



26 February 2013

Mr A M Greaves
Auditor-General of Queensland
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves

**REPRESENTATIONS BY MANAGEMENT OF INNOVATION CENTRE SUNSHINE COAST
PTY LTD
FOR THE YEAR ENDED 31 DECEMBER 2012
AND EVENTS SUBSEQUENT TO THAT DATE**

This representation letter is provided in connection with your audit of the financial report of Innovation Centre Sunshine Coast Pty Ltd for the year ended 31 December 2012, for the purpose of you expressing an opinion as to whether the financial report gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

We acknowledge our responsibility for ensuring that the financial report is in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and other prescribed requirements and confirm that the financial report has been approved by management and is free of material misstatements including omissions.

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Report

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 10 July 2012, for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* in particular the financial report gives a true and fair view in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards.
4. All events subsequent to the date of the financial report and for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
5. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial report as a whole. There are no uncorrected misstatements arising from the 2012 financial audit.

www.innovationcentre.com.au

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Sippy Downs Queensland Australia 4556

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Information provided

6. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
7. All transactions have been recorded in the accounting records and reflected in the financial report.
8. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
9. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial report.
10. We have disclosed to you all information in relation to allegations or fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.
11. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
12. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

General Financial Report Presentation and Disclosure Representations

13. We have established and maintained adequate internal control to facilitate the preparation of the financial report, and adequate financial records have been maintained. We have complied with, in all material respects, prescribed requirements for the establishment and keeping of accounts, registers and other appropriate records. There are no material transactions that have not been properly recorded in the accounting records underlying the financial report.
14. We have considered the requirements of AASB 136 *Impairment of Assets*, when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.
15. The following have been properly recorded and/or disclosed in the financial report –
 - (a) Material liabilities or contingent liabilities or assets including those arising under derivative financial instruments
 - (b) Changes in accounting policy
 - (c) Impairment losses and reversals
 - (d) Intangible assets
 - (e) Inventory recorded at lower of cost or net realisable value and adjusted for obsolete stock
 - (f) Non-current assets held for sale
 - (g) Key management personnel disclosures
 - (h) Taxation requirements/framework
 - (i) Identification and consolidation of controlled entities
 - (j) Interests in joint ventures and associates
 - (k) Identification of losses and special payments
16. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

17. Details of all bank accounts relating to Innovation Centre Sunshine Coast Pty Ltd have been made available upon request of the auditors.
18. Depreciation on assets has been allocated on a systematic basis over the estimated useful lives of the assets. Useful lives and residual values of the assets were reviewed during the reporting period and adjusted where necessary.
19. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.
20. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.

Governance and Management

21. The Innovation Centre Sunshine Coast Pty Ltd has been properly managed in accordance with the requirements of the *Corporations Act 2001*.

Other Taxes

22. We have calculated and recognised all other applicable taxes and tax related account balances according to relevant tax legislation, rulings and prescribed accounting requirements.

Insurance

23. We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks, and where appropriate, assets and insurable risks are adequately covered by insurance.

Risk Management

24. We acknowledge our responsibility to identify the risks the Innovation Centre Sunshine Coast Pty Ltd is exposed to and to measure, assess and develop a prioritised action plan. We confirm that we have established, maintained, operated and demonstrated an appropriate framework of business controls, to cover all our operational, technical, commercial, financial and administrative activities.

Electronic Presentation of Financial Report

25. The electronic presentation of the financial report is our responsibility.
26. The electronic version of the financial report and the independent auditor's report presented on the web site are the same as the final signed version of the financial report and audit report.
27. We have clearly differentiated between audited and unaudited information in the construction of Innovation Centre Sunshine Coast Pty Ltd's website and understand the risk of potential association between unaudited and audited information in the absence of appropriate controls.
28. We have assessed the security controls over audited financial information and the independent auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.

29. Where the independent auditor's report on the financial report is provided on the web site, the full financial report is also presented on the web site.
30. We ensure that where the independent auditor's report on the financial report is provided on the Innovation Centre Sunshine Coast Pty Ltd website, a disclaimer is placed on the website with the financial report indicating that the statements are not to be used as an official copy and identifying where a hard copy of the financial report can be obtained. An appropriate disclaimer is also included in the independent auditor's report on the financial report available on the Innovation Centre Sunshine Coast Pty Ltd's website.

