

Wollongong City of Innovation Limited
Trading As

Destination
WOLLONGONG

ABN 83 002 291 590

Financial Statements

For the Year Ended 30 June 2020

Wollongong City of Innovation Limited

ABN 83 002 291 590

Financial Statements

30 June 2020

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Wollongong City of Innovation Limited

ABN 83 002 291 590

Directors' Report

For the Year Ended 30 June 2020

Your Directors present their report on Wollongong City of Innovation Limited for the financial year ended 30 June 2020.

General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Colin Bloomfield

Office held	Chairman
Experience	5 years
Qualifications, experience and responsibilities	Bachelor of Engineering (Mining) Hons 1, Graduate Certificate in Management

Steven Savic

Office held	Deputy Chairman
Experience	6 years
Qualifications, experience and responsibilities	Bachelor of Hospitality Management, Diploma in Business

Sharon Arrow

Office held	Director
Experience	2 year
Qualifications, experience and responsibilities	London City and Guilds 706/1, 706/2 and 706/3 Catering & Hospitality, Diploma of Events Management, Certified Facilitator, Facilitator TAFE.

Tania Brown

Office held	Director
Experience	7 years
Qualifications, experience and responsibilities	Bachelor of Arts

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Directors' Report

For the Year Ended 30 June 2020

General information (continued)

Information on directors (continued)

Leigh Colacino

Office held	Director
Experience	9 years
Qualifications, experience and responsibilities	Diploma of Art

Amy Harper

Office held	Director
Experience	8 years
Qualifications, experience and responsibilities	Bachelor of Commerce, Bachelor of Law, Master of Business Administration, Law Society of NSW Accredited Specialist in Business Law

Leigh Hingston

Office held	Director
Experience	6 years
Qualifications, experience and responsibilities	Master of Business (Sport Management), Foundation Certificate in Corporate Governance, Bachelor of Business Management in Tourism

Wayne Morris

Office held	Director
Experience	8 years
Qualifications, experience and responsibilities	GAICD ACIS AGIA MIPA AIMM AIFS AMP (Harv)

Renee Campbell

Office held	Director
Experience	1 year
Qualifications, experience and responsibilities	Bachelor of Science, Bachelor of Commerce, Masters in Strategic Management and Masters in Urban Policy and Strategy
Appointed/resigned	Appointed February 2020

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Directors' Report

For the Year Ended 30 June 2020

General information (continued)

Information on directors (continued)

Kerry Hunt

Office held	Director
Experience	2 years
Qualifications, experience and responsibilities	Bachelor of Arts, Master of Policy (Social)
Appointed/resigned	Resigned October 2019

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of operations

The result of the Company was a surplus of \$70,585 (2019: surplus of \$103,604).

Principal activities

Destination Wollongong, enabled by the strategic long-term support of Wollongong City Council, is charged with delivering visitor economy growth by positioning Wollongong and surrounds as a premier regional tourism, events and conference destination.

The 2019/2020 financial year has seen unprecedented disruption of the tourism and hospitality industries. The Summer season was grossly affected by the worst bushfires in South Coast history causing local councils to close towns for safety reasons for weeks at a time. Whilst Wollongong was not directly impacted by fire, the lack of traffic heading south greatly affected visitor numbers and placed unforeseen pressures on local small business.

Following on from the bushfire emergency, we encountered a global pandemic, COVID19 that again disrupted visitation and enforced restrictions on travel and business operations.

The primary activity for Destination Wollongong during these times was to support tourism, hospitality and retail businesses to get through this extremely testing period.

Wollongong City Council provided financial and strategic support for our organisation during this time, allowing us to undertake our operations and support our members, something which we are extremely grateful for.

Wollongong City of Innovation Limited

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Directors' Report

For the Year Ended 30 June 2020

General information (continued)

Principal activities (continued)

In 2020/21 Destination Wollongong continues to operate under four strategic pillars:

1. *People and Organisation*

Our people, our partners and our networks are critical to the ongoing success of Destination Wollongong.

