



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

University of Wollongong Recreation and Aquatic Centre Limited

To Members of the New South Wales Parliament and Members of the University of Wollongong Recreation and Aquatic Centre Limited

Audit Opinion

In my opinion, the financial report of the University of Wollongong Recreation and Aquatic Centre Limited (the Company) is in accordance with:

- the *Corporations Act 2001*, including:
 - giving a true and fair view of the Company's financial position as at 31 December 2005 and financial performance for the year ended on that date, and
 - complying with Accounting Standards in Australia, and the *Corporations Regulations 2001*,
- other mandatory financial reporting requirements in Australia, and
- section 41B of the *Public Finance and Audit Act 1983 (PF & A)* and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, directors' declaration and accompanying notes to the financial statements for the Company, for the year ended 31 December 2005.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the PF & A Act and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament and the members of the Company that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Company's directors had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the Company,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. The PF & A Act further promotes independence by:

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

My Declaration of Independence dated 6 April 2006 would have been made on the same terms if it had been made at the date of this report.



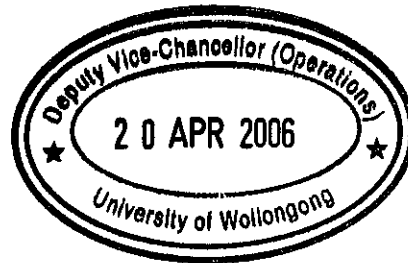
J. Kheir B Ec FCPA
Director, Financial Audit Services

SYDNEY
13 April 2006



GPO BOX 12
Sydney NSW 2001
9275 7222
D0613502/0868

Professor John Patterson
Executive Chair
University of Wollongong Recreation and
Aquatic Centre Limited
Northfields Avenue
WOLLONGONG NSW 2522



13 April 2006

Dear Professor Patterson

STATUTORY AUDIT REPORT
For the Year Ended 31 December 2005
University of Wollongong Recreation and Aquatic Centre Limited

I have audited the financial report and transactions of the University of Wollongong Recreation and Aquatic Centre Limited (URAC) as required by the *Public Finance and Audit Act 1983* (the Act). This Statutory Audit Report outlines the results of my audit for the year ended 31 December 2005, and details any significant matters that in my opinion call for special notice. The Act requires that I send this report to URAC, the Minister and the Treasurer.

This report is not the Independent Audit Report, which expresses my opinion on URAC's financial report. I have enclosed the Independent Audit Report, together with URAC's financial report.

Audit Result

I expressed an unqualified opinion on URAC's financial report and I identified the following significant matter:

- Whilst URAC is forecasting an operating surplus, before depreciation and capital expenditure, of \$495,000 for 2006, URAC's long term viability will depend on its ability to attract members in an environment of voluntary student unionism. From 1 July 2006, students can choose to become a member, whereas currently membership is compulsory.

We understand that URAC has already implemented several strategies to address voluntary student unionism and its impact on membership fee revenue. At this stage, URAC management believes it can still break even for 2007, 2008 and 2009.

My audit is continuous and I may therefore identify new significant matters before the Auditor-General next reports to Parliament on the URAC audit. If this occurs, I will write to you immediately.

Auditor-General's Report to Parliament

Comment on URAC's activities, financial operations and compliance will appear in the Auditor-General's Report to Parliament. I will send a draft of this comment to the Executive Director for review before the Report is tabled during May.

Scope of the Audit

My audit procedures are targeted specifically towards forming an opinion on URAC's financial report. This includes testing whether URAC has complied with key legislation that may materially impact on the financial report. The results of the audit are reported in this context.

Acknowledgment

I thank URAC's and the University of Wollongong staff for their courtesy and assistance.

Yours sincerely

A handwritten signature in black ink, appearing to be 'J. Kheir', written in a cursive style.

J. Kheir
Director, Financial Audit Services

cc: Professor G R Sutton, Vice-Chancellor
University of Wollongong

**University of Wollongong
Recreation & Aquatic Centre Limited**

Directors' report

The directors present their report together with the financial report of University of Wollongong Recreation and Aquatic Centre Limited ("the Company") for the year ended 31 December 2005.

Directors

The directors of the Company at any time during or since the financial year are:

Name and qualifications	Experience and special responsibilities
Prof John Patterson, <i>MSc Oregon, MEd Syd, EdD N Colorado, FAICD</i> Appointed Director in June 1998	Executive Chair, since November 1998 Deputy Vice-Chancellor (Operations), University of Wollongong
Cheryl Battaerd, <i>B.Ed</i> Appointed Director in June 1998	NSW State Manager, Active After-School Communities Australian Sports Commission
Prof Don Iverson, <i>B.Sc Nth Dak, M.Sc Ph.D Oregon</i> Appointed Director in October 2001	Dean, Health and Behavioural Sciences at University of Wollongong
Peter Maywald <i>B.A</i> Appointed Director in November 2001	Faculty Executive Officer, Health and Behavioural Sciences
Michael Kelly Appointed Director in May 2002	Executive, Sports Association Inc. University of Wollongong
Paul Manning, <i>B.ED (Syd), M.Mgmt GAICD,</i> Appointed Director in June 1998	Executive Director, Sports Association Inc. Director, Australian University Sports Inc;
Canio Fierravanti <i>B.Comm</i> Appointed Director in October 2001	Group Public Affairs Manager at University of Wollongong
Murray Reid, <i>FCA, B.Comm</i> Appointed Director in June 1998	Fellow of the Institute of Chartered Accountants. Principal of RM Chartered Accountants
Diane Harland (nee Riddiford), <i>B.Ed M.Sc (Hons)</i> Appointed Director in June 1998	PhD student, School of Health Sciences at University of Wollongong
Dr Paul Webb, <i>DipPhysEd GradDipSpEd, BEd, Tas CAE, MH Kinetics Windsor, MSc PhD Oregon</i> Appointed Director in June 1998	Senior lecturer, Faculty of Education at University of Wollongong President, Sports Association Inc.
Tempe Lees, <i>BSc (Macq Uni) Grad Dip in Museum Studies (Syd Uni) Bachelor of Legal Studies (Macq Uni)</i> Grad Dip Legal Prac. (UTS) <i>MBA</i>	Legal Officer & Company Secretary Illawarra Technology Corporation Limited

*(Dist) UOW Admitted as a solicitor in
NSW*

Appointed Director in December
2004

Directors' meetings

The number of directors' meetings held and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Directors' meetings	
	A	B
Professor John Patterson	6	6
Cheryl Battaerd	2	6
Professor Don Iverson	5	6
Peter Maywald	5	6
Paul Manning	6	6
Canio Fierravanti	5	6
Murray Reid	4	6
Diane Harland	6	6
Dr Paul Webb	5	6
Michael Kelly	6	6
Tempe Lees	6	6

A – Number of meetings attended.

B – Reflects the number of meetings held during the time that the director held office during the year.

Principal activities

The principal activity of the Company during the course of the year was the provision of aquatic and recreation facilities to the University community and the general public. There were no significant changes in the nature of the activities of the Company during the year.

Results

The operating profit after income tax of the Company for the year 2005 amounted to \$2,764,885 (2004: \$105,355).

Dividends

Dividends are not payable by companies limited by guarantee. Therefore no dividends were declared or paid during the year (2004: nil).

Review of operations

2005 seemed to be a year of massive change for URAC. The departure of senior staff, major renovations to 2 of our sporting facilities and feverish planning under the ongoing uncertainty of VSU, culminating in the passing of the legislation in December, all made for a hectic, frustrating, rewarding and ultimately fulfilling year. Certainly the financial results are pleasing, but the future is clouded in many imponderables, and challenges that URAC Board and staff must meet head on to forge ahead.

Major renovations were carried out on the artificial grass hockey surface \$290,000, and also the tennis courts, all of which have been resurfaced and now have another 10-15 years of useful life. Major changes also took place in computer software and hardware to upgrade our "point of sale" (POS) system, and continued preventative maintenance on our aging pool plant room. Out on the field and courts, we hosted the Sydney Swans for the first time as they went on to take their first flag ever, and our summer training hosting of the St George Illawarra Dragons continued successfully. NSWIS also renewed our relationship and look to use our facilities and staff more and more as a regional centre of excellence.

Financial results were overshadowed by the long-term viability of an organisation such as ours that has relied heavily on compulsory student fees, even though that reliance has dropped dramatically over the last 20 years. The University's decision to include URAC within any future Capital Management Plan has certainly reduced our non-current liabilities and allowed the Board to continue to manage an organisation that's medium-term financial future will be much more related to breaking even than facility development.

Add to all of the above another "normal" year of operational growth, the year included the housing of some PE equipment and staff temporarily in an already crowded building due to the closure in late 2004 of the old PE gym. It is hoped that this unsatisfactory arrangement for all will only be temporary, but although some minor works will alleviate some of the logistical difficulties, no major capital works have yet been approved.

Environmental management

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the company.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in future financial years.

Likely developments

A preliminary proposal for a 3,000 sq m 3 court sports facility known as "stage 10" remains a possibility, but is not envisaged unless government funding is obtained which is targeted at regional University sports facility development. At this stage little or no confirmed development is expected in the short to medium term, with a commitment to consolidation of the Company's cash position and a small growth in reserves the agreed aim for 2006. It is hoped this will create the springboard for the dramatic changes expected from 2007 as voluntary fees are introduced.

Directors' emoluments

During the financial year ended 31 December 2005, no director of the Company has received or become entitled to receive a benefit (other than a benefit disclosed in Notes to the financial statements) by reason of a contract made by the Company or a related corporation with a director or firm of which a director is associated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out following the Directors' Report.

Indemnification and insurance of officers

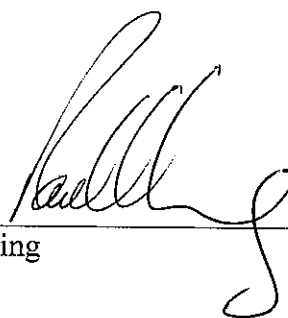
Indemnification

The University of Wollongong carries insurances to indemnify officers and directors of the company. The University of Wollongong charges the Company on an annual basis for this service.

