

# THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

## FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

### CONTENTS

	Page
Declaration by the Chair and Deputy Chair of the Board	1
Independent Audit Report	2-3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Cash Flows	6
Statement of Changes in Equity	7
Notes To and Forming Part of the Accounts	8-24
Solicitors:	Mallesons Stephen Jaques Governor Phillip Tower 1 Farrer Place Sydney NSW 2000
Bankers:	National Australia Bank 179 London Circuit Canberra ACT 2600  Commonwealth Bank of Australia Concession Building, University Avenue Canberra ACT 2601
Auditors:	Ernst & Young 121 Marcus Clarke Street Canberra ACT 2601

**THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.**

**Declaration by the Chair and Deputy Chair of the Board**

To the best of our knowledge and belief:

(a) the accompanying financial report set out on Pages 4 to 24 is drawn up in accordance with Australian Accounting Standards and the *Associations Incorporation Act 1991 (Australian Capital Territory)* so as to present fairly the state of affairs of the Australian National University Union Inc. ("the Union") as at 31 December 2012; and

(b) there are reasonable grounds to believe that the Union will be able to pay its debts as and when they become due and payable.



**XINYU RU**  
Chair of the Board



**JACK GRACIE**  
Deputy Chair of the Board

**CANBERRA**  
**1 May 2013**

## Independent auditor's report to the members of Australian National University Union Incorporated

We have audited the accompanying financial report of Australian National University Union Incorporated (the "Union") which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the declaration by the Chair and Deputy Chair of the Board.

### Directors' Responsibility for the Financial Report

The directors of the Union are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and with the *Associations Incorporation Act 1991 (ACT)*, and for such internal control as directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

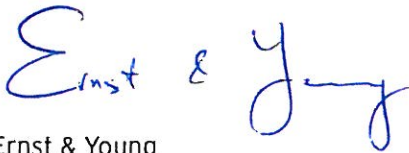
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

## Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of Australian National University Union Incorporated at 31 December 2012 and of its financial performance and its cashflows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Associations Incorporations Act 1991 (ACT)*.

A handwritten signature in blue ink that reads 'Ernst & Young'. The signature is written in a cursive, flowing style.

Ernst & Young  
Canberra  
1 May 2013

THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

STATEMENT OF COMPREHENSIVE INCOME  
FOR YEAR ENDED 31 DECEMBER 2012

	Note	2012 \$	2011 \$
Revenue	4 (a)	5,227,730	5,996,855
Cost of sales	4 (b)	(1,849,427)	(2,257,920)
Depreciation and amortisation expense	4 (b)	(374,094)	(373,433)
Salaries and employee benefits expense	4 (b)	(1,934,175)	(2,154,793)
Other expenses	4 (c)	<u>(1,084,685)</u>	<u>(1,325,169)</u>
Net (deficit) attributable to members of The Australian National University Union Inc.		<u>(14,651)</u>	<u>(114,460)</u>
Other comprehensive income		-	-
Net (deficit) attributable to members of The Australian National University Union Inc.		<u>(14,651)</u>	<u>(114,460)</u>

THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012

	Note	2012 \$	2011 \$
<b>EQUITY</b>			
Accumulated funds	5(a)	3,016,097	3,030,748
Clubs & societies reserve	5(b)	<u>7,705</u>	<u>9,505</u>
<b>TOTAL EQUITY</b>		<u><u>3,023,802</u></u>	<u><u>3,040,253</u></u>
Represented by:			
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3(a)	420,505	271,769
Trade and other receivables	6	129,102	169,947
Inventories	7	232,179	278,510
Prepayments	8	29,912	32,875
Assets classified as held for sale		2,814	2,814
Held-to-maturity investments	9	<u>1,862,564</u>	<u>2,192,430</u>
<b>TOTAL CURRENT ASSETS</b>		<u>2,677,076</u>	<u>2,948,345</u>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	10	<u>1,309,515</u>	<u>1,405,507</u>
<b>TOTAL NON CURRENT ASSETS</b>		<u>1,309,515</u>	<u>1,405,507</u>
<b>TOTAL ASSETS</b>		<u>3,986,591</u>	<u>4,353,852</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	594,270	749,194
Long service leave provision	12	187,646	170,083
Deferred Income	13	<u>81,317</u>	<u>218,043</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>863,233</u>	<u>1,137,320</u>
<b>NON CURRENT LIABILITIES</b>			
Long service leave provision	12	24,556	26,279
Deferred Income	14	<u>75,000</u>	<u>150,000</u>
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>99,556</u>	<u>176,279</u>
<b>TOTAL LIABILITIES</b>		<u>962,789</u>	<u>1,313,599</u>
<b>NET ASSETS</b>		<u><u>3,023,802</u></u>	<u><u>3,040,253</u></u>

THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

STATEMENT OF CASH FLOWS  
FOR YEAR ENDED 31 DECEMBER 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		4,554,613	5,723,866
Interest received		139,228	91,692
Sponsorship received		49,552	58,918
Rent received		557,517	514,356
Other income received		193,381	203,644
Goods and Services tax paid		(194,491)	(204,785)
Payments to suppliers and employees		<u>(5,259,660)</u>	<u>(5,710,553)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	3(b)	<u>40,140</u>	<u>677,138</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(328,348)	(248,937)
Proceeds from sale of property, plant and equipment		107,078	3,322
Proceeds from sale of held to maturity investments		329,866	
Acquisition of held to maturity investments			<u>(419,423)</u>
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		<u>108,596</u>	<u>(665,038)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		148,736	12,100
Cash and cash equivalents at beginning of period		<u>271,769</u>	<u>259,669</u>
Cash and cash equivalents at end of period	3(a)	<u><u>420,505</u></u>	<u><u>271,769</u></u>

THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

STATEMENT OF CHANGES IN EQUITY  
FOR YEAR ENDED 31 DECEMBER 2012

	\$	\$	\$
	Clubs & Societies Reserve (Note 5 (b))	Accumulated Funds (Note 5 (a))	Total Equity
<b>At 1 January 2011</b>	9,505	3,145,208	3,154,713
Surplus for the year	-	(114,460)	(114,460)
<b>At 31 December 2011</b>	9,505	3,030,748	3,040,253
Clubs & Societies Reserve net distribution	(1,800)	-	(1,800)
Deficit for the year	0	(14,651)	(14,651)
<b>At 31 December 2012</b>	<b>7,705</b>	<b>3,016,097</b>	<b>3,023,802</b>



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 DECEMBER 2012

NOTE 1: CORPORATE INFORMATION

The financial report of the Union for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of the board on 1 May 2013.

The Australian National University Union Inc. ("the Union") was incorporated in Australia as an association under section 9 of the *Associations Incorporation Act 1991 (Australian Capital Territory)*. The Union is domiciled in Australia and the nature of the operations and principal activities of the Union are described in note 15. The Union is a not-for-profit organisation for the purpose of preparing the financial report.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of Australian Accounting Standards and the Union's constitution.

The financial report has been prepared in accordance with historical cost basis except for artwork that has been measured at fair value.

The financial report is presented in Australian dollars.

(b) New Accounting Standards and Interpretations

Certain Australian Accounting Standards and Australian Accounting Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Union for the annual reporting period ended 31 December 2012. The Board and management have assessed that the impact of these new or amended standards will not be significant to the Union.

(c) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(d) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value with the exception of artwork which is recorded at fair value.

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

	2012	2011
Plant and equipment	3-20 years	3-20 years
Fixtures and fittings	3-20 years	3-20 years
Motor vehicles	5 years	5 years
Leasehold improvements	10-40 years	10-40 years
Post office licence	10 years	10 years

*Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. Value in use is calculated as the current cost of the asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits of the asset.

Impairment losses are recognised in the statement of comprehensive income

THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 DECEMBER 2012

**NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is recognised.

**(e) Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition form the cost value of this inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

**(f) Taxes**

*Income tax*

The Union has not provided for income tax as the Union Board of Directors believes the Union is exempt from income tax under section 50 of the *Income Tax Assessment Act 1997*.

*Other Taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Statement of Cash Flows 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 are classified as operating cash flows.

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

**(g) Clubs and societies reserve**

A reserve has been established to provide for the advancement of Clubs & Societies.

To meet the requirement of the Union's constitution, the transfer to the reserve is calculated at 2.5% of the annual General Service Fee received from the Australian National University.

General Service Fee had been discontinued since 2007.

Distributions to Clubs & Societies in the form of goods and services are debited directly from the reserve.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 DECEMBER 2012

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

**(h) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(i) Recoverable amount of assets**

At each reporting date, the Union assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Union makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Union determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year-end.