We strive to be an employer of choice, developing a collaborative, sales based culture in line with the expectations of our most important asset, our people.

2. *Destination Marketing*

- a) Increase the profile of the region, nationally and internationally through the use of authentic storytelling, engaging content, effective campaigns and creative strategy.
- b) Strategy, creation and delivery of a regional destination marketing model in collaboration with regional stakeholders, and
- c) Provision of visitor information services via physical and digital resources.

3. *Events*

- a) Acquisition and ongoing facilitation of select major events for the region (Categories 1, 2 and 3) including management of third party contracts for event delivery. This includes strategic direction, assessment of major event proposals, management of the bidding process, provision of funding, sourcing of major event funding and sponsorship and stakeholder management,
- b) Work with representative bodies, partners and all levels of government to identify new legacy opportunities and to leverage those opportunities to their full potential
- c) Acquisition and ongoing facilitation of conferences and events. This includes building on the existing program of promotion of Wollongong as a conference destination, management of the bidding process (including sourcing of any funding opportunities), delivery of collaborative programs and stakeholder management.

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Directors' Report

For the Year Ended 30 June 2020

General information (continued)

Principal activities (continued)

4. *Business and Investments*

- a) Position Wollongong as an attractive place to do business through a proactive external messaging strategy
- b) Work with Wollongong City Council to facilitate new investment in infrastructure by engaging with industry and stakeholders and identifying assets and opportunities to progress Wollongong
- c) Destination Wollongong provides advocacy for significant major projects in the local area including:
 - i. the upgrade of the WIN Entertainment Centre into a purpose built Convention and Entertainment Centre;
 - ii. improved infrastructure and amenity along the Illawarra Escarpment;
 - iii. legalised mountain biking on the Illawarra Escarpment; and
 - iv. new hotel development which is crucial to continuing to grow the visitor economy.

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

Short and long term objectives

The Company's objectives are to contribute to the sustainable growth of a diverse and vibrant economy, including through:

- growing the Wollongong and the region's visitor economy;
- promoting and marketing Wollongong and the Illawarra region; and
- supporting the attraction of new investment and business into Wollongong and the Illawarra region.

Strategy for achieving the objectives

Please refer to accompanying information forming part of the annual report.

Performance measures

The Company measures its performance in both the quantity and quality of services provided. Key performance measures of various indicators are used as a reference point for evaluation. The Company reports to Wollongong City Council on a quarterly basis, with regards KPI's which have been agreed as part of the five year funding agreement.

Wollongong City of Innovation Limited

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Directors' Report

For the Year Ended 30 June 2020

General information (continued)

Members' guarantee

The Wollongong City of Innovation Limited is a Company limited by guarantee. In the event of, and for the purpose of winding up of the Company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$10, subject to the provisions of the Company's constitution.

At 30 June 2020 the collective liability of members was \$ NIL (2019: \$1,730).

Meetings of directors

During the financial year, 6 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Colin Bloomfield	6	6
Steven Savic	6	6
Sharon Arrow	6	5
Tania Brown	6	6
Leigh Colacino	6	5
Amy Harper	6	5
Leigh Hingston	6	4
Wayne Morris	6	5
Renee Campbell	3	3
Kerry Hunt	2	2

Wollongong City of Innovation Limited

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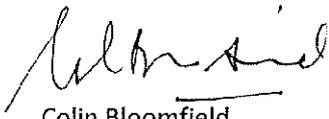
Directors' Report

For the Year Ended 30 June 2020

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 has been received and can be found on page 8 of the financial report.

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



Colin Bloomfield
Chairman



Steven Savic
Deputy Chairman

Dated: 15 October 2020



**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
to the Directors of Wollongong City of Innovation Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Daley Audit
Daley Audit

Michael Murdt
Michael Murdt
Partner

15 October 2020

Wollongong

Liability limited by a scheme approved under Professional Standards Legislation.

