
# Annual Report

# 2017

UOW PULSE

ABN 28 915 832 337

ACN 081 114 089

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# DIRECTORS' REPORT

Through 2017 the new entity, UOW Pulse Ltd continued its transformation as the one delivery vehicle geared towards improving the quality of campus life services at the University of Wollongong. With a clear mission and purpose the core functions of Sport & Recreation, Retail, Food & Beverage, Children's' Services, Events & Catering and Student Engagement are well placed to continue to grow and enrich the on campus experience.

# BOARD OF DIRECTORS

## Sue Chapman

Chair of the UOW Pulse Ltd Board
Since October 2016

Sue has had a long career as a senior executive in the ACT and NSW governments, the most recent being the Deputy Director- General of the Community Services Directorate in the ACT. She has held senior positions in the Australian Department of Human Services and the Attorney-General's Department while based in Canberra, and has also worked in the private sector for 7 years as the CEO and Managing Director of NCS International based in Sydney. Sue was the Deputy Principal and Registrar of the University of Sydney for a number of years so has a good understanding of the university sector.

Sue is a graduate of UOW with a MBA and a BA. She is also a graduate of the Australian Institute of Company Directors and an Executive Fellow of ANZOG.

Sue has had a long association with UOW, having been a member of Council for 11 years and Deputy Chancellor for two years. Sue has had considerable board experience and is currently an independent member of the Audit and Risk Committee for the Education Directorate in the ACT.

## Melva Crouch, CSM

UOW Chief Administrative Officer
Executive Chair to October 2016
Executive Director Since August 2013

Ms Melva Crouch has extensive experience as a logistics and corporate support executive in complex organisations. She commenced her career with the Australian Army as a logistics officer, serving for 23 years in a variety of Army and joint Defence roles culminating with the position of Head of Logistics and Administration at Joint Operations Command at the rank of Colonel.

Ms Crouch left the Army in 2005 to join the United Nations, subsequently providing logistic support to peacekeeping missions in Democratic Republic of Congo, Liberia and Western Sahara. After five years in the field, she moved to New York to take on more strategic administrative roles with the United Nations. Prior to joining the University of Wollongong she held the position of Director of Facilities and Commercial Services Division in the Department of Management, managing the office and conference facilities of the United Nations Headquarters and providing common support functions to the Secretariat.

Ms Crouch exercises executive oversight of support services to the University, including staff and student administration, student residences, construction and maintenance of campus facilities, advancement and governance. She is Secretary to the University of Wollongong Council.

## Mary Youssif

B.Com, M.Stud.Accy, FCPA, AGIA, RTA, MAMI, MAICD
Non Executive Director
Director Since August 2004

Mary has held various senior and executive positions within the Coal Mining and Chemical Manufacturing Industries for 15 years. She also worked for the University of Wollongong between 1993 and 2001 in Chief Accountant and Project Management positions. During that time she was the Vice-Chancellor's representative on the former UniCentre's Children's Services Management Committee. Currently she operates her own accounting practice locally. Mary has been a director on the Board of Community Alliance Credit Union (The Illawarra Credit Union) for 26 years and served as Chair of the Board from 2008 to 2014 and is currently the Chair of the Risk Committee. During this time, she formed and Chaired the Audit Committee, was on their Strategic Planning Committee for 4 years (Chair for one year), and the Governance Committee for 6 years (Chair for 2 years). As a former student and employee of the University of Wollongong, Mary brings extensive financial and business knowledge together with an understanding of the UOW Pulse and the environment in which it operates.

Mary is a University of Wollongong appointed Director to UOW Pulse.

## Sarah Lisle

Non Executive Director
Director Since October 2015

Sarah has extensive experience in the not-for-profit sector and government sector in both the UK and Australia. Sarah commenced at the University of Wollongong (UOW) in 2012. In her current role as Senior Community Engagement Coordinator within the Advancement Division, she is responsible for key strategic programmes, utilising her extensive skills drawing on a strong track record in program, event and relationship management to ensure the University's strategic community engagement goals are achieved. As a Non-Executive Director Sarah sits on the Audit and Risk Compliance Committee for UOW Pulse.

Sarah is a member of the Australia Institute of Company Directors and has completed the Foundations of Directorship course. Sarah is also a member of the Junior Chamber International (JCI) and holds the position of National Director of Finance and Governance. With a business head and intrapreneurial mindset Sarah strives to implement continuous improvement and innovation to ensure clear communication, striking harmony in the workplace and developing business opportunities. Sarah graduated her Executive Masters Business Administration (EMBA) through UOW's Sydney Business School in December 2016.

## Daniel Crameri

Non Executive Director
Director Since October 2015

Completing his Bachelor in 2013 Daniel has returned to UOW to study a Master of Business. Spending 6 years as an undergraduate, Daniel is well versed in all aspects of the student experience. Passionate about building community ideals, he wants to help drive UOW Pulse to succeed in its mission of enhancing the University experience for all students. Daniel's vision for student culture is one of participation and involvement, throughout and beyond a student's time at UOW.

## Murray Reid
### Non Executive Director
### Director Since April 2016

Murray is a long-term resident of Wollongong. Attending the University of Wollongong after high school he completed a Bachelor of Commerce degree in 1986 and went on to qualify as a Chartered Accountant in 1987. He has worked in public practice for over 25 years and has been a partner in practice since 1992. He has held various directorships over that period including a major local financial institution and is currently a director of the Wollongong Golf Club Ltd.

In 1998 he was appointed an initial director of the University Recreation and Aquatic Centre Ltd and held that position until 2016 when he became an appointed director of UOW Pulse. He brings a wealth of financial and business experience to the Board.

## Kath McCollim
### Executive Director.
### Since January 2017

Kath is a strategic change agent who has honed her skills from employment experience in the steel manufacturing and health insurance sectors and from consultancy engagements in the transport and local government sectors.

She is presently the Director, Business Improvement and Assurance Division for the University of Wollongong. In this role, Kath supports the University's ability to deliver on its strategic plan and manage risks by resourcing prioritised strategic initiatives and enabling units to deliver efficient, effective and compliant business processes. Her Division tailors recommendations and solutions and provide tools to streamline business support activities.

Responsibilities include;

- Project managing key strategic initiatives that open up new markets via capital investment and the leveraging of key external partnerships
- Project managing the review of organisational units and key activities to increase their ability to transform the University
- Delivering business process improvement initiatives impacting enterprise-wide services
- Embedding process improvement into the University's operating culture and raising the capability of staff to identify and implement their own process improvement initiatives
- Facilitating the University's risk management framework
- Implementing a revised Business Continuity Framework, supported by the Risk Management Planning Cycle
- Ensuring legislative compliance obligations can be met via responsibility identification and reporting

As Director, Kath also facilitates the University's Risk, Audit and Compliance Committee; a sub-committee of the University Council.

She has a Bachelor of Arts (Psyc. & Industrial Relations); a Master of Commerce (Management) and a Certificate in Industrial Mediation. Kath is a member of the Australian Institute of Company Directors.