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

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

*(ii) Held-to-maturity Investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Union has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

**NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)**

*(iv) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

***De-recognition of financial instruments***

The de-recognition of a financial instrument takes place when the Union no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

**(k) Provisions**

Provisions are recognised when the Union has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Union expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

**(l) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

***Sale of Goods***

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

***Rendering of Services***

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

***Interest***

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

***Rental Income***

Rental income arising under the lease agreement on designated areas of the Union building is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

**NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont)**

**(m) Grants**

*Reciprocal Grants*

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

**(n) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**(o) Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease receipts are recognised as income in the income statement on a straight-line basis over the lease term.

**(p) Assets classified as held for sale**

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 DECEMBER 2012

NOTE 3: STATEMENT OF CASH FLOWS

	2012 \$	2011 \$
<b>(a) CASH AND CASH EQUIVALENTS</b>		
Cash on hand	13,790	14,439
Cash at bank	<u>406,715</u>	<u>257,330</u>
	<u>420,505</u>	<u>271,769</u>

Cash on hand does not earn interest.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

	2012 \$	2011 \$
<b>(b) RECONCILIATION OF OPERATING SURPLUS TO THE NET CASH FLOWS FROM OPERATIONS</b>		
Operating deficit	(14,651)	(114,460)
<i>Adjustments for:</i>		
Impairment Loss		202,487
Depreciation and amortisation	374,094	373,433
Net (gain)loss on disposal of property, plant and equipment	(56,832)	(3,322)
Clubs & Societies distributions	(1,800)	-
<i>Changes in assets and liabilities:</i>		
Decrease/(Increase) in trade and other receivables	40,845	(54,201)
Decrease/(Increase) in inventories	46,331	(17,814)
Decrease in prepayments and assets classified as held for sale	2,963	193
(Decrease)/Increase in trade and other payables	(154,924)	204,152
Increase in provisions	15,840	28,872
(Decrease)/Increase in deferred Income	<u>(211,726)</u>	<u>57,798</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>40,140</u>	<u>677,138</u>

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 DECEMBER 2012

NOTE 4: REVENUE AND EXPENSES

	2012	2011
	\$	\$
<b>(a) Revenue</b>		
<b>Income</b>		
Sales	4,254,935	5,088,805
Vending machines commissions	72,263	66,863
Rents received	496,300	463,141
Electricity/gas recovery	46,140	47,282
Advertising Income	9,578	19,043
Sundry income	47,821	51,943
Total revenues from operating activities	<u>4,927,037</u>	<u>5,737,077</u>
<b>Other Income</b>		
Grants released	75,000	75,000
Sponsorship	45,045	53,562
Interest income received from unrelated corporations	123,816	127,894
Gain on sale of property, plant and equipment	56,832	3,322
Total revenues from non-operating activities	<u>300,693</u>	<u>259,778</u>
<b>Total revenues</b>	<u>5,227,730</u>	<u>5,996,855</u>
<b>(b) Expenses</b>		
Cost of Goods Sold	<u>1,849,427</u>	<u>2,257,920</u>
Depreciation & Amortisation		
Property, Plant & Equipment	332,288	316,540
Leasehold Improvements	41,054	56,143
Licence	752	750
Total depreciation and amortisation	<u>374,094</u>	<u>373,433</u>
Employee benefits expenses :		
Salaries & Related Costs	1,788,497	1,989,172
Fringe Benefits Tax	2,180	1,845
Superannuation	143,498	163,776
Total employee benefits expense	<u>1,934,175</u>	<u>2,154,793</u>
<b>(c) Other expenses</b>		
Utilities and Insurance	345,532	364,381
Impairment Loss	18,993	202,487
Repairs and replacements	125,852	170,774
Other expenses	594,309	587,527
Total other expenses	<u>1,084,685</u>	<u>1,325,169</u>

THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 DECEMBER 2012

NOTE 5: RESERVES AND ACCUMULATED FUNDS

	2012 \$	2011 \$
<b>(a) Accumulated funds</b>		
Balance at beginning of year	3,030,748	3,145,208
Net deficit/surplus attributable to members of the ANU Union Inc.	<u>(14,651)</u>	<u>(114,460)</u>
Balance at end of year	<u><u>3,016,097</u></u>	<u><u>3,030,748</u></u>
<b>(b) Clubs &amp; societies reserve</b>		
<i>(i) Nature &amp; Purpose of the Reserve</i>		
The Clubs & Societies Reserve contains amounts of retained profits that have been set aside per Constitution for the advancement of Clubs & Societies.		
<i>(ii) Movement in Reserve</i>		
Balance at beginning of year	9,505	9,505
Distributions to Clubs & Societies Reserve	<u>(1,800)</u>	<u>-</u>
Balance at end of year	<u><u>7,705</u></u>	<u><u>9,505</u></u>

In accordance with section 9(2)(e) of the Union's Constitution, \$1,800 (2011: nil) has been distributed directly from the reserve for the advancement of clubs and societies.