We understand that your examination was made in accordance with the *Auditor-General of Queensland Auditing Standards* which incorporate the Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial report of Innovation Centre Sunshine Coast Pty Ltd taken as a whole, in accordance with the mandate provided by the *Auditor-General Act 2009*, and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

For and on behalf of the Innovation Centre Sunshine Coast Pty Ltd.

Yours sincerely



Mark Paddenburg (CEO)
Innovation Centre Sunshine Coast Pty Ltd
26 February 2013

Innovation Centre Sunshine Coast Pty Ltd
ACN 094885177

Annual Financial Report
31 December 2012

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This report by the Directors of the Innovation Centre Sunshine Coast Pty Ltd (ICSC) prepared in accordance with the Corporations Act 2001 is for the year ended 31 December 2012 and is accompanied by the Financial Statements for the period and by other financial information, which are to be read as part of this report.

DIRECTORS

The names of the Directors of Innovation Centre Sunshine Coast Pty Ltd in office during or since the financial year commenced are as follows:

Director	Term of Office	Experience
Professor Mike Hefferan, PhD (QUT), MAppSci (QUT), GradDipMgmt (CQU), BA (UQ) Certified Practising Valuer, Chairman (ICSC)	From: 18/02/2012	Pro Vice-Chancellor (Engagement), University of the Sunshine Coast, Director – Sunshine Coast Business Council
Mr Michael Schwartz, MCompSC (UTS)	From: 18/02/2012 To: 30/05/2012	Westpac Bank
Mr Andrew Fern, BBus (Mon)	From: 12/04/2011	Operations Director at The Australian Institute for Commercialisation and private investor.
Ms Julie-Anne Mee, BBus Central Qld; MAdmin Griff; FCPA, Company Secretary (ICSC).	From: 08/12/2010	Qualified accountant, member of the University Council and Chair of USC's Audit & Risk Management Committee
Professor Evan Douglas, PhD	From: 08/12/2010 To: 30/05/2012	Dean of Faculty of Business, University of the Sunshine Coast
Professor John Bartlett, Phd Newcastle, B.Sc (Hons) Newcastle	From: 19/06/2012	Executive Dean, Faculty of Science, Health, Education and Engineering, University of the Sunshine Coast.
Mr Tim Eldridge, B.A. (Hons.), DipM, FCIM.	From: 28/02/2012	Founder, Eldridge Marketing.
Dr Kirsten Baulch, MBBS FRACGP GCBA	From: 19/06/2012	Qualified general practitioner and founder and Medical Director of Medimobile Pty Ltd,

Six meetings of the Board were held in 2012.

Number of Meetings attended by each director were:

Director	Eligible to attend	Attended
Professor Michael Hefferan	6	6
Mr Michael Schwartz	2	1
Mr Andrew Fern	6	5
Ms Julie-Anne Mee	6	6
Professor Evan Douglas	2	1
Mr Tim Eldridge	5	4
Dr Kirsten Baulch	4	2
Professor John Bartlett	4	3

Directors' interests in shares and options of the Company as at 31 December 2012 were nil (2011: nil).

PRINCIPAL ACTIVITIES

The ICSC was established on 26th October 2000 by the University of the Sunshine Coast (USC). Its mission is to support the start-up and growth of knowledge economy and technology based businesses on the Sunshine Coast and to promote beneficial interaction between these businesses and the USC.

The principal activities of the ICSC are the provision of serviced office space and business development / mentoring services through a Business Incubator (targeting start-up businesses) and a Business Accelerator (targeting more established businesses and professional service firms).

Other activities include running a business events program to support the growth of knowledge-based businesses in the region (with over 1,200 business delegates attending in 2012), linking ICSC businesses with the University, primarily through student and graduate placements; and inviting students to our various entrepreneurship initiatives and workshops (this involved approximately 185 students in 2012).

DIVIDENDS

No dividends have been paid or declared during or since the financial year (2011: nil)

REVIEW AND RESULTS OF OPERATIONS

The net profit / loss of the ICSC for the financial year was a surplus of \$1,406 (2011: loss of \$176,497) based on total revenue of \$841,236 in 2012.

The ICSC also received in-kind sponsorship support of \$29,500.00 during 2012 for its activities, mainly related to the 10 Year ICSC Anniversary Event held in May 2012.

