

UTS:

FINANCIAL STATEMENTS 2002

UTS:ANNUAL REPORT



UNIVERSITY OF
TECHNOLOGY SYDNEY

2002 FINANCIAL STATEMENTS

UNIVERSITY OF TECHNOLOGY, SYDNEY

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STATEMENT BY APPOINTED OFFICERS

Statement in accordance with section 41C(1B) and (1C) of the *Public Finance and Audit Act 1983*

In accordance with a resolution of the Council of the University of Technology, Sydney and pursuant to section 41C(1B) and (1C) of the *Public Finance and Audit Act 1983*, we state that to the best of our knowledge and belief:

1. the financial reports present a true and fair view of the financial position of the University at 31 December 2002 and the results of its operations and transactions of the University for the year then ended
2. the financial reports have been prepared in accordance with the provisions of the New South Wales *Public Finance and Audit Act 1983* and the Commonwealth Guidelines for the Preparation of Annual Financial Statements for the 2002 Reporting Period by Australian Higher Education Institutions
3. the financial reports have been prepared in accordance with applicable Australian Accounting Standards, other authoritative announcements of the Australian Accounting Standards Board and Consensus views of the Urgent Issues Group
4. we are not aware of any circumstances which would render any particulars included in the financial reports to be misleading or inaccurate
5. there are reasonable grounds to believe that the University will be able to pay its debts as and when they fall due
6. the amount of Commonwealth grants expended during the reporting period was for the purposes for which it was granted, and
7. the University has complied in full with the requirements of various program guidelines that apply to the Commonwealth financial assistance identified in these financial statements.



R D Milbourne
Vice-Chancellor



K J Rennie
Chair, Finance Committee

14 April 2003

INDEPENDENT AUDIT REPORT



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

University of Technology, Sydney

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the University of Technology, Sydney:

- (a) presents fairly the University's and the consolidated entity's financial position as at 31 December 2002; and their financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the Guidelines for the Preparation of Annual Financial Statements for the 2002 reporting period by Australian Higher Education Institutions, issued pursuant to the *Higher Education Funding Act 1988*, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

The Council's Role

The financial report of the University and the consolidated entity is the responsibility of the Council. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows and the accompanying notes. The consolidated entity comprises the University and the entities controlled at the year's end, or during the financial year.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

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

- evaluated the accounting policies and significant accounting estimates used by the Council in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

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

My opinion does not provide assurance about the future viability of the University or controlled entities or that the University or controlled entities have carried out their activities effectively, efficiently and economically.

My audit opinion was formed on the above basis.

INDEPENDENT AUDIT REPORT

Audit Independence

The Audit Office complies with all professional independence requirements. The Act further promotes independence by:

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

P. K. Brown

P K Brown FCPA
Director of Audit

SYDNEY
17 April 2003

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Notes	Economic Entity [Consolidated]		Parent Entity [University]	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from Ordinary Activities					
Commonwealth Government financial assistance	2.1	106,627	105,748	106,627	105,748
State Governments financial assistance	2.2	2,929	2,251	2,929	2,251
Higher Education Contribution Scheme					
> Student contributions	35.1	15,891	15,386	15,891	15,386
> Commonwealth payments	35.1	47,477	41,160	47,477	41,160
Postgraduate Education Loan Scheme (PELS)	35.1	8,674	0	8,674	0
Fees and charges	2.3	105,838	96,768	72,665	67,885
Superannuation					
> Deferred Government contributions		32,600	28,120	32,600	28,120
Investment income	2.4	5,138	5,651	4,216	4,758
Royalties, trademarks and licenses	2.5	52	45	52	45
Consultancy and contract research	2.6	8,545	6,376	6,799	5,347
Other revenue	2.7	16,458	18,169	22,356	22,036
Total Revenue from Ordinary Activities		350,229	319,674	320,286	292,736
Share of net result of associates and joint ventures accounted for using the equity method		251	0	0	0
Total Revenue		350,480	319,674	320,286	292,736
Expenses from Ordinary Activities					
Employee benefits	3.1	221,268	198,122	208,387	186,889
Depreciation and amortisation	3.2	15,647	14,230	14,337	13,119
Buildings and grounds	3.3	8,976	9,941	5,992	9,941
Bad and doubtful debts	3.4	(687)	1,538	(691)	1,532
Borrowing cost expense	4	2,564	140	2,564	140
Other	3.5	82,622	82,582	73,219	70,012
Total Expenses from Ordinary Activities		330,390	306,553	303,808	281,633
Operating Result from Ordinary Activities – before Income Tax Expense		20,090	13,121	16,478	11,103
Income tax related to ordinary activities	6	0	0	0	0
Operating Result – after Related Income Tax		20,090	13,121	16,478	11,103
Net Operating Result		20,090	13,121	16,478	11,103
Net Operating Result attributed to Parent Entity		20,090	13,121	16,478	11,103
> Increase/(decrease) in foreign currency translation reserve	21	(95)	0	0	0
> Increase/(decrease) in asset revaluation reserve	21	56,469	64,477	56,469	64,477
Total Revenue, Expense and Valuation Adjustments attributed to Parent Entity and Recognised Directly in Equity		56,374	64,477	56,469	64,477
Total Changes in Equity other than those resulting from Transactions with Owners as Owners		76,464	77,598	72,947	75,580

