

THE UNIVERSITY OF NEWCASTLE

CONTROLLED ENTITIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013



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THE UNIVERSITY OF NEWCASTLE

NEWCASTLE INNOVATION

ABN 97 000 710 074

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

NEWCASTLE INNOVATION

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Your Directors submit the Financial Report of the Company for the year ended 31 December 2013 and the auditor's report thereon.

The Company is a public company limited by guarantee incorporated in NSW, Australia. The registered office and principal place of business is the Industry Development Centre, University Drive, Callaghan NSW 2308.

Directors

The names of the Directors in office at any time during and since the end of the financial year:

Geoffrey James Leonard (Chair) - ceased 31 January 2013

Glenn Thurston Turner (Acting Chair) - appointed 1 February 2013

John Coyle

John James O'Brien

Lisa Maree Sutton Gardner

Professor Michael Brian Calford - ceased 30 June 2013

Professor Nicholas J Talley - appointed 1 July 2013

Objectives and strategies

The objective of the Company is to create value from knowledge transfer from the University of Newcastle to industry and government partners. The main strategies involve building internal resources to access intellectual property and research capabilities at the University and connecting these opportunities to target markets both in Australia and internationally.

Principal activities

The principal activities of the Company during the financial year were the undertaking of research and consulting projects and the commercialisation of intellectual property (IP). No significant changes in the nature of these activities occurred during the year.

Performance measures and key performance indicators

Performance is measured in relation to financial performance against budget for key business lines, but also against measures such as the number of new IP disclosures and research projects operated, as well as occupational health and safety standards.

Dividends

As a Company limited by guarantee no dividend payment is permitted.

Review of operations

Operations of the Company during the financial year were consistent with those of prior years. The Company incurred a deficit of \$152,315 for the year (2012: surplus \$22,161). The principal factor contributing to the result for the year was a reduction in investment revenue of \$189,018 as a result of lower interest rates in 2013.

Likely developments and expected results of operations

The Company will continue to pursue continuing viability of its major divisions and projects in the next financial year and expects to achieve a surplus in 2014.

Further information is not included on the likely developments of the operations of the Company and the expected results of those operations because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Contributions on winding up

In the event of the Company being wound up, members are required to contribute a maximum of \$20 each. The total amount that members of the company are liable to contribute if the company is wound up is \$100 based on 5 current members.

NEWCASTLE INNOVATION

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Matters subsequent to the end of the financial year

No matters to report that arose subsequent to the end of the financial year.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company.

Information on directors

The particulars of the qualifications, experience and special responsibilities of each Director are as follows:

Geoffrey James Leonard AM – ceased 31 January 2013

B.Com. (NCLE, NSW) Hon.D.Bus (NCLE, NSW) F.C.A., F.C.P.A. Chartered Accountant. Graduate University of Newcastle in Commerce 1968. Director, Council University of Newcastle, 2006-2012. Member, Audit and Risk Management Committee, University of Newcastle 2006-2012. Chair, Faculty of Business and Law Advisory Board 2006-2012. Chairman, Newcastle Innovation 2006-2012. Chairman, The Salvation Army Newcastle Advisory Board 2001-2012. Chairman, Special Names Salvation Army Red Shield Appeal. The University of Newcastle Foundation Ltd Advisory Board 2004-2012. Chair, The University of Newcastle Endowment & Bequest Committee, 2005 – 2006. Awarded Hon. Doctor of Business, The University of Newcastle, 2002. Awarded the University of Newcastle Newton-John Award 1999. Awarded Member of Order of Australia (AM) 2009.

Formerly Managing Director and Deputy Chairman of Hospitals of Australia Limited 1986-1991. Board Member and Deputy Chairman of Private Hospitals Association of NSW 1989 - 1991. Board Member Australian Private Hospitals Association 1989-1991. Director of Healthscope Limited 1994-2000. Director The University of Newcastle Sport and Aquatic Centre Limited 1997-2001. Chairman, Hunter Medical Research Institute 1998-2003. Board Member, Hunter Medical Research Institute 1998-2010. Chairman, The University of Newcastle Graduate School of Business Advisory Board 2002-2005. Newcastle Innovation Director since 1992, Deputy Chairman since 1994-2005, Chairman 2006 - 2013.

Glenn Thurston Turner (Acting Chair)

B Comm, FCPA, Director, Hunter Medical Research Institute. Newcastle Innovation Director since May, 1995, Deputy Chairman since 2006.

John Coyle

B Com (Ecs) (Uni of NSW), G.A.I.C.D., HunterNet Co-operative Limited - Chief Executive Officer, Varley Group Ltd - Director, HunterNet Co-operative Ltd - Past Chairman, HunterNet Group Training Company - Director, Australian Industry Group NSW - Section Councillor, Australian Industry Group, Hunter Manufacturing Council - Member and Past Chairman, Hunter Export Centre - Past Vice Chairman. TAFE NSW – Hunter Institute Advisory Council - Deputy Chairman, Hunter Community Foundation - Director. The Salvation Army 2008 Red Shield Appeal Central Committee - Member, Hunter Manufacturing Association - Director, NSW Co-operatives Federation - Director, Member of the Institute of Company Directors, Newcastle Innovation Director since October 2005.

John James O'Brien

B.V.Sc (Sydney). Managing Director of Jurox Pty Ltd. Past Chairman of the listed fashion group, Palmer Corporation (1994-2000). Past Chair of the Hunter Area Consultative Committee, Past Director of the National Basketball League representing Singapore, Director of Basketball Enterprises, Singapore and Director of the Hunter Founders Forum. Newcastle Innovation Director since August 2007.

Lisa Maree Sutton Gardner

Business owner and Managing Director Enigma Group (1992-current). Young Business Person of the Year (2003) Hunter Business Chamber. Newcastle Innovation Director since August 2007.

NEWCASTLE INNOVATION

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Professor Michael Brian Calford – ceased 30 June 2013

Deputy Vice-Chancellor (Research) (2009 – 30 June 2013), Pro Vice-Chancellor of the Faculty of Health, University of Newcastle (2006-2009), The University of Newcastle. Professor of Human Physiology. Has held research academic appointments at The University of Melbourne, City University of New York, Oxford, The University of Queensland, The University of California at Irvine, and The Australian National University. Newcastle Innovation Director since March 2009 - 2013.

Professor Nicholas J Talley

Acting Deputy Vice-Chancellor Research (2013 – current), Pro Vice-Chancellor and Professor of the Faculty of Health and Medicine, University of Newcastle (2010 – current). President-Elect, Royal Australasian College of Physicians (2012–May 2014), President May 2014 to May 2016. Holds Adjunct Professorial appointments at Mayo Clinic, University of North Carolina and the Karolinska Institute. Formerly Professor of Medicine and Professor of Epidemiology at the Mayo Clinic College of Medicine, Rochester, Minnesota and Jacksonville, Florida. Was formerly the Chair of the Department of Internal Medicine at Mayo Clinic Florida. Hunter Medical Research Institute Board member (2010–present). Newcastle Innovation Director since July 2013.

Meetings of Directors

The number of Directors' meetings held during the year and the number of meetings attended by each director while holding office in the Company during the year were:

Board Meetings

	Number of Meetings Attended	Number of Meetings Held
GJ Leonard	0	0
GT Turner	5	5
J Coyle	4	5
MB Calford	2	2
JJ O'Brien	5	5
LM Sutton Gardner	4	5
NJ Talley	0	3

Insurance of Officers

During the year the Company paid a premium for the Directors and Officers Liability insurance policy. This insurance policy provides cover for the Directors named in this report, the Company Secretary, Officers and former Directors and Officers of the Company. The contract prohibits the disclosure of the nature of the liability and the amount of the premium.

Declaration of Audit Independence

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is attached as part of this Directors Report.

Signed in accordance with a resolution of the Board of Directors, made pursuant to s298(2) of the *Corporations Act 2001*.



