

Controlled Entity Dividend Guideline

Section 1 - Introduction

(1) The University has established a number of subsidiary entities over which it exercises control. That control enables the University to govern the financial and operating policies of each entity for the benefit of the University in fulfilling its objects and conducting its functions. In the course of their operations, controlled entities may accumulate surpluses that are distributable via a dividend payment to the University. This policy sets out the University's requirements of its controlled entities relating to the payment of dividends to the University.

Section 2 - Scope

(2) This guideline applies to all controlled entities of the University whose corporate structure enables them to pay a dividend.

Section 3 - Policy Intent

(3) This guideline is designed to confirm the requirement for controlled entities to provide a maximum return on capital invested to the University in the form of a cash dividend. This policy also recognises the need for controlled entities to maintain sufficient cash for operational purposes and, where appropriate, future development and growth.

Section 4 - Policy Provisions

Dividends

(4) Prior to the end of each financial year a controlled entity shall declare a dividend to the University.

(5) Such dividend declared shall be paid to the University within 30 days of the end of the financial year.

(6) The amount of the dividend shall be maximised and be calculated using the Controlled Entity Dividend Calculation Schedule as the lesser of:

- a. cash and investments held by the controlled entity that are surplus to its ordinary operating requirements, capital expenditure, and future development requirements', and
- b. the expected balance of retained profits at the end of the financial year.

(7) In the event that a controlled entity seeks to reduce the dividend amount for cash flow purposes it shall request specific written approval from the Vice-Chancellor of the University by providing:

- a. a description of the reasons for a reduced dividend amount supported by operational and capital expenditure plans.
- b. relevant supporting financial information to enable the University to undertake an assessment of the entity's financial performance, position and cash flow requirements.

Status and Details

Status	Current
Effective Date	11th July 2019
Review Date	11th July 2022
Approval Authority	University Secretary
Approval Date	11th July 2019
Expiry Date	Not Applicable
Enquiries Contact	Paula Johnston Chief Financial Officer 02 4055 3099 <hr/> Financial Services

Glossary Terms and Definitions

"University" - The University of Newcastle, a body corporate established under sections 4 and 5 of the University of Newcastle Act 1989.

"Course" - When referring to a course offered by the University, a course is a set of learning activities or learning opportunities with defined, assessed and recorded learning outcomes. A course will be identified by an alphanumeric course code and course title. Course types include core courses, compulsory courses, directed courses, capstone courses and electives. For all other uses of this term, the generic definition applies.

"Controlled entity" - Has the same meaning as in section 16A of the University of Newcastle Act 1989.

"Financial year" - The University's annual accounting period, currently ending 31 December.

"Ordinary operating requirements" - The amount of cash that the controlled entity requires on a daily basis for the conduct of its ordinary operating activities. It should generally equate to no more than the average total operating expenditure incurred in one month according to the most recent approved annual budget.

"Capital expenditure" - Expenditure relating to the purchase, creation or subsequent improvement of an asset controlled or owned by the University. Capital expenditure may relate to tangible assets (such as land, buildings, or equipment) or intangible assets (such as intellectual property or long term software licences) that have a useful life beyond 12 months. Expenditure that simply maintains an asset in its current state is an operating expense (repairs and maintenance) and is not capital expenditure.

"Future development requirements" - The amount of cash that the controlled entity requires to accumulate or have accumulated at the end of the current financial year for use on operating or capital expenditure activities in future financial years. This amount, together with an outline of the planned future activities shall be described and incorporated into the most recent approved annual budget