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2002

	Notes	Economic Entity [Consolidated]		Parent Entity [University]	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current Assets					
Cash assets	9	25,782	22,148	3,161	2,967
Receivables	10	7,158	6,938	8,267	7,322
Inventories	11	0	86	0	86
Other financial assets	12	74,096	111,298	74,096	111,298
Other assets	13	7,243	3,016	11,096	6,957
Total Current Assets		114,279	143,486	96,620	128,630
Non-current Assets					
Receivables	10	123,944	91,344	123,944	91,344
Other financial assets	12	1,760	1,947	0	0
Property, plant and equipment	14	611,345	502,004	606,169	499,461
Deferred tax assets	6	0	0	0	0
Intangible assets	15	633	738	0	0
Total Non-current Assets		737,682	596,033	730,113	590,805
Total Assets		851,961	739,519	826,733	719,435
Current Liabilities					
Payables	16	7,083	2,789	6,041	2,418
Current tax liabilities	18	17	0	0	0
Provisions	19	9,804	7,603	9,259	7,141
Other Liabilities	20	20,058	26,785	11,036	18,873
Total Current Liabilities		36,962	37,177	26,336	28,432
Non-current Liabilities					
Interest-bearing liabilities	17	40,000	40,000	40,000	40,000
Provisions	19	152,748	116,555	152,571	116,124
Total Non-current Liabilities		192,748	156,555	192,571	156,124
Total Liabilities		229,710	193,732	218,907	184,556
Net Assets		622,251	545,787	607,826	534,879
Equity					
Reserves	21	222,656	166,282	222,751	166,282
Accumulated funds	22	399,595	379,505	385,075	368,597
Total Equity		622,251	545,787	607,826	534,879

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Notes	Economic Entity [Consolidated]		Parent Entity [University]	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES	33				
Inflows					
Financial assistance					
> Commonwealth Government		106,627	104,768	106,627	104,768
> NSW Government		2,864	1,792	2,864	1,792
> Other State Governments		65	157	65	157
Higher Education Contribution Scheme					
> Student payments		14,567	15,708	14,567	15,708
> Commonwealth payments		48,486	43,275	48,486	43,275
Postgraduate Education Loan Scheme (PELS)		7,753	0	7,753	0
Fees and charges		99,218	93,175	70,298	67,157
Investment income		5,848	5,763	4,926	4,870
Royalties, trademarks and licenses		52	221	52	221
Consultancies and contract research		7,905	6,631	6,799	6,631
Other operating revenue		33,701	27,722	34,847	23,518
		327,086	299,212	297,284	268,097
Outflows					
Salaries and associated costs		(183,387)	(165,083)	(172,383)	(154,692)
Borrowing costs		(2,564)	0	(2,564)	0
Non-salary items		(107,298)	(93,484)	(95,564)	(78,342)
		(293,249)	(258,567)	(270,511)	(233,034)
Net Cash provided/used by Operating Activities		33,837	40,645	26,773	35,063
CASH FLOWS FROM INVESTING ACTIVITIES					
Inflows					
Proceeds from sale of investment securities		209,254	154,500	209,254	154,500
Proceeds from sale of assets		3,687	187	3,535	0
		212,941	154,687	212,789	154,500
Outflows					
Payments for investment securities		(171,865)	(194,468)	(172,052)	(194,275)
Payments for purchase of land, buildings, plant and equipment		(71,279)	(37,794)	(67,316)	(36,242)
		(243,144)	(232,262)	(239,368)	(230,517)
Net Cash provided/used in Investing Activities		(30,203)	(77,575)	(26,579)	(76,017)
CASH FLOWS FROM FINANCING ACTIVITIES					
Inflows					
Proceeds from loan		0	40,000	0	40,000
Net Cash provided/used by Financing Activities		0	40,000	0	40,000
Net Increase/(Decrease) in Cash Held		3,634	3,070	194	(954)
Cash at Beginning of Reporting Period		22,148	19,078	2,967	3,921
Cash at End of Reporting Period		25,782	22,148	3,161	2,967

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

1. SUMMARY OF ACCOUNTING POLICIES

Financial Reporting Framework

The Financial Report is a general purpose report prepared in accordance with the requirements of:

- (i) the Australian Accounting Standards and Urgent Issues Group Consensus Views
- (ii) other authoritative pronouncements of the Public Sector Accounting Standards Board and the Australian Accounting Standards Board (AASB)
- (iii) the *Guidelines for the Preparation of Annual Financial Statements for the 2002 Reporting Period by Australian Higher Education Institutions* issued by the Commonwealth Department of Education, Science and Training
- (iv) the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2000*.