## Nieves Murray
Non Executive Director
Since January 2017

IRT Group is one of Australia's largest community-owned seniors' lifestyle and care providers. In her decade as CEO, Nieves led IRT to new heights, growing its asset base to over $1.1 billion, employing more than 2,300 people and supporting more than 8,000 customers.

In 2016 Nieves was recognised for her community contribution by being named Wollongong Citizen of the Year. She also serves as Director of the Illawarra Credit Union and the South Eastern NSW Public Health Network (Coordinare), is a Member of the University of Wollongong Council, and volunteers with local charities.

In 2013 Nieves was named one of Australia's 100 Women of Influence. She is a University of Wollongong and Harvard Business School alumni.

## Anita Mulrooney
Non Executive Director
Since January 2017

Anita has over two decades of experience in the not-for-profit, education, insurance and health sectors in Australia and South-East Asia across key business functions including operations, customer service, marketing, sales and human resources.

She is Head of Customer Service & Marketing for national, not-for-profit health fund, Peoplecare, where she is responsible for the company's operations, customer service delivery, marketing, communications and community relations.

Anita's other appointments include:

- IRT Group – Director
- Destination Wollongong – Director & Chair of the Board's Performance & Remuneration Committee
- HIRMAA Marketing Committee – Chair
- Private Health Insurance Ombudsman's Website Reference Group – Member

## BOARD OF DIRECTORS

This statement outlines the UOW Pulse Governance Practices that were in place throughout the financial year.

There were six meetings of the Board during 2017. The number of Board meetings attended by directors is detailed below.

The Board is responsible for the overall Corporate Governance of UOW Pulse Ltd, including:

- strategic direction;
- establishing goals for management;
- monitoring organisational performance; and
- ensuring that stewardship frameworks are in place

The Board has an approved Corporate Governance Manual. This document outlines in detail the Rights and Responsibilities of Directors, and requires that directors uphold the Australian Institute of Directors Code of Conduct. It also states the requirements for ethical conduct within the organisation, and disclosure of pecuniary interests on appointment and annually. Directors are offered external training and development activities, primarily through Australian Institute of Company Directors.

## DIRECTORS MEETING ATTENDANCE

| | Board | | Audit, Risk Management & Compliance | |
|---|---|---|---|---|
| | A | B | A | B |
| Sue Chapman | 6 | 6 | - | - |
| Melva Crouch | 6 | 6 | - | - |
| Mary Youssif | 5 | 6 | 4 | 4 |
| Murray Reid | 5 | 6 | 4 | 4 |
| Sarah Lisle | 4 | 6 | 2 | 4 |
| Daniel Crameri | 5 | 6 | 3 | 4 |
| Nieves Murray | 4 | 6 | - | - |
| Kath McCollim | 4 | 6 | - | - |
| Anita Mulrooney | 5 | 6 | - | - |

**A** = Number of meetings attended.
**B** = Reflects the number of meetings held during the time the director held office during the year.

## INSURANCE OF DIRECTORS AND OFFICERS

During the financial year a premium to insure directors and officers of the company was paid by the University of Wollongong, to the amount of $70,235 per S300 (1)g, 300(8) and 300(9). The liabilities insured include costs and expenses that may be brought against the directors and officers in their capacity as directors and officers of the company.

## FINANCIAL PERFORMANCE

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Revenue | 29,156,399 | 20,597,158 |
| Operating result for the year | 2,587,486 | (385,756) |
| Retained earnings at the beginning of the financial year | 8,654,486 | 9,039,930 |
| Acquisition 1 January 2017 | (1,178,894) | - |
| Retained earnings at the end of the financial year | 10,062,766 | 8,654,174 |

## PRINCIPLE ACTIVITIES

The Company's principal activities are the operation of commercial activities on the University of Wollongong Campuses including Retail, Food and Beverage, Events and Catering, Sports and Fitness and Children Services to support non-commercial Student Engagement activities and provide high level social experiences within modern facilities.

## AUDIT PROCESS

As a controlled entity of the University of Wollongong, the external auditors are The Audit Office of NSW and their agents. The Audit, Risk Management & Compliance Committee advises the Board on the external audit program and outcomes. As a part of its process the committee requires:

- The attendance of The Audit Office of NSW representatives at meetings where their reports are considered.
- A formal sign-off from management to the Board, on the accuracy of financial position and performance statements.
- A procedure of absenting senior managers during Audit meetings.

## INTERNAL CONTROL FRAMEWORK

To assist in the discharge of its responsibilities for the internal control framework the Board uses Internal Auditors KPMG to ensure compliance with internal controls.

## DELEGATION OF AUTHORITY

The Board has, under section 198D of the Corporations Act, defined delegations of authority to individuals and committees. These delegations are recorded in the Governance Manual and cover:

- Property, Plant and Equipment
- Authority to Enter Contracts
- Staff and Organisation
- Operating Expenditure
- Financial Administration
- Sponsorship and Donation

## RISK MANAGEMENT

The CEO oversees a range of risk management strategies on behalf of the Board of Directors. A Risk Assessment Program, conducted in 2015, and reviewed in 2017, identified key areas of risk and mitigation to create a new Risk Assessment Profile – which has been shared with the University's Risk Audit & Compliance Committee. The risk, mitigation strategies and status reports on action plans are embedded in quarterly reporting processes to the Audit & Risk Management Committee as well as reported to the Board. Other specific arrangements include:

- Review by the Board of the annual budget and regular financial performance reviews.
- A comprehensive Insurance Program.
- Policies to ensure that capital expenditure commitments above a certain limit are authorised by the Board.
- Work Health and Safety reviews of the workplace in accordance with the relevant legislation.

## BOARD COMMITTEES

The Board has the following advisory committees:

- Audit, Risk Management & Compliance Committee
- Student Advisory Committee (SAC)

## DIVIDENDS

Dividends are not payable by companies limited by guarantee, such as the UOW Pulse Limited as a company limited by guarantee.

## STATE OF AFFAIRS

There were no significant changes to the scope of operating activities of UOW Pulse during 2017. A range of service initiatives is discussed in the Review of Operations.

## EVENTS SUBSEQUENT TO BALANCE DATE

There were no events subsequent to the balance date.

## LIKELY DEVELOPMENTS

Currently no likely developments to report.

## AUDITOR'S INDEPENDENT DECLARATION

A copy of the Auditor's Independence Declaration as required under Section 307c of the Corporations Act 2001 is set out on page 12.

## FINANCIAL OUTCOMES

The financial result for 2017 is an operating surplus of $2,587,486, which includes the operations of the former entity University of Wollongong Recreation & Aquatic Centre Limited (URAC).
On 1 January 2017, UOW Pulse Ltd received the net assets of URAC less the debt forgiven by the parent entity which totalled $4,236,623.

Revenue increased materially to $29,156,399, which represents an increase of 42%. This increase is mainly due to the inclusion of the URAC debt forgiveness and the revenue of the trading unit totalling $3,856,300. The operations of URAC trade under the name of UniActive within UOW Pulse.