In a challenging economic climate, the ICSC had a strong year attracting 11 new client companies and 2 external businesses as associate clients. The occupancy rate averaged 77% throughout the year and improved significantly to 91% by December 2012. Some maturing clients are expected to depart the ICSC in 2013 as part of the normal tenancy cycle.

Following the Business Accelerator Building loan payout by USC to the Queensland Government in February 2012, there was some rationalisation of the Business Accelerator space. The ICSC now manages a reduced 650 square meters (40%) of the Accelerator space and USC uses the remaining 60% for university - business related purposes.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the 2012 year. A USC review (of ICSC) was completed in 2011 and recommendations made to the Panel. During 2012 the recommendations have been implemented and completed to ensure the alignment with the strategic goals of the USC and the ongoing sustainability of the ICSC. The new CEO, Mark Paddenburg commenced 19 January 2012.

POST BALANCE DATE EVENTS

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

LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS

The Queensland Government's current funding agreement for ICSC ends June 2013. Following recent discussions, the ICSC has been requested to submit a funding proposal for consideration by the Department of Science, Information Technology, Innovation and the Arts.

Disclosure of any other information regarding likely developments, future prospects and business strategies of the operations of the ICSC in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the ICSC. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATIONS

ICSC operations are undertaken in accordance with relevant environmental regulations of the Commonwealth and State Government.

DIRECTORS' REMUNERATION

No director of the ICSC has received or become entitled to receive a benefit by reason of a contract made by the ICSC or a related corporation with a director or firm of which a director is associated.

KEY MANAGEMENT PERSONNEL

Mr Mark Paddenburg commenced as CEO of the ICSC on 19 January 2012. The previous CEO (Mr Colin Graham) resigned in October 2011 and Mr Joseph Thornton, Business & Operations Manager acted as CEO until the new appointee commenced. Income was paid or made available to the CEO during the financial year as follows:

Mr Mark Paddenburg	\$158,452	(Colin Graham 2011: \$286,072 which included termination payment),
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INDEMNIFICATION OF OFFICERS AND AUDITORS

The ICSC has not, during the financial year, in respect of any person who is or has been an officer or auditor of the ICSC or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings;
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

The University of the Sunshine Coast carries insurances to indemnify officers and directors of the ICSC. The University of the Sunshine Coast does not charge the ICSC specifically for this service.

LEGAL PROCEEDINGS

There are no legal proceedings including the ICSC and ICSC was not party to any such proceedings during the year.


ROUNDING OF AMOUNTS

Amounts in the Financial Statements and Directors' Report have been rounded to the nearest dollar unless stated to be otherwise.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

This report is made in accordance with a resolution of the Board of Directors of the Innovation Centre of the Sunshine Coast Pty Ltd.



Professor Michael Hefferan
Chairman of Directors



Mr Mark Paddenburg
Chief Executive Officer

Dated at Sippy Downs QLD this 26th day of February 2013.

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Innovation Centre Sunshine Coast Pty Ltd

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence Declaration

As lead auditor for the audit of Innovation Centre Sunshine Coast Pty Ltd for the year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



B R STEEL CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Innovation Centre Sunshine Coast Pty Ltd
Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	2012 \$	2011 \$
Revenue			
State Government Financial Assistance		125,000	31,250
University of Sunshine Coast Grant		250,000	250,000
Rental & Service Charges	2	439,851	640,462
Interest income		5,314	3,517
Other revenue	3	21,071	79,728
Total revenue		841,236	1,004,958
Expenses			
Employee related expenses	4	342,513	511,487
Depreciation		13,855	13,816
Repairs and maintenance		64,369	38,314
Bad and doubtful debts		-	4,218
Other expenses	5	419,093	613,619
Total expenses		839,830	1,181,455
Operating surplus/(deficit)		1,406	(176,497)
Other comprehensive income		-	-
Total comprehensive income attributable to the shareholders		1,406	(176,497)

The accompanying notes form part of these financial statements.