Glenn Turner
Director



John Coyle
Director

Dated 31 March 2014

NEWCASTLE INNOVATION**INCOME STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2013

	<u>2013</u>	<u>2012</u>
<i>Note</i>	<u>\$</u>	<u>\$</u>
Revenue from continuing operations		
Consultancies and contracts	2 14,427,662	15,223,679
Investment revenue	3 555,775	744,793
Total revenue from continuing operations	<u>14,983,437</u>	<u>15,968,472</u>
Other income		
Gain on disposal of assets	<u>9,878</u>	116,430
Total income from continuing operations	<u>14,993,315</u>	<u>16,084,902</u>
Expenses		
Employee related expenses	4 9,119,059	9,821,465
Depreciation and amortisation	5 264,459	543,592
Repairs and maintenance	48,188	35,551
Impairment of assets	6 58,503	101,874
Net loss on disposal of plant and equipment	-	961
Other expenses	7 5,655,421	5,559,298
Total expenses from continuing operations	<u>15,145,630</u>	<u>16,062,741</u>
Operating result for the year	<u>(152,315)</u>	<u>22,161</u>
Operating result attributable to members of Newcastle Innovation Ltd	<u>(152,315)</u>	<u>22,161</u>

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

NEWCASTLE INNOVATION

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	\$	\$
Operating result for the year	(152,315)	22,161
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of available-for-sale financial assets, net of tax	(13,140)	40,092
Total	(13,140)	40,092
<i>Items that will not be reclassified to profit or loss</i>		
Gain on revaluation of property, plant and equipment, net of tax	-	-
Total other comprehensive income for the year, net of tax	(13,140)	40,092
Total comprehensive income for the year	(165,455)	62,253
Total comprehensive income attributable to:		
Members of Newcastle Innovation Ltd	(165,455)	62,253

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

NEWCASTLE INNOVATION

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
<i>Note</i>	<u>\$</u>	<u>\$</u>
ASSETS		
Current assets		
Cash and cash equivalents	8 515,120	683,013
Trade and other receivables	9 3,230,050	2,871,804
Other financial assets	10 12,200,000	11,900,000
Total current assets	<u>15,945,170</u>	<u>15,454,817</u>
Non-current assets		
Other financial assets	10 443,270	542,209
Plant and equipment	11 492,922	391,840
Intangible assets	12 370,240	197,084
Total non-current assets	<u>1,306,432</u>	<u>1,131,133</u>
Total assets	<u>17,251,602</u>	<u>16,585,950</u>
LIABILITIES		
Current liabilities		
Trade and other payables	13 6,601,306	6,745,604
Provisions	14 1,709,761	1,550,753
Other liabilities	15 3,821,001	2,864,604
Total current liabilities	<u>12,132,068</u>	<u>11,160,961</u>
Non-current liabilities		
Provisions	14 377,000	517,000
Total non-current liabilities	<u>377,000</u>	<u>517,000</u>
Total liabilities	<u>12,509,068</u>	<u>11,677,961</u>
Net assets	<u>4,742,534</u>	<u>4,907,989</u>
EQUITY		
Reserves	16 132,350	145,490
Retained earnings	16 4,610,184	4,762,499
	<u>4,742,534</u>	<u>4,907,989</u>
Total equity	<u>4,742,534</u>	<u>4,907,989</u>

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

NEWCASTLE INNOVATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

	Reserves \$	Retained Earnings \$	Total \$
Balance at 1 January 2012	105,398	4,740,338	4,845,736
Operating result for the year	-	22,161	22,161
Other comprehensive income	40,092	-	40,092
Balance at 31 December 2012	145,490	4,762,499	4,907,989
Balance at 1 January 2013	145,490	4,762,499	4,907,989
Operating result for the year	-	(152,315)	(152,315)
Other comprehensive income	(13,140)	-	(13,140)
Balance at 31 December 2013	132,350	4,610,184	4,742,534

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

NEWCASTLE INNOVATION**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
<i>Note</i>	\$	\$
Cash flows from operating activities		
Receipts from customers	15,890,701	10,490,745
Payments to suppliers and employees	(15,782,546)	(11,206,777)
Interest received	555,775	744,793
Net cash provided by (used in) operating activities	663,930	28,761
	21	
Cash flows from investing activities		
Proceeds from sale of plant and equipment	91,440	21,818
Proceeds from sale of available-for-sale financial assets	-	115,219
Proceeds from redemption of held to maturity investments	10,900,000	13,000,000
Payments for purchase of plant and equipment	(365,740)	(168,434)
Payments for purchase of available-for-sale financial assets	(3,005)	(50,000)
Payments for purchase of held to maturity investments	(11,200,000)	(12,700,000)
Payments for purchase of intellectual property	(254,518)	(195,556)
Net cash provided by (used in) investing activities	(831,823)	23,047
Net increase (decrease) in cash and cash equivalents held	(167,893)	51,808
Cash and cash equivalents at beginning of year	683,013	631,205
Cash and cash equivalents at end of financial year	515,120	683,013
	8	

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

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Newcastle Innovation Ltd (the Company) is a registered company limited by guarantee and is a controlled entity of the University of Newcastle. The Company is a not-for-profit entity (as profit is not its principal object) and it has no cash generating units. The Company was established and has its domicile in Australia. The principal place of business is:

The University of Newcastle
Industry Development Centre
Callaghan NSW 2308
Australia

The principal activities of the Company are to undertake research and consulting projects.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The annual financial statements represent the audited general purpose financial statements of Newcastle Innovation Ltd. They have been prepared on an accrual basis in accordance with Australian Accounting Standards.

Additionally the statements have been prepared in accordance with the following statutory requirements:

- *Corporations Act 2001*
- *Higher Education Support Act 2003 (Financial Statement Guidelines)*
- *Public Finance and Audit Act 1983 (NSW), the requirements of the Department of Education and other State/Australian Government legislative requirements.*

Newcastle Innovation Ltd is a not-for-profit entity and these statements have been prepared on that basis. Some of the requirements for not-for-profit entities are inconsistent with the IFRS requirements.

Date of authorisation for issue

The financial statements were authorised for issue by the members of Newcastle Innovation Ltd on 31 March 2014.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Newcastle Innovation Ltd makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

- Impairment of investments and other financial assets – the Company assesses at each reporting date whether there is effective evidence that a financial asset or group of financial assets is impaired as outlined in note 1 (g).

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

- Employee benefits – long service leave – the liability for long service leave is measured at the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date as outlined in note 1 (m)(ii).
- Useful lives of plant and equipment – depreciation of plant and equipment is calculated over the assets estimated useful life as outlined in note 1 (i).
- Useful lives of intangible assets – amortisation of intangible assets is calculated over the assets estimated useful lives as outlined in note 1 (j).
- Financial assets – management makes judgements in determining whether assets are classified as available-for-sale, held to maturity or other.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Consultancy and research contracts

Revenue from consultancy and research contracts is recognised in the period in which the consultancy or research is provided, except to the extent that revenue relates to consultancy or research to be undertaken in future periods. Such revenue is treated as income in advance in liabilities. Revenue derived from certain consulting activities in which the Company does not take significant risk in the outcomes will not be included as principal revenue of the Company.

(ii) Interest

Interest income is recognised as it accrues.

(c) Income tax

The Company is exempt from income tax under subdivision 50-B of the Income Tax Assessment Act 1997.

(d) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the provision is recognised in the income statement. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against impairment of assets in the income statement.

(g) Investments and other financial assets

Classification

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investments and other financial assets (continued)

(ii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally of marketable equity securities, are non-derivatives that are either designated in this category or are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Initial recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, being the date on which the Company commits to purchase or sell the asset. Investments and other financial assets are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement within other income or other expenses in the period in which they arise.

Changes in the fair value of monetary security denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and on monetary securities classified as available-for-sale are recognised in equity.