UOW Pulse total revenue increased by $8,559,241 during 2017, with UniActive's revenue totalling $8,092,923. UniActive revenue includes trading revenue of $3,856,300 and debt forgiveness of $4,236,623.

Year on year increases in revenue were experienced within the IGA Supermarket, UniBar, Aspire, Kids Uni, Tenancy and Sponsorship and Advertising. Trading revenue from other retail outlets including the Rush Cafes and UniShop experienced reduced revenue from the previous year. UniShop is facing increased competition in the sale of text books which materially impacts the reduction in unit revenue.

The UniLife unit continued to provide interactive student engagement programs across the various UOW campuses with 282 events facilitated involving 47,972 participants. The reduction in events of 23% and reduction in participants of 8% directly relates to the Leadership Program, which is no longer facilitated by UniLife and is now managed by the parent entity.

There was an increase in the support units within General Overheads which reflected the successful migration of UniActive's operations into UOW Pulse.

Whilst the year was challenging with the migration of UniActive into UOW Pulse and revenue reductions in traditional core units such as UniShop, there are opportunities for growth within emerging units such as the IGA supermarket, Aspire, UniBar and Kids Uni. UOW Pulse is focused on meeting the future needs of the campus both from a student engagement and retail perspective.

Please note that for comparative purposes the 2017 Financial Statements include UniActive (Formerly URAC) in the 2017 financial information and exclude UniActive in the 2016 financial information as it traded as another entity in the previous year, being URAC.

# INDEPENDENT AUDITOR'S REPORT

**UOW Pulse Ltd**

To Members of the New South Wales Parliament and Members of UOW Pulse Ltd

## Opinion

I have audited the accompanying financial statements of UOW Pulse Ltd (the Company), which comprise, the Statement of Comprehensive Income for the year ended 31 December 2017, the Statement of Financial Position as at 31 December 2017, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 2017 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.

## 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
- *Corporations Act 2001*
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (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 confirm the independence declaration, required by the *Corporations Act 2001*, provided to the directors of the Company on 13 April 2018, 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.

## 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, the *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: http://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 they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Dominika Ryan
Director, Financial Audit Services

20 April 2018
SYDNEY

To the Directors
UOW Pulse Ltd

## Auditor's Independence Declaration

As auditor for the audit of the financial statements of UOW Pulse Ltd for the year ended 31 December 2017, 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.

Dominika Ryan
Director, Financial Audit Services

13 April 2018
SYDNEY

**DIRECTOR'S DECLARATION**

In the opinion of the Directors of UOW Pulse Ltd ("the Company"):

1. The financial statements and notes, are in accordance with the provisions of the *Public Finance and Audit Act 1983* and the *Corporations Act 2001*, including:

    a. Giving a true and fair view of the financial position of the Company as at 31 December 2017 and of their performance, as represented by the results of its operations and their cash flows, for the year ended on that date; and

    b. Complying with Australian Accounting Standards and the Corporations Regulations 2001;

and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

We are not aware of any circumstances that would render any particulars included in the financial reports to be misleading or inaccurate.

Dated at Wollongong, 17 April 2018.

Signed in accordance with a resolution of the Directors.

SIGNATURES

Sue Chapman
Chair

Alf Maccioni
Chief Executive Officer

## Statement of Comprehensive Income
### For the Year Ended 31 December 2017

| | Note | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| Revenue from continuing operations | 3 | **29,156,399** | 20,597,158 |
| Gain/(loss) on disposal of assets | 4 | **(259,154)** | (72,652) |
| Raw materials and consumables used | | **(6,584,989)** | (6,472,859) |
| Employee related expenses | 5(a) | **(14,322,889)** | (10,714,861) |
| Depreciation and amortisation expense | 5(b) | **(1,438,681)** | (959,424) |
| Other expenses | 5(c) | **(3,938,729)** | (2,761,518) |
| Finance costs | | **(24,471)** | (1,600) |
| **Operating Result before income tax** | | **2,587,486** | (385,756) |
| Income tax expense | 1(d) | **-** | - |
| **Operating Result for the year** | | **2,587,486** | (385,756) |
| **Other comprehensive income for the year, net of tax** | | **-** | - |
| **Total comprehensive income for the year** | | **2,587,486** | (385,756) |

# Statement of Financial Position

## As at 31 December 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | **4,356,586** | 2,140,414 |
| Trade and other receivables | 7 | **1,609,746** | 1,240,425 |
| Inventories | 8 | **1,886,729** | 2,069,036 |
| Other non-financial assets | 9 | **392,991** | 203,256 |
| Total current assets | | **8,246,052** | 5,653,131 |
| **Non current assets** | | | |
| Other non-financial assets | 9 | **-** | 5,556 |
| Property, plant and equipment | 10 | **2,554,055** | 1,938,895 |
| Intangible assets | 11 | **7,295,893** | 5,057,549 |
| Total non current assets | | **9,849,948** | 7,002,000 |
| **Total assets** | | **18,096,000** | 12,655,131 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **5,780,640** | 2,675,823 |
| Borrowings | 13 | **159,475** | - |
| Provisions | 14 | **1,354,427** | 840,784 |
| Other liabilities | 15 | **223,981** | 304,977 |
| Total current liabilities | | **7,518,523** | 3,821,584 |
| **Non current liabilities** | | | |
| Borrowings | 13 | **318,380** | - |
| Provisions | 14 | **196,331** | 179,373 |
| Total non current liabilities | | **514,711** | 179,373 |
| **Total liabilities** | | **8,033,234** | 4,000,957 |
| **Net assets** | | **10,062,766** | 8,654,174 |
| **EQUITY** | | | |
| Retained earnings | 16 | **10,062,766** | 8,654,174 |
| **Total equity** | | **10,062,766** | 8,654,174 |

# Statement of Changes in Equity
## For the Year Ended 31 December 2017

**2017**

| | Note | Retained Earnings $ |
|---|---|---|
| **Balance at 1 January 2017** | 16 | **8,654,174** |
| Acquisition 1 January 2017 | 16 | **(1,178,894)** |
| Total comprehensive income for the year | 16 | **2,587,486** |
| **Balance at 31 December 2017** | | **10,062,766** |

**2016**

| | Note | Retained Earnings $ |
|---|---|---|
| **Balance at 1 January 2016** | 16 | 9,039,930 |
| Total comprehensive income for the year | 16 | (385,756) |
| **Balance at 31 December 2016** | | 8,654,174 |

