

Appendix 7: Science and Industry Endowment Fund Annual Report 2009–10

Originally established by an Act of Parliament in 1926 with an appropriation of 100,000 pounds, the Science and Industry Endowment Fund (SIEF) has, since its inception, been providing funds to assist:

- persons engaged in scientific research
- the training of students in scientific research.

On 20 October 2009, CSIRO announced its intention to make a substantial gift of up to \$150 million to SIEF for the purposes of scientific research. This donation will be used to assist Australian industry, further the interests of the Australian community and contribute to the achievement of Australian national objectives. This gift has given SIEF a renewed relevance to the scientific landscape in Australia, increasing the scale and scope of promoting scientific endeavours.

Following the gift of CSIRO funds, which to date includes two tranches of \$50 million each, SIEF has been transformed into Australia's first philanthropic endowment fund in the field of general science.

For convenience, the Fund's Annual Report, including financial statements, is annexed to the CSIRO Annual Report and, for financial year 2009–10, the Fund's accounts are also consolidated with those of CSIRO under the relevant Australian Accounting Standard. The Fund remains a separately constituted trust for statutory purposes under the *Science and Industry Endowment Act 1926* (Act) with its own role and character distinct from CSIRO. As Trustee of the Fund, I am determined to ensure that Australia gets maximum benefit from the additional scientific research that has been made possible by the licensing of one of our most successful inventions.

The renewed SIEF was officially launched by Senator the Honourable Kim Carr who acknowledged the CSIRO scientists and management involved in the success of the wireless local area network (WLAN) technology, a success that made the substantial

donation possible. The proceeds of the WLAN technology will be used to fund nationally important research which could not be funded in the normal course of CSIRO's business.

Senator Carr highlighted some of the distinguishing attributes of the trust fund, identifying it as the 'start of something significant and long-term' that would target resources at 'the really big questions' through funding 'special projects' and thereby 'extend our capacity to solve problems and improve lives'.

The first gift of funds was made on 15 October 2009 and marked by a signing ceremony conducted by Dr Megan Clark (Chief Executive, CSIRO), in her capacity as Trustee of SIEF, and Dr John Stocker (Chairman, CSIRO).

The second gift of funds was made on 6 January 2010. The third gift is anticipated to be made in the 2010–11 financial year.

Management and Governance of SIEF

Dr Megan Clark's role as Trustee of the SIEF arises under the *Science and Industry Endowment Fund Act 1926* that establishes SIEF. The Act mandates that the Trustee will be the Chief Executive of CSIRO from time to time. The Trustee is assisted in her role by the SIEF Advisory Council, which currently consists of:

- Professor Alan Robson (Chair), Vice-Chancellor, University of Western Australia
- Professor Margaret Shiel, CEO, Australian Research Council
- Professor Tom Spurling, Research Professor, Swinburne University
- Dr Ezio Rizzardo, Research Scientist and CSIRO Fellow
- Mr Nigel Poole, Executive Director Commercial, CSIRO.

The Advisory Council is supported in its functions by the Secretary, Ms Katrina O'Leary.

The Advisory Council's role is to provide independent advice and recommendations to the Trustee in relation to the making of grants and funding of proposals out of the assets of the SIEF.

As contemplated at the time of the initial gift of funds, CSIRO has entered into a Services Agreement with SIEF, to provide SIEF with the necessary support it will require in order to properly manage the funds, including administering the applications process, financial management, oversight of projects, publicity and contracts. This Services Agreement was entered on the 15 October 2009 and marked with a signing ceremony between Dr Megan Clark (as Trustee of SIEF) and Mr Mike Whelan, CSIRO Deputy Chief Executive.

Application of Funds

CSIRO has attached a number of conditions to the gift of funds which establishes how the Trustee determines how to apply funds from the SIEF assets.

In particular, CSIRO specified \$10 million to be applied to expand research to the CSIRO Information and Communication Technologies (ICT) Centre Wireless Laboratory (in recognition of the source of the gifted funds), \$2 million to endow a Professorial Chair at Macquarie University in wireless communications, and \$7.5 million to establish scholarships and fellowships with a focus on ICT, Mathematics and Engineering to be known as the John Stocker Postdoctoral Fellowships and Scholarships.

Implementation of these programs is underway and it is anticipated that funding for these purposes will be applied during the 2010–11 financial year.