Signed in accordance with a resolution of the directors.



Prof John Patterson
Director



Paul Manning
Director

Dated at Wollongong this 12th day of April 2006.

**University of Wollongong
Recreation & Aquatic Centre Limited**


**Certificate under Section 41C (1C) of the Public Finance and
Audit Act, 1983 for the year ended 31 December 2005**

The accompanying financial statements have been prepared in accordance with the requirements of the Public Finance and Audit Act 1983, Public Finance and Audit Regulations 2000, applicable Accounting Standards and Urgent Issues Group Consensus views.

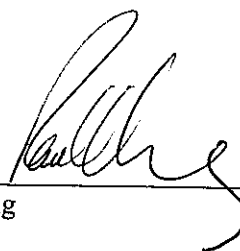
In our opinion the statements exhibit a true and fair view of the financial position of the company for the year ended 31 December 2005 and the transactions for the period then ended.

The directors are not aware of any circumstances, as at the date of this certificate, which would render any particulars to be misleading or inaccurate.

Signed in accordance with a resolution of the directors.



Prof John Patterson
Director



Paul Manning
Director

Dated at Wollongong this 12th day of April 2006

**University of Wollongong
Recreation & Aquatic Centre Limited**

Directors' declaration

In the opinion of the directors of the University of Wollongong Recreation & Aquatic Centre Limited:

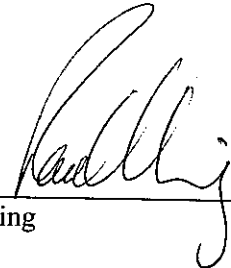
the financial statements and notes, are in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the financial position of the company as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
- complying with Accounting Standards and the Corporations Regulations 2001; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Prof John Patterson
Director



Paul Manning
Director

Dated at Wollongong this 12th day of April 2006

**University of Wollongong
Recreation & Aquatic Centre Limited**

ABN 99 082 907 382

**Financial report
for the year ended 31 December 2005**

**University of Wollongong
Recreation & Aquatic Centre Limited
Income Statement
for the year ended 31 December 2005**

	Note	2005 \$	2004 \$
Revenue from rendering of services	3(a)	3,165,901	3,502,650
Income	3(b)	177,028	163,266
Assumption of Loans by University of Wollongong	3(c)	2,700,000	-
Total revenue	3	<u>6,042,929</u>	<u>3,665,916</u>
Employee expenses		1,426,574	1,436,347
Depreciation and amortisation expenses	4(a)	498,243	480,593
Borrowing costs	4(b)	156,319	177,444
Repairs and maintenance		354,150	314,989
Operating Expenses		614,845	899,965
Utilities expenses		156,802	141,309
Other expenses		71,110	109,914
Total expenses		<u>3,278,044</u>	<u>3,560,561</u>
Profit before related income tax expense		2,764,885	105,355
Income tax expense	1(n)	-	-
Net profit		2,764,885	105,355
Profit attributal to members of the Parent Entity		<u>2,764,885</u>	<u>105,355</u>

The Income Statement should be read in conjunction with the notes to the financial statements set out on the following pages.

**University of Wollongong
Recreation & Aquatic Centre Limited
Balance Sheet
for the year ended 31 December 2005**

	Note	2005 \$	2004 \$
Current assets			
Cash and cash equivalent	6	136,017	3,100
Receivables	7	137,789	82,432
Inventories	8	-	-
Other	9	1,585	57,937
Total current assets		<u>275,391</u>	<u>143,469</u>
Non-current assets			
Property, plant and equipment	10	831,973	760,759
Occupancy contribution	11	5,490,779	5,769,048
Total non-current assets		<u>6,322,752</u>	<u>6,529,807</u>
Total assets		<u>6,598,143</u>	<u>6,673,276</u>
Current liabilities			
Payables	12	539,055	218,398
Other Liabilities	13	-	-
Interest bearing liabilities	14	36,267	90,201
Provisions	15	63,117	85,362
Total current liabilities		<u>638,439</u>	<u>393,961</u>
Non-current liabilities			
Interest bearing liabilities	14	18,682	3,111,385
Provisions	15	38,176	29,830
Other Liabilities	16	2,626	2,764
Total non-current liabilities		<u>59,484</u>	<u>3,143,979</u>
Total liabilities		<u>697,923</u>	<u>3,537,940</u>
Net assets		<u>5,900,217</u>	<u>3,135,336</u>
Equity			
Retained profits	17	5,900,221	3,135,336
Total equity		<u>5,900,221</u>	<u>3,135,336</u>

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on the following pages.