## Statement of Cash Flows

### For the Year Ended 31 December 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | **29,949,505** | 21,364,944 |
| Payments to suppliers and employees | | **(27,505,880)** | (21,225,934) |
| Interest received | | **79,668** | 71,536 |
| Interest paid | | **(24,471)** | (1,600) |
| **Net cash flows from operating activities** | 24 | **2,498,822** | 208,946 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Payments for property, plant and equipment | | **(705,436)** | (295,254) |
| Payments for intangibles | | **(12,991)** | (11,300) |
| Proceeds from sale of non-current assets | | **249,823** | - |
| **Net cash used in investing activities** | | **(468,604)** | (306,554) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from borrowings | | **41,949** | - |
| Repayment of borrowings | | **(156,031)** | (144,672) |
| **Net cash used in financing activities** | | **(114,082)** | (144,672) |
| Net increase/(decrease) in cash and cash equivalents held | | **1,916,136** | (242,280) |
| Cash and cash equivalents at beginning of year | | **2,140,414** | 2,382,694 |
| Acquisition - Cash and cash equivalents at beginning of year | | **300,036** | - |
| **Cash and cash equivalents at the end of the year** | 6 | **4,356,586** | 2,140,414 |

# Notes to the Financial Statements

**For the Year Ended 31 December 2017**

## 1 Summary of Significant Accounting Policies

UOW Pulse Limited (the "Company") is a company limited by guarantee incorporated and domiciled in Australia. If the Company is wound up, each 'member' is liable to contribute a maximum of $1.00 towards the costs, charges and expenses of winding up the Company and payment of debts and liabilities of the Company. The address of the Company's registered office is Northfields Avenue, North Wollongong NSW 2500.

The financial statement covers UOW Pulse Limited for the year ended 31 December 2017.

The nature of the operations and principal activities of the Company are providing services primarily to students including childcare, entertainment, student engagement activities, retail and food, sporting, leisure, recreation and health and fitness.

On 1 January 2017, UOW Pulse received the net assets of the University of Wollongong Recreation and Aquatic Centre Limited(URAC), less the debt forgiven by the parent entity. The debt forgiven totalled $4,236,603.

**(a) Basis of preparation**

These financial statements are general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards (which includes Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board, the *Public Finance and Audit Act 1983* and *the Corporations Act 2001.*

These statements were authorised for issue on the 17th of April, 2018.

The financial statements are presented in Australian dollars.

Compliance with Australian Charities and Not-for-profit Commission
The financial statement have been prepared in accordance with the *Australian Charities and Not-for-profits Commissions Act 2012*.

*Compliance with IFRS*
The financial statements of the Company do not comply with IFRS because the Company has adopted the not for profit requirements of the Australian Accounting Standards which are inconsistent with IFRS requirements.

*Historical cost convention*
The financial statements have been prepared under the historical cost convention except that the liability for long service leave is adjusted to net present 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 associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 1 Summary of Significant Accounting Policies

**(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. 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) Sale of goods and rendering of services*
Revenue from the sale of goods is recognised as revenue when the significant risks and rewards of ownership have been transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue is recognised when the service is provided or by reference to the stage of completion.

*(ii) Lease income*
Lease income from operating leases is recognised as income on a straight line basis over the lease term.

*(iii) Interest incom*e
Interest income is recognised in the Statement of Comprehensive Income as it accrues.

*(iv) Dividends*
Dividends are recognised as revenue when the right to receive payment is established.

*(v) Grants and contributions*
Grants and contributions are generally recognised as revenues when the company obtains control over the assets comprising the contributions. Control over contributions is normally obtained upon the receipt of cash.

**(c) Interest costs**

Interest costs comprise interest payable on borrowings, which is recognised in the statement of comprehensive income as it accrues.

**(d) Income tax**

The operations of the Company are exempt from income tax under Section 50-5 of the *Income Tax Assessment Act (1997).*

The operations of the Company are exempt from payroll tax under Sections 48(2) of the *Payroll Tax Act 2007.*

## 1 Summary of Significant Accounting Policies

**(e) Leases**

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 10). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 19). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

**(f) 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 tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**(g) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short term deposits with an original maturity 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.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities in the statement of financial position.

**(h) Trade and other receivables**

Trade and other receivables are recognised at the original invoice amount as this is not materially different to amortised cost, given the short term nature of these receivables. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is recognised in the statement of comprehensive income.

Debt forgiveness is recognised as the amount receivable as at the time the debt is forgiven.

**(i) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average cost basis. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated selling costs.

## 1 Summary of Significant Accounting Policies

**(j) Investments and other financial assets**

**Classification**
Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

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

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

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

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

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

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

**Subsequent measurement**
Available for sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Company's right to receive payment is established.

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

## 1 Summary of Significant Accounting Policies

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

**(k) Property, plant and equipment**

*(i) Owned Assets*
Property, plant and equipment is stated at historical cost less depreciation.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Generally property, plant and equipment and intangible assets with a greater value than $5,000 are capitalised except for computer equipment which is normally capitalised irrespective of the $5,000 threshold where it is considered to be part of a network of assets. Other property, plant and equipment items will be capitalised if they are individually less than $5,000 in value only if they collectively with other items exceed $5,000 combined and form one asset item.

Depreciation is calculated on a straight line basis over the estimated useful life of the specific assets as follows:

| | 2017 | 2016 |
|---|---|---|
| Building improvements | 5 -10 years | 5 -10 years |
| Plant and equipment | 3 -10 years | 3 -10 years |
| Computer equipment | 3 - 5 years | 3 - 5 years |
| Motor vehicles | 5 -10 years | 5 -10 years |

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

**(l) Intangible assets**

*(i) Goodwill*
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Impairment losses recognised for goodwill are not subsequently reversed.

## 1 Summary of Significant Accounting Policies

*(ii) Computer Software*
Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

*(iii) Occupancy Contribution*
The Company contributes to the cost of construction of buildings, their improvements and landscaping on land over which it has no security or tenure. These amounts are accounted for in the statement of financial position as Occupancy Contribution, pursuant to an agreement reached with the University of Wollongong. The Company has the right to occupy these buildings for the life of the asset.

| | 2017 | 2016 |
|---|---|---|
| Occupancy Contribution | 30 - 40 Years | 30 - 40 Years |

**(m) Trade and other payables**

Trade and other payables are stated at cost, which is considered to approximate amortised cost due to their short term nature and are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

**(n) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date and does not expect to settle the liability for at least 12 months after the reporting date.

**(o) Provisions**

Provisions for legal claims, service warranties and make good obligations 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 has been reliably estimated. Provisions are not recognised for future operating losses.

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 pre tax 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 resulting from the passage of time is recognised in finance costs.

## 1 Summary of Significant Accounting Policies

**(p) Employee benefits**

*(i) Short term obligations*
Liabilities for wages and salaries (including non monetary benefits) and annual leave that are due to be settled within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled. 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.

Long term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 Employee Benefits.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

*(ii) Long service leave*
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

The provision is calculated using estimated future increases in wage and salary rates including related on costs and expected settlement dates based on turnover history and is discounted using the rates attached to national government securities at reporting date which most closely match the terms of maturity of the related liabilities. Leave is charged to the provision at the time leave is taken. The provision for long service leave for the year ended 31 December 2017 was assessed by management in accordance with guidelines recommended by PricewaterhouseCoopers. The assumptions used to calculate the long service leave provision include:

- Salary inflation rate per annum 3% (2016: 3%)
- Discount rate 2.34% (2016: 2.24%)
- Proportion of leave taken in service 18% (2016: 18%)

*(iii) Superannuation entitlements*
Contributions to employee superannuation funds are charged against income as incurred. The Company is under no legal obligation to make up any shortfall in the funds' assets to meet payments due to employees.