NOTE 6: TRADE & OTHER RECEIVABLES

Trade receivables	44,473	77,378
Other receivables	<u>84,629</u>	<u>92,569</u>
	<u><u>129,102</u></u>	<u><u>169,947</u></u>

Accounts receivable included amounts owed by the following related party:

The Australian National University	<u>1,946</u>	<u>1,872</u>
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Trade receivables are non-interest bearing and are generally on 30-90 day terms. Other receivables are non-interest bearing.

For terms and conditions relating to related party receivables refer to note 17.

NOTE 7: INVENTORY

Inventory - finished goods (at cost)	<u>232,179</u>	<u>278,510</u>
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In 2012, the Union wrote-off \$18,994 (2011: nil) due to inventory obsolescence.

The Union was required to write off \$9,742 worth of cigarette stock due to the plain packaging legislation introduced in 2012. The supplier, Phillip Morris, would not provide any credit to the Union for the stock. In addition to this the Union also wrote off \$9,252 worth of ANU Souvenirs to reflect the ANU's restriction over the selling of this stock due to re-branding.

NOTE 8: PREPAYMENTS

Prepayments	<u>29,912</u>	<u>32,875</u>
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NOTE 9: HELD-TO-MATURITY INVESTMENTS

Term deposits - current	<u>1,862,564</u>	<u>2,192,430</u>
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These term deposits are held for between 4 months to 1 year at interest rates of between 4.5% to 5.5%



THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 DECEMBER 2012

	2012 \$	2011 \$
<b>NOTE 10: PROPERTY, PLANT AND EQUIPMENT</b>		
Plant and equipment - at cost	2,637,821	2,777,315
Accumulated depreciation & impairment loss	<u>(2,266,112)</u>	<u>(2,422,042)</u>
	<u>371,709</u>	<u>355,273</u>
Fixtures and fittings - at cost	3,189,730	3,205,372
Accumulated depreciation & impairment loss	<u>(2,534,748)</u>	<u>(2,486,753)</u>
	<u>654,982</u>	<u>718,619</u>
Motor vehicles - at cost	64,213	89,599
Accumulated depreciation	<u>(47,112)</u>	<u>(65,513)</u>
	<u>17,101</u>	<u>24,086</u>
Works of art - at fair value	<u>100,000</u>	<u>100,000</u>
Leasehold improvements - at cost	2,707,622	2,763,949
Accumulated depreciation & impairment loss	<u>(2,547,184)</u>	<u>(2,562,457)</u>
	<u>160,438</u>	<u>201,492</u>
Post Office/Subway licence - at cost	22,500	22,500
Accumulated amortisation	<u>(17,215)</u>	<u>(16,463)</u>
	<u>5,285</u>	<u>6,037</u>
Total property, plant and equipment	<u><u>1,309,515</u></u>	<u><u>1,405,507</u></u>

For property, plant and equipment, the Union assesses at each reporting date whether there is objective evidence that an asset or group of assets is impaired. In late 2011, the Australian National University verbally notified the Union that Caterina's Restaurant building would be demolished in the second half of 2012. This did not happen and Peppercorn was opened for trading in the second half of 2012.

THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 DECEMBER 2012

2012                      2011  
\$                              \$

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (Cont)

RECONCILIATIONS

**Plant & Equipment**

Carrying amount at beginning	355,273	408,764
Additions	193,840	95,395
Disposals	(333,334)	(34,178)
Writeback of accumulated depreciation	286,331	31,524
Depreciation	(130,401)	(133,722)
Impairment Loss Expense	-	(12,510)
Closing Written Down Value	<u>371,709</u>	<u>355,273</u>

**Fixtures & Fittings**

Carrying amount at beginning	718,619	815,655
Additions	134,508	116,792
Disposals	(150,150)	(20,151)
Writeback of accumulated depreciation	146,907	20,151
Depreciation	(194,902)	(175,852)
Impairment Loss Expense	-	(37,976)
Closing Written Down Value	<u>654,982</u>	<u>718,619</u>

**Motor Vehicles**

Carrying amount at beginning	24,086	31,052
Disposals	(25,386)	-
Writeback of accumulated depreciation	25,386	-
Depreciation Expense	(6,985)	(6,966)
Closing Written Down Value	<u>17,101</u>	<u>24,086</u>

