THE UNIVERSITY OF NEWCASTLE

CONTROLLED ENTITIES

THE UNIVERSITY OF NEWCASTLE AUSTRALIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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THE UNIVERSITY OF NEWCASTLE

RESEARCH ASSOCIATES LIMITED (TUNRA)

ABN 97 000 710 074

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report on The University of Newcastle Research Associates Limited (the Company) for the financial year ended 31 December 2019.

The Company is a public company, limited by guarantee and incorporated in NSW, Australia.

Information on directors

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

Professor Kevin Hall (Chair)
Professor Alan Broadfoot
Mr Paul Dunn (Term expired 7 February 2020)
Ms Barbara Crossley

Directors have been in office since the start of the financial year unless otherwise stated.

Principal activities

The principal activities of the Company during the financial year were the undertaking of research and consulting projects whilst continuing to focus on supporting research opportunities for both students and externally as a not-for-profit entity.

No significant changes in the nature of the Company's activity occurred during the financial year.

Operating results

The profit of the Company amounted to $594,436 (2018: $308,607).

Review of operations

The Company's objectives are advancing research and research education through engaging with government and industry to provide research services that contribute further to the University of Newcastle's research and innovation aspirations. The Company provides a robust and responsive customer service environment supported by a flexible operating model that is capable of supporting additional opportunities for the University to leverage assets and resources and consider new services and new markets to deliver greater benefit to industry. The Company provides the University of Newcastle with a vehicle through which it can run and manage more complicated and higher risk projects including international projects. The Company will continue to leverage the University of Newcastle's capability in the provision of research services to consider new services and new markets to deliver greater value for industry. As a commercial entity, the Company has been making a direct and indirect financial contribution to the University.

Dividends paid or recommended

As a Company limited by guarantee, dividend payments are not permitted.

Limited by guarantee/Members guarantee

The company is incorporated and domiciled in Australia as a company limited by guarantee. In accordance with the constitution of the company, members of the company undertake to contribute an amount limited to $20 per member in the event of the winding up of the company and are not entitled to distributions of dividends or repayment of capital.

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.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Performance measures and key performance indicators

Performance is monitored based on key success measures which include researcher/academic engagement metrics balanced with key metrics. Key objectives include areas of financial performance, customer orientation, business effectiveness, employee development and health, safety and environment.

Future developments and results

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report because inclusion of such information is likely to result in unreasonable prejudice to the Company.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial 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 financial years.

Information on directors

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

Professor Kevin Hall (Chair)

Senior Deputy Vice-Chancellor and Vice President Global Engagement and Partnerships (February 2019 - current). Senior Deputy Vice-Chancellor Research and Innovation (2014 - 2019), University of Newcastle. B.Sc., Queen's University, Civil Engineering. M. Sc., Queens University, Civil Engineering, Ph.D., University of NSW, Civil Engineering. Vice President Research and External Partnerships, University of Guelph (2009 - 2014). Chair, Department of Civil Engineering, Queens University (2005-2008). Professor, Queen's University, Department of Civil Engineering (1996 - 2008). Associate Professor and NSERC University Research Fellow Queen's University, Department of Civil Engineering (1991 - 1996). Assistant Professor and NSERC University Research Fellow Queen's University, Department of Civil Engineering (1987 - 1991). Lecturer – NSW Institute of Technology (1985 - 1986).

Professor Alan Broadfoot

Professor Alan Broadfoot, B.E. (Hons), M.E. Ph.D, FRSN, FIEAust, MIEEE, graduate member of the Australian Institute of Company Directors, is the Executive Director of the Newcastle Institute for Energy and Resources (NIER) at the University of Newcastle and member of the NSW Innovation and Productivity Council. Past Managing Director and Chief Executive Officer of Ampcontrol, a leading international supplier of electrical and electronic products to the power, energy and mining sectors.

Mr Paul Dunn

Paul Dunn, B.Com. (Newcastle), FCPA, is the Executive Director of Finance and Corporate Services at NSW Health Pathology, prior to this role Paul was the Chief Financial Officer of the University of Newcastle (2014 - February 2019), joining the University after a 30-year career at BHP Billiton. BHP Billiton roles included, Finance Lead on the 1SAP project in Singapore, Vice-President Finance at BHP Billiton Uranium Business, Vice-President Finance at BHP Billiton Olympic Dam in South Australia and Manager Finance at the Cannington mine in North Queensland.

Ms Barbara Crossley

Barbara Crossley, B. Natural Resources (Hons), graduate member of the Australian Institute of Company Directors, is the Managing Director of Umwelt (Australia) Pty Ltd, a national environment and social consultancy firm. Past Non-Executive Director of Hunter Water Corporation and temporary member of the NSW Planning and Assessment Commission.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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	
	Attended	Held
K Hall	3	5
A Broadfoot	5	5
P Dunn	5	5
B Crossley	5	5

Indemnification and insurance of officers and auditors

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.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307c of the *Corporations Act 2001*, for the year ended 31 December 2019 has been received and can be found on page 29 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

ARBroadfoot.

Professor Alan Broadfoot
Director

Barbara Crossley
Director

Dated 18 March 2020

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Income from continuing operations			
Consultancy and contracts revenue	2	**7,708,810**	8,877,809
Other revenue		**74,389**	2,112
Interest income		**56,099**	47,136
Other gains/(losses)	3	**195,138**	293,830
Total income from continuing operations		**8,034,436**	9,220,887
Expenses from continuing operations			
Employee related expenses	6	**4,376,888**	4,674,030
Depreciation and amortisation		**67,184**	93,391
Repairs and maintenance		**66,148**	31,310
Impairment of financial assets	7	**9,337**	(1,786)
Other expenses	8	**2,920,443**	4,115,335
Total expenses from continuing operations		**7,440,000**	8,912,280
Net result for the period		**594,436**	308,607
Net result attributable to members of the University of Newcastle Research Associates Limited		**594,436**	308,607

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

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Net result for the period		**594,436**	308,607
Total comprehensive income attributable to members of the University of Newcastle Research Associates Limited		**594,436**	308,607