The Financial Report has been prepared on an accrual accounting and going concern basis and the policies have been applied consistently throughout the period.

The measurement base applied is historical cost accounting except to the extent that non-current assets have been valued as disclosed elsewhere in the Notes.

Where necessary, comparative information has been reclassified to achieve consistency with current financial year amounts.

Significant Accounting Policies

(a) Principles of Consolidation

The Financial Report is for the University reporting entity consisting of:

- > University of Technology, Sydney
- > Insearch Limited, a controlled entity of the University
- > Insearch (Shanghai) Limited, a controlled entity of Insearch Limited
- > accessUTS Pty Ltd, a controlled entity of the University which began operations on 2 January 2002.

The accounting policies adopted in preparing the Financial Report have been consistently applied by entities in the consolidated entity except as otherwise indicated. The balances, and effects of transactions, between controlled entities included in the consolidated financial reports have been eliminated. Separate financial reports are prepared by the University's controlled entities, which are audited by the Auditor General of New South Wales.

(b) Revenue Recognition

In accordance with AASB1004, Revenue, the operating and research grants provided by the Government under the Higher Education Funding Act are recognised in the year in which they are received. Payments from the Higher Education Trust Fund have been treated as income in advance where they relate to the next reporting period.

Revenue from student fees is recognised for enrolments current as at the census date for each semester.

Investment income is recognised as it accrues.

Revenue from sales or the provision of services is recognised in the period in which the goods are supplied or the services provided.

Donations are accounted for on a cash basis. The contribution from Insearch is accounted for on an accrual basis.

(c) Basis of Valuation of Non-current Assets

Assets with a useful life of more than 12 months and an acquisition cost of more than \$5,000 are initially capitalised at cost. Costs incurred on plant and equipment which do not meet the capitalisation criteria are expensed as incurred.

Land, buildings and infrastructure are recorded at fair value, including the lessor's interest in the property where applicable. Land, buildings and infrastructure are revalued every five years.

Works of art are valued at fair retail replacement value. Works of art are revalued every five years.

The library collection is recorded at Council's valuation as at 31 December 2002.

Equipment and motor vehicles are not revalued but are recorded at acquisition cost less accumulated depreciation.

(d) Depreciation

Depreciation rates are based on the estimated useful life to the University of each class of asset. The assessment of the useful lives of buildings considered the age, present condition and the likely need for refurbishment and replacement of each building. Pro-rata depreciation is charged in the year of acquisition and disposal.

Depreciation rates and methods are as follows:

Buildings	5–54 years	Straight line.
Motor vehicles	5 years	Straight line.
Computers and copiers	45%	Reducing balance.
Other office, teaching and research equipment	25%	Reducing balance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

(e) Employee Entitlements

The recorded liability for annual leave represents the total nominal value including on costs of leave accrued by employees but not taken. Accrued annual leave is treated as a current liability.

The liability for long service leave represents the total nominal value, including on costs and allowing for known pay increases, of leave accrued but not taken by employees with five or more year's service. Accrued long service leave is treated as a non-current liability.

Provision for severance payments is calculated at current pay rates and is split between current and non current liabilities according to when the contracts to which they relate expire.

The on costs associated with the provision of annual leave and long service leave have been included for the first time.

(f) Superannuation

During the 2002 accounting period, the University contributed to the following superannuation schemes:

- > Unisuper
- > The State Superannuation Scheme (SSS)
- > The State Authorities Superannuation Scheme (SASS)
- > The State Authorities Non-Contributory Superannuation Scheme (SANCS).

The State schemes are administered by the State Authorities Superannuation Trustee Corporation.

For the purposes of Note 3.1, contributions to Unisuper are listed as Funded and contributions to the State superannuation schemes are listed as Emerging.

The University contributes to Unisuper for non-academic staff appointed since 1 July 1991 and academic staff appointed since 1 March 1998. Unisuper is not considered to be controlled by the University and therefore the deficiency created by the excess of accrued benefits over assets has not been included in the University's accounts.

The University has recognised its unfunded superannuation liability as a receivable from the Commonwealth and NSW State Governments in accordance with UIG Abstract 51, Recovery of Unfunded Superannuation of Universities. This liability has arisen in relation to past service by University employees covered by the State Superannuation Schemes. It is recorded on the basis that past practice indicates that the University controls a receivable and that its recovery is probable. The net increase in the unfunded past service costs arising in the 2002 reporting period has been recorded as revenue (Deferred Government contributions) and an equal amount has been recorded as an expense (Deferred employee benefits for superannuation).