**(q) 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 of 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.

**(r) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not yet been applied to the financial statements. The Company's assessment of the impact of these new standards and interpretations is that they will not materially affect any of the amounts recognised in the financial statements or significantly impact the disclosures in the financial statement or significantly impact the disclosures in relation to the Company.

## 2 Financial risk management objectives and policies

The Company's principal financial instruments comprise cash, investments, receivables, payables and borrowings.

The Company manages its exposure to the following financial risks, including credit risk, liquidity risk and market risk relating to interest rate and equity risk in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets whilst protecting future financial security.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring risk management policies. The Committee reports to the Board on its activities.

### (a) Credit risk

Credit risk refers to the risk that indebted counter parties will default on their contractual obligations, resulting in financial loss to the Company. Credit risk is monitored on an ongoing basis. The majority of the Company's business is conducted by cash or EFTPOS, and consequently the level of credit risk is low. In addition, the majority of trade and other debtors are with related entities. The Company does not require collateral in respect of financial assets. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 7.

Investments are allowed only in liquid securities. All funds invested are invested with the National Australia Bank.

The weighted average interest rate on interest earned by the Company is 1.25% (2016: 1.48%).

At reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk by class of recognised financial assets is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Details with respect to credit risk of trade and other receivables are provided in Note 7.

### (b) 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. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

*Maturities of financial liabilities*
The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of each reporting period.

## 2 Financial risk management objectives and policies

**31 December 2017**

| | Average Interest Rate | Variable Interest Rate | Fixed Interest Rate | Non Interest | Less than 1 Year | 1 to 5 Years | 5+ Years | Total |
|---|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | 1.25 | 4,356,586 | - | - | 4,356,586 | - | - | 4,356,586 |
| Receivables | - | - | - | 1,609,746 | 1,609,746 | - | - | 1,609,746 |
| Other financial assets | 2.60 | - | 120,000 | - | 120,000 | - | - | 120,000 |
| **Total Financial assets** | - | 4,356,586 | 120,000 | 1,609,746 | 6,086,332 | - | - | 6,086,332 |
| **Financial liabilities** | | | | | | | | |
| Payables | - | - | - | - | 5,611,786 | - | - | 5,611,786 |
| Borrowings- NAB | 4.49 | - | 441,518 | - | 149,470 | 292,048 | - | 441,518 |
| Borrowings- NAB | 4.97 | - | 36,338 | - | 10,006 | 26,332 | - | 36,338 |
| **Total financial liabilities** | - | - | 477,856 | - | 5,771,262 | 318,380 | - | 6,089,642 |

**31 December 2016**

| | Average Interest Rate | Variable Interest Rate | Fixed Interest Rate | Non Interest | Less than 1 Year | 1 to 5 Years | 5+ Years | Total |
|---|---|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | 1.48 | 2,140,414 | - | - | 2,140,414 | - | - | 2,140,414 |
| Receivables | - | - | - | 1,240,425 | 1,240,425 | - | - | 1,240,425 |
| Other financial assets | 2.65 | - | 120,000 | - | 120,000 | - | - | 120,000 |
| **Total Financial assets** | - | 2,140,414 | 120,000 | 1,240,425 | 3,500,839 | - | - | 3,500,839 |
| **Financial liabilities** | | | | | | | | |
| Payables | - | - | - | - | 2,649,085 | - | - | 2,649,085 |
| Borrowings- Department of Social Services | - | - | - | 7,500 | 7,500 | - | - | 7,500 |
| **Total Financial libilities** | - | - | - | 7,500 | 2,656,585 | - | - | 2,656,585 |

(c) **Market risk**

*(i) Foreign currency risk*
The Company's only exposure to foreign currency risk is in relation to purchases of UniShop stock from overseas. These purchases are normally each less than $1,000 and in total are not material to the operations of UniShop as an individual business unit or to the Company. Sale price of these goods is set after the goods are paid for, thus the Australian Dollar amount is known, effectively passing on any foreign exchange cost or benefit to the customer.

*(ii) Price risk*
The Company and the parent entity maybe exposed to equity securities price risk. This arises from investments that may be held by the Company and classified on the statement of financial position as fair value through profit or loss. At reporting date, the value of the securities was nil (2016: $nil). The Company is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, investments held by the Company are diversified.

## 2 Financial risk management objectives and policies

*(iii) Cash flow and fair value interest rate risk*
Interest Rate Risk is limited to interest on the balance of the National Australia Bank accounts, shown as cash and cash equivalents in Note 6. The forecast at the end of 2017 is an increase or decrease of 1% based on the current Reserve Bank of Australia cash rate of 1.25%. The Company's trade and other receivables are non interest bearing and all related party loans and receivables are interest free. Interest rates on Commercial Hire Purchase finance are fixed at the time of drawdown of each individual loan within the umbrella facility. The Company's trade and other payables are non interest bearing.

*(iv) Summarised sensitivity analysis*
The following table summarises the sensitivity of the Company's financial assets and financial liabilities to interest rate risk and price risk.

| 31 December 2017 | | Interest rate risk | | | | Price risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -1% | | +1% | | -1.304% | | +1.304% | |
| | Carrying amount | Profit | Equity | Profit | Equity | Profit | Equity | Profit | Equity |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | | | | | |
| Cash and Cash Equivalents | 4,356,586 | (43,566) | (43,566) | 43,566 | 43,566 | - | - | - | - |
| Accounts receivable | 1,609,746 | - | - | - | - | - | - | - | - |
| **Financial liabilities** | | | | | | | | | |
| Trade payables | 5,611,786 | - | - | - | - | - | - | - | - |
| Current borrowings | 159,475 | - | - | - | - | - | - | - | - |
| Non-current borrowings | 318,380 | - | - | - | - | - | - | - | - |
| Other financial liabilities | 14,243 | - | - | - | - | - | - | - | - |
| Total increase/(decrease) | | (43,566) | (43,566) | 43,566 | 43,566 | - | - | - | - |

| 31 December 2016 | | Interest rate risk | | | | Price risk | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | -1% | | +1% | | -1.304% | | +1.304% | |
| | Carrying amount | Profit | Equity | Profit | Equity | Profit | Equity | Profit | Equity |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | | | | | |
| Cash and Cash Equivalents | 2,140,414 | (21,404) | (21,404) | 21,404 | 21,404 | - | - | - | - |
| Accounts receivable | 1,240,425 | - | - | - | - | - | - | - | - |
| **Financial liabilities** | | | | | | | | | |
| Trade payables | 2,649,085 | - | - | - | - | - | - | - | - |
| Other financial liabilities | 22,248 | - | - | - | - | - | - | - | - |
| Total increase/(decrease) | | (21,404) | (21,404) | 21,404 | 21,404 | - | - | - | - |