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

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	9	**1,180,250**	1,112,751
Receivables	10	**4,115,232**	4,308,911
Non-current assets held for sale		**51,354**	3,005
Total current assets		**5,346,836**	5,424,667
Non-current assets			
Other financial assets	11	**-**	124,130
Plant and equipment	12	**189,089**	194,844
Intangible assets	13	**328**	669
Total non-current assets		**189,417**	319,643
Total assets		**5,536,253**	5,744,310
Liabilities			
Current liabilities			
Trade and other payables	14	**525,116**	521,440
Employee benefit provisions	15	**812,492**	1,182,630
Contract liability		**448,427**	935,419
Total current liabilities		**1,786,035**	2,639,489
Non-current liabilities			
Employee benefit provisions	15	**289,666**	238,705
Total non-current liabilities		**289,666**	238,705
Total liabilities		**2,075,701**	2,878,194
Net assets		**3,460,552**	2,866,116
Equity			
Retained earnings	16	**3,460,552**	2,866,116
Total equity		**3,460,552**	2,866,116

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

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Reserves	Retained earnings	Total
	$	$	$
Balance at 1 January 2018	540,380	2,017,129	2,557,509
Net result	-	308,607	308,607
Transfer of available for sale financial assets to retained earnings on adoption of AASB 9	(540,380)	540,380	-
Total comprehensive income	(540,380)	848,987	308,607
Balance as at 31 December 2018	-	2,866,116	2,866,116
Balance at 1 January 2019	**-**	**2,866,116**	**2,866,116**
Net result	**-**	**594,436**	**594,436**
Total comprehensive income	**-**	**594,436**	**594,436**
Balance at 31 December 2019	**-**	**3,460,552**	**3,460,552**

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

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**7,665,328**	9,593,767
Payments to suppliers and employees (inclusive of GST)		**(6,481,599)**	(7,679,168)
Interest received		**612**	1,035
GST paid		**(411,390)**	(378,735)
Net cash provided by / (used in) operating activities		**772,951**	1,536,899
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of intangible assets		**-**	68,948
Proceeds from sale of available-for-sale financial assets		**255,636**	2,361,802
Repayments from related parties		**1,150,000**	950,000
Payments for purchase of plant and equipment		**(61,088)**	-
Loans to related parties		**(2,050,000)**	(3,345,301)
Payments for investments held on behalf of third parties		**-**	(1,595,300)
Payments for purchase of intangible assets		**-**	(17,678)
Net cash provided by / (used in) investing activities		**(705,452)**	(1,577,529)
Net increase / (decrease) in cash and cash equivalents		**67,499**	(40,630)
Cash and cash equivalents at beginning of the financial year		**1,112,751**	1,153,381
Cash and cash equivalents at the end of the financial year	9	**1,180,250**	1,112,751

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

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The University of Newcastle Research Associates Limited (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 objective) and it has one identified cash generating unit. The Company was established and has its domicile in Australia.

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

The registered office and principal address of the Company is:

Newcastle Institute for Energy & Resources - NIER Block A
70 Vale Street
Shortland NSW 2307
Australia

(a) Basis of preparation

The general purpose financial statements are prepared on an accrual basis and comply with the Australian Accounting Standards Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board.

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

- *Public Finance and Audit Act 1983 (NSW)*
- *Public Finance and Audit Regulation 2015*
- *Corporations Act 2001*

Date of authorisation for issue

The financial statements were authorised for issue by the Board members of the Company on 18 March 2020.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities measured at fair value.

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 estimates and underlying assumptions are reviewed on an ongoing basis. 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:

- Provision for impairment of receivables: a provision is estimated when there is objective evidence that the Company will not be able to collect all amounts due according to the original forms of the receivables as outlined in note 1(f).
- 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(d).
- 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(n).

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

- 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 life as outlined in note 1(k).

(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 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. In some cases this may not be probable until consideration is received or an uncertainty is removed. 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) Royalties, trademarks and licences

Revenue from royalties, trademarks and licences is recognised as income when earned.

(ii) Consultancy and research contracts

The Company adopted AASB 15 and AASB 1058 using the modified retrospective method of transition, with the date of initial application of 1 January 2019.

The Company assesses contracts applying AASB 15 and AASB 1058. The Company first determines whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are 'sufficiently specific'.

If an enforceable agreement exists and the promises are 'sufficiently specific' (to a transaction or part of a transaction), the Company applies the general AASB 15 principles to determine the appropriate revenue recognition. If these criteria are not met, the Company considers whether AASB 1058 applies.

(iii) Interest

Interest income is recognised as it is earned.

(iv) Other revenue

Other income represents miscellaneous income which is not derived from core operations and is recognised as income by applying AASB 15 and AASB 1058 depending on the existence of 'sufficiently specific' obligations.

(c) Income tax

The Company does not provide for income tax as it is exempt under the provisions of Division 50 of the *Income Tax Assessment Act 1997 (ITAA).*

(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

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Impairment of assets (continued)

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.

(e) Cash and cash equivalents

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.

(f) Trade receivables

Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped together based on shared credit risk characteristics and days past due. Any receivables that are known to be uncollectable are written off.

(g) Fair value measurement

The fair value of assets and liabilities must be measured for recognition and 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 end of the reporting period (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.

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 balance 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 and liabilities. The level in the fair value hierarchy is 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 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.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other financial assets

(i) Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

The Company classifies the following financial assets at fair value through profit or loss (FVPL):

- Debt investments that do not qualify for measurement at either amortised cost or FVOCI.
- Equity investments that are held for trading.
- Equity investments for which the Company has not elected to recognise fair value gains and losses through OCI.

Information about the methods and assumptions used in determining fair value are provided in note 11. Changes in fair values of other financial assets at fair value through profit or loss are recorded in other gains/(losses) in the income statement (refer note 3).

(i) Plant and equipment

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 on plant and equipment is calculated using the straight line method to allocate its cost, net of its residual values, over its estimated useful lives, as follows:

	2019	**2018**
Plant and equipment	4 – 10 years	3 - 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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) Repairs and maintenance

Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case, the costs are capitalised and depreciated. Other routine operating maintenance, repair and minor renewal costs are also recognised as expenses, as incurred.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 proportion of overheads. Other intellectual property expenditure is recognised in the income statement as an expense when it is incurred. Trademarks, patent 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 intellectual property over their estimated useful lives, which vary from 2 to 10 years.

(ii) Computer 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, to a maximum of 5 years.

(l) 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 following the end of the month they are recognised.

(m) 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 end of the reporting period. 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.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits

(i) Short-term obligations

Liabilities for short-term employee benefits including wages and salaries and non-monetary benefits are measured at the amount expected to be paid when the liability is settled, if it is expected to be settled wholly before 12 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 payable.

(ii) Other long-term obligations

The liability for other long-term benefits are those that are not expected to be settled wholly before 12 months after the end of the annual reporting period. Other long-term employee benefits include such things as annual leave, accumulating sick leave and long service leave liabilities.