**University of Wollongong
Recreation & Aquatic Centre Limited
Cash Flow Statement
for the year ended 31 December 2005**

	Note	2005 \$	2004 \$
Cash flows from operating activities			
Cash receipts in the course of operations		3,402,993	3,455,638
Cash payments in the course of operations		(2,443,438)	(2,892,409)
Interest received		13,441	17,179
Borrowing costs paid		(112,484)	(176,097)
Net cash provided by operating activities	19(b)	<u>860,512</u>	<u>404,311</u>
Cash flows from investing activities			
Payment for property, plant and equipment and occupancy		(408,442)	(259,974)
Proceeds on disposal of non-current assets		133,438	103,482
Net cash used in investing activities		<u>(275,004)</u>	<u>(156,492)</u>
Cash flows from financing activities			
Proceeds of borrowings		1,000,000	750,000
Repayment of borrowings		(1,350,000)	(1,050,000)
Repayment of leases		(84,072)	(72,403)
Net cash (used in)/provided by financing activities		<u>(434,072)</u>	<u>(372,403)</u>
Net increase/(decrease) in cash held		151,436	(124,584)
Cash at the beginning of the financial year		(14,653)	109,931
Cash at the end of the financial year	19(a)	<u><u>136,783</u></u>	<u><u>(14,653)</u></u>

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on the following pages.

University of Wollongong
Recreation & Aquatic Centre Limited
Statement of Changes in Equity
for the year ended 31 December 2005

	Note	2005 \$	2004 \$
Total Equity at the beginning of the Financial Year		<u>3,135,336</u>	<u>3,029,981</u>
Operating result for the year	19(b)	<u>2,764,885</u>	<u>105,355</u>
Total recognised income and expense for the year		<u>2,764,885</u>	<u>105,355</u>
Total Equity at the end of the Financial year		<u>5,900,221</u>	<u>3,135,336</u>

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on the following pages.

University of Wollongong Recreation & Aquatic Centre Ltd

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2005

1. Significant Accounting Policies

The University of Wollongong Recreation & Aquatic Centre Limited (the "Company") is a company limited by guarantee. In the event that the Company is wound up, the members liability is limited to One Dollar (\$1.00).

The Company is incorporated and domiciled in Australia. The registered address is:
Northfields Avenue
North Wollongong NSW 2522

The significant policies which have been used in the preparation of this financial report are detailed below.

a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The financial statements and notes of The Company comply with the Australian Accounting Standards some of which contain requirements specific to not-for profit entities that are inconsistent with IFRS requirements.

This is the Company's first financial report prepared in accordance with AIFRS and AASB 1 *First Time Adoption of AIFRS* has been applied. The application of these standards has not had a material effect on the reported financial position, financial performance or cash flows of the Company.

b) Basis of Preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that the liability for long service leave is adjusted to net present value.

The preparation of the financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 January 2004 for the purposes of transition to Australian Accounting Standards - AIFRS.

c) Property, Plant and Equipment

(i) Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation. The cost of self constructed assets includes the cost of materials and direct labour.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Occupancy Contribution

From time to time 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 Balance Sheet as Occupancy Contribution, pursuant to an agreement reached with the University of Wollongong, and written off over their expected useful lives as detailed below.

(iii) Leased Assets

Leases under which the Company assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance Leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception 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.

Operating Leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(iv) Subsequent Costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(v) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Property, Plant and Equipment

Occupancy Contribution	2.78% - 7.69%
Building Improvements	10%
Computer Equipment	33.3%
Plant & Equipment **	10% - 25%

*** Plant & equipment includes the following sub categories: general equipment, unigym/unicircuit equipment, leased equipment, furniture and fittings, motor vehicles, pool equipment and hockey equipment.*

(vi) Acquisition of Assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of consideration provided plus incidental costs directly attributable to the acquisition.

Expenditure, including that on internally generated assets other than research and development costs. Is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Items of plant and equipment less than \$5,000 are expensed as incurred.

e) Trade and Other Receivables

Trade and other receivables are stated at cost, less a provision for doubtful debts.

f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stock and bringing it to the existing condition and location. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits.

h) Interest-Bearing Borrowings

Interest-Bearing Borrowings are recognised initially at fair value, and amortised over the life of the individual borrowing.

i) Employee Entitlements

Wages, Salaries and Annual Leave

The provisions for employee entitlements to wages, salaries, and annual leave represent present obligations resulting from employees' services provided up to the balance date, calculated at amounts expected to be paid when the liabilities are settled.

Long Service Leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance 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 balance 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.

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.

j) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of

economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

k) Trade and Other Payables

Trade and Other Payables are stated at cost.

l) Revenue

(i) Goods and Services Rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from rendering services is recognised when that service has been fully provided.

(ii) Compulsory Service Charges

Compulsory Service Charges are brought to account in the year to which the charges relate, and not necessarily the year in which the University of Wollongong or Illawarra Technology Corporation Ltd, which collect those charges on behalf of the Company, remit them to the Company. Entrance fees are included in compulsory service charges.

(iii) Rental Income

Rental income is recognised in the income statement on a straight-line basis as it is charged to tenants in accordance with individual leases.

(iv) Financial Income

Interest income is recognised in the income statement as it accrues.

m) Expenses

Financing Costs

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

n) Taxation

The operations of the Company are exempt from income tax under Sections 50-45 and 50-5 of the Income Tax Assessment Act (1997).