**Works of Art**

At fair value	<u>100,000</u>	<u>100,000</u>
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**Leasehold Improvements**

Carrying amount at beginning	201,492	370,232
Disposals	(56,327)	38,595
Amortisation	(41,054)	(56,143)
Write back of accumulated amortisation	56,327	(151,192)
Closing Written Down Value	<u>160,438</u>	<u>201,492</u>

**Licence - at cost**

Carrying amount at beginning	6,037	6,787
Amortisation Expense	(752)	(750)
Closing Written Down Value	<u>5,285</u>	<u>6,037</u>

THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 DECEMBER 2012

NOTE 11: TRADE AND OTHER PAYABLES (CURRENT)

	2012 \$	2011 \$
Trade payables	167,692	184,743
Goods and services tax	84,482	84,003
Annual leave accrual	195,215	176,501
Accrued expenses	146,881	296,947
Other employee accruals	-	7,000
	<u>594,270</u>	<u>749,194</u>
Accounts payable included amounts owed to the following related party: The Australian National University	<u>62,683</u>	<u>49,248</u>

Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payables are non-interest bearing.

For terms and conditions relating to related parties refer to note 17.

The net of GST payable and GST receivable is remitted to the appropriate tax body on a quarterly basis.

NOTE 12: PROVISIONS

Long service leave provision (current)	187,646	170,083
Long service leave provision (non-current)	24,556	26,279
	<u>212,202</u>	<u>196,362</u>

NOTE 13: DEFERRED INCOME (CURRENT)

Grant from ANU	75,000	75,000
Rental Income	3,447	4,331
Others/Function funds received in advance	2,870	138,712
	<u>81,317</u>	<u>218,043</u>

NOTE 14: DEFERRED INCOME (NON CURRENT)

Grant from ANU	<u>75,000</u>	<u>150,000</u>
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NOTE 15: SEGMENT INFORMATION

The Union operates in one operating segment being on the campus of The Australian National University in the Australian Capital Territory offering non-academic services to its members and University patrons.

THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 DECEMBER 2012

NOTE 16: COMMITMENTS

	2012 \$	2011 \$
<b>(a) Capital expenditure commitments:</b>		
Capital expenditure commitments payable not later than one year	<u>75,000</u>	<u>24,091</u>

**(b) Licence agreements commitments receivable:**

The Union has entered into a number of licence agreements on designated areas of the "The Union Building". These licence agreements have terms of 5 years with an option period of 5 years or 3 years with an option period of 2 years. Licence fee receipts are reviewed annually based on the Consumer Price Index (CPI) Number for Canberra. Management incorporates 2% CPI into the calculation of minimum licence fees receipts.

Future minimum licence fees receivable under the licence agreements are:

	2012 \$	2011 \$
Within one year	430,318	370,617
After one year but not more than five years	958,870	840,452
More than five years	-	-
Total minimum licence fees receipts	<u>1,389,188</u>	<u>1,211,069</u>

**NOTE 17: RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES**

(a) The board members of the Union and key management personnel responsible for the affairs of the organisation during the financial year and until the date of this report are as follows:

<b>Current Board of Directors</b>	<b>Elected/Appointed</b>
Xinyu Ru - Chair (from 1/9/11)	1/9/11
Jack Gracie - Deputy Chair (from 1/9/12)	1/9/12
Adam Da Cruz	1/9/11
Michael Hiscox	1/9/11
Aizaz Syed	1/9/12
Olivia Kelly	1/9/12
Peter Shipp - PVC (Administration) Nominee	Appointed 1/5/02
Steve O'Connor	Appointed 1/1/09
<b>Past Board of Directors</b>	<b>Retired</b>
Sam Stapleton - Deputy Chair (from 1/9/10 to 31/8/12)	31/8/12
Claire Daly	31/8/12
Joel Dunnerley	31/8/12
Sally Renouf	31/8/12

**Key Management Personnel**

Rod Thomas General Manager

(b) The members of the Board of the Union were not remunerated except for the Chair and Deputy Chair.

In addition to the compensation of key management personnel, which is separately disclosed in this report, the following details related party transactions which occurred during the period:

The Australian National University makes the Union building available on a no charge basis.

*Terms and conditions of transactions with related parties*

Sales to and purchases from related parties are made in arms length transactions at both normal market prices and normal commercial terms.

Outstanding balances at year-end are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables.