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.

(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 the expense and liability for 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. The expense and liability are recognised when the Company 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.

Termination benefits are measured on initial recognition and subsequent changes are measured and recognised in accordance with the nature of the employee benefit. Benefits expected to be settled wholly within 12 months are measured at the undiscounted amount expected to be paid. Benefits not expected to be settled before 12 months after the end of the reporting period are discounted to present value.

(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 are disclosed net of the amount of GST recoverable from or payable to tax authorities.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Comparative amounts

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

(q) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time for the financial year beginning 1 January 2019. The adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company. Refer to note 1(r).

(r) Initial application of new standards

Adoption of AASB 15 Revenue from Contracts with Customers (AASB 15) and AASB 1058 Income of Not-For-Profit Entities (AASB 1058) is made in accordance with the transitional provisions applicable to each standard. The nature and effect of the changes as a result of adoption of these new accounting standards is described below.

AASB 15 *Revenue from contracts with customers* and AASB 1058 *Income of Not-For-Profit Entities*

The Company adopted AASB 15 and AASB 1058 using the modified retrospective method of transition, with the date of initial application of 1 January 2019. In accordance with the provisions of this transition approach, the Company was not required to recognise the cumulative effect of applying these new standards as an adjustment to opening retained earnings at the date of initial application, i.e. 1 January 2019. Consequently, the comparative information presented has not been restated and continues to be reported under the previous standards on revenue and income.

The new accounting policies for revenue and other income for not-for-profit in accordance with AASB 15 and AASB 1058 respectively are provided in Note 1(b).

Under the new income recognition model applicable to not-for-profit entities, the Company first determines whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are ‘sufficiently specific’.

If an enforceable agreement exists and the promises are ‘sufficiently specific’ (to a transaction or part of a transaction), the Company applies the general AASB 15 principles to determine the appropriate revenue recognition. If these criteria are not met, the Company considers whether AASB 1058 applies.

There has been no nature and effect of the changes to the recognition of revenue as a result of adoption of AASB15 and AASB1058 and as a result no comparative has been included.

AASB 16 *Leases*

The Company has adopted AASB 16 using the modified retrospective method of transition, with the date of initial application of 1 January 2019.

During 2019 the Company held no leases which met the conditions to satisfy recognition as a right-of-use asset as defined below.

Definition of lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under Interpretation 4. Under AASB 16, the Company will continue to assess at contract inception whether a contract is, or contains, a lease but now uses the new definition of a lease.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2 CONSULTANCY AND CONTRACTS REVENUE

	2019	2018
	$	$
Industry research	**6,626,703**	7,547,023
Royalties and licence fees	**391,086**	757,823
Consultancy	**691,021**	572,963
Total consultancy and contracts	**7,708,810**	8,877,809

3 OTHER GAINS/(LOSSES)

Change in fair value of financial assets designated at fair value through profit & loss	**195,138**	293,830
Total other gains investment income	**195,138**	293,830

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4 SOURCES OF FUNDING

	Sources of Funding			2019	
Revenue and Income Streams	Commercial arrangements	Donations, including corporate sponsorship	Others	Total Revenue from contracts with customers	Total Income of not-for-profit entities
Research					
Research goods and services [AASB15]	6,626,703	-	-	6,626,703	-
Research income [AASB1058]	-	-	-	-	-
Total research	6,626,703	-	-	6,626,703	-
Consultancy	691,021	-	-	691,021	
Royalties and license fees	391,086	-	-	391,086	
Interest	-	-	56,099	56,099	
Other Revenue	-	-	-	-	
Other [AASB15]	63,883	-	-	63,883	
Other [AASB1058]	-	10,506	-		10,506
Total other	1,145,990	10,506	56,099	1,202,089	10,506
Total revenue from contracts with customers	7,772,693		56,099	7,828,792	
Total income of not-for-profit		10,506			10,506

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

5 RECONCILATION OF REVENUE AND INCOME

	Note	2019 $
Total consultancy and contracts revenue	2	**7,708,810**
Total other gains/(losses)	3	**195,138**
Total interest income		**56,099**
Total other revenue		**74,389**
Total		**8,034,436**
Total revenue from contracts with customers as per AASB15	4	**7,828,792**
Total income of not-for-profit as per AASB1058	4	**10,506**
Total revenue and income from continuing operations		**7,839,298**

6 EMPLOYEE RELATED EXPENSES

	2019 $	2018 $
Salaries	**3,245,690**	3,408,502
Superannuation	**451,100**	352,984
Payroll tax	**313,696**	227,160
Worker's compensation	**13,552**	19,189
Long service leave	**84,953**	67,770
Annual leave	**242,655**	328,139
Terminations	**25,242**	270,286
Total employee related expenses	**4,376,888**	4,674,030

7 IMPAIRMENT OF FINANCIAL ASSETS

Trade receivables	**9,337**	(1,786)
Total impairment of assets	**9,337**	(1,786)

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

8 OTHER EXPENSES

	2019	2018
	$	$
Advertising, marketing and promotions	**33,172**	16,135
General consumables	**227,091**	374,048
Insurance	**101,985**	99,231
Minor equipment	**539,873**	244,537
Professional services	**728,516**	1,779,819
Scholarships, grants and prizes	**20,564**	20,568
Service fees	**500,000**	500,000
Telecommunications	**21,631**	21,686
Travel, staff development and entertainment	**222,731**	412,122
Other expenses	**524,880**	647,189
Total other expenses	**2,920,443**	4,115,335

9 CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**1,180,250**	1,112,751
Total cash and cash equivalents	**1,180,250**	1,112,751

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate of 0.01% (2018: between 0.10% and 0.15%).

10 RECEIVABLES

Current		
Trade receivables	**803,944**	711,020
Less: Provision for impaired receivables	**(19,031)**	(9,695)
	784,913	701,325
Prepayments	**96,294**	78,360
Related party receivables	**2,101,423**	2,503,703
Contract asset	**1,132,602**	1,025,523
Total current receivables	**4,115,232**	4,308,911

Provision for impairment

Details around the Company's impairment policy and calculation of the loss allowance are provided in note 21(b).

Fair value of trade receivables

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11 OTHER FINANCIAL ASSETS

	2019	2018
	$	$
Non-current		
Other financial assets at fair value through profit and loss	-	124,130
Total non-current other financial assets	-	124,130

See note 1(h) for the relevant accounting policies.