The operations of the Company are exempt from payroll tax under Sections 10.1(k) and 10.2 of the Payroll Tax Act 1971.

o) Goods and Services Tax

Revenues, expense and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

p) Impairment of Assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use.

q) New Accounting Standards effective on or after 1 January 2006

The Company has not applied several new accounting standards that are effective on or after 1 January 2006. The Company has reviewed the new accounting standards and at this stage do not anticipate any impact on the figures reported in this financial report. The Company will conduct a full assessment during 2006.

	Note	2005 \$	2004 \$
3 Revenue			
(a) Revenue from rendering of services			
■ Trading income		1,470,074	1,758,674
■ Members fees paid by related parties		1,660,057	1,678,617
■ Members fees paid by other parties		35,770	65,359
		<u>3,165,901</u>	<u>3,502,650</u>
(b) Other income			
Interest - Other Parties		13,441	17,179
Rent		88,402	82,880
Grants - Related Parties		59,000	59,000
Net gain sale of non-current assets		16,185	4,207
		<u>177,028</u>	<u>163,266</u>
(c) Assumption of loans by University of Wollongong			
Bill Liability		<u>2,700,000</u>	-
The University of Wollongong Recreation and Aquatic Centre has released all liability of the Bill, which has now been taken up by the University of Wollongong.			
Total revenue		<u><u>6,042,929</u></u>	<u><u>3,665,916</u></u>
4 Profit from continuing operations before income tax expense			
(a) Profit from continuing operations has been arrived at after charging/(crediting) the following items			
Depreciation:			
■ Property, plant and equipment		142,984	125,334
Amortisation:			
■ Occupancy contribution		278,269	278,269
■ Leased equipment		76,990	76,990
		<u>498,243</u>	<u>480,593</u>
(b) Borrowing costs			
■ Interest		151,026	168,625
■ Finance charges on capitalised leases		5,293	8,819
		<u>156,319</u>	<u>177,444</u>
Net bad and doubtful debts expense including movements in			
(c) provision for doubtful debts		<u>6,678</u>	<u>5,004</u>
(d) Net expense from movements in provision for:			
■ Employee entitlements		<u>97,295</u>	<u>67,962</u>

	Note	2005 \$	2004 \$
5 Auditors' remuneration			
Audit of the financial report		11,000	8,100
		<u>11,000</u>	<u>8,100</u>
6 Cash and cash equivalents			
Cash on hand		3,100	3,100
Undeposited funds		-	-
Cash at bank		132,917	-
		<u>136,017</u>	<u>3,100</u>
7 Receivables			
Trade debtors		140,967	84,887
Less: Provision for doubtful trade debtors		(3,178)	(2,455)
		<u>137,789</u>	<u>82,432</u>
8 Inventories			
Consumables - at cost		-	-
		<u>-</u>	<u>-</u>
9 Other current assets			
Prepayments		1,585	57,937
		<u>1,585</u>	<u>57,937</u>

	Note	2005 \$	2004 \$
10 Property, plant and equipment			
Building improvements - at cost		484,112	213,387
Less: Accumulated depreciation		<u>(97,657)</u>	<u>(56,014)</u>
		<u>386,455</u>	<u>157,373</u>
General equipment - at cost		290,350	286,916
Less: Accumulated depreciation		<u>(175,934)</u>	<u>(155,744)</u>
		<u>114,416</u>	<u>131,172</u>
Unigym/Unicircuit equipment - at cost		215,880	215,880
Less: Accumulated depreciation		<u>(137,664)</u>	<u>(122,282)</u>
		<u>78,216</u>	<u>93,598</u>
Leased gym equipment - at cost		307,961	307,961
Less: Accumulated depreciation		<u>(256,815)</u>	<u>(179,825)</u>
		<u>51,146</u>	<u>128,136</u>
Furniture and fittings - at cost		215,002	215,002
Less: Accumulated depreciation		<u>(179,009)</u>	<u>(167,886)</u>
		<u>35,993</u>	<u>47,116</u>
Motor vehicles - at cost		108,933	128,296
Less: Accumulated depreciation		<u>(15,306)</u>	<u>(18,768)</u>
		<u>93,627</u>	<u>109,528</u>
Computer Equipment - at cost		123,395	117,507
Less: Accumulated depreciation		<u>(104,004)</u>	<u>(86,143)</u>
		<u>19,391</u>	<u>31,364</u>
Pool equipment - at cost		138,642	138,642
Less: Accumulated depreciation		<u>(85,991)</u>	<u>(76,294)</u>
		<u>52,651</u>	<u>62,348</u>
Hockey equipment - at cost		13,457	13,457
Less: Accumulated depreciation		<u>(13,375)</u>	<u>(13,333)</u>
		<u>82</u>	<u>124</u>
Total property, plant and equipment net book value		<u>831,973</u>	<u>760,759</u>

The recreation centre, pool centre, swimming pool, tennis courts and hockey field are erected on land made available by the University of Wollongong and in respect to which there is no formal lease or any other agreement.