Fair value

The fair values of investments and other financial assets are based on quoted prices in an active market. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques, that maximise the use of relevant data. These include reference to the estimated price in an orderly transaction that would take place between market participants at the measurement date. Other valuation techniques used are the cost approach and the income approach based on the characteristics of the asset and the assumptions made by market participants.

Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(h) Fair value measurement

The fair value of financial assets and financial liabilities must be measured for recognition and measurement or for disclosure purposes. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value of assets or liabilities traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices for identical assets or liabilities at the balance sheet date (Level 1). The quoted market price used for assets held by the Company is the most representative of fair value in the circumstances within the bid-ask spread.

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Fair value measurement (continued)

The fair value of assets or liabilities that are not traded in an active market (for example, over-the-counter-derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments (Level 2) are used for long-term debt instruments held. Other techniques that are not based on observable market data (Level 3) such as estimated discounted cash flows, are used to determine fair value for the remaining assets or liabilities. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The level in the fair value hierarchy shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Fair value measurement of non-financial assets is based on the highest and best use of the asset. The Company considers market participants use of, or purchase price of the asset, to use it in a manner that would be highest and best use.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(i) Plant and equipment

Plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The useful life of asset classes is:

Equipment and vehicles	3 - 5 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(j) Intangible assets

(i) Intellectual property

Expenditure on intellectual property, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate production of overheads. Other intellectual property expenditure is recognised in the Income statement as an expense incurred.

Capitalised expenditure is stated at cost over the period of the expected benefit; calculations start from 10 years. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 3-10 years.

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangible assets (continued)

(ii) Software

Expenditure on software, being software that is not an integral part of the related hardware, is capitalised. Capitalised expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which is 3-5 years.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Provisions

Provisions for legal claims and service warranties are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

(m) Employee benefits

(i) Short-term obligations

Liabilities for short-term employee benefits including wages and salaries and non-monetary benefits due to be settled within 12 months after the end of the period are measured at the amount expected to be paid when the liability is settled, if it is expected to be settled wholly before twelve months after the end of the reporting period, and is recognised in other payables. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Other long-term obligations

The liability for other long-term employee benefits such as annual leave, accumulating sick leave and long service leave is recognised in current provisions for employee benefits if it is not expected to be settled wholly before twelve months after the end of the reporting period. It is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. The Company recognises termination benefits either when it can no longer withdraw the offer of those benefits or when it has recognised costs for restructuring within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets that involves the payment of termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits not expected to be settled wholly before 12 months after the end of the reporting period are discounted to present value.

(n) Rounding of amounts (GST)

All amounts appearing in the financial report have been rounded to the nearest dollar. The Company is of a kind referred to in Class order 98/0100 as amended by Class order 04/667, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report.

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(p) New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new Accounting Standards and Interpretations have been published that are not mandatory for 31 December 2013 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below:

- AASB 9 Financial instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AAB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective 1 January 2015)

AASB 9 amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets:

1. Amortised cost
2. Fair value through profit or loss
3. Fair value through other comprehensive income.

The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

The company does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.

- Interpretation 21 Accounting for Levies (effective 1 January 2014)

Clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time.

The company is not liable to pay any government levies. There will therefore be no impact on the financial statements when this interpretation is first adopted.

(q) New, revised or amending Accounting Standards and Interpretations adopted

The company has applied all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Boards ('AASB') that are mandatory for the current reporting year. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. No differences were found in the valuation approach of financial instruments and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 13. New disclosure requirements under AASB 13 are contained within the financial statements.

- AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119*

The company has applied AASB 119 and its consequential amendments from 1 January 2013. The standard changed the definition of short-term employee benefits, from 'due to' to 'expected to' to be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken. New disclosure requirements under AASB 119 are contained within the financial statements.

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

2 CONSULTANCIES AND CONTRACTS

	2013	2012
	\$	\$
Consultancies and research contracts income	14,427,662	15,223,679
Total consultancies and contracts	14,427,662	15,223,679

3 INVESTMENT REVENUE

Interest	555,775	744,793
Total investment revenue	555,775	744,793

4 EMPLOYEE RELATED EXPENSES

Salaries	7,129,519	7,705,416
Superannuation	719,170	695,112
Payroll tax	481,896	499,480
Workers compensation	12,000	-
Long service leave	143,125	258,903
Annual leave	633,349	662,554
Total employee related expenses	9,119,059	9,821,465

5 DEPRECIATION AND AMORTISATION

Depreciation		
Equipment and vehicles	183,095	170,522
Total depreciation	183,095	170,522
Amortisation		
Intangibles	81,364	373,070
Total amortisation	81,364	373,070
Total depreciation and amortisation	264,459	543,592

6 IMPAIRMENT OF ASSETS

Impairment losses – financial assets		
Trade receivables	265	-
Available-for-sale financial assets	58,238	101,874
Total impairment of assets	58,503	101,874

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

7 OTHER EXPENSES

	2013	2012
	\$	\$
Advertising, marketing and promotions	54,480	133,199
Donations	655	5,282
General consumables	464,325	308,821
Insurances	100,576	109,664
Minor equipment	198,860	236,505
Operating lease rental	1,202	5,423
Professional services	4,017,576	4,110,658
Scholarships, grants and prizes	112,965	42,008
Telecommunications	63,016	63,789
Travel, staff development and entertainment	589,111	465,182
Other expenses	52,655	78,767
Total other expenses	5,655,421	5,559,298

8 CASH AND CASH EQUIVALENTS

Current

Cash at bank and on hand and cash equivalents	515,120	683,013
Total cash and cash equivalents	515,120	683,013

(a) Reconciliation to cash and cash equivalents at the end of the year in the statement of cash flows

The above figures are reconciled to cash and cash equivalents at the end of the year as shown in the statement of cash flows as follows:

Cash and cash equivalents	515,120	683,013
Balance as per cash flow statement	515,120	683,013

(b) Cash at bank

Cash at bank is interest bearing with the floating rates being determined by the daily balance of funds held in the account. This was 2.63% for 2013 (2012: 2.89%).

9 TRADE AND OTHER RECEIVABLES

Current

Trade receivables	3,166,987	2,659,518
Provision for impairment	(18,150)	(17,885)
Prepayments	74,144	49,570
Related party receivables	7,069	180,601
Total current receivables	3,230,050	2,871,804

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

9 TRADE AND OTHER RECEIVABLES (continued)

(a) Impaired receivables

As at 31 December 2013 current receivables of the company with a nominal value of \$18,150 (2012: \$17,885) were impaired. The amount of the provision was \$18,150 (2012: \$17,885). The individually impaired receivables relate to those debtors that are in unexpectedly difficult economic situations.

The aging of these receivables is as follows:

Over 3 months

	2013	2012
	\$	\$
	18,150	17,885
	<u>18,150</u>	<u>17,885</u>

(b) Past due but not impaired

As of 31 December 2013, trade receivables of the Company with a nominal value of \$1,301,760 (2012: \$1,571,951) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these receivables is as follows:

Less than 3 months

Over 3 months

	796,476	1,571,951
	505,284	-
	<u>1,301,760</u>	<u>1,571,951</u>

Movements in the provision for impaired receivables are as follows:

At 1 January

Provision for impairment recognised during the year

Recovery of impaired receivables

	17,885	39,526
	14,300	7,245
	(14,035)	(28,886)
	<u>18,150</u>	<u>17,885</u>

10 OTHER FINANCIAL ASSETS

Current

Held to maturity investments

Total current other financial assets

	12,200,000	11,900,000
	<u>12,200,000</u>	<u>11,900,000</u>

Non-current

Available-for-sale financial assets

Total non-current other financial assets

	443,270	542,209
	<u>443,270</u>	<u>542,209</u>

(a) Investments held on behalf of third parties

Included as part of available-for-sale financial assets is \$286,082 of investments held by the Company on behalf of third parties. A current liability of \$286,082, relating to these investments, has been recognised as part of trade and other payables (refer to note 13).