(i) Risk exposure

Note 21 provides information about the company's exposure to price risk.

(ii) Fair value measurements

The fair value of financial assets traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices (level 1) at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. There were no transfers between level 1, 2 and 3 for recurring fair value measurements during the year.

(iii) Investments held on behalf of third parties

No other financial assets at fair value through profit and loss are held on behalf of third parties as at 31 December 2019 (2018: $26,544). As at 31 December 2019 investments held by the Company on behalf of third parties $11,261 is included as part of non-current assets held for sale. A current liability of $11,261 (2018: $26,544) relating to these investments has been recognised as part of trade and other payables. Refer to note 14.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12 PLANT AND EQUIPMENT

	Capital Works in Progress $	Plant and equipment $	Total $
As at 31 December 2018			
Cost	8,584	977,664	986,248
Accumulated depreciation and impairment	-	(791,404)	(791,404)
Net book amount	8,584	186,260	194,844
Year ended 31 December 2019			
Opening net book amount	**8,584**	**186,260**	**194,844**
Additions	**61,088**	**-**	**61,088**
Transfers	**(40,075)**	**40,075**	**-**
Depreciation charge	**-**	**(66,843)**	**(66,843)**
Closing net book amount	**29,597**	**159,492**	**189,089**
At 31 December 2019			
Cost	**29,597**	**941,304**	**970,901**
Accumulated depreciation and impairment	**-**	**(781,812)**	**(781,812)**
Net book amount	**29,597**	**159,492**	**189,089**

13 INTANGIBLE ASSETS

	Computer software $	Intellectual property $	Total $
As at 31 December 2018			
Cost	63,063	386,580	449,643
Accumulated amortisation and impairment	(63,063)	(385,911)	(448,974)
Net book amount	-	669	669
Year ended 31 December 2019			
Opening net book amount	**-**	**669**	**669**
Additions	**-**	**-**	**-**
Other movements	**-**	**-**	**-**
Amortisation charge	**-**	**(341)**	**(341)**
Closing net book amount	**-**	**328**	**328**
At 31 December 2019			
Cost	**63,063**	**386,580**	**449,643**
Accumulated amortisation and impairment	**(63,063)**	**(386,252)**	**(449,315)**
Net book amount	**-**	**328**	**328**

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

14 TRADE AND OTHER PAYABLES

	2019 $	2018 $
Current		
Trade payables	**398,273**	440,149
Investments held on behalf of third parties	**11,261**	26,544
Other payables	**115,582**	54,747
Total current trade and other payables	**525,116**	521,440

The carrying amounts of trade and other payables are considered to be the same as the fair values, due to their short term nature.

15 PROVISIONS

Current provisions		
Employee benefits		
Annual leave	**225,580**	321,651
Long service leave	**85,376**	91,288
Other employee provisions	**197,219**	-
Terminations	**57,631**	270,286
	565,806	683,225
Current provisions expected to be settled after more than 12 months		
Employee benefits		
Annual leave	**80,161**	165,626
Long service leave	**166,525**	333,779
	246,686	499,405
Total current provisions	**812,492**	1,182,630
Non-current provisions		
Employee benefits		
Long service leave	**289,666**	238,705
Total non-current provisions	**289,666**	238,705
Total provisions	**1,102,158**	1,421,335

The employee benefit provisions cover the company's liabilities for long service leave and annual leave which are classified as either current or non-current provisions, as explained in note 1(n).

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

16 RESERVES AND RETAINED EARNINGS

(a) Reserves

	2019	2018
	$	$
Available-for-sale investments revaluation	-	-
Total reserves	-	-
Movements		
Available-for-sale investments revaluation		
Balance 1 January	-	540,380
Reclassification on adoption of AASB 9	-	(540,380)
Balance 31 December	-	-
Movements in retained earnings		
Retained earnings at 1 January	**2,866,116**	2,017,129
Net result for the period	**594,436**	308,607
Reclassification on adoption of AASB 9	-	540,380
Retained earnings at 31 December	**3,460,552**	2,866,116

(b) Nature and purpose of reserves

Available-for-sale investment revaluation (until 31 December 2017): changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

17 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Names of responsible persons and executive officers

The following persons were members of the board of the Company during the financial year:

Professor Kevin Hall
Professor Alan Broadfoot
Mr Paul Dunn (Term expired 7 February 2020)
Ms Barbara Crossley

(b) Other key management personnel

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

Dr Timothy Donohue, Acting General Manager until appointed General Manager on 7 March 2019.

(c) Key management personnel compensation

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:

	2019 $	2018 $
Total key management personnel compensation	**209,478**	161,113

18 CONTINGENCIES AND COMMITMENTS

In the opinion of the Directors, the Company did not have any contingent assets, contingent liabilities or commitments at 31 December 2019 (2018: Nil).

19 RELATED PARTIES

(a) Parent entities

The ultimate parent entity is The University of Newcastle by virtue of its sole membership of the Company.

(b) Key management personnel

Disclosures relating to directors and specified executives are set out in note 17.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

(c) Transactions with related parties

The following transactions occurred with related parties:

	2019	2018
	$	$
i) Parent entity:		
Sale of goods and services:		
Consultancy and contracts	**624,684**	943,560
Purchase of goods and services:		
Service fees	**500,000**	500,000
Consultancy, consumables and others	**598,200**	819,295
Other transactions:		
Interest income	**55,486**	46,102
ii) Associates:		
Sales of goods and services:		
Consultancy and contracts	**-**	192,500
Purchase of goods and services:		
Consultancy, consumables and others	**122,581**	-

(d) Loans to / (from) related parties

	2019	2018
i) Parent entity:		
Beginning of the year	**2,503,703**	1,392,022
Payments	**(1,357,767)**	(1,323,922)
Loans advanced	**900,000**	2,395,302
Interest received	**55,486**	40,301
End of year	**2,101,422**	2,503,703

(e) Outstanding balances

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

	2019	2018
Current receivables (sale of goods and services)		
Parent entity	**127,220**	23,999
Associates	**-**	211,750
Current receivables (other transactions)		
Parent entity	**18,811**	18,400
Total current receivables	**146,031**	254,149
Current payables (purchase of goods and services)		
Parent entity	**74,700**	103,858
Current payables (investments held on behalf of)		
Parent entity	**6,143**	14,479
Total current payables	**80,843**	118,337

No loss allowances have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(f) Terms and conditions

All transactions with related parties occurred on the basis of normal commercial terms and conditions.