(g) Payables

Accounts payable including accruals, represent liabilities for goods and services provided to the economic entity prior to the end of the 2002 reporting period. These amounts are usually settled on 30-day terms.

(h) Interest-bearing Liabilities

The loan has been brought to account at the principal amount.

(i) Inventories

The University holds no material inventory. Stock recorded as inventory in the 2001 reporting period has been expensed in the 2002 reporting period as it is more accurately characterised as office and research consumables.

(j) Cash Assets

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at banks and deposits at call. The University holds cash at bank in trust for AusAID. Deposits held under ESOS Act 1991 consist of a trust money market account.

(k) Goodwill

The University's controlled entity, Insearch Limited, purchased the Insearch Language Centre in 1998 and is amortising the goodwill arising from this purchase over a period of 10 years.

(l) Leased Assets

The University leases a range of assets and accounts for these as operating leases in accordance with the requirements of AASB 1008, Leases. Details of leased assets are provided in Note 26. Lease commitments are recorded on a GST inclusive basis.

(m) Other Financial Assets

The University's investments consist of funds held under management with Macquarie Investment Management Limited (MIML). The portfolio at balance date contained cash, bank bills, negotiable certificates of deposit, floating rate notes, other short term fixed interest investments and Commonwealth and Semi-Government bonds. The portfolio is recorded at cost plus accrued interest.

(n) Acquisition of Assets

All assets acquired, including property, plant and equipment and software are initially recorded at the date of acquisition, at their purchase price plus incidental costs directly attributable to the acquisition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

(o) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) Research and Development Costs

Research and Development costs are not deferred but are recognised in the year in which they are incurred.

(q) Financial Instruments

In accordance with AASB1033, Presentation and Disclosure of Financial Instruments, information regarding Financial Instruments is disclosed in Note 34. Financial Instruments include cash, receivables, investments and creditors.

All classes of instruments are recorded at cost. All financial instruments including revenue, expenses or other cash flows arising from instruments are recognised on an accruals basis.

(r) Derivative Financial Instruments

The University has entered into a swap agreement in order to cap its interest rate exposure from a loan of \$29,500,000 from the ANZ Banking Group Limited. The loan is expected to be drawn down in late 2003.

(s) Comparative Figure

Where necessary, 2001 comparative figures have been adjusted to conform to the mandatory presentation for the current year. The reclassifications have no effect on the 2001 operating result (or the financial position) of the University.

Other minor changes have been made to the comparative figures in order to improve the quality of information in the report. These changes are not considered material.

	Notes	Economic Entity [Consolidated]		Parent Entity [University]	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES					
2.1 Commonwealth Government Financial Assistance (including Superannuation Contributions from the Commonwealth, but excluding HECS and PELS)					
Teaching and Learning					
	35.1				
Operating, excluding HECS and PELS		80,802	81,407	80,802	81,407
Capital Development Pool		2,610	987	2,610	987
Australian Research Council					
	35.2				
Large grants		1,502	1,104	1,502	1,104
SPIRT		1,631	1,758	1,631	1,758
Research fellowships		164	189	164	189
International Researcher Exchange		50	9	50	9
Department of Education, Science and Training					
	35.3				
Institutional Grants Scheme		3,367	2,874	3,367	2,874
Research Training Scheme		10,179	10,623	10,179	10,623
Australian Postgraduate Awards		1,320	1,285	1,320	1,285
International Postgraduate Research Scholarships		141	93	141	93
Research infrastructure		2,020	1,473	2,020	1,473
Small grants		0	281	0	281
		103,786	102,083	103,786	102,083