Innovation Centre Sunshine Coast Pty Ltd
Statement of Financial Position
As at 31 December 2012

	Notes	2012	2011
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6	129,306	331,592
Trade and other receivables	7	44,718	18,404
Total current assets		<u>174,024</u>	<u>349,996</u>
Non-current assets			
Property, plant and equipment	8	70,753	84,610
Total non-current assets		<u>70,753</u>	<u>84,610</u>
Total assets		<u>244,777</u>	<u>434,606</u>
LIABILITIES			
Current liabilities			
Trade and other payables	9	113,161	271,570
Intercompany loan - USC		85,674	130,196
Short-term provisions		15,179	3,338
Total current liabilities		<u>214,014</u>	<u>405,104</u>
Non-current liabilities			
Long-term provisions		897	1,043
Total non-current liabilities		<u>897</u>	<u>1,043</u>
Total liabilities		<u>214,911</u>	<u>406,147</u>
Net assets		<u>29,865</u>	<u>28,459</u>
EQUITY			
Issued capital	11	2	2
Retained earnings	11	29,863	28,457
Total equity		<u>29,865</u>	<u>28,459</u>

The accompanying notes form part of these financial statements.

Innovation Centre Sunshine Coast Pty Ltd
Statement of Changes in Equity
For the year ended 31 December 2012

Notes	2012 \$	2011 \$
Total equity at the beginning of the year	<u>28,459</u>	<u>204,957</u>
Total Comprehensive Income		
Operating surplus/(deficit) for the year	1,406	(176,497)
Total Comprehensive Income for the year	<u>1,406</u>	<u>(176,497)</u>
Total equity at the end of the year attributable to the shareholders	<u><u>29,865</u></u>	<u><u>28,459</u></u>

The accompanying notes form part of these financial statements.

Innovation Centre Sunshine Coast Pty Ltd
Statement of Cash Flows
For the year ended 31 December 2012

	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Revenues from operating activities		896,466	1,051,555
Interest received		5,314	3,517
Payments to suppliers and employees (inclusive of goods and services tax)		(1,024,704)	(1,207,123)
GST recovered/(paid)		(34,839)	21,230
Net cash provided by / (used in) operating activities	10	<u>(157,763)</u>	<u>(130,821)</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	-
Payments for property, plant and equipment		-	-
Net cash provided by / (used in) investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(44,522)	111,486
Net cash provided by / (used in) financing activities		<u>(44,522)</u>	<u>111,486</u>
Net increase (decrease) in cash held		(202,285)	(19,336)
Cash at beginning of the financial year		331,592	350,926
Cash at the end of the financial year	6	<u><u>129,306</u></u>	<u><u>331,592</u></u>

The accompanying notes form part of these financial statements.

Note 1 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of this financial report by the Innovation Centre Sunshine Coast Pty Ltd (ICSC) are stated in order to assist in a general understanding of the financial statements. These policies have been consistently applied to all years presented, unless otherwise indicated.

(a) Basis of preparation

Statement of Compliance

The financial report of the Innovation Centre Sunshine Coast Pty Ltd is a general purpose financial report prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations and other pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The Innovation Centre Sunshine Coast Pty Ltd is a subsidiary of the University of the Sunshine Coast, hence the financial report has been prepared for the same reporting period.

The financial report covers the Innovation Centre Sunshine Coast Pty Ltd as an individual entity. ICSC is a not for profit Company limited by shares, incorporated and domiciled in Australia.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. All amounts in the financial statements are shown rounded to the nearest dollar. There are no critical estimates or judgements incorporated into the financial report.

(b) Foreign currency translation

The functional and presentation currency of the Company is the Australian dollar. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Revenue from fees and charges is recognised when assessed. Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of service is recognised upon the delivery of the service to customers in accordance with governing contracts. Royalty revenue is recognised when a right to receive a royalty has been established.

Grants, contributions, donations and gifts that are non-reciprocal are recognised as revenue in the year in which ICSC obtains control over them. Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangements.

(d) Taxation

The Innovation Centre Sunshine Coast Pty Ltd is an exempt organisation under Section 50-5 of the *Income Tax Assessment Act 1997*. ICSC is however, subject to Payroll Tax, Fringe Benefits Tax and Goods and Services Tax (GST).

Note 1 Summary of Significant Accounting Policies (continued)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component on investing and financing activities, which are disclosed as operating cash flows.

(e) Leases

All current leases held are determined to be operating leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. No accrual has been included to recognise the outstanding commitments on the term of the operating lease. However the commitments at the reporting date is disclosed in note 12. Payments made under operating leases are expensed in the periods in which they are incurred. ICSC has not entered into any and does not hold any finance leases.