	Note	2005 \$	2004 \$
10 Property, plant and equipment (cont'd)			
<i>Reconciliations</i>			
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:			
Building improvements			
Carrying amount at beginning of year		157,373	146,813
Additions		270,725	30,380
Transfer from capital works in progress		-	-
Depreciation		(41,643)	(19,820)
Carrying amount at end of year		<u>386,455</u>	<u>157,373</u>
General equipment			
Carrying amount at beginning of year		131,174	97,583
Additions		3,433	52,825
Disposals		-	-
Depreciation		(20,191)	(19,234)
Carrying amount at end of year		<u>114,417</u>	<u>131,174</u>
Unigym/Unicircuit equipment			
Carrying amount at beginning of year		93,598	106,674
Additions		-	2,500
Disposals		-	-
Depreciation		(15,382)	(15,576)
Carrying amount at end of year		<u>78,216</u>	<u>93,598</u>
Computer Equipment			
Carrying amount at beginning of year		31,365	16,731
Additions		5,888	32,915
Disposals		-	-
Depreciation		(17,861)	(18,281)
Carrying amount at end of year		<u>19,392</u>	<u>31,365</u>
Leased gym and equipment			
Carrying amount at beginning of year		128,136	205,126
Additions		-	-
Disposals		-	-
Depreciation		(76,990)	(76,990)
Carrying amount at end of year		<u>51,146</u>	<u>128,136</u>
Furniture and fittings			
Carrying amount at beginning of year		47,115	44,764
Additions		-	14,280
Disposals		-	-
Depreciation		(11,124)	(11,929)
Carrying amount at end of year		<u>35,991</u>	<u>47,115</u>

	Note	2005 \$	2004 \$
10 Property, plant and equipment (cont'd)			
Pool equipment			
Carrying amount at beginning of year		62,347	53,432
Additions		-	18,815
Disposals		-	-
Depreciation		(9,697)	(9,900)
Carrying amount at end of year		<u>52,650</u>	<u>62,347</u>
Hockey equipment			
Carrying amount at beginning of year		124	416
Additions		-	-
Disposals		-	-
Depreciation		(42)	(292)
Carrying amount at end of year		<u>82</u>	<u>124</u>
Motor vehicles			
Carrying amount at beginning of year		109,526	139,714
Additions		128,396	89,982
Disposals		(117,254)	(89,868)
Depreciation		(27,044)	(30,302)
Carrying amount at end of year		<u>93,624</u>	<u>109,526</u>
Capital works in progress			
Carrying amount at beginning of year		-	-
Additions		-	-
Transfers to occupancy contribution		-	-
Carrying amount at end of year		<u>-</u>	<u>-</u>
Total property, plant and equipment			
Carrying amount at beginning of year		760,759	811,254
Additions		408,442	241,697
Disposals		(117,254)	(89,868)
Depreciation		(219,974)	(202,324)
Transfers to occupancy contribution		-	-
Carrying amount at end of year		<u>831,973</u>	<u>760,759</u>

	Note	2005 \$	2004 \$
11 Occupancy contribution			
Non-current			
Occupancy contribution		7,403,809	7,403,809
Less: Accumulated amortisation		<u>(1,913,030)</u>	<u>(1,634,761)</u>
		<u>5,490,779</u>	<u>5,769,048</u>

Occupancy contribution is amortised at the rate nominated by the University of Wollongong, rather than at the standard rate of depreciation provided for building improvement and buildings at cost.

Reconciliation

A reconciliation of the carrying amount of occupancy contribution is set out below:

Occupancy contribution

Carrying amount at beginning of year		5,769,048	6,047,317
Additions		-	-
Transfers from capital works in progress		-	-
Amortisation		<u>(278,269)</u>	<u>(278,269)</u>
Carrying amount at end of year		<u>5,490,779</u>	<u>5,769,048</u>

The University of Wollongong Recreation and Aquatic Centre has has released all liability of the Bill, which has now been taken up by the University of Wollongong.

12 Payables

Current

University of Wollongong		405,171	127,785
Other creditors		<u>133,884</u>	<u>90,613</u>
		<u>539,055</u>	<u>218,398</u>

13 Other liabilities

Income in Advance

Members fees received in advance		-	-
Other income received in advance		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

14 Interest bearing liabilities

Current

Bank overdraft	19	-	17,753
Lease liabilities	21	<u>36,267</u>	<u>72,448</u>
		<u>36,267</u>	<u>90,201</u>

Non-current

Bill facilities		-	3,050,000
Lease liabilities	21	<u>18,682</u>	<u>61,385</u>
		<u>18,682</u>	<u>3,111,385</u>