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

11 PLANT AND EQUIPMENT

Non Current

At cost

Accumulated depreciation

Total plant and equipment

2013	2012
\$	\$
1,068,680	1,078,794
(575,758)	(686,954)
492,922	391,840

Movement in the carrying amounts of plant and equipment between the start and the end of the year:

Balance at the start of the year	391,840	416,707
Additions	365,740	168,436
Disposals	(81,563)	(22,781)
Depreciation expense	(183,095)	(170,522)
Balance at the end of the year	492,922	391,840

12 INTANGIBLE ASSETS

Non Current

Computer software

At cost

Accumulated amortisation and impairment

Net carrying value

86,069	91,218
(86,069)	(91,218)
-	-

Intellectual property

At cost

Accumulated amortisation and impairment

Net carrying value

3,249,326	3,654,790
(2,879,086)	(3,457,706)
370,240	197,084

Total Intangibles

370,240	197,084
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Movement in the carrying amounts of intangible assets between the start and the end of the year:

Balance at the start of the year	197,084	283,380
Additions	254,520	195,556
Amortisation	(81,364)	(281,852)
Balance at the end of the year	370,240	197,084

13 TRADE AND OTHER PAYABLES

Current

Unsecured liabilities

Trade creditors

Related party payables

Investments held in trust for third parties

Other payables

Total current trade and other payables

3,475,204	3,888,209
2,673,448	2,234,588
286,082	316,648
166,572	306,159
6,601,306	6,745,604

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

14 PROVISIONS

	2013 \$	2012 \$
Current provisions expected to be settled wholly within 12 months		
Employee benefits		
Annual leave	610,000	544,571
Long service leave	214,036	150,000
	824,036	694,571
Current provisions expected to be settled wholly after more than 12 months		
Employee benefits		
Annual leave	108,725	181,524
Long service leave	777,000	674,658
	885,725	856,182
Total current provisions	1,709,761	1,550,753
Non-current provisions		
Employee benefits		
Long service leave	377,000	517,000
Total non-current provisions	377,000	517,000

Provision for annual leave

This provision is for outstanding annual leave liabilities that employees have not yet taken. It is assumed the majority of leave will be taken in the next twelve months. The measurement and recognition criteria relating to employee benefits have been included in note 1 to this report.

Provision for long service leave

This provision is for outstanding long service leave liabilities that employees have not yet taken. The calculation of the present value of future cash flows in respect of long service leave being taken has been calculated by independent third parties based on historical data provided by the Company.

Movements in each class of provision during the year are set out below:

	Annual leave \$	Long service leave \$	Total \$
Current			
Carrying amount at the start of the year	726,095	824,658	1,550,753
Additional provisions recognised	641,052	283,125	924,177
Amounts used	(648,422)	(116,747)	(765,169)
	718,725	991,036	1,709,761
Non Current			
Carrying amount at the start of the year	-	517,000	517,000
Additional provisions recognised	-	(140,000)	(140,000)
Amounts used	-	-	-
	-	377,000	377,000

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15 OTHER LIABILITIES

Current

	2013	2012
	\$	\$
Income received in advance	3,821,001	2,864,604
Total current other liabilities	3,821,001	2,864,604

16 RESERVES AND RETAINED EARNINGS

(a) Reserves

Reserves

Available-for-sale financial assets revaluation	132,350	145,490
Total reserves	132,350	145,490

Movements in reserves

Available-for-sale financial assets revaluation

Balance at the start of the year	145,490	105,398
Revaluation increment (decrement)	(13,140)	40,092
Balance at the end of the year	132,350	145,490

(c) Retained earnings

Retained earnings at the start of the year	4,762,499	4,740,338
Operating result for the year	(152,315)	22,161
Retained earnings at the end of the year	4,610,184	4,762,499

(d) Nature and purpose of reserves

The available-for-sale financial assets reserve is used to record gains and losses arising from changes in the fair value of available-for-sale financial assets, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss recognised in the reserve is included in the income statement for the year.

17 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Names of responsible persons and executive officers

The following persons were responsible persons and executive officers of the Company during the year:

(i) Board members

Geoffrey James Leonard – ceased 31 January 2013
 Glenn Thurston Turner
 John Coyle
 John James O'Brien
 Lisa Maree Sutton Gardner
 Professor Michael Brian Calford – ceased 30 June 2013
 Professor Nick Talley – commenced 1 July 2013

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

17 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(a) Names of responsible persons and executive officers (continued)

(ii) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the company during the year:

Dr Brent Alan Jenkins (Chief Executive Officer) – ceased 2 October 2013

Christopher Peter Kelleher (Acting Chief Executive Officer) – appointed 1 October 2013

(b) Remuneration of board members and key management personnel

Board members receive remuneration for their services to the Company, details of amounts paid in the current and prior years are as follows:

	2013 Number	2012 Number
Remuneration of Board Members		
\$nil	2	1
\$1 to \$9,999	3	4
\$10,000 to \$19,999	2	1

Certain key management personnel receive remuneration for their services to the Company details of amounts paid in the current and prior year are as follows:

	2013 Number	2012 Number
Remuneration of key management personnel		
\$40,000 to \$49,999	1	-
\$200,000 to \$209,999	1	-
\$240,000 to \$249,999	-	1

(c) Key management personnel compensation

	2013 \$	2012 \$
Short-term employee benefits	242,115	289,900
Total	242,115	289,900

(d) Other transactions with key management personnel

Director JJ O'Brien is Managing Director of Jurox Pty Ltd which engaged the Company on a project during the year. Directors, Dr GJ Leonard and Mr GT Turner, are Directors of Hunter Medical Research Institute (HMRI). The Company sponsored HMRI to undertake certain research activities during the year. Director LM Sutton Gardner is Managing Director of Enigma, which provided Web services to the Company during the year. All transactions were based on normal commercial terms and conditions, and were subject to approval by the CEO.

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

17 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Other transactions with key management personnel (continued)

Aggregate amounts of the above types of other transactions with key management personnel of the Company:

	2013	2012
	\$	\$
Amounts recognised as revenue		
Consultancy income	108,500	-
Service fees	-	2,135
	108,500	2,135
Amounts recognised as expense		
Membership fees	-	3,590
Sponsorships	5,273	5,500
Web services	1,632	-
	6,905	9,090

18 REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

Audit services

Audit and review of financial statements
Audit Office of NSW

Total remuneration for audit services

36,095	44,000
36,095	44,000

19 CONTINGENCIES

The Company has no contingent assets or liabilities as at 31 December 2013.

20 EVENTS OCCURRING AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the year which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

21 RECONCILIATION OF OPERATING RESULT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2013	2012
	\$	\$
Operating result for the year	(152,315)	22,161
Add non-cash items:		
Depreciation and amortisation	264,459	543,592
Impairment of available-for-sale financial assets	58,238	101,874
Net (gain) loss on sale of plant and equipment	(9,878)	961
Net (gain) loss on sale of available-for-sale financial assets	-	(116,429)
Changes in operating assets and liabilities:		
(Increase) decrease in trade debtors	(507,469)	249,501
(Increase) decrease in other receivables	149,223	(421,532)
Increase (decrease) in trade creditors	(413,006)	(279,796)
Increase (decrease) in other operating liabilities	1,255,670	(302,062)
Increase (decrease) in other provisions	19,008	230,491
Net cash provided by operating activities	663,930	28,761

22 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk including currency risk (price risk, cash flow interest rate risk and fair value risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

Risk management is carried out under guidance provided by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

As the Company does not operate internationally the risk is minimal. The Company makes small, infrequent transactions in foreign currencies which do not pose a significant financial risk.

(ii) Price risk

The Company is exposed to equity securities risk. This arises from investments held by the Company and classified on the statement of financial position as available-for-sale financial assets. The risk is managed by management obtaining regular updates from those companies which the Company holds equity, and making regular assessments on whether to hold or sell these securities. The Company is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from cash and cash equivalents and held to maturity investments. At 31 December 2013, if interest rates had changed by $\pm 1\%$ from the year end rates with all other variables held constant, the result for the year would have changed by $\pm \$127,151$ (2012: $\pm \$125,830$).