## 3 Revenue

From continuing operations

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Sales revenue | | |
| - Sale of goods | **12,718,335** | 12,879,043 |
| - Provision of services | **10,048,043** | 6,171,767 |
| | **22,766,378** | 19,050,810 |
| Other revenue | | |
| - Interest | **79,668** | 71,536 |
| - URAC debt forgiven | **4,236,603** | - |
| - Rental income | **1,638,927** | 1,288,034 |
| - Grants received - related parties | **185,000** | 185,000 |
| - Other income | **249,823** | 1,778 |
| | **6,390,021** | 1,546,348 |
| | **29,156,399** | 20,597,158 |

## 4 Gain/(loss) on disposal of assets

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Gain/(loss) on disposal of assets | **(259,154)** | (72,652) |
| | **(259,154)** | (72,652) |

## 5 Expenses

(a) Employee benefits expense

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Wages and salaries | **12,192,478** | 8,974,462 |
| Annual leave expense | **670,746** | 555,701 |
| Long service leave expense | **181,352** | 110,813 |
| Superannuation expense | **1,011,383** | 812,957 |
| Workers compensation expense | **166,872** | 178,710 |
| Other employee benefits | **100,058** | 82,218 |
| | **14,322,889** | 10,714,861 |

## 5 Expenses

**Superannuation**

The Company makes contributions to various third party defined contribution superannuation funds. Contributions are included in the income statement as employee benefit expense, as outlined in Note 5a. The Company does not contribute to, or have any connection with, any defined benefit superannuation funds.

(b) Depreciation and Amortisation

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Depreciation** | | |
| Building improvements | **362,539** | 350,864 |
| Depreciation - motor vehicles | **4,183** | - |
| Leased plant & equipment | **158,118** | - |
| Plant and equipment | **307,821** | 240,297 |
| Computer equipment | **55,833** | 29,483 |
| **Total Depreciation** | **888,494** | 620,644 |
| **Amortisation** | | |
| Occupancy contribution | **531,893** | 308,784 |
| Establishment costs | **2,742** | 2,968 |
| Computer software | **15,552** | 27,028 |
| **Total amortisation** | **550,187** | 338,780 |
| **Total depreciation and amortisation** | **1,438,681** | 959,424 |

(c) Other Expenses

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Consultant fees | **246,107** | 216,911 |
| Maintenance | **554,356** | 276,729 |
| Advertising & Promotional | **120,893** | 85,723 |
| Computer rental | **75,454** | 66,836 |
| Auditor's remuneration - audit of financial statements | **73,100** | 59,900 |
| Security | **94,359** | 77,971 |
| Activity Expenses | **118,894** | 133,942 |
| Cleaning | **123,870** | 73,722 |
| Kids Uni Catering | **109,872** | 110,322 |
| Bank charges | **133,378** | 127,921 |
| Laundry | **71,346** | 66,569 |
| Nappy Services | **36,950** | 49,362 |
| Waste disposal | **161,372** | 140,049 |
| Leasing cost | **40,051** | 47,014 |
| Small Equipment | **46,233** | 55,229 |
| Legal expenses | **39,227** | 28,206 |

## 5 Expenses

(c) Other Expenses

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Materials and Consumables | **92,546** | 48,210 |
| Evening Entertainment | **84,968** | 65,921 |
| Lunch Entertainment | **89,345** | 69,942 |
| Other | **1,626,408** | 961,039 |
| | **3,938,729** | 2,761,518 |

## 6 Current assets - Cash and cash equivalents

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Cash at bank and on hand | **4,356,586** | 2,140,414 |

## 7 Current assets - Trade and other receivables

| | | 2017 | 2016 |
|---|---|---|---|
| | | $ | $ |
| Trade receivables | | **1,611,111** | 1,246,162 |
| Provision for impairment | (a) | **(1,365)** | (5,737) |
| **Sub - Total** | | **1,609,746** | 1,240,425 |
| **Total current trade and other receivables** | | **1,609,746** | 1,240,425 |

(a) **Impaired trade receivables**

As at 31 December 2017 current trade receivables of the Company with a nominal value of $971,213 (2016: $854,615) were past due. Of this past due amount, $1,365 (2016: $5,737) was considered impaired and provided for. The individually impaired receivables mainly relate to Childrens Service, Events and Unishop customers, which are in unexpectedly difficult economic situations.

The ageing of these receivables is as follows:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Over 6 months | **1,365** | 5,737 |

## 7 Current assets - Trade and other receivables

Movements in the provision for impairment of receivables are as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| At 1 January | **(5,737)** | (8,753) |
| Provision for impairment recognised during the year | **(128)** | (4,228) |
| Receivables written off during the year as uncollectible | **4,500** | 7,244 |
| At 31 December | **(1,365)** | (5,737) |

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

Information about the Company's exposure to credit risk, foreign currency and interest rate risk is provided in Note 2.

As of 31 December 2017, trade receivables of $969,848 (2016: $848,878) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| 1 to 3 months | **499,881** | 577,882 |
| 3 to 6 months | **194,215** | 40,366 |
| Over 6 months | **275,752** | 230,630 |
| **At 31 December** | **969,848** | 848,878 |

## 8 Current assets - Inventories

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Inventories - at cost | **1,886,729** | 2,069,036 |
| | **1,886,729** | 2,069,036 |

## 8 Current assets - Inventories

Write downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2017 amounted to $79,017 (2016: $80,920). The expense has been included in 'raw materials and consumables used' in profit or loss.

## 9 Other non-financial assets

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| CURRENT | | |
| Bank Guarantee | **120,000** | 120,000 |
| Lease Incentive | **5,556** | 33,333 |
| Prepayments | **267,435** | 49,923 |
| Total current assets | **392,991** | 203,256 |

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| NON-CURRENT | | |
| Lease Incentive | **-** | 5,556 |
| Total non-current assets | **-** | 5,556 |

## 10 Non current assets - Property, plant and equipment

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Building improvements** | | |
| Cost or fair value | **3,980,939** | 3,507,188 |
| Accumulated depreciation | **(3,049,510)** | (2,458,014) |
| Total building improvements | **931,429** | 1,049,174 |
| **Leased plant and equipment** | | |
| Cost or fair value | **922,024** | - |
| Accumulated depreciation | **(473,128)** | - |
| Total plant and equipment | **448,896** | - |
| **Plant and equipment** | | |
| Cost or fair value | **3,372,462** | 2,323,962 |
| Accumulated depreciation | **(2,261,644)** | (1,506,522) |
| Total plant and equipment | **1,110,818** | 817,440 |
| **Motor vehicles** | | |
| Cost or fair value | **63,495** | 21,818 |
| Accumulated depreciation | **(57,918)** | (21,818) |
| Total motor vehicles | **5,577** | - |