20 EVENTS OCCURRING AFTER REPORTING DATE

The Directors have not noted any events since the end of the financial 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 financial years.

21 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency 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. 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, and ageing analysis for credit risk.

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's exposure to equity securities price risk arises from investments held by the Company and classified on the statement of financial position as financial assets at fair value through profit and loss (note 11). The majority of the Company's equity investments are publicly traded on the Australian Stock Exchange. To manage its price risk arising from investments in equity securities the company diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the company.

(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 2019, if interest rates had changed by ± 1% from the year end rates with all other variables held constant, the result for the year would have changed by ± $11,802 (2018: ± $11,128).

(b) Credit risk

The Company applies AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectable were written off by reducing the carrying amount directly.

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.

The carrying amount of financial assets (note 11) represents the Company's maximum exposure to credit risk. No collateral is held by the Company.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

(c) Liquidity risk

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

Trade payables are unsecured and are usually paid within 30 days of recognition.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
DIRECTORS DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors of the Company declare that:

1. The financial statements:

   a. comply with the Australian Accounting Standards Reduced Disclosure Requirements which include the Australian Accounting Interpretations;

   b. comply with the *Public Finance and Audit Act 1983 (NSW)*, the *Public Finance and Audit Regulation 2015*, and the *Corporations Act 2001*; and

   c. give a true and fair view of the financial position as at 31 December 2019 and financial performance for the year ended on that date of the Company.

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.

3. We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

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)*.

Professor Alan Broadfoot
Director

Barbara Crossley
Director

Dated 18 March 2020

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
AUDITOR'S INDEPENDENCE DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITOR-GENERAL
NEW SOUTH WALES

To the Directors

The University of Newcastle Research Associates Limited

Auditor's Independence Declaration

As auditor for the audit of the financial statements of The University of Newcastle Research Associates Limited for the year ended 31 December 2019, I declare, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Nathan Carter

Delegate of the Auditor-General for New South Wales

17 March 2020
SYDNEY

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THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT

The University of Newcastle Research Associates Limited

To Members of the New South Wales Parliament and Members of The University of Newcastle Research Associates Limited

Opinion

I have audited the accompanying financial statements of The University of Newcastle Research Associates Limited (the Company), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 31 December 2019, the Statement of Financial Position as at 31 December 2019, the Statement of Changes in Equity and the 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.

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 2019 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* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the financial statements' section of my report.

I am independent of the Company in accordance with the requirements of the:

- Australian Auditing Standards
- *Corporations Act 2001*
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles 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
- precluding the Auditor-General from providing non-audit services.

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THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

I confirm the independence declaration, required by the *Corporations Act 2001*, provided to the directors of the Company on 17 March 2020, would be in the same terms if provided to the directors as at the time of this Independent Auditor's Report.

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

Other Information

The Company's annual report for the year ended 31 December 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Company are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Director's Report.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Directors' Responsibilities for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the PF&A Act, *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

THE UNIVERSITY OF NEWCASTLE RESEARCH ASSOCIATES (TUNRA)
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

My opinion does not provide assurance:

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

Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 March 2020
SYDNEY

THE UNIVERSITY OF NEWCASTLE

UON SINGAPORE PTE LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

PREPARED UNDER THE PUBLIC FINANCE AND AUDIT ACT 1983, IN AUSTRALIA

UON SINGAPORE

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Income from continuing operations			
Fees and charges	2	**8,049,727**	6,732,945
Consultancy and contracts		**-**	625
Interest income		**12,689**	-
Other revenue		**125,305**	97,954
Total income from continuing operations		**8,187,721**	6,831,524
Expenses from continuing operations			
Employee related expenses	3	**3,590,608**	3,661,433
Depreciation		**356,148**	10,411
Repairs and maintenance		**20,348**	11,822
Service fees	18(c)	**3,001,667**	2,617,064
Other expenses	4	**873,442**	973,937
Total expenses from continuing operations		**7,842,213**	7,274,667
Net result before income tax from continuing operations		**345,508**	(443,143)
Income tax expense	5	**-**	-
Net result after income tax for the period		**345,508**	(443,143)
Net result attributable to:			
Members of UON Singapore Pte Ltd		**345,508**	(443,143)

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

UON SINGAPORE

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Net result after income tax for the period		**345,508**	(443,143)
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations	13(b)	42,421	239,330
Total other comprehensive income, net of tax		**42,421**	239,330
Comprehensive result		**387,929**	(203,813)
Total comprehensive result attributable to: Members of UON Singapore Pte Ltd		**387,929**	(203,813)

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

UON SINGAPORE

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	6	**4,498,308**	3,862,732
Receivables	7	**92,072**	126,375
Total current assets		**4,590,380**	3,989,107
Non-current assets			
Receivables	7	**96,791**	82,874
Plant and equipment	8	**30,336**	40,611
Right of use assets	9	**636,431**	-
Total non-current assets		**763,558**	123,485
Total assets		**5,353,938**	4,112,592
Liabilities			
Current liabilities			
Trade and other payables	10	**1,898,265**	1,736,377
Borrowings	11	**365,880**	-
Employee benefit provisions	12	**64,045**	36,973
Total current liabilities		**2,328,190**	1,773,350
Non-current liabilities			
Borrowings	11	**298,577**	-
Total non-current liabilities		**298,577**	-
Total liabilities		**2,626,767**	1,773,350
Net assets		**2,727,171**	2,339,242
Equity			
Issued capital	14	**86,036**	86,036
Reserves	13	**1,303,885**	1,261,464
Retained earnings	13	**1,337,250**	991,742
Total equity		**2,727,171**	2,339,242

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

UON SINGAPORE

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Issued capital $	Retained earnings $	Foreign currency translation reserve $	Total $
Balance at 1 January 2018		86,036	1,434,885	1,022,134	2,543,055
Net result		-	(443,143)	-	(443,143)
Gain on foreign exchange		-	-	239,330	239,330
Total comprehensive result		-	(443,143)	239,330	(203,813)
Balance as at 31 December 2018	13,14	86,036	991,742	1,261,464	2,339,242
Balance at 1 January 2019		**86,036**	**991,742**	**1,261,464**	**2,339,242**
Net result		**-**	**345,508**	**-**	**345,508**
Gain on foreign exchange		**-**	**-**	**42,421**	**42,421**
Total comprehensive result		**-**	**345,508**	**42,421**	**387,929**
Balance at 31 December 2019	13,14	**86,036**	**1,337,250**	**1,303,885**	**2,727,171**