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

22 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iv) Summarised sensitivity analysis

31 December 2013

2013	Interest rate risk			
	-1%		+1%	
\$	Profit \$	Equity \$	Profit \$	Equity \$
Financial assets				
Cash and cash equivalents	515,120	(5,151)	5,151	5,151
Financial assets - Held to maturity investments	12,200,000	(122,000)	122,000	122,000
Total increase (decrease)	12,715,120	(127,151)	127,151	127,151

31 December 2012

2012	Interest rate risk			
	-1%		+1%	
\$	Profit \$	Equity \$	Profit \$	Equity \$
Financial assets				
Cash and cash equivalents	683,013	(6,830)	6,830	6,830
Financial assets - Held to maturity investments	11,900,000	(119,000)	119,000	119,000
Total increase (decrease)	12,583,013	(125,830)	125,830	125,830

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB+' are accepted. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(c) Liquidity risk

The Company maintains sufficient liquid assets to meet its short term obligations. Sufficient cash reserves are kept in our 24 hour access account. These cash accounts are reviewed regularly by management to ensure all payments can be made when they fall due.

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

22 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The following tables summarise the maturity of the Company's financial assets and financial liabilities:

31 December 2013	Average interest rate	Variable interest rate	Less than 1 year	Non Interest	Total
	%	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	2.63	515,120	-	-	515,120
Receivables	-	-	-	3,230,050	3,230,050
Held to maturity investments	-	-	12,200,000	-	12,200,000
Available-for-sale financial assets	-	-	-	157,188	157,188
Total financial assets		515,120	12,200,000	3,587,238	16,102,358
Financial liabilities					
Trade and other payables	-	-	-	6,601,307	6,601,307
Total financial liabilities		-	-	6,601,307	6,601,307

31 December 2012	Average interest rate	Variable interest rate	Less than 1 year	Non Interest	Total
	%	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	2.89	683,013	-	-	683,013
Receivables	-	-	-	2,871,804	2,871,804
Held to maturity investments	-	-	11,900,000	-	11,900,000
Available-for-sale financial assets	-	-	-	542,209	542,209
Total financial assets		683,013	11,900,000	3,414,013	15,997,026
Financial liabilities					
Trade and other payables	-	-	-	6,745,604	6,745,604
Total financial liabilities		-	-	6,745,604	6,745,604

23 FAIR VALUE MEASUREMENTS

(a) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

23 FAIR VALUE MEASUREMENTS (continued)

(a) Fair value measurements (continued)

The carrying amounts and aggregate net fair values of financial assets and liabilities at reporting date are:

	Carrying amount		Fair value	
	2013	2012	2013	2012
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	515,120	683,013	515,120	683,013
Trade and other receivables	3,230,050	2,871,804	3,230,050	2,871,804
Other financial assets	12,357,188	12,442,209	12,357,188	12,442,209
Total financial assets	16,102,358	15,997,026	16,102,358	15,997,026
Financial liabilities				
Trade and other payables	6,601,307	6,745,604	6,601,307	6,745,604
Total financial liabilities	6,601,307	6,745,604	6,601,307	6,745,604

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss
- Derivative financial instruments
- Available-for-sale financial assets

The Group has also measured assets and liabilities as fair value on a non-recurring basis as a result of the reclassification of assets as held for sale.

(b) Fair value hierarchy

The Company categorises assets and liabilities measured at fair value into a hierarchy based on the level of inputs used in measurement

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices within level 1 that are observable for the asset or liability either directly or indirectly

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

(i) Recognised fair value measurements

Fair value measurements recognised in the balance sheet are categorised into the following levels at 31 December 2013. Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new standard.

	2013	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Available-for-sale financial assets				
Equity securities	443,270	440,265	-	3,005
Total	443,270	440,265	-	3,005

NEWCASTLE INNOVATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

23 FAIR VALUE MEASUREMENTS (continued)

(b) Fair value hierarchy (continued)

	2012	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Equity securities	542,209	542,209	-	-
Total	542,209	542,209	-	-

(ii) Disclosed fair values

The Company has a number of assets and liabilities which are not measured at fair value, but for which the fair values are disclosed in the notes.

The fair value of assets or liabilities traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices for identical assets or liabilities at the reporting date (level 1). This is the most representative of fair value in the circumstances.

The fair values of held-to-maturity investments disclosed in note 10 were determined by reference to published price quotations in an active market (level1).

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short term nature of trade receivables.

NEWCASTLE INNOVATION

DIRECTORS DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors of the Company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. comply with the *Public Finance and Audit Act 1983 (NSW)*, and the *Public Finance and Audit Regulations 2010*; and
 - c. give a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to s.41C of the *Public Finance and Audit Act 1983 (NSW)*.



Glenn Turner
Director



John Coyle
Director

Dated 31 March 2014

NEWCASTLE INNOVATION

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013



INDEPENDENT AUDITOR'S REPORT

Newcastle Innovation Ltd

To Members of the New South Wales Parliament and Members of Newcastle Innovation Ltd

I have audited the accompanying financial statements of Newcastle Innovation Ltd (the Company), which comprise the statement of financial position as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Opinion

In my opinion the financial statements:

- are in accordance with the *Corporations Act 2001*, including:
 - giving a true and fair view of the Company's financial position as at 31 December 2013 and its performance for the year ended on that date
 - complying with Australian Accounting Standards and the Corporations Regulations 2001
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that give a true and fair view and that 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 conducted my audit in accordance with Australian Auditing Standards. Those 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

NEWCASTLE INNOVATION

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

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

My opinion does *not* provide assurance:

- about the future viability of the Company
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards, the *Corporations Act 2001* and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Newcastle Innovation Ltd on 31 March 2014, would be in the same terms if provided to the directors as at the time of this auditor's report.



Jack Kheir
Director, Financial Audit Services

1 April 2014
SYDNEY

NEWCASTLE INNOVATION

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

THE UNIVERSITY OF NEWCASTLE

UON SINGAPORE PTE LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

UON SINGAPORE

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Note</i>	2013 \$	2012 \$
Revenue from continuing operations			
Fees and charges	2	6,265,329	5,887,623
Investment revenue	3	102	166
Consultancy and contracts	4	81,032	52,570
Other revenue	5	125,690	170,254
Total revenue and income from continuing operations		6,472,153	6,110,613
Expenses			
Employee Related Expenses	6	2,399,389	2,183,497
Depreciation	7	17,573	27,940
Repairs and maintenance	8	10,553	10,032
Loss on disposal of assets		-	9,353
Other expenses	9	2,893,311	2,818,044
Total expenses from continuing operations		5,320,826	5,048,866
Operating result before income tax		1,151,327	1,061,747
Income tax expense	10	116,275	163,723
Operating result after income tax for the year		1,035,052	898,024
Operating result attributable to members of UoN Singapore Pte Ltd		1,035,052	898,024

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

UON SINGAPORE

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	\$	\$
Operating result for the year	1,035,052	898,024
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	476,098	124,511
Total	476,098	124,511
Total other comprehensive income for the year	476,098	124,511
Total comprehensive income for the year	1,511,150	1,022,535
Total comprehensive income attributable to:		
The University of Newcastle	1,511,150	1,022,535

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

UON SINGAPORE

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
<i>Note</i>	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	11 4,866,801	3,151,971
Trade and other receivables	12 102,319	239,939
Other financial assets	13 28,026	-
Total current assets	4,997,146	3,391,910
Non-current assets		
Other financial assets	13 -	24,508
Property, plant and equipment	14 26,339	33,197
Total non-current assets	26,339	57,705
Total assets	5,023,485	3,449,615
LIABILITIES		
Current liabilities		
Trade and other payables	15 925,174	848,196
Provisions	16 90,773	95,124
Current tax liabilities	17 163,926	173,833
Total current liabilities	1,179,873	1,117,153
Total liabilities	1,179,873	1,117,153
Net assets	3,843,612	2,332,462
EQUITY		
Issued Capital	26 86,036	86,036
Reserves	18 424,854	(51,244)
Retained Earnings	18 3,332,722	2,297,670
	3,843,612	2,332,462
Total equity	3,843,612	2,332,462