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Note 1 Summary of Significant Accounting Policies (continued)

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Impairment of assets

All assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the asset's recoverable amount is determined. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

As at reporting date assessments by management did not identify any instances of asset impairment other than that disclosed in note 7.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, in banks and deposits held at call with financial institutions convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment (doubtful receivables). Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables are reviewed on an ongoing basis. All impairments (bad debts) are written off in the year in which they are recognised and re-charged against the Income Statement. A provision for impairment is established when there is objective evidence that ICSC will not be able to collect all amounts due according to the original terms of receivables.

(j) Property, plant & equipment

Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses. Assets are valued at their fair value in accordance with the Queensland Treasury 'Non-Current Asset Policies for the Queensland Public Sector'.

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Plant and equipment with a value of equal to or greater than \$5,000 are recorded at cost less depreciation and impairment losses. Additions with a value of less than \$5,000 are expensed in the year of purchase.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Note 1 Summary of Significant Accounting Policies (continued)

(k) Depreciation

Property, plant and equipment items are depreciated on a straight line basis over their expected useful lives at the following rates:

Item	Useful Life (years)	Depreciation Rate (%)
Computer Equipment	3	33
Leasehold Improvements	10	10
Other Plant and Equipment	10	10

Depreciation is charged from the month of acquisition.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Borrowings

The Company has no borrowings with external entities other than the parent entity. Inter-entity transactions with the parent entity are effected through a loan account between the two entities. Repayments of borrowings to the parent entity are required within the standard trade and other payables arrangements.

(n) Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Liabilities for wages and salaries, including non-monetary benefits and annual leave are expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Annual leave entitlements have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Provision for long service leave has been measured with reference to the present value of the estimated future cash outflows to be made, predictions of when leave will be taken and the Company's experience of the probability that employees will qualify for long service leave.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

(o) Authority to issue financial report

The financial report was authorised for issue on 26th February 2013 by the board of directors.

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

Certain new Accounting Standards and Interpretations have been published that are not mandatory for the 31 December 2012 reporting period. ICSC has assessed their application to the 2013 financial report and has determined that they do not have material impact.

AASB9 Financial Instruments, AASB2010-7 Amendments to Australian Accounting Standards arising from AASB9, AASB2011-8 Amendments to Australian Accounting Standards arising from AASB13, AASB13 Fair Value Measurement, AASB119 Employee Benefits (revised), AASB10 Consolidated Financial Statements, AASB11 Joint Arrangements, AASB12 Disclosure of Interests in Other Entities, AASB127 Separate Financial Statements, AASB128 Investments in Associates and Joint Ventures, AASB2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards

Innovation Centre Sunshine Coast Pty Ltd
Notes to the financial statements
For the year ended 31 December 2012

		2012	2011
		\$	\$
Note	2 Rent & service charges		
	Client company rent	395,898	602,856
	Service charges	43,953	37,606
	Rent & service charges	<u><u>439,851</u></u>	<u><u>640,462</u></u>
Note	3 Other revenue		
	External consulting	-	450
	Associate memberships	6,600	18,000
	Sales - publications	-	-
	Sponsorship	1,818	34,291
	Programs	12,653	4,256
	Impairment Recoveries	-	8,609
	Conferences	-	14,123
	Other revenue	-	-
	Other revenue	<u><u>21,071</u></u>	<u><u>79,728</u></u>
Note	4 Employee related costs		
	Salaries & Wages	282,270	357,114
	Salaries & Wages - termination benefits	-	133,678
	Superannuation	32,068	46,932
	Workers' Compensation	1,543	2,774
	Payroll Tax	14,936	27,261
	Annual Leave	11,842	(22,287)
	Long Service Leave	(146)	(33,986)
	Employee related costs	<u><u>342,513</u></u>	<u><u>511,487</u></u>
Note	5 Other expenses		
	Non-capitalised equipment	13,055	11,009
	Advertising, marketing, Website and promotional expenses	13,995	17,623
	Bank fees & charges	740	689
	Professional fees - audit, legal & consulting	89,620	86,753
	Postage, Printing and stationery	6,724	14,980
	Telecommunications	85,822	99,732
	Travel & entertainment	9,951	6,583
	Subscriptions and memberships	1,053	1,142
	Rental, hire and other leasing fees	116,334	33,757
	Motor vehicles	12,472	10,236
	Administrative costs	11,309	13,919
	Staff development and recruitment	7,058	562
	Occupancy & Utilities	20,032	28,728
	Management Fee	-	225,070
	Other	30,928	62,835
	Other expenses	<u><u>419,093</u></u>	<u><u>613,619</u></u>

Note		2012	2011
		\$	\$
6	Cash and cash equivalents		
	Cheque account	66,147	175,627
	Cash Reserve	61,646	148,482
	Cash drawer	21	100
	Debit Mastercard	1,492	7,383
		<u>129,306</u>	<u>331,592</u>

The effective interest rate on the cash at bank (cheque account) was 0% (0.01% 2011).