Wollongong

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Legislation.



Wollongong City of Innovation Limited

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue	4	1,869,533	1,830,459
Employee benefits		(949,791)	(1,005,303)
Major events		(308,617)	(222,550)
Marketing costs		(293,032)	(209,756)
Visitor costs		(56,808)	(93,452)
Depreciation		(25,459)	(20,367)
Conference and events		(17,930)	(17,697)
Cost of sales		(17,721)	(21,153)
Property costs		(8,377)	(7,057)
Other expenses		(121,213)	(129,520)
Result for the year		70,585	103,604
Other comprehensive income for the year		-	-
Total comprehensive income for the year		70,585	103,604

The accompanying notes form part of these financial statements.

Wollongong City of Innovation Limited

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Balance Sheet

As at 30 June 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	164,850	170,111
Trade and other receivables	6	53,709	152,608
Inventories		13,106	11,865
TOTAL CURRENT ASSETS		231,665	334,584
NON-CURRENT ASSETS			
Property, plant and equipment	7	13,929	9,649
Intangible assets	8	71,728	27,528
TOTAL NON-CURRENT ASSETS		85,657	37,177
TOTAL ASSETS		317,322	371,761
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	93,109	250,078
Employee benefits	11	82,485	50,540
TOTAL CURRENT LIABILITIES		175,594	300,618
NON-CURRENT LIABILITIES			
Employee benefits	11	39,707	39,707
TOTAL NON-CURRENT LIABILITIES		39,707	39,707
TOTAL LIABILITIES		215,301	340,325
NET ASSETS		102,021	31,436
EQUITY			
Retained earnings		102,021	31,436
TOTAL EQUITY		102,021	31,436

The accompanying notes form part of these financial statements.

Wollongong City of Innovation Limited
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Statement of Changes in Equity
For the Year Ended 30 June 2020

	2020	2019
	\$	\$
Balance as at 1 July	31,436	(72,168)
Result for the year	70,585	103,604
Balance as at 30 June	<u>102,021</u>	<u>31,436</u>

The accompanying notes form part of these financial statements.

Wollongong City of Innovation Limited

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Statement of Cash Flows

For the Year Ended 30 June 2020

	2020	2019
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from local government grants	1,579,961	1,551,087
Receipts from customers, sponsors and supporters	708,541	500,871
Interest received	1,500	3,261
Payments to suppliers and employees	(2,201,433)	(1,938,709)
Net cash provided/(used) by operating activities	<u>88,569</u>	<u>116,510</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(93,830)	(13,370)
Net cash provided/(used) by investing activities	<u>(93,830)</u>	<u>(13,370)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net cash provided/(used) by financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents held	(5,261)	103,140
Cash and cash equivalents at the beginning of the year	<u>170,111</u>	<u>66,971</u>
Cash and cash equivalents at the end of the year	5 <u>164,850</u>	<u>170,111</u>

The accompanying notes form part of these financial statements.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

The financial report covers Wollongong City of Innovation Limited as an individual entity. Wollongong City of Innovation Limited is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Wollongong City of Innovation Limited is Australian dollars.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Act 2001.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Accounting policy applied from 1 July 2019

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(a) Revenue and other income (continued)

Accounting policy applied from 1 July 2019 (continued)

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Company are:

Sale of goods

Revenue is recognised at the point the customer purchases the goods. Payment of the transaction price is due immediately at the time of purchase.

Rendering of services

The Company earns revenue from provision of professional services, incorporating consulting advice. Revenue is recognised over time in the accounting period when services are rendered.

Fee arrangements include fixed fee arrangements, unconditional fee for service arrangements ("time and materials") and variable fee arrangements.

For fixed fee arrangements, revenue is recognised based on the stage of completion with reference to the actual services provided as a proportion of the total services expected to be provided under the contract. The stage of completion is tracked on a contract by contract basis using a milestone-based approach.

