



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

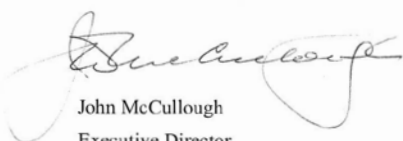
In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

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 \$ |
|---------------------------------------|-------|--------------------|--------------------|
| EXPENSES | | | |
| 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 |
| Total expenses | | 15,603,825 | 9,761,991 |
| LESS: | | | |
| REVENUE | | | |
| Gift income | | - | 100,000 |
| Interest | | 8,694,011 | 6,444,319 |
| In-kind contributions received | 4 | 4,961 | 4,739 |
| Total revenue | | 8,698,972 | 6,549,058 |
| Net deficit | | (6,904,853) | (3,212,933) |
| Other comprehensive income | | - | - |
| Total comprehensive loss | | (6,904,853) | (3,212,933) |

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 \$ |
|--------------------------|-------|--------------------|--------------------|
| ASSETS | | | |
| 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 | - |
| TOTAL ASSETS | | 142,617,287 | 148,141,573 |
| LIABILITIES | | | |
| Payables | | | |
| Creditors | | 1,702,212 | 502,815 |
| Accrued expenses | 7 | 393,532 | 212,362 |
| Total payables | | 2,095,744 | 715,177 |
| TOTAL LIABILITIES | | 2,095,744 | 715,177 |
| NET ASSETS | | 140,521,543 | 147,426,396 |
| EQUITY | | | |
| Contributed equity | | 200,000 | 200,000 |
| Retained surplus | | 140,321,543 | 147,226,396 |
| TOTAL EQUITY | | 140,521,543 | 147,426,396 |

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

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 |
| Total grants payable | 35,936,867 | 17,702,895 |

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 |
| Total grants payable | 35,936,867 | 17,702,895 |

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 |
| Total | 4,961 | 4,739 |

Note 5 Cash

| | | |
|--------------------|--------------------|--------------------|
| Cash at bank | 35,997 | 381,349 |
| Deposits – at call | 140,669,331 | 146,603,641 |
| Total | 140,705,328 | 146,984,990 |

Note 6 Receivables

| | | |
|--|------------------|----------------|
| Interest receivable | 1,577,577 | 782,734 |
| | 1,577,577 | 782,734 |
| Gross receivables are aged as follows: | | |
| Not overdue | 1,577,577 | 782,734 |

| Note 7 Accrued expenses | 2012 | 2011 |
|--|--------------------|-------------------|
| | \$ | \$ |
| 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 |
| Total | 393,532 | 212,362 |
| Note 8 Scientific research grants | | |
| 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 |
| Total | 15,083,556 | 8,998,517 |
| Note 9 Cash Flow Reconciliation | | |
| Reconciliation of operating surplus to net cash from/(used by) operating activities: | | |
| Operating surplus/(deficit) | (6,904,853) | (3,212,933) |
| Changes in assets and liabilities | | |
| (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 |
| Net cash from/(used by) operating activities | (6,279,662) | 48,415,508 |

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 |
| Total financial assets | 142,282,905 | 147,767,724 |

Financial liabilities

| | | |
|------------------------------------|------------------|----------------|
| Supplier Payables | 2,095,744 | 715,177 |
| Total financial liabilities | 2,095,744 | 715,177 |

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%).