Note		2012	2011
7	Trade and other receivables		
	Trade debtors	43,832	17,904
	Impairment of debtors	-	-
	Sundry Loans & Advances	500	500
	Total debtors	<u>44,332</u>	<u>18,404</u>
	GST receivable	386	0
		<u>44,718</u>	<u>18,404</u>

Note		2012	2011
8 (a)	Property, plant & equipment		
	Furniture & fixtures		
	At cost	56,107	56,107
	Accumulated depreciation	(39,295)	(33,669)
	Total furniture & fixtures	<u>16,812</u>	<u>22,439</u>
	Plant & equipment - Computing		
	At cost	10,450	10,450
	Accumulated depreciation	(3,055)	(2,007)
	Total plant & equipment - Computing	<u>7,395</u>	<u>8,444</u>
	Plant & equipment - Other		
	At cost	24,672	24,672
	Accumulated depreciation	(11,760)	(9,287)
	Total plant & equipment - Other	<u>12,910</u>	<u>15,385</u>
	Leasehold Improvements		
	At cost	46,932	46,932
	Accumulated depreciation	(13,296)	(8,590)
	Total Leasehold Improvements	<u>33,636</u>	<u>38,342</u>
	Total property, plant & equipment	<u>70,753</u>	<u>84,610</u>

Note 8 (b) Property, plant & equipment - movement in carrying amounts

	Furniture & Plant & Equipment		Plant & Equipment	Leasehold	Total
	Fixtures	Other	Computing	Improvements	
Balance at 1 January 2011	28,050	17,852	9,489	43,035	98,426
Depreciation expense	(5,611)	(2,467)	(1,045)	(4,693)	(13,816)
Balance at 31 December 2011	<u>22,439</u>	<u>15,385</u>	<u>8,444</u>	<u>38,342</u>	<u>84,610</u>

	Furniture & Plant & Equipment		Plant & Equipment	Leasehold	Total
	Fixtures	Other	Computing	Improvements	
Balance at 1 January 2012	22,439	15,385	8,444	38,342	84,610
Depreciation expense	(5,627)	(2,474)	(1,048)	(4,706)	(13,855)
Balance at 31 December 2012	<u>16,812</u>	<u>12,911</u>	<u>7,396</u>	<u>33,636</u>	<u>70,755</u>

2012 2011
\$ \$

Note 9 Trade and other payables

GST payable	-	10,723
Trade creditors	9,255	27,468
Accrued expenses	21,933	103,137
Customer bonds held	76,177	67,326
PAYG Tax Payable	5,796	56,139
Other Current Liabilities	-	6,778
Total trade and other payables	<u>113,161</u>	<u>271,570</u>

Note 10 Reconciliation of Cash Flow from Operations with Profit after Income Tax

Operating result for the period	1,406	(176,497)
Depreciation and amortisation	13,855	13,816
(Increase) / decrease in receivables	(26,314)	34,911
(Decrease) / increase in customer bonds held	8,851	(27,197)
(Decrease) / increase in trade and other payables	(167,260)	80,420
(Decrease) / increase in provision for employees	11,695	(56,273)
Net cash provided by / (used in) operating activities	<u>(157,763)</u>	<u>(130,821)</u>

Innovation Centre Sunshine Coast Pty Ltd
Notes to the financial statements
For the year ended 31 December 2012

		2012	2011
		\$	\$
Note	11 Equity & retained surplus		
	(a) Share Capital		
	Number		
	Shares issued fully paid at 1 January	2.00	2
	Issued during the period	0.00	-
	On issue at 31 December	<u>2.00</u>	<u>2</u>
	All shares are ordinary shares and are fully paid		
	(b) Retained surplus		
	Movements in retained surplus were as follows:		
	Retained surplus at 1 January	28,457	204,955
	Net operating result for the year	1,406	(176,497)
	Retained surplus at 31 December	<u>29,863</u>	<u>28,457</u>