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

UON SINGAPORE

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

<i>Note</i>	Issued Capital	Foreign Currency Translation Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 1 January 2012	86,036	(175,755)	1,399,646	1,309,927
Operating results for the year	-	-	898,024	898,024
Other comprehensive income	-	124,511	-	124,511
Balance at 31 December 2012	86,036	(51,244)	2,297,670	2,332,462
Balance at 1 January 2013	86,036	(51,244)	2,297,670	2,332,462
Operating results for the year	-	-	1,035,052	1,035,052
Other comprehensive income	-	476,098	-	476,098
Balance at 31 December 2013	86,036	424,854	3,332,722	3,843,612

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

UON SINGAPORE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
<i>Note</i>	\$	\$
Cash flows from operating activities		
Receipts from student fees and other customers	7,212,992	6,507,465
Payments to suppliers and employees	(5,545,795)	(5,083,004)
Interest received	101	166
GST recovered (paid)	(290,928)	(383,574)
Income taxes paid	(146,205)	(78,483)
Net cash provided by operating activities	1,230,165	962,570
	25	
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(7,757)	(38,692)
Net cash used by investing activities	(7,757)	(38,692)
Cash flows from financing activities		
Repayment of borrowings	-	-
Net cash used by financing activities	-	-
Net increase in cash and cash equivalents held	1,222,408	923,878
Cash and cash equivalents at beginning of year	3,151,971	2,124,624
Effects of exchange rate changes on cash and cash equivalents	492,422	103,469
Cash and cash equivalents at end of year	4,866,801	3,151,971
	11	

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

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The amounts presented are in Australian Dollar. The Company was established and has its domicile in the Republic of Singapore. The principal place of business is:

491B River Valley Road
#04-02 Valley Point
Singapore 248373

The principal activities of the Company are creating, developing and delivering educational programmes business, management and related fields on behalf of The University of Newcastle.

The annual financial statements represent the audited general purpose financial statements of UON Singapore Pte Ltd. They have been prepared on an accrual basis in accordance with Australian Accounting Standards.

Additionally the statements have been prepared in accordance with following statutory requirements:

- Higher Education Support Act 2003 (Financial Statement Guidelines)
- Public Finance and Audit Act 1983, the requirements of the Department of Education and other State/Australian Government legislative requirements.

UON Singapore Pte Ltd is a for-profit entity and these statements have been prepared on that basis.

Date of authorisation for issue

The financial statements were authorised for issue by the members of UON Singapore Pte Ltd on 31 March 2014.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant notes to the financial statements.

Financial assets - managements makes judgements in determining whether assets are classified as available-for-sale, held-to-maturity or other.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment (Singaporean) in which the entity operates ('the functional currency').

The Company's financial statements are presented in Australian dollars, which is The University of Newcastle's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Qualifying cash flow hedges and qualifying net investment hedges in a foreign operation shall be accounted for by recognising the portion of the gain or loss determined to be an effective hedge in other comprehensive income and the ineffective portion in profit or loss.

If gains or losses on non-monetary items are recognised in other comprehensive income, translation of gains or losses are also recognised in other comprehensive income. Similarly, if gains or losses on non-monetary items are recognised in profit and loss, translation of gains or losses are also recognised in profit or loss.

(c) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows

(i) Student fees and charges

Fees and charges are recognised as income in the year of receipt, except to the extent that fees and charges relate to courses to be held in future periods. Such income (or portion thereof) is treated as income in advance in liabilities. Conversely, fees and charges relating to debtors are recognised as revenue in the year to which the prescribed course relates. For courses that are partially completed as at year end, revenue is recognised on a proportional basis.

(ii) Investment revenue

Revenue on investments is recognised as income when earned.

(iii) Consultancy and contracts

Contract revenue is recognised in accordance with the percentage of completion method. The stage of completion method is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for each contract.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue Recognition (continued)

(iv) Other revenue

Other revenue is recognised as income in the year of receipt.

(d) Income Tax

The Company is subject to income tax under Singaporean Legislation.

The income tax expense or revenue for the period is the tax payable/receivable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses, only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities relating to the same taxation authority are offset when there is a legally enforceable right to offset current tax assets and liabilities and they are intended to be either settled on a net basis, or the asset is to be realised and the liability settled simultaneously. Current and deferred tax balances attributable to amounts recognised outside profit and loss are also recognised outside profit and loss.

(e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement no more than 30 days after end of month from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivable are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

(h) Investments and other financial assets

Classification

The Company classifies its investments and other financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investments and other financial assets (continued)

Initial recognition and derecognition

Regular purchases and sales of investments and other financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments and other financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement within other income or other expenses in the period in which they arise.

Changes in the fair value of monetary security denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and on monetary securities classified as available-for-sale are recognised in equity.

Fair value

The fair values of investments and other financial assets are based on quoted prices in an active market. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques that maximise the use of relevant data. These include reference to the estimated price in an orderly transaction that would take place between market participants at the measurement date. Other valuation techniques used are the cost approach and the income approach based on characteristics of the asset and the assumptions made by market participants.

Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investments and other financial assets (continued)

Fair value measurement

The fair value of financial assets and financial liabilities must be measured for recognition and measurement or for disclosure purposes.

UON Singapore classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value of assets or liabilities traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices for identical assets or liabilities at the balance sheet date (level 1). The quoted market price used for assets held by the Group is the most representative of fair value in the circumstances within the bid-ask spread.

The fair value of assets or liabilities that are not traded in an active market (for example, over-the-counter-derivatives) is determined using valuation techniques. UON Singapore uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments (Level 2) are used for long-term debt instruments held. Other techniques that are not based on observable market data (Level 3) such as estimated discounted cash flows, are used to determine fair value for the remaining assets or liabilities. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The level in the fair value hierarchy shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Fair value measurement of non-financial assets is based on the highest and best use of the asset. UON Singapore considers market participants use of, or purchase price of the asset, to use it in a manner that would be highest and best use.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to UON Singapore for similar financial instruments.

(i) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment	1 - 3 years
---------------------	-------------

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Property, Plant and Equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Provisions

Provisions for legal claims and service warranties are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

(l) Employee benefits

(i) Short-term obligations

Liabilities for short-term employee benefits including wages and salaries and non-monetary benefits due to be settled within 12 months after the end of the period are measured at the amount expected to be paid when the liability is settled, if it is expected to be settled wholly before twelve months after the end of the reporting period, and is recognised in other payables. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Other long-term obligations

The liability for other long-term employee benefits such as annual leave, accumulating sick leave and long service leave is recognised in current provisions for employee benefits if it is not expected to be settled wholly before twelve months after the end of the reporting period. It is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits (continued)

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. The Group recognises termination benefits either when it can no longer withdraw the offer of those benefits or when it has recognised costs for restructuring within the scope of AASB137 that involves the payment of termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits not expected to be settled wholly before 12 months after the end of the reporting period are discounted to present value.

(m) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to tax authorities.

(n) Comparative Amounts

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year.

(o) New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new Accounting Standards and Interpretations have been published that are not mandatory for 31 December 2013 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below:

- AASB 9 Financial instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AAB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective 1 January 2015)

AASB 9 amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets:

1. Amortised cost
2. Fair value through profit or loss
3. Fair value through other comprehensive income.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:

- Classification and measurement of financial liabilities; and
- Derecognition requirements for financial assets and liabilities.

However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

The company does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.

- Interpretation 21 Accounting for Levies (effective 1 January 2014)

Clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time.