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Notes	Economic Entity [Consolidated]		Parent Entity [University]	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Other Commonwealth Government Financial Assistance					
ARC Collaborative Research (transfer from other universities)		0	27	0	27
ARC Large Grants (transfer from other universities)		64	246	64	246
ARC SPIRT (transfer from other universities)		134	82	134	82
Agriculture, Fisheries and Forestry Australia		8	0	8	0
ANSTO		22	0	22	0
Australian Academy of Science		27	0	27	0
Australia Council		25	25	25	25
Australian Agency for International Development (AusAID)		24	16	24	16
Australian Centre for International Agricultural Research		123	283	123	283
Australian Greenhouse Office		0	171	0	171
Australian Institute of Nuclear Science and Engineering		0	13	0	13
Australian Heritage Commission		36	0	36	0
Australian Institute of Aboriginal and Torres Strait Islander Studies		15	0	15	0
Australian Languages Literacy Program		18	0	18	0
Australian Law Reform Commission		12	6	12	6
Australian National Training Authority		225	300	225	300
Australian Quarantine and Inspection Service		0	1	0	1
Australian Securities and Investment Commission		0	14	0	14
Australian Synchrotron Research Program		0	5	0	5
Bureau of Mineral Resources		0	30	0	30
Centrelink		24	16	24	16
Commonwealth Department of Agriculture		0	12	0	12
Commonwealth Department of Transport and Regional Services		0	9	0	9
Commonwealth Department of Health and Aged Care		93	92	93	92
Cotton Research Development Corporation		0	126	0	126
Cooperative Research Centre for Renewable Energy		0	107	0	107
Cooperative Research Centre for Satellite Systems		0	296	0	296
Cooperative Research Centre for Sustainable Rice Production		0	33	0	33
Cooperative Research Centre for Tourism		0	65	0	65
Commonwealth Scientific Industrial Research Organisation		289	3	289	3
Department of Foreign Affairs and Trade		0	33	0	33
Department of Defence		0	45	0	45
Department of Industry, Science and Technology		0	2	0	2
DEST – Aboriginal Tutorial Assistance Scheme		274	150	274	150
DEST – Adult Literacy and Numeracy Australian Research Consortium		26	61	26	61
DEST – Indigenous Education Strategic Initiatives		766	786	766	786
DEST – Other		114	70	114	70
Department of Health and Aged Care		90	0	90	0
Environment Australia		65	35	65	35
Horticultural Research and Development Corporation		10	94	10	94
IP Australia (Commonwealth Government agency)		0	30	0	30
National Health and Medical Research Council		200	258	200	258
National Centre for Education and Research		0	14	0	14
National Centre for Vocational Education Research		70	89	70	89
Rural Industries Research and Development Corporation		87	17	87	17
University of NSW		0	3	0	3
		2,841	3,665	2,841	3,665
		106,627	105,748	106,627	105,748
2.2 State Governments Financial Assistance					
New South Wales State Government		2,864	2,094	2,864	2,094
Other State Governments		65	157	65	157
		2,929	2,251	2,929	2,251

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Notes	Economic Entity [Consolidated]		Parent Entity [University]	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
2.3 Fees and Charges					
Continuing education		4,116	8,224	4,117	5,338
Fee-paying overseas students		82,830	60,118	49,267	40,124
Fee-paying non-overseas postgraduate students		15,439	17,669	15,439	17,669
Fee-paying non-overseas non-award students		474	0	474	715
Other fees and charges		2,979	10,757	3,368	4,039
		105,838	96,768	72,665	67,885
2.4 Investment Income					
Distribution from Managed Funds and Interest		5,138	5,651	4,216	4,758
2.5 Royalties, Trademarks and Licenses					
Royalties, Trademarks and Licences		52	45	52	45
2.6 Consultancy and Contract Research					
Contract research and development		5,157	3,627	5,157	3,627
Consulting		3,388	2,749	1,642	1,720
		8,545	6,376	6,799	5,347
2.7 Other Revenue					
Proceeds from the sale of assets (see Note 5)		3,663	0	3,535	0
Donations		677	709	677	709
Contribution from Insearch Ltd		0	0	4,800	4,095
Hire and rental		2,767	2,498	2,767	2,498
Sale of goods		1,186	2,724	1,225	2,724
Scholarships and prizes		1,909	2,717	1,909	2,717
Services		2,116	3,089	3,178	3,089
Sponsorship		1,382	1,113	1,382	1,113
Other		2,758	5,319	2,883	5,091
		16,458	18,169	22,356	22,036
3. EXPENSES FROM ORDINARY ACTIVITIES					
3.1 Employee Benefits					
Academic					
Salaries		67,468	64,790	61,469	60,358
Payroll tax		5,315	4,745	4,977	4,486
Workers' compensation		564	359	534	318
Long service leave		4,087	2,056	4,078	2,489
Annual leave		5,293	3,252	5,233	3,034
Other		0	(17)	0	(17)
Total Academic (excluding Superannuation)		82,727	75,185	76,291	70,668
Non-academic					
Salaries		71,858	66,469	66,888	61,465
Payroll tax		5,325	4,840	4,978	4,486
Workers' compensation		563	366	533	317
Long service leave		2,616	2,098	2,505	1,526
Annual leave		6,035	3,317	5,892	3,421
Other		23	(17)	0	(17)
Total Non-academic (excluding Superannuation)		86,420	77,073	80,796	71,198
Employee Superannuation Benefit					
Contributions to superannuation and pension schemes:					
> Deferred employee benefits for superannuation		33,528	28,120	32,707	28,120
> Emerging cost		4,945	4,735	4,945	3,894
> Funded		13,648	13,009	13,648	13,009
Total Superannuation Benefit		52,121	45,864	51,300	45,023
Total Employee Benefits		221,268	198,122	208,387	186,889