Additional projects will be selected for funding by the Trustee on the recommendation of the Advisory Committee throughout 2010–11 in accordance with the broad strategic objectives of the SIEF, as well as specifically identified Special Purpose Areas.



Signing of the Deed of Gift between CSIRO and SIEF on 15 October 2009. Seated: Signatories Dr John Stocker (Chairman, CSIRO) and Dr Megan Clark (Chief Executive, CSIRO and Trustee of SIEF). Left to right: Mr Mike Whelan, Professor Ian Chubb, Professor Tom Spurling, Ms Katrina O'Leary, the Honourable John Kerin, Mr Terry Healy, Dr Terry Cutler, Ms Mary Boydell, Dr Eileen Doyle, Mr Douglas Rathbone, Mr Nigel Poole and Dr Alastair Robertson. Credit: Simon Bayliss



Signing of the Services Agreement between the SIEF Trustee, Dr Megan Clark (at right) and CSIRO, represented by Mr Mike Whelan. Credit Simon Bayliss

Building SIEF into the Future

The launch of the renewed SIEF not only marks a major milestone in the history of Australian scientific endeavour, but heralds a new era in Australia's approach to the funding of science.

Inspired by the best tradition of philanthropic action, such as that of the United States of America, in the words of Senator Carr, 'the time has come for us to build our own tradition of private support for research that serves the public good'.

The renewed SIEF represents the crucial first step in establishing Australia's own culture of philanthropy, and the SIEF's vision for the future has been precisely articulated by the Minister for Innovation, Industry, Science and Research as follows:

'We want the Science and Industry Endowment Fund to become a great national resource, augmented by donations from industry and other benefactors who share our passion for science and our faith in its ability to make the world a better place.'



The SIEF Advisory Council, left to right: Professor Tom Spurling, Dr Ezio Rizzardo, Professor Alan Robson, Professor Margaret Shiel, Mr Nigel Poole and Ms Katrina O'Leary (Secretary). Credit: Simon Bayliss



INDEPENDENT AUDITOR'S REPORT

To the Trustee of Science and Industry Endowment Fund

I have audited the accompanying financial report of the Science and Industry Endowment Fund which comprises the Statement by Trustee, Statement of Comprehensive Income for the year ended 30 June 2010, the Balance Sheet as at 30 June 2010, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, and Notes to and forming part of the Financial Statements including a Summary of Significant Accounting Policies.

The Trustee's Responsibility for the Financial Report

The Trustee of the Science and Industry Endowment Fund is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I 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 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 entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of

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accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

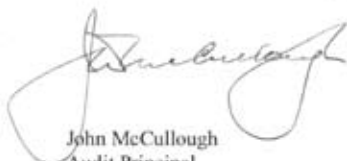
In conducting my audit, I have complied with the independence requirements of the Australian National Audit Office, which incorporates the requirements of the Australian Accounting Profession.

Auditor's Opinion

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

- (i) have been prepared in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (ii) give a true and fair view of the matters required by Australian Accounting Standards (which include the Australian Accounting Interpretations) including the Science and Industry Endowment Fund's financial position as at 30 June 2010 and of its financial performance for the year ended on that date.

Australian National Audit Office



John McCullough
Audit Principal
Delegate of the Auditor-General

Canberra
27 August 2010

**SCIENCE AND INDUSTRY ENDOWMENT FUND
STATEMENT BY TRUSTEE**

In our opinion, the attached financial statements for the year ended 30 June 2010 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 2010 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

25 August 2010



David Toll
Acting Chief Financial Officer of CSIRO
as service provider to the Science and Industry
Endowment Fund

18 August 2010

SCIENCE AND INDUSTRY ENDOWMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

	Notes	2010 \$	2009 \$
EXPENSES			
Scientific research grants	8	2 533 025	18 817
Gift fund establishment fees		203 489	-
Gift fund services fees		354 464	-
Audit fees		7 000	-
Bank fees		31	29
In-kind expenses:			
– advertising and approval fees	4	4 419	4 340
– accounting, secretarial and audit	4	-	6 420
Total expenses		3 102 428	29 606
LESS:			
REVENUE			
Gift income		150 000 000	-
Interest		3 198 744	33 742
In-kind contributions received	4	4 419	10 760
Total revenue		153 203 163	44 502
Net surplus		150 100 735	14 896
Other comprehensive income		-	-
Total comprehensive income		150 100 735	14 896