For the year ended 31 December 2012, the Union has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent (2011: \$nil). An impairment assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates in to determine whether there is objective evidence that a related party receivable is impaired. When such evidence exists, the Union recognises an allowance for the impairment loss.

The Union has no dealings with any other related parties.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 DECEMBER 2012

NOTE 17: RELATED PARTY AND KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont)

**(b) Key Management Personnel, Chair and Deputy Chair's Compensation**

The aggregate remuneration paid to key management personnel, Chair and Deputy Chair during the financial year is as follows:

	2012 \$	2011 \$
<b>Short-term benefits</b>		
Cash salary and fees	138,795	131,489
Cash bonus	-	9,747
Superannuation	16,535	15,777
	<u>155,330</u>	<u>157,013</u>

*Cash Bonus*

There were not any bonuses issued for the 2012

*Non Monetary Benefits*

The Union provides the General Manager with the use of a motor vehicle for the business of the Union or private purposes. The General Manager is not required to contribute for private use of the motor vehicle.

**NOTE 18: AUDITORS REMUNERATION**

Amounts receivable or due and receivable by Auditors

Audit services	26,265	25,338
Other services	-	-
	<u>26,265</u>	<u>25,338</u>

**NOTE 19: EVENTS AFTER THE BALANCE DATE**

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 December 2012

**NOTE 20: FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES**

The Union's principal financial instruments comprise cash and held-to-maturity investments.

The Union manages its exposure to key financial risks, including interest rate with the objective to support the creation of income in order to finance the Union's operations.

The Union has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Union's financial instruments are interest rate risk, credit risk and liquidity risk. The Union uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

**Risk Exposures and Responses**

*Interest rate risk*

The Union's exposure to market interest rates relates primarily to cash, held-to-maturity investments and bank overdrafts.

At balance date, the Union had financial assets comprising cash at bank totalling \$406,715 (2011:\$257,330) and held-to-maturity investments totalling \$1,862,564 (2011:\$2,192,430) which are exposed to Australian variable interest rate risk that are not designated in cash flow hedges.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 31 December 2012 and 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net surplus from operations and equity would have been affected as follows:

Judgements of reasonably possible movements:	Net surplus Higher/(Lower)		Equity Higher/(Lower)	
	2012 \$	2011 \$	2012 \$	2011 \$
+3% (300 basis points)	67,664	73,346	67,664	73,346
- 3% (300 basis points)	(67,664)	(73,346)	(67,664)	(73,346)

The movements in net surplus from operations and equity are due to higher/lower interest income from variable rate cash/term deposits.

THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 December 2012

NOTE 20: FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES (Cont)

*Credit risk*

Credit risk arises from the financial assets of the Union, which comprise cash and cash equivalents, trade and other receivables, and held-to-maturity investments. The Union's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The carrying amounts of the entity's financial assets are the same as their net fair value. Exposure at balance date is presented in the following table:

Financial Instrument	At 31 December	
	2012	2011
	\$	\$
Cash and cash equivalents	420,505	271,769
Trade and other receivables	129,102	169,947
Held-to-maturity investments	1,862,564	2,192,430

The Union does not hold any credit derivatives to offset its credit exposure. The Union trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Union's policy to securitise its trade and other receivables. Only selected customers can trade on credit terms and all other customers are undertaken on a cash basis.

In addition, receivable balances are monitored on an ongoing basis with the result that the Union's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Union.

*Liquidity risk*

The Union's objective is to maintain a balance between continuity of funding and flexibility. The Union's financial liabilities comprise trade creditors and other payables totalling \$594,270 (2011: \$749,194).



THE AUSTRALIAN NATIONAL UNIVERSITY UNION INC.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
31 December 2012

NOTE 20: FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES(Cont)

*Maturity analysis of financial assets and liability based on management's expectation*

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows:

Year ended 31 December 2012	1 month or less \$	3 to 5 months \$	6 to 12 months \$	Greater than 1 year \$	Total \$
Cash at bank	420,505	-	-	-	420,505
Trade and other receivables	129,102	-	-	-	129,102
Held-to-maturity investments	-	1,762,564	100,000	-	1,862,564
<b>Total financial assets</b>	<b>549,607</b>	<b>1,762,564</b>	<b>100,000</b>	<b>-</b>	<b>2,412,171</b>
Trade and other payables	594,270	-	-	-	594,270
<b>Total financial liabilities</b>	<b>594,270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>594,270</b>
<b>Net maturity</b>	<b>(44,663)</b>	<b>1,762,564</b>	<b>100,000</b>	<b>-</b>	<b>1,817,901</b>