	Note	2005	2004
		\$	\$
(a) The Company has access to the following facilities:			
Total facilities available:			
Bill acceptance facility		-	3,050,000
Leasing facility		206,511	333,833
Business credit card facility		50,000	50,000
		<u>256,511</u>	<u>3,433,833</u>
Facilities utilised at balance date:			
Bill acceptance facility		-	3,050,000
Leasing facility		54,949	133,833
Business credit card facility		50,000	50,000
		<u>104,949</u>	<u>3,233,833</u>
Facilities not utilised/(exceeded) at balance date:			
Bill acceptance facility		-	-
Leasing facility		151,562	200,000
Business credit card facility		-	-
		<u>151,562</u>	<u>200,000</u>
(b) Commercial bill repayment commitments			
Not later than one year		-	350,000
Later than one years but not later than five years		-	2,000,000
Later than five years		-	700,000
		<u>-</u>	<u>3,050,000</u>
15 Provisions			
Current			
Annual leave		57,242	51,116
Long service leave		5,875	34,246
		<u>63,117</u>	<u>85,362</u>
Non-current			
Long service leave		38,176	29,830
		<u>38,176</u>	<u>29,830</u>
Number of employees			
Average number of employees during the year		<u>26</u>	<u>28</u>
Aggregate employee benefits and related on-costs			
Accrued salaries, wages and on-costs		11,866	15,354
Provisions - current		63,117	85,362
Provisions - non-current		38,176	29,830
Accrued salaries, wages and on-costs		<u>113,159</u>	<u>130,546</u>

	Note	2005 \$	2004 \$
16 Other Liabilities			
Non-current			
Unclaimed Money		2,626	2,764
		<u>2,626</u>	<u>2,764</u>
17 Retained profits			
Retained profits at beginning of year		3,135,336	3,029,981
Adjustment to opening balance		-	-
Net profit		2,764,885	105,355
Retained profits at the end of the year		<u>5,900,221</u>	<u>3,135,336</u>
18 Commitments			
Capital expenditure commitments (occupancy contribution)			
Contracted but not provided for and payable:			
Not later than one year		-	-
		<u>-</u>	<u>-</u>
19 Notes to the statement of cash flows			
(a) Reconciliation of cash			
For the purposes of the statement of cash flows, cash includes cash on hand and at bank. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:			
Cash on hand	6	3,100	3,100
Cash at bank	6	132,917	-
Bank Overdraft	14	-	(17,753)
		<u>136,017</u>	<u>(14,653)</u>
(b) Reconciliation of operating profit after tax to net cash provided by operating activities			
Net profit		2,764,885	105,355
Add/(less) items classified as investing/financing activities			
Loss/(profit) on disposal of non-current assets		(16,185)	(4,207)
Add/(less) non-cash items:			
Assumption of loans by University of Wollongong		(2,700,000)	
Amortisation and depreciation		498,243	480,593
Bad debts expense not previously provided for		6,678	5,004
		<u>553,621</u>	<u>586,745</u>
Net cash provided by operating activities before change in assets and liabilities			
Change in assets and liabilities during the financial year:			
■ receivables;		(56,080)	(36,538)
■ prepayments;		56,352	42,679
■ inventories;		-	713
■ trade creditors and accruals; and		320,519	(201,974)
■ provisions.		(13,900)	13,091
Net cash provided by operating activities		<u>860,512</u>	<u>404,716</u>

20 Additional financial instrument disclosures

Interest rate risk

The company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

	2005	Weighted average effective rate	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
				1 year or less	1 to 5 years	More than 5 years		
Financial assets								
Cash	6	5.25%	132,917	-	-	-	3,100	136,017
Receivables	7		-	-	-	-	137,789	137,789
Total Financial Assets			132,917	-	-	-	140,889	273,806
Financial liabilities								
Interest bearing liabilities								
-Bank overdraft				-	-	-	-	-
-Bill Facility				-	-	-	-	-
-Finanace	21	5.25%		36,267	18,682	-	-	54,949
Payables	12			-	-	-	539,055	539,055
Total Financial Liabilities			-	36,267	18,682	-	539,055	594,004
	2004	Weighted average interest rate	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
				1 year or less	1 to 5 years	More than 5 years		
Financial assets								
Cash			-	-	-	-	3,100	3,100
Receivables			-	-	-	-	82,432	82,432
Total financial assets			-	-	-	-	85,532	85,532
Financial liabilities								
Interest bearing liabilities								
-Bank overdraft		13-15%		3,433,833	-	-	-	3,433,833
-Bill Facility		5.72%		350,000	2,000,000	700,000	-	3,050,000
-Finanace		5.34%		90,201	61,385	-	-	151,586
Payables				-	-	-	218,398	218,398
Total financial liabilities			-	3,874,034	2,061,385	700,000	218,398	6,853,817

20 Additional financial instrument disclosures (cont'd)

Foreign currency risk management

The Company undertakes minimal transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations rarely arise.

Credit risk exposures

Credit risk represents the loss that would be recognised if counterparts failed to perform as contracted. The credit risk on financial assets is the carrying amount shown on the balance sheet.

Liquidity risk management

The Company manages liquidity risk by maintaining adequate banking facilities, and by continuously monitoring forecast and actual cash flows.

Net fair values of financial assets and liabilities

The net fair values of all financial assets and liabilities approximate their carrying value.