Note 12 Commitments for expenditure
Operating Leases

Lease commitments in existence at the reporting date but not recognised as liabilities:

Within one year	64,448	21,194
Later than one year but not later than five years	86,651	31,909
Later than five years	-	-
Total lease commitments	<u>151,099</u>	<u>53,103</u>

In addition to the lease liabilities payable, ICSC holds sub-lease arrangements with its clients in relation to the Incubator and Accelerator spaces. Commitments in relation to these arrangements are to the value of \$430K in the next 12 months.

All sub-lease arrangements are of standard terms with no unusual restrictions nor escalation clauses. No current sub-lease agreement exceeds a term of 6 years with all current agreements due to expire by January 2011.

The lease arrangements with clients are cancellable, with both the entity and the client required to provide 30 days notice. Therefore there are no future sub-lease payments under non-cancellable leases.

Note 13 Financial Instruments

(a) Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and an intercompany loan from USC. The main purpose of non-derivative financial instruments is to manage cashflow for operations. The Company does not have any derivative instruments at 31 December 2012.

i. Treasury Risk Management

The directors of the Company meet on a regular basis to review interest rates and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

(b) Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate bank accounts and deposits.

Cash flow sensitivity analysis for variable rate instruments

The sensitivity analysis has been determined based on the exposure of the Company to interest rates for non-derivative financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 1% increase or decrease is used when reporting interest rates internally to key management personnel and represents management's assessment of the possible change in interest rates.

At 31 December 2012, if the interest rates had changed by 1% from the period-end rates with all other variables held constant, the operating result for the year for the Company would have been \$616 lower/higher mainly as a result of lower/higher interest income on cash and cash equivalents.

There has been no change to the Company's exposure to interest rate risk or the manner in which it manages and measures the risk from the previous year.

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Rate	Floating Interest Rate	Non-Interest Bearing	Total
		\$	\$	\$
2012				
Financial Assets				
Cash and Cash Equivalents	0.00%	66,147	21	66,168
Cash and Cash Equivalents	3.00%	61,646	-	61,646
Debit Mastercard	0.35%	1,492	-	1,492
Trade and other receivables	0.0%	-	44,718	44,718
Total Financial Assets		129,285	44,739	174,024
Financial Liabilities				
Trade and other payables	0.0%	-	113,161	113,161
Intercompany Loan - USC	0.0%	-	85,674	85,674
Total Financial Liabilities		-	198,835	198,835
2011				
Financial Assets				
Cash and Cash Equivalents	0.01%	175,627	100	175,727
Cash and Cash Equivalents	4.58%	148,482	-	148,482
Debit Mastercard	0.35%	7,383	-	7,383
Trade and other receivables	0.0%	-	18,404	18,404
Total Financial Assets		331,492	18,504	349,996
Financial Liabilities				
Trade and other payables	0.0%	-	271,570	271,570
Intercompany Loan - USC	0.0%	-	130,196	130,196
Total Financial Liabilities		-	401,766	401,766

Note 13 Financial Instruments

(c) Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

(d) Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and actual cash flows and matching the maturity profiles of financial assets and financial liabilities and ensuring that adequate unutilised borrowing facilities are maintained.

Trade payables are short term in nature. The company is not exposed to any significant liquidity risk. The following are contractual maturities of financial liabilities:

31 December 2012

	Carrying amount	Contractual cash flows			
		1 year	1-5 years	over 5 years	
	\$	\$	\$	\$	\$
Trade and other payables	113,161	113,161	36,983	76,177	-
Intercompany Loan - USC	85,674	85,674	85,674	-	-
	198,835	198,835	122,657	76,177	-

31 December 2011

	Carrying amount	Contractual cash flows			
		1 year	1-5 years	over 5 years	
	\$	\$	\$	\$	\$
Trade and other payables	271,570	271,570	204,244	67,326	-
Intercompany Loan - USC	130,196	130,196	130,196	-	-
	401,766	401,766	334,440	67,326	-

(e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The ageing of the company's trade and other receivables at the reporting date was:

	2012		2011	
	Gross	Impairment	Gross	Impairment
	\$	\$	\$	\$
Not Past due (current)	27,379	-	17,157	-
Past due 0-30 days (30 day aging)	11,035	-	28	-
Past due 31-60 days (60 day aging)	-	-	-	-
Past due more than 60 days (+90 day aging)	5,419	-	1,219	-
	43,832	-	18,404	-

The remaining balance of the past due receivables at 31 December 2012 was not impaired. These receivables relate to a number of independent customers for whom there is no recent history of default. It is expected that these amounts will be recovered in full.

