaging, Biomarkers and Lifestyle (AIBL) study, have used access to the SIEF funding to catalyse additional investment, including \$8 million of industry funds from global healthcare and pharmaceutical companies; and \$4 million in grants from federal, state and international funding agencies.

#### **INVESTING IN AUSTRALIA'S SCIENCE FUTURE**

In addition to addressing a range of national challenges through targeted research projects, SIEF has continued to invest in Australia's science future through a variety of scholarships and fellowships. At Parliament House, Canberra, in August 2011, recipients of those inaugural scholarships and fellowships, and the new SIEF-funded CSIRO Macquarie University Chair in Wireless Communications, Professor Stephen Hanley, were honoured. At that event, Senator the Hon Kim Carr, then Minister for Innovation, Industry, Science and Research, noted the current challenges to the Australian economy afforded by the strong Australian dollar, and highlighted our nation's history of thriving on ideas. The ability to harness this quality and to work with the best and the brightest around the world has been a unifying theme for the history of SIEF since 1926, and today's economic conditions make this enterprise more relevant than ever.

Another means by which SIEF intends to invest in Australia's science future is through its research infrastructure program. The Fund is actively investigating a number of Australian research infrastructure investments to shore up the future of Australian science. In this endeavour, we are honouring the conviction of the Australian parliament at the establishment of the Fund in 1926:

*'Money expended in fostering scientific research, and in the accumulation of scientific information, is well spent'.*

#### **ADVISORY COUNCIL, EXPERT PANEL AND UNDERGRADUATE DEGREE PANEL**

SIEF is guided by an Advisory Council, Expert Panel and Undergraduate Degree Panel of eminent persons, all offering their expertise and judgment to SIEF *pro bono*, see page 168. I thank the members of these bodies for their guidance and support throughout the year, and their embodiment of the finest ideals to which the founders of SIEF aspired.

ADVISORY COUNCIL	EXPERT PANEL	UNDERGRADUATE DEGREE PANEL
Prof Alan Robson (Chair)	Prof Tom Spurling	Prof Margaret Sheil (Chair)
Prof Tom Spurling	Dr Ezio Rizzardo	Prof David Symington
Dr Ezio Rizzardo	Prof Oliver Mayo	Dr Terry Lyons
Prof Margaret Sheil	Emeritus Prof John McKenzie	
Mr Nigel Poole	Prof Elaine Sadler	
	Dr Trevor Powell	

## IN CONCLUSION

It is a source of pride that in 2011–12, SIEF has continued to fulfil the aspirations of its forebears, by demonstrating that funds invested in science is indeed money well spent. Whether the value is judged by the outcomes of the science itself, or the inspiration it provides to others to join with SIEF in investing in science, as Trustee of SIEF I look forward to a continuation of achieving great outcomes for Australian science, and the community it serves, in the year ahead.



**Dr Megan Clark**

Trustee SIEF



## **INDEPENDENT AUDITOR'S REPORT**

### **To the Trustee of the Science and Industry Endowment Fund**

I have audited the accompanying financial statements of the Science and Industry Endowment Fund for the year ended 30 June 2012, which comprise: a Statement by the Trustee and Chief Financial Officer for 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 Statements***

The Trustee of the Science and Industry Endowment Fund is responsible for the preparation of the financial statements that give 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 statements 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of the financial statements that give 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 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 statements.

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

***Independence***

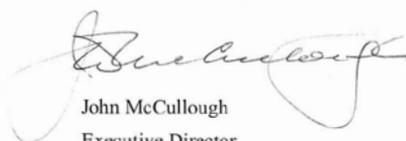
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

***Opinion***

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

- (a) have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations); and
- (b) give a true and fair view of the Science and Industry Endowment Fund's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



John McCullough  
Executive Director  
Delegate of the Auditor-General

Canberra  
20 August 2012

**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 2012 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 2012 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

20 August 2012



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

20 August 2012

**SCIENCE AND INDUSTRY ENDOWMENT FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the period ended 30 June 2012

	Notes	2012 \$	2011 \$
<b>EXPENSES</b>			
Scientific research grants	8	15,083,556	8,998,517
Gift fund services fees		496,050	687,405
Consulting fees		-	64,266
Audit fees		7,000	7,000
Professional fees		4,415	-
In-kind advertising and approval fees	4	4,961	4,739
Other fees		7,843	64
<b>Total expenses</b>		<b>15,603,825</b>	<b>9,761,991</b>
<b>LESS:</b>			
<b>REVENUE</b>			
Gift income		-	100,000
Interest		8,694,011	6,444,319
In-kind contributions received	4	4,961	4,739
<b>Total revenue</b>		<b>8,698,972</b>	<b>6,549,058</b>
<b>Net deficit</b>		<b>(6,904,853)</b>	<b>(3,212,933)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss</b>		<b>(6,904,853)</b>	<b>(3,212,933)</b>