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Economic Entity [Consolidated]		Parent Entity [University]	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
3.2 Depreciation and Amortisation				
Buildings and infrastructure	9,953	9,539	9,953	9,539
Equipment	5,457	4,566	4,367	3,561
Motor vehicles	132	19	17	19
Amortisation of goodwill	105	106	0	0
	15,647	14,230	14,337	13,119
3.3 Buildings and Grounds				
Maintenance	3,228	4,238	3,033	4,238
Rent and rates	4,751	2,131	1,962	2,131
Minor works	720	2,526	720	2,526
Other	277	1,046	277	1,046
	8,976	9,941	5,992	9,941
3.4 Bad and Doubtful Debts				
Bad debts	43	0	38	0
Increase/(decrease) in provision for doubtful debts	(730)	1,538	(729)	1,532
	(687)	1,538	(691)	1,532
3.5 Other Expenses				
Scholarships and prizes	8,053	7,526	7,830	7,286
Telecommunications	3,762	3,479	3,597	3,252
Non-capitalised equipment	4,314	8,231	4,202	8,231
Travel, staff development and entertainment	12,465	9,691	11,740	9,094
Operating lease rental expenses	3,827	8,576	3,808	4,561
Cleaning	4,056	2,951	3,496	2,951
Consultancy	4,125	5,223	4,144	4,079
Fees and subscriptions	9,075	3,011	8,996	7,880
Heating and lighting	2,562	2,432	2,459	2,432
Postage	821	1,329	668	797
Printing	1,994	3,922	1,676	1,800
Stationery	2,590	2,475	2,587	2,475
Carrying amount of assets sold (See note 5)	2,875	0	2,736	0
Other expenses	22,103	23,736	15,280	15,174
Total Other Expenses	82,622	82,582	73,219	70,012
4. BORROWING COST EXPENSE				
Borrowing Cost Expense	2,564	140	2,564	140
5. SALES OF ASSETS				
Proceeds from sale				
Property, Plant and Equipment	3,663	22	3,535	20
Carrying amount of assets sold				
Property, plant and equipment	2,875	0	2,736	0
	2,875	0	2,736	0
6. INCOME TAX				
Income Tax	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

7. RESPONSIBLE PERSONS AND EXECUTIVE OFFICERS

7.1 Responsible Persons

(a) Names of Persons who were Responsible Persons

<i>University</i>		
The Hon. Sir F G Brennan, AC, KBE	P L Healy	A Robinson **
Emeritus Professor S Bakoss **	M Humphreys **	The Hon. H Sham-Ho, MLC
Professor L Behrendt **	M Hourihan *	The Hon. I F Sheppard, AO, QC
Professor A J D Blake, AM *	Professor A M Johnson	A P Stewart, MP
Dr K Boston, AO *	D Leckie	Dr P Totaro, AM *
Dr D Brown	Dr V Levy	M Trask, AM *
S Creagh *	Professor R Milbourne **	W Watkins **
Emeritus Professor H Garnett	S Munivelu *	G Williams
C E Grady **	N D Parekh **	V A Wood *
S Halliday *	K J Rennie	
<i>Insearch Limited</i>		
Dr D V Clark	R J Hill	Dr K L Woodthorpe
M L Laurence	Professor A R Moon	R E Allsep
K J Rennie	Professor R W Robertson	W H Wright
<i>accessUTS Proprietary Limited</i>		
Professor R W Robertson	Professor P Booth	Professor A J Johnston

* Outgoing in 2002

** Incoming in 2002

	Economic Entity [Consolidated]		Parent Entity [University]	
	2002	2001	2002	2001
(b) Remuneration of Responsible Persons				
\$1 to \$9,999	0	1	0	0
\$10,000 to \$19,999	1	4	0	0
\$20,000 to \$29,999	3	1	0	0
\$30,000 to \$39,999	1	0	0	0
	5	6	0	0
Aggregate Remuneration of Responsible Persons	\$118,000	\$109,000	\$0	\$0

(c) Retirement and Superannuation Benefits of Responsible Persons

	\$5,600	\$2,000	\$0	\$0
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The University's responsible persons do not receive any remuneration in respect of their work as members of Council.

	Economic Entity [Consolidated]		Parent Entity [University]	
	2002	2001	2002	2001

7.2 Executive Officers

(a) Executive Officers' Remuneration

\$110,000 to \$119,999	1	1	0	1
\$120,000 to \$129,999	2	0	1	0
\$140,000 to \$149,999	1	0	1	0
\$150,000 to \$159,999	2	0	0	0
\$170,000 to \$179,999	1	0	0	0
\$180,000 to \$189,999	0	2	0	2
\$190,000 to \$199,999	0	3	0	2
\$200,000 to \$209,999	2	0	2	0
\$210,000 to \$219,999	2	0	2	0
\$220,000 to \$229,999	1	2	1	2
\$240,000 to \$249,999	1	0	1	0
\$300,000 to \$309,999	1	0	0	0
\$310,000 to \$319,999	0	1	0	1
\$390,000 to \$399,999	1	0	1	0
	15	9	9	8
Aggregate Remuneration of Executives	\$2,996,002	\$2,374,407	\$1,975,158	\$1,649,407