	Note	2005 \$	2004 \$
21 Commitments			
Finance lease commitments			
Finance lease payments are payable:			
Within one year		41,165	84,202
Later than one year but not later than five years		16,279	57,444
Later than five years		-	-
		<u>57,444</u>	<u>141,646</u>
Less: Future lease finance charges		2,495	7,813
		<u>54,949</u>	<u>133,833</u>
Lease liabilities provided for in the financial statements			
Current	14	36,267	72,448
Non-current	14	18,682	61,385
Total lease liability		<u>54,949</u>	<u>133,833</u>

22 Related parties

(a) Directors

The names of each person holding the position of director of University of Wollongong Recreation & Aquatic Centre Limited during the financial year are Murray Reid, Prof John Patterson, Dr Paul Webb, Bridget Munro, Diane Harland (nee Riddiford), Paul Manning, Cheryl Batteard, Prof Don Iverson, Peter Maywald, Canio Fierravanti, Michael Kelly and Tempe Lees. No one resigned as a director during the year.

(b) Ultimate controlling entity

The ultimate controlling entity of the company is the University of Wollongong.

(c) Non-director related parties

The classes of non-director related parties are:

- controlling entity of the company; and
- commonly controlled entities.

(d) Controlling entity disclosures – University of Wollongong

The University of Wollongong collects student membership fees on behalf of the company. The amount of fees collected during the year was \$1,623,261 (\$1,636,519). The University of Wollongong hires the company facilities, from time to time.

22 Related parties (Cont'd)

	Note	2005 \$	2004 \$
(i) Other transactions with the controlling entity:			
<i>Income</i>			
Sales		99,675	25,336
Grants for specific purposes		59,000	59,000
		<u>158,675</u>	<u>84,336</u>
<i>Expenses</i>			
Goods and services		482,398	603,390
		<u>482,398</u>	<u>603,390</u>
(ii) Balances with the controlling entity:			
Receivables		2,243	1,146
		<u>2,243</u>	<u>1,146</u>
Intercompany balance		405,171	127,785
Payables		31,331	2,487
		<u>436,502</u>	<u>130,272</u>
(e) Other related parties			
The company enters into transactions with other entities controlled by the University of Wollongong: Wollongong UniCentre Ltd and Illawarra Technology Corporation Ltd.			
(i) Transactions with other related parties:			
<i>Income</i>			
Sales		40,596	59,402
		<u>40,596</u>	<u>59,402</u>
<i>Expenses</i>			
Goods and services		-	12,185
Grants for specific purposes		-	2,500
		<u>-</u>	<u>14,685</u>
(ii) Balances with other related parties:			
Receivables		210	-
		<u>210</u>	<u>-</u>
Payables		-	-
		<u>-</u>	<u>-</u>

From time to time, directors of related parties or their director-related entities may hire the Company's facilities. The provision of these facilities is made on the same commercial terms and conditions available to other customers and is trivial or domestic in nature.

23 Contingent liabilities

There are no known contingent liabilities existing at balance date.

24 Economic dependency

The company's trading activities do not depend upon a major customer or supplier. However, the Company is economically dependent upon the continued existence of the operating and financial arrangements it has with the University of Wollongong. These include:

- Maintenance of sports ground budget of \$59,000
- Free use of buildings and land used for sporting facilities
- Short term cash flow relief for payments made on the Company's behalf

25 Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

End of audited financial report

The following statements are unaudited

**University of Wollongong
Recreation & Aquatic Centre Limited
Detailed statement of financial performance
for the year ended 31 December 2004**

	2005 \$	2004 \$
Income		
Members' fees	1,695,827	1,743,975
Interest	13,441	17,180
Squash court hire	30,248	39,486
Tennis court hire	30,479	24,750
Facility hire	2,785,684	106,733
Pool trading income	376,241	350,454
Oval trading income	22,619	40,391
Hockey field income	16,668	10,007
Recreation program	739,247	618,457
Rent and commission received	88,402	82,879
Grant income	59,000	59,000
Profit on sale of property, plant and equipment	16,185	4,207
Special Events	3,289	321,260
Other income	165,600	247,137
	<u>6,042,929</u>	<u>3,665,915</u>
Expenditure		
Advertising	9,918	25,503
Amortisation of occupancy contribution	278,269	278,269
Accounting and audit fees	24,436	32,363
AUSA subsidy	3,430	16,997
Bad debts	6,678	5,003
Catering	1,988	3,425
Club funding and equipment	72,505	86,625
Cleaning and garbage removal	16,450	22,372
Computer maintenance	-	-
Depreciation	219,975	202,324
Electricity and gas	165,026	142,864
Equipment	61,860	19,945
Insurance	49,167	47,995
Borrowing costs and bank charges	156,319	177,444
Motor vehicle expenses	13,084	14,612
Pool chemicals	-	57,133
Printing	19,394	23,986
Prizes and awards	19,471	25,974
Repairs and maintenance -- general	352,420	245,538
Superannuation	101,744	79,984
Telephone, stationery and postage	29,740	41,653
Training	10,325	9,494
Travel and conferences	115,842	198,910
Wages and salaries	1,324,830	1,356,363
Other expenses	225,170	445,785
Total expenditure	<u>3,278,044</u>	<u>3,560,560</u>
Operating profit	<u>2,764,885</u>	<u>105,355</u>