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

UON SINGAPORE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from student fees and other customers		**8,746,956**	7,228,877
Interest received		**12,689**	-
Payments to suppliers and employees		**(7,373,356)**	(7,001,619)
Income taxes paid		**-**	-
GST paid		**(494,298)**	(414,791)
Interest and other costs of finance		**(22,635)**	-
Net cash provided by / (used in) operating activities		**869,356**	(187,533)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		**11**	102
Proceeds from held to maturity investments		**1,593,541**	-
Payments for plant and equipment		**-**	(6,802)
Payments for held to maturity investments		**(1,587,974)**	-
Net cash provided by / (used in) investing activities		**5,578**	(6,700)
Cash flows from financing activities			
Repayment of lease liabilities		**(317,180)**	-
Net cash used in financing activities		**(317,180)**	**-**
Net cash increase / (decrease) in cash and cash equivalents		**557,754**	(194,233)
Cash and cash equivalents at beginning of financial year		**3,862,732**	3,753,952
Effects of exchange rate changes on cash and cash equivalents		**77,822**	303,013
Cash and cash equivalents at the end of financial year	6	**4,498,308**	3,862,732

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

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UON Singapore Pte Ltd ('the Company') is a company limited by shares incorporated in Singapore. It is a controlled entity of the University of Newcastle.

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. The amounts presented are in Australian Dollars. The Company is a for profit entity that was established and has its domicile in Singapore. The financial statements are prepared in Australia to meet the reporting obligations under the *Public Finance and Audit Act 1983*.

The principal place of business of UON Singapore Pte Ltd is:

6 Temasek Boulevard
#10-02/03, Suntec Tower 4
Singapore 038986

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

(a) Basis of preparation

The general purpose financial statements of UON Singapore Pte Ltd, have been prepared on an accruals basis in accordance with Australian Accounting Standards - Reduced Disclosure requirements as issued by the Australian Accounting Standards Board in AASB 1053 Application of Tiers of Australian Accounting Standards.

The Company applies Tier 2 reporting requirements.

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

- *Public Finance and Audit Act 1983 (NSW)*
- *Public Finance and Audit Regulations 2015*

Date of authorisation for issue

The financial statements were authorised for issue by the members of UON Singapore Pte Ltd on 20 March 2020.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for certain classes of financial assets and liabilities that are measured at fair value.

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 UON Singapore Pte Ltd's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis.

(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.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation (continued)

(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.

If gains or losses on non-monetary items are recognised in other comprehensive income, translation gains or losses are also recognised in other comprehensive income. Similarly, if gains or losses on non-monetary items are recognised in profit or loss, translation 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 performance obligations are satisfied, either at a point in time or over time.

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 receipts (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.

(ii) Consultancy and contracts

The Company assess contracts applying AASB 15. The Company determines whether an enforceable agreement exists and whether the promises to transfer goods or services to customer are ‘sufficiently specific’.

(iii) Other revenue

Other revenue represents miscellaneous income which is not derived from core operations and is recognised as income by applying AASB 15 depending on the existence of ‘sufficiently specific’ obligations.

(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 if material to the Company, 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 neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Income tax (continued)

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 or loss are also recognised outside profit or loss.

The Company is exempt from income tax in Australia.

(e) Impairment of assets

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 its 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.

(f) Cash and cash equivalents

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.

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance (expected credit losses). Trade receivables are due for settlement no more than 30 days from the date of recognition and therefore classified as current.

(h) Fair value measurement

The fair value of financial assets and financial liabilities must be measured for recognition and 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 other securities) is based on quoted market prices for identical assets or liabilities at the end of the reporting period (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.

The carrying value 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.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include gains or losses that were recognised in other comprehensive income on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

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.

Depreciation on plant and equipment is calculated using the straight-line method to allocate its cost, net of its residual values, over its estimated useful lives, as follows:

	2019	**2018**
Plant and equipment	2 - 10 years	2 - 10 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.

(j) Leases

The Company recognises a lease liability measured at the present value of unpaid lease payments at the commencement date of the lease. To calculate the present value, the unpaid lease payments are discounted using the interest rate implicit in the lease if the rate is readily determinable. If the interest rate implicit in the lease cannot be readily determined, the incremental borrowing rate at the commencement date of the lease is used. Lease payments included in the measurement of lease liabilities comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. payments varying on account of changes in CPI); and
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Subsequently, the lease liability is measured at amortised cost using the effective interest rate method resulting in interest expense being recognised as a borrowing cost in the income statement. The lease liability is remeasured when there are changes in future lease payments arising from a change in an index or rate with a corresponding adjustment to the right-of-use asset. The adjustment amount is factored into depreciation of the right-of-use asset prospectively.

Right-of-use assets are presented within Right-of-Use Assets note 9 and Borrowings note 11.

Short-term leases and leases of low-value-assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases i.e. leases with a lease term of 12 months or less and leases of low-value assets i.e., when the value of the leased asset when new is $5,000 or less. The Company recognises the lease payments associated with these leases as expense on a straight-line basis over the lease term.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Repairs and maintenance

Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case, the costs are capitalised and depreciated. Other routine operating maintenance, repair and minor renewal costs are also recognised as expenses, as incurred.

(l) 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 following the end of the month they are recognised.

(m) 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.

(n) Employee benefits

(i) Short-term obligations

Liabilities for short-term employee benefits including wages and salaries and non-monetary benefits are measured at the amount expected to be paid when the liability is settled, if it is expected to be settled wholly before 12 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 payable.

(ii) Other long-term obligations

The liability for other long-term benefits are those that are not expected to be settled wholly before 12 months after the end of the annual reporting period. Other long-term employee benefit is annual leave liabilities.

(iii) Other long-term obligations

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 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 Company recognises the expense and liability for 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. The expense and liability are recognised when the Company 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.

Termination benefits are measured on initial recognition and subsequent changes are measured and recognised in accordance with the nature of the employee benefit. Benefits expected to be settled wholly within 12 months are measured at the undiscounted amount expected to be paid. Benefits not expected to be settled before 12 months after the end of the reporting period are discounted to present value.

(o) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest dollar.

(p) Goods and services tax (GST) in Singapore

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.

There are no transactions in Australia requiring GST reporting to the Australian Taxation Office.

(q) Comparative amounts

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

(r) New accounting standards and interpretations

No new standards have been issued for future reporting periods which would affect the Company.