## 10 Non current assets - Property, plant and equipment

| | | |
|---|---|---|
| **Computer equipment** | | |
| Cost or fair value | **250,584** | 181,587 |
| Accumulated depreciation | **(193,249)** | (109,306) |
| Total computer equipment | **57,335** | 72,281 |
| **Total property, plant and equipment** | **2,554,055** | 1,938,895 |

(a) **Movements in Carrying Amounts**

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

| | Building improvements | Leased Plant & Equipment | Plant and equipment | Motor vehicles | Computer equipment | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Year ended at 31 December 2017** | | | | | | |
| Balance at the beginning of year | **1,049,174** | - | **817,440** | **-** | **72,281** | **1,938,895** |
| Acquisition | **52,675** | **568,878** | **303,180** | **46,631** | **43,788** | **1,015,152** |
| Addition | **314,392** | **38,136** | **352,906** | **-** | **-** | **705,434** |
| Disposals - written down value | **(122,273)** | - | **(54,887)** | **(36,871)** | **(2,901)** | **(216,932)** |
| Depreciation expense | **(362,539)** | **(158,118)** | **(307,821)** | **(4,183)** | **(55,833)** | **(888,494)** |
| **Year ended at 31 December 2017** | **931,429** | **448,896** | **1,110,818** | **5,577** | **57,335** | **2,554,055** |
| | | | | | | |
| **Year ended at 31 December 2016** | | | | | | |
| Balance at the beginning of year | 1,371,714 | - | 885,412 | - | 79,811 | 2,336,937 |
| Additions | 85,026 | - | 188,275 | - | 21,953 | 295,252 |
| Disposals - written down value | (56,702) | - | (15,950) | - | - | (72,652) |
| Depreciation expense | (350,864) | - | (240,297) | - | (29,483) | (620,644) |
| **Year ended at 31 December 2016** | 1,049,174 | - | 817,440 | - | 72,281 | 1,938,893 |

## 11 Non current assets - Intangible Assets

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **Computer software** | | |
| Cost | **175,419** | 127,461 |
| Accumulated amortisation and impairment | **(127,847)** | (76,570) |
| **Net carrying value** | **47,572** | 50,891 |
| | | |
| **Goodwill** | | |
| Cost | **180,192** | 225,225 |
| Accumulated amortisation and impairment | **(115,020)** | (115,847) |
| **Net carrying value** | **65,172** | 109,378 |

## 11 Non current assets - Intangible Assets

| | | |
|---|---|---|
| **Occupancy contribution** | | |
| Cost | **17,290,265** | 9,821,137 |
| Accumulated amortisation and impairment | **(10,107,116)** | (4,923,857) |
| **Net carrying value** | **7,183,149** | 4,897,280 |
| **Total Intangibles** | **7,295,893** | 5,057,549 |

(a) **Movements in Carrying Amounts**

| | Computer software | Goodwill | Occupancy contribution | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Year ended 31 December 2017** | | | | |
| Net carrying amount at start of year | **50,891** | **109,378** | **4,897,281** | **5,057,550** |
| Acquisition | - | - | **2,817,761** | **2,817,761** |
| Additions | **12,991** | - | - | **12,991** |
| Disposals | **(758)** | **(41,464)** | - | **(42,222)** |
| Amortisation | **(15,552)** | **(2,742)** | **(531,893)** | **(550,187)** |
| **Closing value at 31 December 2017** | **47,572** | **65,172** | **7,183,149** | **7,295,893** |
| **Year ended 31 December 2016** | | | | |
| Net carrying amount at start of year | 66,619 | 112,346 | 5,206,064 | 5,385,029 |
| Additions | 11,300 | - | - | 11,300 |
| Amortisation | (27,028) | (2,968) | (308,784) | (338,780) |
| **Closing value at 31 December 2016** | 50,891 | 109,378 | 4,897,280 | 5,057,549 |

## 12 Current liabilities - Trade and other payables

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Sundry creditors | **72,907** | 165,381 |
| GST payable | **168,854** | 26,738 |
| Accrued expenses | **5,538,879** | 2,483,704 |
| Total Trade and other payables | **5,780,640** | 2,675,823 |

Information about the Company's exposure to foreign exchange risk is provided in Note 2.

# Notes to the Financial Statements
## For the Year Ended 31 December 2017

## 13 Borrowings

(a) Current liabilities

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Secured** | | |
| Financial lease Liability | **159,475** | - |
| **Total current borrowings** | **159,475** | - |

(b) Non-current liabilities

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Secured** | | |
| Financial lease Liability | **318,380** | - |
| Total secured non-current borrowings | **318,380** | - |
| **Total non-current borrowings** | **318,380** | - |
| **Total borrowings** | **477,855** | - |

## 14 Provisions

(a) Current liabilities

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Employee benefits - long service leave | **803,888** | 397,726 |
| Employee benefits - annual leave | **550,539** | 443,058 |
| **Total current provisions** | **1,354,427** | 840,784 |

The increase in provisions relates to the acquisition of URAC.

(b) Non current liabilities

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Employee benefits - long service leave | **196,331** | 179,373 |
| Total Non current provisions | **196,331** | 179,373 |

The current provision for long service leave and annual leave includes all unconditional entitlements where employees have completed the required period of service. The entire amount is presented as current. Based on past experience, the Company does not expect all employees to take the full amount of accrued current long service leave and annual leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Long service leave obligation expected to be settled after 12 months | **767,531** | 292,941 |
| Annual leave obligation expected to be settled after 12 months | **83,292** | 58,603 |

**Expense recognised in the Statement of Comprehensive Income**

Movements in provisions for annual leave and long service leave are included in the profit or loss as employee benefits expense, as outlined in Note 5a.

## 15 Other liabilities

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| CURRENT | | |
| Department of Social Services Loan | **-** | 7,500 |
| Deposits held | **14,243** | 14,748 |
| Income in advance | **209,738** | 282,729 |
| **Total current liabilities** | **223,981** | 304,977 |

## 16 Retained Earnings

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Balance 1 January | **8,654,174** | 9,039,930 |
| Acquisition 1 January 2017 | **(1,178,894)** | - |
| Operating Result for the year | **2,587,486** | (385,756) |
| **Retained earnings at 31 December** | **10,062,766** | 8,654,174 |

The balance as at 1 January 2017, includes the retained earnings of University of Wollongong Recreation and Aquatic Centre totalling ($1,178,894). The assets and liabilities arising from the acquisition are as follows.

| | Recognition on acquisition |
|---|---|
| | $ |
| Cash and cash equivalents | **300,036** |
| Trade and other receivables | **193,394** |
| Inventories | **16,286** |
| Property, plant and equipment | **1,015,152** |
| Occupancy contribution | **2,817,760** |
| Trade and other payables | **(4,438,666)** |

## 16 Retained Earnings

| | Recognition on acquisition $ |
|---|---|
| Borrowings | **(584,437)** |
| Provisions | **(497,215)** |
| Other liabilities | **(1,204)** |
| **Total** | **(1,178,894)** |

## 17 Key Management Personnel Disclosures

(a) **Directors**

The following persons were directors of UOW Pulse Limited during the financial year:

(i) Chair

Sue Chapman

(ii) Executive Director

Melva Crouch

*(iii) Non executive Directors*

Daniel Crameri
Sarah Lisle
Kath McCollim
Anita Mulrooney
Nieves Murray
Mary Youssif
Murray Reid

Apart from the details disclosed in note 20, no Director has entered into a material contract with UOW Pulse Limited since the end of the previous financial year. All contracts involving a Director are conducted at arm's length.