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

Movements in Carrying Amounts

Movements in the carrying amounts of impairment expenses between the beginning and the end of the current financial year:

	2012	2011
	Impairment \$	Impairment \$
Trade and other receivables assessed as impaired at 1 January	-	(15,114)
Annual Impairment expense per the income statement	-	10,896
Trade and other receivables assessed as impaired and written off during the year	-	4,218
Trade and other receivables assessed as impaired at 31 December	-	-

Note 13 Financial Instruments

(f) Price risk

The Company is not exposed to any material commodity price risk.

(g) Fair value of financial assets and liabilities

The fair values of all financial assets and liabilities are carried at cost with the exception of receivables. Due to the short-term nature of current receivables, their carrying value is assumed to approximate their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

(h) Capital risk management

The directors manage the capital to ensure that the Company is able to continue as a going concern while maximising return to stakeholders, through the optimisation of debt and equity balances.

The capital structure of the Company consists of cash and cash equivalents and equity comprising of share capital, reserves and retained earnings.

The board reviews this structure and the associated risks with each class of capital on a regular basis.

Capital risk management policies remain unchanged from the prior year.

Note 14 Key management personnel disclosures

(a) Names of responsible persons and executive officers

Executive Officers

Mark Paddenburg (CEO)

(b) Remuneration of executive officers

	2012	2011
	\$	\$
\$280,000 - \$299,999	-	1
\$150,000 - \$159,999	1	-
	1	1

(c) Key management personnel compensation

Short-term employee benefits	135,568	152,394
Post-employment benefits	20,143	-
Other long-term benefits	2,741	-
Termination benefits	-	133,678
	158,452	286,072

(d) Loans to key management personnel

No loans were made to any key management personnel during the period

Note 15 Remuneration of auditors

During the year the following fees were paid for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2012	2011
	\$	\$
Audit Services		
Fees paid to the Queensland Audit Office:		
Audit and review of financial reports and other audit work under the Corporations Act 2001 and the Financial Accountability Act 2009	17,500	16,800
	17,500	16,800

Note 16 Related Parties

Innovation Centre Sunshine Coast Pty Ltd (ICSC) is a subsidiary of the University of the Sunshine Coast. The parent entity provides ICSC with goods and services (including payroll) for which it is reimbursed. The parent entity provided ICSC with a grant of \$250,000 for operational activities in 2012 (2011: \$250,000).

As at 31 December 2012, ICSC owed the parent entity an amount of \$85,674 (2011: \$130,195) through normal intercompany arrangements.

Note 17 Economic Dependence

The continuing operation of the Innovation Centre is dependent upon grant funds provided to support its activities by the University of the Sunshine Coast, the parent entity. The University has confirmed its support for the Innovation Centre to ensure it remains a going concern.

Note 18 Segment Reporting

The company operates in one business and geographical segment being technology focused innovation centres within South East Queensland.

Note 19 Company Details

The registered office of the company is:

Innovation Centre Sunshine Coast Pty Ltd
The University of the Sunshine Coast
Sippy Downs Drive
SIPPY DOWNS QLD 4556

The principal place of residence is:
Innovation Centre Sunshine Coast Pty Ltd
Sippy Downs Drive
SIPPY DOWNS QLD 4556

Note 20 Events occurring after the balance sheet date

There are no events that have occurred after the balance sheet date that may significantly affect the operations of ICSC, the results of those operations or the state of affairs of ICSC in future financial years.

The directors of the Innovation Centre Sunshine Coast Pty Ltd declare that:

1. The financial statements and notes, as set out on pages 6 to 22 are in accordance with the Corporations Act 2001 and:
 - a) Comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) Give a true and fair view of the company's Financial position as at 31 December 2012 and of its performance of 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.



Professor Michael Hefferan
Chairman of Directors

Dated at Sippy Downs QLD this 26th day of February 2013.