Estimates of revenues (including interim billing), costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In fee for service contracts, revenue is recognised up to the amount of fees that the Company is entitled to invoice for services performed to date based on contracted rates.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(a) Revenue and other income (continued)

Specific revenue streams (continued)

Government COVID-19 Stimulus income

Cashflow Boost income is recognised as income in the period when the Company's right to receive payment is established.

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

In-kind contributions received under grant funding agreements are recognised at fair value and are taken up as revenue in the year to which the contribution relates.

Interest revenue

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Accounting policy applied prior to 1 July 2019

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(a) Revenue and other income (continued)

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

(b) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST.

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

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

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Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(c) Property, plant and equipment (continued)

The depreciation rates used for each class of depreciable asset are shown below:

Asset class	Depreciation rate
Plant and Equipment	20%
Motor Vehicles	20%
Office Equipment	33%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(d) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost; or
- fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(d) Financial instruments (continued)

Financial assets (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest income are recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(d) Financial instruments (continued)

Financial assets (continued)

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach under AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(d) Financial instruments (continued)

Financial liabilities (continued)

The financial liabilities of the Company comprise trade and other payables.

(e) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(f) Leases

Accounting policy applied from 1 July 2019

At inception of a contract, the Company assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

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Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(f) Leases (continued)

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Company has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

Right-of-use asset

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

Lease liability

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(f) Leases (continued)

Lease liability (continued)

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Company has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Accounting policy applied prior to 1 July 2019

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(g) Intangible Assets

Trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have an infinite life and are carried at cost.

Software

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and three years.

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Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(j) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(k) Income tax

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

Wollongong City of Innovation Limited

ABN 83 002 291 590

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(l) Going concern

This Financial Report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

In the 2018 year, the Company experienced a significant trading loss of \$128,792 which resulted in the Company being in a net asset deficiency position of \$72,168 as at 30 June 2018.

Over the past 2 years, the Company has achieved a trading surplus to bring the net asset position to \$106,337 as at 30 June 2020; and there is a surplus in working capital (net current assets).

The Company continues to take appropriate steps to ensure that it can continue to trade as a going concern, including the careful management of expenses and the securing of Wollongong City Council's financial support [refer note 2(m)].

(m) Economic dependence

The Company is dependent on grant funds from the Wollongong City Council ("Council") for a significant portion of its revenue (refer to note 4). The Company has a formal 5-year Funding Agreement with Council which concludes on 30 June 2021. Additionally, Council have provided and continue to provide subsidised, in-kind accommodation (estimated value of \$153K per annum). Under this agreement, the Company is due to receive in excess of \$1.4M in funding over the 2020/21 financial year, which is typically received in advance of incurring the related expenditures.

Formal negotiations have commenced regarding a new proposed funding agreement that consider formalised arrangements beyond 1 July 2021. Whilst it is early in the discussion process, the Company is instructed that it is Council's intent to recommend a new Funding Agreement under materially consistent terms and amounts as per the previous agreement, noting proposed changes to governance arrangements (confirming Council's relationship with the Company), subject of course to finalisation of specific elements (including deliverables) and also consideration and formal resolution of Council.

Wollongong City of Innovation Limited

ABN 83 002 291 590

Notes to the Financial Statements

For the Year Ended 30 June 2020

2 Summary of Significant Accounting Policies (continued)

(n) Change in accounting policy

The Company changed its accounting policy relating to AASB 15 Revenue from contracts with customers, AASB 16 Leases and AASB 1058 Income for Not-for-Profit Entities.

The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 30 June 2020 can be found in note 18.