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

SCIENCE AND INDUSTRY ENDOWMENT FUND
BALANCE SHEET
As at 30 June 2010

	Notes	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash	5	98 569 482	527 313
Sundry debtors		50 000 000	-
Interest receivable	6	1 854 002	11 281
GST receivable		298 400	-
Prepayments	8	482 398	-
Total current assets		151 204 282	538 594
TOTAL ASSETS		151 204 282	538 594
LIABILITIES			
Current Liabilities			
Accrued expenses	7	564 953	-
Total current liabilities		564 953	-
TOTAL LIABILITIES		564 953	-
NET ASSETS		150 639 329	538 594
EQUITY			
Contributed equity		200 000	200 000
Accumulated surpluses		150 439 329	338 594
TOTAL EQUITY		150 639 329	538 594

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

SCIENCE AND INDUSTRY ENDOWMENT FUND
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2010

	Accumulated Surpluses		Contributed Equity		Total Equity	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Balance as at 1 July	338 594	323 698	200 000	200 000	538 594	523 698
Net surplus	150 100 735	14 896	-	-	150 100 735	14 896
Closing balance at 30 June	150 439 329	338 594	200 000	200 000	150 639 329	538 594

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

SCIENCE AND INDUSTRY ENDOWMENT FUND
CASH FLOW STATEMENT
For the year ended 30 June 2010

	Notes	2010 \$	2009 \$
OPERATING ACTIVITIES			
Cash received			
Gift receipts from CSIRO		100 000 000	-
Interest received		1 356 023	40 108
Total cash received		101 356 023	40 108
Cash used			
Payments to grantees		3 015 423	18 817
GST paid		298 400	-
Bank fees paid		31	29
Total cash used		3 313 854	18 846
Net cash provided by operating activities	9	98 042 169	21 262
Net increase in cash held		98 042 169	21 262
Cash at the beginning of the reporting period		527 313	506 051
Cash at the end of the reporting period		98 569 482	527 313

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 year ended 30 June 2010

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.

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 on a proportional basis taking into account the interest rates applicable to the financial assets.

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.

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.

As at 30 June 2010, \$100 million had been received. The third and final instalment of \$50 million will be received in financial year 2010/11.

Note 3 Contingencies and Commitments

No contingent liabilities exist as at 30 June 2010.

Schedule of Commitments

BY TYPE

	2010 \$	2009 \$
Grants payable	13 717 600	-
Total grants payable	13 717 600	-

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

– accounting and secretarial services	-	3 420
– advertising and approval fees	4 419	4 340
– financial statement audit services provided free of charge by the Auditor-General	-	3 000
Total	4 419	10 760

Note 5 Cash (current)

Cash at bank	5 329 911	27 313
Deposits – at call	93 239 571	500 000
Total	98 569 482	527 313

Note 6 Receivables (current)

Interest receivable	1 854 002	11 281
	1 854 002	11 281
Gross receivables are aged as follows:		
Not overdue	1 854 002	11 281

Note 7 Accrued expenses	2010	2009
	\$	\$
Establishment costs	203 489	-
Service fee under Services Agreement with CSIRO	354 464	-
Audit fee	7 000	-
Total	564 953	-
Note 8 Scientific research grants		
CREST Program awards	31 423	18 817
CSIRO ICT Centre grants	2 984 000	-
Less: <i>prepaid research grants</i>	(482 398)	-
Total	2 533 025	18 817
Note 9 Cash Flow Reconciliation		
Reconciliation of operating surplus to net cash from/(used by) operating activities:		
Operating surplus/(deficit)	150 100 735	14 896
Changes in assets and liabilities		
(Increase)/decrease in receivables	(52 141 121)	6 366
(Increase)/decrease in prepayments	(482 398)	
Increase/(decrease) in payables	564 953	-
Net cash from/(used by) operating activities	98 042 169	21 262

Note 10 Financial Instruments

10A: Categories of Financial Instruments

	2010	2009
	\$	\$
Financial Assets		
Cash	98 569 482	527 313
Sundry Debtors	50 000 000	-
Interest Receivable	1 854 002	11 281
Total financial assets	150 423 484	538 594
Financial liabilities		
Supplier Payables	564 953	-
Total financial liabilities	564 953	-

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 2010 (2009: 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 2009/10 the average return on cash and short term deposits was 5.54% (2009: 6.64%).