(b) Retirement and Superannuation Benefits of Executive Officers

	\$361,505	\$280,927	\$278,505	\$225,927
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Economic Entity [Consolidated]		Parent Entity [University]	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
8. REMUNERATION OF AUDITORS				
Auditing the Financial Report	183	178	140	153
9. CASH ASSETS				
Cash at end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:				
Cash at bank	6,862	5,863	3,129	2,920
Cash on hand	42	47	32	47
Deposits at call	11,600	10,501	0	0
Deposits held under ESOS Act 1991 requirements	7,278	5,737	0	0
	25,782	22,148	3,161	2,967
10. RECEIVABLES				
Current				
Trade debtors – Other	6,969	6,708	5,429	5,693
Provision for doubtful debts	(327)	(257)	(293)	(222)
	6,642	6,451	5,136	5,471
Trade Debtors – Student	1,026	1,460	1,026	1,460
Provision for doubtful debts	(660)	(1,460)	(660)	(1,460)
	366	0	366	0
Total Trade Debtors	7,008	6,451	5,502	5,471
Amounts receivable from:				
Wholly owned subsidiaries				
Insearch Limited	0	0	2,010	1,364
accessUTS Proprietary Limited	0	0	605	0
Associated companies				
Sydney Educational Broadcasting Limited	150	487	150	487
	7,158	6,938	8,267	7,322
Non-current				
Commonwealth and NSW Government accrued superannuation liability	123,944	91,344	123,944	91,344
	131,102	98,282	132,211	98,666
11. INVENTORIES				
Current				
At cost	0	86	0	86
12. OTHER FINANCIAL ASSETS				
Current				
Managed funds – Macquarie Investment Management Ltd	74,067	111,270	74,067	111,270
Managed funds – New South Wales Treasury Corporation	29	28	29	28
	74,096	111,298	74,096	111,298
Non-current				
Other	1,760	1,947	0	0
	75,856	113,245	74,096	111,298

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Economic Entity [Consolidated]		Parent Entity [University]	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
13. OTHER ASSETS				
Current				
Accrued income	1,889	746	6,689	4,841
Future income tax benefit	17	0	0	0
Prepayments	5,337	2,270	4,407	2,116
	7,243	3,016	11,096	6,957
14. PROPERTY, PLANT AND EQUIPMENT				
Freehold Land				
At valuation [01/01/01]	118,505	135,315	118,505	135,315
At valuation [04/09/02]	19,900	0	19,900	0
	138,405	135,315	138,405	135,315
Buildings				
At cost	10,480	23,240	10,480	23,240
At valuation [01/01/01]	299,515	297,150	299,515	297,150
At valuation [04/09/02]	116,000	0	116,000	0
	425,995	320,390	425,995	320,390
Accumulated depreciation	(18,790)	(11,685)	(18,790)	(11,685)
	407,205	308,705	407,205	308,705
Buildings under Construction				
At cost	7,571	20,461	7,571	20,461
Plant and Equipment				
Office, Teaching and Research Equipment				
At cost	73,612	51,526	65,908	47,483
Accumulated depreciation	(37,963)	(34,892)	(34,928)	(32,938)
	35,649	16,634	30,980	14,545
Motor Vehicles				
At cost	1,205	1,102	554	542
Accumulated depreciation	(310)	(278)	(166)	(172)
	895	824	388	370
Other Assets				
Library Book Collection				
At valuation [31/12/02]	19,815	18,302	19,815	18,302
Works of Art				
At cost	171	129	171	129
At valuation [01/01/01]	1,634	1,634	1,634	1,634
	1,805	1,763	1,805	1,763
	611,345	502,004	606,169	499,461
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
(i) Buildings	9,953	9,539	9,953	9,539
(ii) Plant and equipment and other assets	5,588	4,691	4,384	3,580
	15,541	14,230	14,337	13,119

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land, buildings and infrastructure were valued as at 1 January 2001 by the registered valuers Edward Rushton Australia Pty Ltd, with the exception of the property at 235 Jones St. The Jones St property was treated as a work in progress in the reporting period 2001 and for the 2002 reporting period has been revalued at fair value as at 4 September 2002. The property known as Aaron's Hotel was leased out in 1989 for a period of 21 years, and the lessor's interest in the property was revalued as at 1 January 2001. The revalued amount was not brought to account until 2002, under the transitional arrangements allowed for in AASB1041. Works of art were valued as at 1 January 2001 by Edward Rushton Australia Pty Ltd.