(s) Adoption of new and revised accounting standards

The Company has adopted the following standards which are effective for the first time for the financial year beginning 1 January 2019:

- AASB 16 Leases

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Initial application of new standards

Adoption of AASB 16 Leases (AASB 16) is made in accordance with the transitional provisions applicable to each standard. The nature and effect of the changes as a result of adoption of the new accounting standards is described below.

AASB 16 Leases

The Company has adopted AASB 16 using the modified retrospective method of transition, with the date of initial application of 1 January 2019. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards incidental to ownership of the underlying asset to the Company. Under AASB 16, this classification no longer exists for the Company as a lessee. Instead, practically all leases are now recognised on the statement of financial position as right-of-use assets with corresponding lease liabilities comprising all amounts which are considered to be lease payments (see note 11) for the new leases policy which explains what amounts are included in lease payments.

Leases previously classified as operating leases under AASB 117

On transition to AASB 16, The Company has adopted AASB 16 using the modified retrospective method of transition, with the date of initial application of 1 January 2019. The Company recognised lease liabilities for leases previously classified as operating leases by discounting the remaining lease payments using the incremental borrowing rate as at the date of initial application, i.e. 1 January 2019. The right-of-use assets were recognised at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Company has applied the following practical expedients in transitioning existing operating leases:

a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment)
b) Applied the exemption not to recognise right-of-use assets and lease liabilities where the remaining leases term is 12 months or less from the date of initial application
c) Relied on its assessment of whether leases are onerous applying AASB 137 immediately before the date of initial application, as an alternative to undertaking an impairment review
d) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease
e) Excluded initial direct costs from the measurement of right-of-use asset at the date of initial application.

	1 January 2019
	$
Operating lease commitments disclosed as at 31 December 2018	499,822
Discounted using the [HEP's] weighted average incremental borrowing rate of 3%	(14,995)
Less: Short-term leases recognised on a straight-line basis as an expense	(18,698)
Less: Low-value leases recognised on a straight-line basis as an expense	(16,053)
Add: Adjustments as a result of a different treatment of extension and termination options	514,039
Add: Adjustments relating to foreign exchange rate	17,391
Lease liability recognised as at 1 January 2019	**981,506**

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2 FEES AND CHARGES

	2019	2018
	$	$
Course fees and charges		
Fee-paying Singapore students	**8,027,363**	6,711,653
Course and conference fees	**7,239**	7,069
Other fees and charges	**15,125**	14,223
Total course fees and charges	**8,049,727**	6,732,945

3 EMPLOYEE RELATED EXPENSES

Academic		
Salaries	**2,533,441**	2,714,617
Contribution to funded superannuation	**211,904**	182,799
Annual leave	**17,437**	(11,784)
Total academic	**2,762,782**	2,885,632
Professional		
Salaries	**712,501**	687,026
Contribution to funded superannuation	**106,587**	91,840
Annual leave	**8,738**	(3,065)
Total professional	**827,826**	775,801
Total employee related expenses	**3,590,608**	3,661,433

4 OTHER EXPENSES

Advertising, marketing and promotions	**32,636**	46,863
General consumables	**29,127**	19,617
Insurance	**15,668**	23,996
Minor equipment	**32,396**	21,152
Operating lease rental	**10,478**	10,662
Professional services	**290,367**	107,833
Scholarships, grants and prizes	**70,112**	107,519
Rent	**58,851**	326,061
Telecommunications	**10,421**	15,290
Travel, staff development and entertainment	**109,376**	129,873
Utilities	**5,871**	5,063
Other expenses	**208,139**	160,008
Total other expenses	**873,442**	973,937

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5 INCOME TAX

	2019 $	2018 $
(a) Income tax expense		
Current income tax	**58,737**	-
Carried forward tax losses from prior year	**(58,737)**	-
	-	-
Income tax expense is attributable to:		
Net result from continuing operations	**-**	-
Aggregate income tax expense	**-**	-

(b) Numerical reconciliation of income tax expense to prima facia tax payable

	2019 $	2018 $
Net result from continuing operations before income tax expense	**345,508**	(443,143)
Tax at the Singaporean tax rate of 17% (2018: 17%)	**58,736**	(75,334)
Tax effect of amounts which are not deductible in calculating taxable income	**-**	75,334
Unutilised tax credit from prior period	**(58,737)**	-
Income tax expense from continuing operations	**-**	**-**

Deferred tax assets / (liabilities) have not been recognised in the statement of financial position in respect of deductible temporary differences as they are not material to the financial statements.

6 CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash at bank and on hand	**4,498,308**	3,862,732
Total cash and cash equivalents	**4,498,308**	3,862,732

(a) Cash at bank and on hand

Cash on hand is non-interest bearing.

7 RECEIVABLES

	2019 $	2018 $
Current		
Trade receivables	**43,621**	78,765
Other assets	**43,153**	42,473
Other receivables	**5,298**	5,137
Total current receivables	**92,072**	126,375
Non-current		
Other receivables	**96,791**	82,874
Total non-current receivables	**96,791**	82,874

(a) Provision for impairment

Note 20 sets out information about the impairment of receivables and the Company's exposure to credit risk. Due to the short-term nature of receivables their carrying amount is considered to be the same as fair value.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

8 PLANT AND EQUIPMENT

	Plant and equipment $	Total $
As at 31 December 2018		
Cost	61,213	61,213
Accumulated depreciation	(20,602)	(20,602)
Net book amount	40,611	40,611
Year ended 31 December 2019		
Opening net book amount	**40,611**	**40,611**
Depreciation charge	**(11,072)**	**(11,072)**
Exchange difference	**797**	**797**
Closing net book amount	**30,336**	**30,336**

9 RIGHT OF USE ASSETS

	Right of Use Asset $	Total $
As at 31 December 2018		
Cost	-	-
Accumulated depreciation	-	-
Net book amount	-	-
Year ended 31 December 2019		
Opening net book amount	**-**	**-**
Additions	**983,143**	**983,143**
Depreciation charge	**(346,712)**	**(346,712)**
Exchange difference	**-**	**-**
Closing net book amount	**636,431**	**636,431**

10 TRADE AND OTHER PAYABLES

	2019 $	2018 $
Current		
Trade payables	**727,491**	655,244
Related party payables	**1,030,082**	956,796
Other payables	**140,692**	124,337
Total current trade and other payables	**1,898,265**	1,736,377

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

11 BORROWINGS

	2019	2018
	$	$
Current		
Lease liability	**365,880**	-
Total current borrowings	**365,880**	-
Non-current		
Lease liability	**298,577**	-
Total non-current borrowings	**298,577**	-