The totals of remuneration paid to the key management personnel of UOW Pulse Limited during the year are as follows:

(b) **Remuneration of Executive Officers**

| | 2017 $ | 2016 $ |
|---|---|---|
| **Remuneration payments made to Executive Officers** | | |
| Short term employee benefits | **221,534** | 262,061 |
| Post employment benefits | **20,392** | 28,471 |
| **Total Remuneration** | **241,926** | 290,532 |

## 18 Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **Audit Office of NSW** | | |
| Audit of financial statements | **73,100** | 59,900 |

## 19 Commitments

(a) Lease commitments

*(i) Operating lease commitments*

Future Non Cancellable Operating Lease Rentals of Plant and Equipment

The Company has entered into a commercial lease for computer equipment. The computer equipment lease is for three years. There are no restrictions placed upon the lessee by entering into these leases.The GST component of operating lease commitments for the year 2017 is $14,071 (2016: $11,277)

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows: | | |
| Within one year | **123,691** | 58,974 |
| Later than one year but not later than five years | **149,038** | 65,266 |
| Total Operating lease commitments | **272,729** | 124,240 |

*(ii) Operating lease commitments receivable*

The Company has entered into commercial property leases for office space and food outlets.

These non cancellable leases have remaining terms of between one and five years. Leases are based on net sales and/or fixed amounts with a clause included to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The future minimum lease payments receivable under non cancellable operating leases in the aggregate and for each of the following periods are:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Receivable - minimum lease payments: | | |
| Within one year | **921,112** | 638,515 |

## 19 Commitments

*(ii) Operating lease commitments receivable*

| | 2017 | 2016 |
|---|---|---|
| | **$** | **$** |
| Later than one year but not later than five years | **1,598,494** | 729,415 |
| | **2,519,606** | 1,367,930 |

Several tenants annual rent is based on a percentage of their turnover for the year. Contingent rent of $454,238 including GST (2016: $385,103) was received by the Company in the period. The total GST component of operating lease commitments receivable for the year 2017 is $137,839 (2016: $124,484)

*(iii) Hire purchase commitments*

The Commercial Hire Purchase Liability is an umbrella facility of up to $1,270,000 that the Company can draw on for the purchase of equipment. It is renewable every 12 months. Interest is payable on each drawdown within the facility at the market rate prevailing at the time of the drawdown. As at 31 December 2017 the unused portion of the facility was $559,646 (2016: $500,000) and the portion of the facility in use was $710,354 (2016: nil).

### (b) Capital commitments

The Company has a contractual obligation to purchase within the next 12 months, $97,405 of plant and equipment at reporting date (2016: 256,661).

### (c) Finance Lease Commitments

| | Note | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| Commitments in relation to finance lease are payable as follows: | | | |
| Within one year | | **177,828** | - |
| Later than five years | | **332,777** | - |
| **Total** | | **510,605** | - |
| Less: Future lease finance charges | | **(32,750)** | - |
| Recognised as a liability | | **477,855** | - |
| Representing lease liabilities: | | | |
| Current (note 13(a)) | | **159,475** | - |
| Non-Current (note 13(b)) | | **318,380** | - |
| **Total** | | **477,855** | - |

## 20 Related Parties

**(a) Directors' Transactions with UOW Pulse Limited**

From time to time Directors of related parties or their Director related entities may purchase goods or services from UOW Pulse Limited. These purchases are on the same terms and conditions as those entered into by the employees of UOW Pulse Limited, or customers and are trivial or domestic in nature.

(b) **Transactions with related parties**

UOW Pulse Limited has a related party relationship with the following entities:
The University of Wollongong (Ultimate Controlling Entity)
UOWD Ltd and its controlled entities (UOWC Ltd and the Community College of City University Ltd)

Transactions with the controlling entity The University of Wollongong were as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Sales of goods and services | | |
| - Sales | **3,287,191** | 1,944,218 |
| - Rent received | **172,695** | 169,264 |
| - Commissions | **57,309** | 62,850 |
| - Grants for specific purposes | **185,000** | 185,000 |
| **Total** | **3,702,195** | 2,361,332 |

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Purchases of goods | | |
| - Goods and services | **1,216,475** | 797,394 |
| - Contribution to General Manager's salary | **-** | 122,609 |
| **Total** | **1,216,475** | 920,003 |

From time to time Related Parties of the University of Wollongong, including UOWD Ltd and its controlled entities (UOWC Ltd and the Community College of City University Ltd) may enter into transactions with the Controlled Entity. These transactions are on the same terms and conditions as those entered into by the Company's employees or customers.

(c) **Outstanding balances arising from sales/purchases of goods and services**

| | 2017 | 2016 |
|---|---|---|
| *Current receivables (sales of goods and services)* | | |
| Trade receivables | **811,570** | 859,700 |
| *Current payables (purchases of goods)* | | |
| Trade creditors | **162,121** | 119,180 |

## 21 Economic dependency

The Company's trading activities do not depend on a major customer or supplier. However, the Company is economically dependent on the continued existence of the University of Wollongong.

## 22 Events Occurring After the Reporting Date

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

## 23 Contingencies

There were no known contingent assets or liabilities existing at reporting date (nil at 31/12/2016).

## 24 Reconciliation of Operating Results After Income Tax to Net Cash Flows From Operating Activities

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Operating result for the year | **2,587,486** | (385,756) |
| Non-cash flows in profit: | | |
| Amortisation | **550,187** | 338,780 |
| Depreciation | **888,494** | 620,644 |
| Net (gain)/loss on sale of non current assets | **9,331** | 72,652 |
| Changes in assets and liabilities | | |
| (Increase)/decrease in trade/term debtors | **(138,222)** | (598,534) |
| Decrease/(increase) in prepayments/other debtors | **(217,512)** | (41,325) |
| (Increase)/decrease in inventories | **198,593** | (49,672) |
| (Increase)/decrease in bad debts allowance | **(4,372)** | (3,016) |
| (Decrease)/increase in income in advance | **(74,195)** | 99,615 |
| Increase/(decrease) in trade creditors/accruals | **(1,333,849)** | 198,426 |
| Increase/(decrease) in other operating liabilities | **(505)** | 1,628 |
| Increase/(decrease) in other provisions | **33,386** | (44,496) |
| **Net cash inflow/(outflow) from operating activities** | **2,498,822** | 208,946 |

**END OF AUDITED FINANCIAL REPORT.**