(o) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time at 30 June 2020, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company or refer to note 18 for details of the changes due to standards adopted.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

3 Critical Accounting Estimates and Judgments

The Directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below:

Key estimates - employee entitlements

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - impairment of property, plant and equipment and intangibles

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key estimates - useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain property, plant and equipment.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

4 Revenue and Other Income

	Note	2020 \$	2019 \$
Revenue from contracts with customers			
Local government grants	2(m)	1,436,328	1,410,079
Sale of goods		382,312	417,119
		<u>1,818,640</u>	<u>1,827,198</u>
Other income			
Government subsidies		49,392	-
Interest income		1,501	3,261
		<u>50,893</u>	<u>3,261</u>
		<u>1,869,533</u>	<u>1,830,459</u>

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers has been disaggregated, the following table shows this breakdown:

	2020 \$
Timing of revenue recognition	
- At a point in time	382,312
- Over time	1,436,328
	<u>1,818,640</u>
Revenue from contracts with customers	<u>1,818,640</u>

Unsatisfied performance obligations

The following table shows the aggregate amount of the transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations resulting from statement of cash flows:

Statement of cash flows	<u>15,373</u>
-------------------------	---------------

The Company has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

7 Plant and Equipment

	2020	2019
	\$	\$
Office equipment		
At cost	76,604	48,364
Accumulated depreciation	(62,675)	(48,364)
	<u>13,929</u>	<u>-</u>
Motor vehicles		
At cost	34,388	34,388
Accumulated depreciation	(34,388)	(34,388)
	<u>-</u>	<u>-</u>
Plant and equipment		
At cost	103,234	121,894
Accumulated depreciation	(103,234)	(112,245)
	<u>-</u>	<u>9,649</u>
	<u>13,929</u>	<u>9,649</u>

(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:

	Office Equipment	Plant and Equipment	Total
	\$	\$	\$
Balance at 1 July 2019		9,646	9,646
Additions	9,693	-	9,693
Transfers	9,646	(9,646)	-
Depreciation expense	(5,410)	-	(5,410)
Balance at the end of the year	<u>13,929</u>	<u>-</u>	<u>13,929</u>

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

8 Intangible Assets

	Note	2020 \$	2019 \$
<i>Patents, trademarks and other rights</i>			
At cost		<u>6,207</u>	<u>6,207</u>
<i>Computer software</i>			
Cost		132,140	125,356
Accumulated amortisation		<u>(66,619)</u>	<u>(104,035)</u>
		<u>65,521</u>	<u>21,321</u>
	2(g)	<u>71,728</u>	<u>27,528</u>

(a) Movements in carrying amounts of intangible assets

	Patents, trademarks and other rights \$	Computer software \$	Total \$
Balance at 1 July 2019	6,207	21,321	27,528
Additions	-	64,249	64,249
Amortisation	-	(20,049)	(20,049)
Balance as at 30 June 2020	<u>6,207</u>	<u>65,521</u>	<u>71,728</u>

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

9 Leases

The Company has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

Company as a lessee

The Company has leases over 2 operating premises - Southern Gateway Centre and iHub at Town Hall and additionally over office equipment.

Information relating to the leases in place and associated balances and transactions are provided below.

Concessionary leases

The Company has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability.

Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Company is a lessee are shown below:

	2020
	\$
Lease expenses	<u>2,003</u>

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020

10 Trade and Other Payables

	2020	2019
	\$	\$
Trade and other payables	77,736	147,634
Contract liabilities - deferred income	15,373	102,444
	<u>93,109</u>	<u>250,078</u>

11 Employee Benefits

Current liabilities

Provision for employee benefits

82,485 50,540

82,485 50,540

Non-current liabilities

Long service leave

39,707 39,707

39,707 39,707

12 Leasing Commitments

Operating leases

Minimum lease payments under non-cancellable operating leases:

- not later than one year	-	1,056
- between one year and five years	-	12,672
- later than five years	-	25,344
	-	<u>39,072</u>

Operating lease commitments relate to rental of plant and equipment.

Refer to note 9 for information on leases for 2020.