The company is not liable to pay any government levies. There will therefore be no impact on the financial statements when this interpretation is first adopted.

(p) New, Revised or amending Accounting Standards and Interpretations adopted

The company has applied all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Boards ('AASB') that are mandatory for the current reporting year. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. No differences were found in the valuation approach of financial instruments and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 13. New disclosure requirements under AASB 13 are contained within the financial statements.

- AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119*

The company has applied AASB 119 and its consequential amendments from 1 January 2013. The standard changed the definition of short-term employee benefits, from 'due to' to 'expected to' to be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken. New disclosure requirements under AASB 119 are contained within the financial statements.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

2 FEES AND CHARGES

	2013	2012
	\$	\$
Fee-paying overseas students	6,263,462	5,885,863
Course and conference fees	1,867	1,760
Total Fees and Charges	6,265,329	5,887,623

3 INVESTMENT REVENUE

Interest	102	166
Total investment revenue	102	166

4 CONSULTANCIES AND CONTRACTS

Consultancies	81,032	23,184
Other contract revenue	-	29,386
Total consultancies and contracts	81,032	52,570

5 OTHER REVENUE

Other revenue	125,690	170,254
Total other revenue	125,690	170,254

6 EMPLOYEE RELATED EXPENSES

Academic

Salaries	1,354,658	1,438,026
Contribution to funded superannuation and pension schemes	57,747	65,360
Annual leave	124,706	6,037
Voluntary separation	152,467	-

Total academic

1,689,578	1,509,423
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Professional and teaching

Salaries	588,491	609,264
Contribution to funded superannuation and pension schemes	69,222	65,984
Annual leave	52,098	(1,174)

Total professional and teaching

709,811	674,074
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Total employee related expenses

2,399,389	2,183,497
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UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

7 DEPRECIATION

	2013	2012
	\$	\$
Depreciation		
Furniture and fittings	11,996	22,787
Office equipment	5,577	5,153
Total depreciation	17,573	27,940

8 REPAIRS AND MAINTENANCE

Cleaning	8,938	8,343
Repairs and maintenance - general	1,615	1,689
Total repairs and maintenance	10,553	10,032

9 OTHER EXPENSES

Advertising, marketing and promotions	31,823	15,495
Rent	165,920	144,964
General consumables	35,640	38,835
Insurances	17,992	17,462
Minor equipment	34,064	18,098
Operating lease rental	13,585	12,405
Professional services	765,844	620,768
Scholarships, grants and prizes	1,737	11,504
Service fees (to Parent entity)	1,473,139	1,563,210
Telecommunications	15,366	24,890
Travel, staff development and entertainment	183,804	258,082
Utilities	11,632	12,997
Other expenses	142,765	79,334
Total other expenses	2,893,311	2,818,044

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

10 INCOME TAX EXPENSE

	2013 \$	2012 \$
(a) Income tax expense		
Current tax	116,275	163,723
Total income tax expense	116,275	163,723
Income tax expense is attributable:		
Operating result from continuing operations	116,275	163,723
Aggregate income tax expense	116,275	163,723
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Operating result from continuing operations before income tax expense	1,151,327	1,061,746
Tax at the Singaporean tax rate of 17% (2012 - 17%)	195,726	180,497
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	(79,451)	(16,774)
Income tax expense	116,275	163,723

11 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	4,866,801	3,151,971
Total cash and cash equivalents	4,866,801	3,151,971

(a) Reconciliation to cash and cash equivalents at the end of the year

The above figures are reconciled to cash at the end of the year as shown in the statement of cash flows as follows:

Balances as above	4,866,801	3,151,971
Balance as per cash flow statement	4,866,801	3,151,971

(b) Cash at bank

Cash at bank is interest bearing with the floating rates being determined by the daily balance of funds held in the account. This was 0% for 2013 (2012: 0%).

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

12 TRADE AND OTHER RECEIVABLES

	2013	2012
	\$	\$
Current		
Trade receivables	28,034	174,703
Prepayments	10,598	7,852
Other receivables	63,687	57,384
Total current receivables	102,319	239,939

(a) Past due but not impaired

As at 31 December 2013, trade receivables of \$27,867 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these receivables is as follows:

Less than 3 months	27,867	174,308
	27,867	174,308

13 OTHER FINANCIAL ASSETS

Current

Held to maturity investments	28,026	-
Total other financial assets	28,026	-

Non-Current

Held to maturity investments	-	24,508
Total other financial assets	-	24,508

(a) Held to Maturity Investments

A deposit of SGD\$31,557 is assigned to the Comptroller of Goods and Services Tax (GST) of Singapore for the purposes of obtaining status under the Singaporean GST Scheme. The deposit will be held until 29 November 2014.

14 PROPERTY, PLANT AND EQUIPMENT

	2013	2012
	\$	\$
PLANT AND EQUIPMENT		
At cost	161,007	135,891
Accumulated depreciation	(134,668)	(102,694)
Total property, plant and equipment	26,339	33,197

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	2013	2012
	\$	\$
Plant and equipment		
Balance at the start of year	33,197	30,537
Additions	7,757	39,428
Disposals	-	(9,532)
Depreciation expense	(17,573)	(27,940)
Foreign exchange movements	2,958	704
Balance at the end of the year	26,339	33,197

15 TRADE AND OTHER PAYABLES

Current

Unsecured liabilities

Trade creditors	228,519	255,163
Related party payables	534,082	556,336
Other payables	162,573	36,697
Total current trade and other payables	925,174	848,196

(a) Foreign currency risk

The carrying amounts of the Company's trade and other payables are denominated in the following currencies:

Australian dollars	534,082	556,336
Singapore dollars	391,092	291,860
	925,174	848,196

For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to note 27.

16 PROVISIONS

Current provisions expected to be settled wholly within 12 months

Employee benefits

Annual leave	90,773	95,124
Total current provisions	90,773	95,124

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

16 PROVISIONS (continued)

Provision for annual leave

This provision is for outstanding annual leave liabilities that employees have not yet taken. It is assumed the majority of leave will be taken in the next twelve months. The measurement and recognition criteria relating to employee benefits has been included in note (1) to this report.

Movements in each class of provision during the year is set out below:

	Annual leave \$	Total \$
Current		
Opening balance at 1 January 2013	95,124	95,124
Additional provisions	176,804	176,804
Provisions used	(181,155)	(181,155)
Balance at 31 December 2013	90,773	90,773

17 CURRENT TAX LIABILITIES

	2013 \$	2012 \$
Income tax payable	163,926	173,833
Total current tax liabilities	163,926	173,833

18 RESERVES AND RETAINED EARNINGS

(a) Reserves

Foreign currency translation reserve	424,854	(51,244)
Total Reserves	424,854	(51,244)

(b) Movements in reserves

Foreign currency translation reserve

Balance as at 1 January	(51,244)	(175,755)
Currency translation differences arising during the year	476,098	124,511
Balance as at 31 December	424,854	(51,244)

(c) Movements in retained earnings

Retained earnings at the beginning of the year	2,297,670	1,399,646
Operating result for the year	1,035,052	898,024
Retained earnings at end of the financial year	3,332,722	2,297,670

(d) Nature and purpose of reserves

Foreign currency translation reserve - exchange differences arising on translation of the Singapore dollar financial statements into Australian dollars are taken to the foreign currency translation reserve.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

19 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Names of responsible persons and executive officers

The following persons were responsible persons and executive officers of UON Singapore Pte Ltd during the financial year:

(i) Chair and Executive Council members

Professor Amir Mahmood (Director, Chief Executive Officer) - appointed 22 April 2013

Professor Andrew James Parfitt (Chair) - appointed 19 March 2013

Professor John Philip Carter (Chair) - ceased 30 April 2013

Mr Robert John Cochrane (Director, Chief Executive Officer) - ceased 19 April 2013

Mr Craig John Wallis (Director)

Mr Tao Yeoh Chi (Director)

Mr Michael Grenville Gray (Director)

Mr Tay Buan Huat Peter (Director)

Ms Sandra Davie D/O Periasamy (Director)

b) Remuneration of key management personnel

	2013 Number	2012 Number
Remuneration of executive officers		
Nil	3	3
\$1 to \$9,999	4	4
\$230,000 to \$239,999	1	-
\$240,000 to \$249,999	1	-
\$310,000 to \$319,999	-	1

(c) Remuneration of key management personnel

	2013 \$	2012 \$
Short-term employee benefits	345,600	307,277
Termination benefits	152,467	-
Total key management personnel compensation	498,067	307,277

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

20 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms.