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

**SCIENCE AND INDUSTRY ENDOWMENT FUND**  
**BALANCE SHEET**  
As at 30 June 2012

	Notes	2012 \$	2011 \$
<b>ASSETS</b>			
Cash	5	140,705,328	146,984,990
Interest receivable	6	1,577,577	782,734
GST receivable		331,916	373,849
Prepayments		2,466	-
<b>TOTAL ASSETS</b>		<b>142,617,287</b>	<b>148,141,573</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Creditors		1,702,212	502,815
Accrued expenses	7	393,532	212,362
<b>Total payables</b>		<b>2,095,744</b>	<b>715,177</b>
<b>TOTAL LIABILITIES</b>		<b>2,095,744</b>	<b>715,177</b>
<b>NET ASSETS</b>		<b>140,521,543</b>	<b>147,426,396</b>
<b>EQUITY</b>			
Contributed equity		200,000	200,000
Retained surplus		140,321,543	147,226,396
<b>TOTAL EQUITY</b>		<b>140,521,543</b>	<b>147,426,396</b>

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 2012

	Retained Surplus		Contributed Equity		Total Equity	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
Balance as at 1 July	147,226,396	150,439,329	200,000	200,000	147,426,396	150,639,329
Net deficit	(6,904,853)	(3,212,933)	-	-	(6,904,853)	(3,212,933)
Closing balance at 30 June	140,321,543	147,226,396	200,000	200,000	140,521,543	147,426,396

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 2012

	Notes	2012 \$	2011 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Gift receipts from CSIRO		-	50,100,000
Interest received		7,899,168	7,515,587
Net GST received		1,580,824	887,289
<b>Total cash received</b>		<b>9,479,992</b>	<b>58,502,876</b>
<b>Cash used</b>			
Payments to grantees		15,120,858	8,830,800
Other payments		638,569	1,256,504
Bank fees paid		227	64
<b>Total cash used</b>		<b>15,759,654</b>	<b>10,087,368</b>
<b>Net cash provided/(used) by operating activities</b>	9	<b>(6,279,662)</b>	<b>48,415,508</b>
Net increase/(decrease) in cash held		(6,279,662)	48,415,508
Cash at the beginning of the reporting period		146,984,990	98,569,482
<b>Cash at the end of the reporting period</b>		<b>140,705,328</b>	<b>146,984,990</b>

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 2012**

**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 Statement of Cash Flows, 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 10.

**1.6 Taxation**

The Fund is exempted from Income Tax.

**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.

**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.

One hundred million dollars was received in financial year 2009–10. The final instalment of \$50 million was received in financial year 2010–11.

### Note 3 Contingencies and Commitments

No contingent liabilities exist as at 30 June 2012.

#### Schedule of Commitments

##### BY TYPE

	2012	2011
	\$	\$
Grants payable	35,936,867	17,702,895
<b>Total grants payable</b>	<b>35,936,867</b>	<b>17,702,895</b>

##### BY MATURITY

One year or less	11,821,391	9,218,147
From one to five years	24,115,476	8,184,868
More than five years	-	299,880
<b>Total grants payable</b>	<b>35,936,867</b>	<b>17,702,895</b>

Note: Commitments are GST exclusive.

### Note 4 Estimated value of resources provided free of charge by CSIRO are as follows:

– advertising and approval fees	4,961	4,739
<b>Total</b>	<b>4,961</b>	<b>4,739</b>

### Note 5 Cash

Cash at bank	35,997	381,349
Deposits – at call	140,669,331	146,603,641
<b>Total</b>	<b>140,705,328</b>	<b>146,984,990</b>

### Note 6 Receivables

Interest receivable	1,577,577	782,734
	<b>1,577,577</b>	<b>782,734</b>
Gross receivables are aged as follows:		
Not overdue	1,577,577	782,734

<b>Note 7 Accrued expenses</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Macquarie University joint chair in Wireless Communication	246,480	-
Service fee under Services Agreement with CSIRO	108,911	174,347
CREST Program awards	31,141	31,015
Audit fee	7,000	7,000
<b>Total</b>	<b>393,532</b>	<b>212,362</b>
<b>Note 8 Scientific research grants</b>		
CREST Program awards	31,141	31,015
Scholarships	1,399,000	385,000
Macquarie University joint chair in Wireless Communication	246,480	365,104
Research Project Grants	13,406,935	8,217,398
<b>Total</b>	<b>15,083,556</b>	<b>8,998,517</b>
<b>Note 9 Cash Flow Reconciliation</b>		
Reconciliation of operating surplus to net cash from/(used by) operating activities:		
<b>Operating surplus/(deficit)</b>	(6,904,853)	(3,212,933)
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in receivables	(752,910)	50,995,819
(Increase)/decrease in prepayments	(2,466)	482,398
Increase/(decrease) in payables	1,380,567	150,224
<b>Net cash from/(used by) operating activities</b>	<b>(6,279,662)</b>	<b>48,415,508</b>

**Note 10 Financial Instruments****10A: Categories of Financial Instruments****Financial Assets**

	2012	2011
	\$	\$
Cash	140,705,328	146,984,990
Interest Receivable	1,577,577	782,734
<b>Total financial assets</b>	<b>142,282,905</b>	<b>147,767,724</b>

**Financial liabilities**

Supplier Payables	2,095,744	715,177
<b>Total financial liabilities</b>	<b>2,095,744</b>	<b>715,177</b>

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

**10B: 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 the 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 2012 (2011: nil).

**10C: 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.

**10D: Market risk**

SIEF holds basic financial instruments that do not expose SIEF to any market, currency or other price risk.

**10E: 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 2011–12 the average return on cash and short term deposits was 5.88% (2011: 5.96%).