13 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

There have been no related party transactions during the year.

Wollongong City of Innovation Limited

ABN 83 002 291 590

Notes to the Financial Statements

For the Year Ended 30 June 2020

14 Interests of Key Management Personnel

The total remuneration paid to key management personnel of the Company was \$159,602 (2019: \$ 146,288).

15 Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank overdrafts and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

		2020	2019
		\$	\$
Financial Assets			
Cash and cash equivalents	5	164,850	170,111
Trade receivables from contracts with customers	6	49,709	96,923
Total financial assets		214,559	267,034
Financial Liabilities			
<i>Financial liabilities at amortised cost</i>			
Trade and other payables	10	77,736	147,634
Total financial liabilities		77,736	147,634

Net fair values

Fair value estimation

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Wollongong City of Innovation Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2020.

16 Contingent Liabilities and Contingent Assets

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2020 (30 June 2019: None).

17 Events after the end of the Reporting Period

The financial report was authorised for issue on 15 October 2020 by the Board of Directors.

On 23 July 2020, the Company received the first instalment of 2020/21 grant funding of \$407,404.

As a result of the evolving nature of the COVID-19 outbreak and the rapidly evolving government policies of restrictive measures put in place to contain it, as at the date of these financial statements, the Company is not in a position to reasonably estimate the financial effects of the COVID-19 outbreak on the future financial performance and financial position of the Company. Other than the current disclosures, there has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.

18 Change in Accounting Policy

On 1 July 2019 the Company adopted the following new accounting standards that were mandatory for the first time:

- AASB 15 *Revenue from contracts with customers*
- AASB 16 *Leases*
- AASB 1058 *Income for Not-for-Profit Entities*

All standards have been applied to the year ended 30 June 2020, however, as allowed, comparatives have not been restated.

AASB 15, AASB 16 and AASB 1058 resulted in changes to accounting policies, however no adjustments were required to be recognised in the financial statements.

Wollongong City of Innovation Limited

ABN 83 002 291 590

Notes to the Financial Statements

For the Year Ended 30 June 2020

19 Going concern

Unprecedented developments have arisen subsequent to balance date due to the COVID-19 pandemic. Given the ongoing measures implemented by the State and Federal Government's, there has already been a significant impact upon the economy, which is yet to be fully realised, notwithstanding stimulus measures announced. It is likely that there will be wide-ranging impacts for the Company, including the potential:

- loss of trading income and other income;
- reductions in the market value of investments and properties;
- worsening debtor collections and possible impairment; and
- favourable stimulus measures by the government

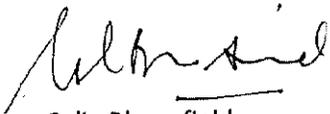
The ultimate extent of the financial outcomes as they affect the Company are currently unable to be reliably quantified. However, substantial unencumbered liquid financial reserves have been accumulated; which will allow the Company to withstand a prolonged downturn in the general economy – prior to any consideration of further government stimulus measures. Accordingly, at the date of signing this financial report, the Directors remain confident that the Company will remain a going concern.

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 35, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Company.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Colin Bloomfield
Chairman



Steven Savic
Deputy Chairman

Wollongong

Dated: 15 October 2020

**Independent Audit Report
to the members of Wollongong City of Innovation Limited**

Report on the Financial Report

Opinion

We have audited the financial report of Wollongong City of Innovation Limited ("the Company"), which comprises the balance sheet as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Liability limited by a
Scheme approved under
Professional Standards
Legislation.



**Independent Audit Report
to the members of Wollongong City of Innovation Limited**

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information is the Directors' report accompanying the financial report, as well as all other information incorporated into the Annual Report of the Company .

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, 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 Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



**Independent Audit Report
to the members of Wollongong City of Innovation Limited**

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

Daley Audit

Daley Audit

Michael Mundt

Michael Mundt
Partner

Wollongong

Dated: 15 October 2020

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