	2013	2012
	\$	\$
Audit services		
<i>Audit of financial statements</i>		
Audit Office of NSW	20,300	25,300
BDO Singapore	15,986	-
KPMG	-	23,277
	36,286	48,577

21 CONTINGENCIES

Contingent liabilities

UON Singapore Pte Ltd currently has no contingent liabilities as at 31 December 2013 (2012: \$nil).

Contingent assets

UON Singapore Pte Ltd currently has no contingent assets as at 31 December 2013 (2012: \$nil).

22 COMMITMENTS

(a) Operating lease commitments (GST excl.)

(i) Operating Leases

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:

Due within one year	145,347	216,545
Due after one year, but within five years	8,976	56,722
Net commitments	154,323	273,267

23 RELATED PARTIES

(a) Parent entity

The ultimate parent entity is The University of Newcastle, by virtue of its full ownership of the Company's issued share capital.

(b) Key management personnel

Disclosures relating to responsible officers and specified executives are set out in note 19.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

23 RELATED PARTIES (Continued)

(c) Transactions with related parties

The following transactions occurred with related parties:

i) The University of Newcastle

Services provided to the University

Service fees charged on services rendered

2013	2012
\$	\$
1,473,139	1,521,212
1,473,139	1,521,212

(d) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current Payables (purchase of services)

The University of Newcastle

534,082	556,336
534,082	556,336

(e) Terms and Conditions

All transactions with related parties were conducted under normal terms and conditions.

24 EVENTS OCCURRING AFTER REPORTING DATE

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

25 RECONCILIATION OF OPERATING RESULT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Operating result for the year	1,035,052	898,024
Add non-cash items:		
Depreciation	17,573	27,940
Net (gain) loss on sale of non-current assets	-	9,353
Net exchange differences	(22,802)	45,032
Changes in operating assets and liabilities:		
(Increase) decrease in trade debtors	146,669	2,226
(Increase) decrease in other receivables	(9,048)	(18,571)
Increase (decrease) in trade creditors	(26,644)	(19,682)
Increase (decrease) in related party payables	(22,254)	62,248
Increase (decrease) in other operating liabilities	125,877	(132,740)
Increase (decrease) in provision for income taxes payable	(9,907)	86,862
Increase (decrease) in other provisions	(4,351)	1,878
Net cash provided by operating activities	1,230,165	962,570

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

26 ISSUED CAPITAL

	2013	2012
	\$	\$
Fully paid ordinary shares (2 shares)	86,036	86,036

27 FINANCIAL RISK MANAGEMENT

(a) Introduction

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out under the direction of the Board of Directors.

(b) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Singapore and Australian dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Company's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has set up a policy to manage their foreign exchange risk against their functional currency.

At 31 December 2013, had the Australian Dollar weakened/strengthened by 1% against the Singapore Dollar with all other variables held constant, post-tax profit for the year would have been \$53,408 higher/ \$53,408 lower (2012: \$55,634 higher/lower), mainly as a result of foreign exchange gains/losses on translation of Singapore dollar denominated related party payables and financial assets at fair value through profit or loss.

(ii) Price risk

The Company does not have any investments in equity securities and as such is not exposed to price risk.

(iii) Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from cash and cash equivalents. At 31 December 2013, if interest rates had changed by $\pm 1\%$ from the year end rates of with all other variables held constant, the result for the year would have changed by $\pm \$48,668$ (2012: $\pm \$31,250$), mainly as a result of higher interest income from cash and cash equivalents.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

27 FINANCIAL RISK MANAGEMENT (continued)

(b) Market risk (continued)

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of Company's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

31 December 2013	Interest rate risk				Foreign exchange risk				
	2013 \$	-1%		+1%		Result \$	Equity \$	Result \$	Equity \$
		Result \$	Equity \$	Result \$	Equity \$				
Financial assets									
Cash and cash equivalents	4,866,801	(48,668)	(48,668)	48,668	48,668	-	-	-	-
Financial liabilities									
Related party payables (nominated in \$SGD)	534,082	-	-	-	-	(53,408)	(53,408)	53,408	53,408
Total increase (decrease)		(48,668)	(48,668)	48,668	48,668	(53,408)	(53,408)	53,408	53,408

31 December 2012	Interest rate risk				Foreign exchange risk				
	2012 \$	-1%		+1%		Result \$	Equity \$	Result \$	Equity \$
		Result \$	Equity \$	Result \$	Equity \$				
Financial assets									
Cash and cash equivalents	3,151,971	(31,520)	(31,520)	31,520	31,520	-	-	-	-
Financial liabilities									
Related party payables (nominated in \$SGD)	556,336	-	-	-	-	(55,634)	(55,634)	55,634	55,634
Total increase (decrease)		(31,520)	(31,520)	31,520	31,520	(55,634)	(55,634)	55,634	55,634

(c) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as outstanding receivables and committed transactions.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, The board aims at maintaining flexibility in funding by keeping sufficient cash reserves on hand.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

27 FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

The following tables summarise the maturity of the Company's financial assets and financial liabilities:

	Average interest rate		Variable interest rate		Within 1 year		1 – 5 years		Non Interest		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	%	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets:												
Cash and cash equivalents	-	-	4,867	3,152	-	-	-	-	-	-	4,867	3,152
Receivables			-	-	-	-	-	-	91	238	91	238
Other financial assets			-	-	28	-	-	25	-	-	28	25
Total financial assets			4,867	3,152	28	-	-	25	91	238	4,986	3,415
Financial liabilities:												
Payables			-	-	-	-	-	-	391	290	391	290
Amounts payable to related parties			-	-	-	-	-	-	534	556	534	556
Total financial liabilities			-	-	-	-	-	-	925	846	925	846

28 FAIR VALUE MEASUREMENTS

(a) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

The carrying amounts and aggregate net fair values of financial assets and liabilities at balance date are:

	Carrying amount		Fair value	
	2013	2012	2013	2012
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	4,866,801	3,151,971	4,866,801	3,151,971
Trade and other receivables	102,319	239,938	102,319	239,938
Other financial assets				
Held-to-maturity	28,026	24,508	28,026	24,508
Total financial assets	4,997,146	3,416,417	4,997,146	3,416,417
Financial liabilities				
Trade and other payables	925,174	848,194	925,174	848,194
Total financial liabilities	925,174	848,194	925,174	848,194

The Company does not measure and recognise assets and liabilities at fair value on a recurring basis.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

28 FAIR VALUE MEASUREMENTS (continued)

(b) Fair value hierarchy

(i) Disclosed fair values

The Company has a number of assets and liabilities which are not measured at fair value, but for which the fair values are disclosed in the notes.

The fair values of held-to-maturity investments are disclosed in notes 13 were determined by reference to published price quotations in an active market (level1).

UON SINGAPORE

DIRECTORS DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors declare that;

1. In the directors opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
2. In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Public Finance and Audit Act, 1983 (NSW)*, including compliance with accounting standards, and giving a true and fair view of the financial position and performance of the company;
3. The financial reports have been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, and other mandatory professional requirements.

Signed in accordance with a resolution of the directors made pursuant to s.41C of the *Public Finance and Audit Act, 1983 (NSW)*.

On behalf of the Directors.

Professor Andrew Parfitt
Director and Chair

Craig Wallis
Director

31 March 2013



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