11.1 UON SINGAPORE AS LESSEE

Amounts recognised in the income statement		
Interest on lease liabilities	**22,635**	-
Variable lease payments not included in the measurement of leases	**766**	-
Expenses relating to short-term leases	**67,699**	-
Expenses relating to leases of low-value assets, excluding short term leases of low-value assets	**4,783**	-
	95,883	-
Maturity analysis - undiscounted contractual cash flows		
Less than one year	**17,293**	-
One to five years	**434,430**	-
Total undiscounted contractual cash flows	**451,723**	-
Lease liabilities recognised in the statement of financial position		
Current	**365,880**	-
Non-current	**298,577**	-

12 EMPLOYEE BENEFIT PROVISIONS

Current employee benefit provisions		
Annual leave	**64,045**	36,973
Total current employee benefit provisions	**64,045**	36,973

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

13 RESERVES AND RETAINED EARNINGS

	2019	2018
	$	$
(a) Reserves		
Foreign currency translation reserve	**1,303,885**	1,261,464
Total reserves	**1,303,885**	1,261,464
(b) Movements in reserves		
Foreign currency translation reserve		
Balance 1 January	**1,261,464**	1,022,134
Currency translation differences arising during the year	**42,421**	239,330
Balance 31 December	**1,303,885**	1,261,464
(c) Movements in retained earnings		
Retained earnings at 1 January	**991,742**	1,434,885
Net result for the period	**345,508**	(443,143)
Retained earnings at 31 December	**1,337,250**	991,742

(d) Nature and purpose of reserves

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

14 ISSUED CAPITAL

(a) Issued capital

	2019	2018
2 fully paid ordinary shares	**86,036**	86,036

In accordance with the Constitution of the Company, ordinary shares which are 100% owned by the University of Newcastle participate in dividends and the proceeds on winding up of the Company.

The Company is incorporated and domiciled in Singapore.

(b) Capital management

The key objectives of the Company when managing capital is to ensure the entity continues as a going concern and to maintain an optimal structure for sustainable growth.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. The company does not have external borrowings.

(c) Dividends

No dividends were paid during the year ended 31 December 2019 (2018: Nil).

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

15 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 Board of directors

Professor Mark Jones (Chair)
Professor Sally Chan (Chief Executive Officer) - appointed 1 April 2019
Professor Kevin Lyons (Chief Executive Officer) - resigned 31 March 2019
Professor Kevin Hall (Director) – appointed 9 October 2019
Mr Michael Grenville Gray (Director)
Mr Tay Buan Huat Peter (Director)
Ms Sandra Davie D/O Periasamy (Director)
Mr Tao Yeoh Chi (Director)

(b) Key management personnel compensation

	2019	2018
	$	$
Short-term employee benefits	**441,209**	486,776
Total key management personnel compensation	**441,209**	486,776

16 CONTINGENCIES

In the opinion of the Directors, UON Singapore Pte Ltd did not have any contingent assets or contingent liabilities at 31 December 2019 (2018: Nil).

17 COMMITMENTS

(a) Lease commitments

(i) Operating Leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	356,923
Between one year and five years	142,899
Total future minimum lease payments	499,822

The Company adopted AASB16 from 1 January 2019, lease commitments is disclosed in note 11.1.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

18 RELATED PARTIES

(a) Parent entities

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 persons and executive officers are set out in note 15.

(c) Transactions with related parties

The following transactions occurred with related parties:

	2019	2018
	$	$
(i) The University of Newcastle		
Sale of goods and services:		
Research grant	**1,343**	5,804
Consumables and other cost recovery	**43,881**	7,927
Total sale of goods and services	**45,224**	13,731
Purchase of goods and services:		
Service fees	**3,001,667**	2,617,064
Consulting fees	**175,308**	-
Consumables and other cost recovery	**33,438**	-
Total purchase of goods and services	**3,210,413**	2,617,064

(d) Outstanding balances

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

Current payables		
The University of Newcastle	**1,030,082**	956,796
Total current payables	**1,030,082**	956,796

(e) Terms and conditions

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

19 EVENTS OCCURRING AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial 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 financial years.

20 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including foreign 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.

UON SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) 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 2019, had the Australian dollar moved by 10% against the Singapore dollar with all other variables held constant, the net result after income tax for the year would have changed by ±$103,008 (2018: ±$95,680), mainly as a result of foreign exchange gains/losses on translation of Singapore dollar denominated trade and related party payables.

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

	2019	2018
	$	$
Singapore Dollars	**868,183**	780,592
Australian Dollars	**1,030,082**	956,796

(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 2019, if interest rates had changed by ± 1% from the year end rates with all other variables held constant, the net result after income tax for the year would have changed by ±$44,983 (2018: ±$38,627), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) 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. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB+' are accepted. Trade receivables consist of student fees revenue and ongoing credit evaluation is performed on the financial condition of accounts receivable.

The impairment of trade receivables and other receivables are subject to the expected credit loss model to which the company applies the AASB 9 simplified approach to measuring expected credit losses.

(c) 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

DIRECTORS DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors of the Company declare that:

The financial statements and notes:

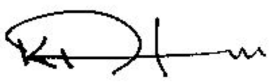
a. comply with the Australian Accounting Standards Reduced Disclosure requirements which include the Australian Accounting Interpretations;

b. comply with the *Public Finance and Audit Act 1983 (NSW)*, the *Public Finance and Audit Regulation 2015*; and

c. give a true and fair view of the financial position as at 31 December 2019 and financial performance for the year ended on that date of the Company.

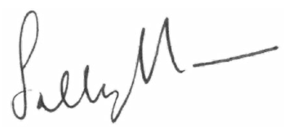
We are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

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).*



Professor Kevin Hall

Director



Professor Sally Chan

Director

Dated 20 March 2020

UON SINGAPORE

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT

UON Singapore Pte Ltd

To Members of the New South Wales Parliament and Members of UON Singapore Pte Ltd

Opinion

I have audited the accompanying financial statements of UON Singapore Pte Ltd (the Company), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 31 December 2019, the Statement of Financial Position as at 31 December 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the financial statements' section of my report.

I am independent of the Company in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles 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
- precluding the Auditor-General from providing non-audit services.

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

Other Information

The Company's annual report for the year ended 31 December 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The directors of the Company are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Directors' Declaration.

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UON SINGAPORE

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Directors' Responsibilities for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the PF&A Act, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the financial statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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

N. [signature]

Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 March 2020
SYDNEY

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