Movement in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the reporting period

	Freehold Land	Buildings	Plant and Equipment and Other Assets	Total
	\$'000	\$'000	\$'000	\$'000
(a) Economic Entity				
Balance at beginning of the year	135,315	329,166	37,523	502,004
Additions	0	44,656	26,633	71,289
Disposals	(1,800)	(671)	(404)	(2,875)
Revaluation increments/(decrements)	4,890	51,579	0	56,469
Depreciation expense	0	(9,954)	(5,588)	(15,542)
Carrying amount at end of reporting period	138,405	414,776	58,164	611,345
(b) Parent Entity				
Balance at beginning of the year	135,315	329,166	34,980	499,461
Additions	0	44,656	22,656	67,312
Disposals	(1,800)	(671)	(265)	(2,736)
Revaluation increments/(decrements)	4,890	51,579	0	56,469
Depreciation expense	0	(9,954)	(4,383)	(14,337)
Carrying amount at end of reporting period	138,405	414,776	52,988	606,169

Notes	Economic Entity [Consolidated]		Parent Entity [University]	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000

15. INTANGIBLE ASSETS

Goodwill on purchase of Insearch Language Centre				
Opening balance	738	844	0	0
Amortisation	-105	-106	0	0
Closing balance	633	738	0	0

16. PAYABLES

Current

Deputy Commissioner of Taxation – PAYG	1,631	0	1,590	0
Office of State Revenue – payroll tax	1,061	807	1,055	807
Trade creditors	923	724	312	378
Other payroll accruals	1,474	0	1,474	0
Other	1,994	1,258	1,610	1,233
	7,083	2,789	6,041	2,418

17. INTEREST-BEARING LIABILITIES

Non-current

Due later than 5 years	40,000	40,000	40,000	40,000
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Notes	Economic Entity [Consolidated]		Parent Entity [University]	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
18. TAX LIABILITIES					
Current		17	0	0	0
Deferred		0	0	0	0
		17	0	0	0

19. PROVISIONS

Employee Entitlements

Current

Annual leave	1(e)	9,804	7,603	9,259	7,141
Total Current		9,804	7,603	9,259	7,141

Non-current

Long service leave	1 (e)	25,957	22,462	25,780	22,031
Superannuation		126,471	93,763	126,471	93,763
Annual leave		320	330	320	330
Total Non-current		152,748	116,555	152,571	116,124

Annual leave and long service leave provisions incorporate payroll on costs of \$4,109,000 which have been included in 2002 for the first time.

		Economic Entity [Consolidated]		Parent Entity [University]	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
20. OTHER LIABILITIES					
Current					
Prepaid commonwealth grants – HECS		4,804	5,119	4,804	5,119
Prepaid student fees		3,236	12,988	3,236	5,710
Accrued salary and wages		0	4,053	0	4,053
Other		12,018	4,625	2,996	3,991
		20,058	26,785	11,036	18,873

21. RESERVES

(a) Reserves Comprise

Freehold land		81,289	76,399	81,289	76,399
Buildings		129,055	81,854	129,055	81,854
Building infrastructure		10,895	6,517	10,895	6,517
Art works		1,512	1,512	1,512	1,512
Foreign currency translation reserve		(95)	0	0	0
		222,656	166,282	222,751	166,282

(b) Movements in Reserves

Balance at beginning of financial year		166,282	101,805	166,282	101,805
Revaluation of land, buildings and art works		56,469	64,477	56,469	64,477
Foreign currency translation reserve		(95)	0	0	0
Balance at end of financial year		222,656	166,282	222,751	166,282

22. RETAINED SURPLUS

Balance at beginning of year		379,505	366,384	368,597	357,494
Operating result from ordinary activities after income tax		20,090	13,121	16,478	11,103
Balance at end of year		399,595	379,505	385,075	368,597

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Economic Entity [Consolidated]		Parent Entity [University]	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
23. COMMITMENTS FOR EXPENDITURE				
(a) Capital Expenditure Commitments				
Building Works				
Not later than one year	1,506	49,885	1,506	49,885
Plant and Equipment				
Not later than one year	3,743	7,071	2,743	7,071
(b) Lease Commitments				
Non-cancellable operating lease commitments are disclosed in Note 26 to the Financial Statements.				
(c) Other Expenditure Commitments				
Trade creditors				
Not later than one year	1,375	2,746	1,375	2,746
Remuneration commitments				
Not later than one year	581	460	0	0
Later than 1 year and not later than 5 years	196	852	0	0
	777	1,312	0	0

Commitments for expenditure are recorded on a GST inclusive basis. The potential GST credit on the above commitments is \$602,000 (2001 \$5,427,000) for the economic entity and \$511,000 (2001 \$5,427,000) for the parent entity.

24. SUPERANNUATION PLANS

During the 2002 accounting period, the University contributed to the following superannuation schemes:

- > Unisuper
- > The State Superannuation Scheme (SSS)
- > The State Authorities Superannuation Scheme (SASS), and
- > The State Authorities Non-Contributory Superannuation Scheme (SANCS).

State Authorities Superannuation Trustee Corporation (STC)

The State schemes are administered by the State Authorities Superannuation Trustee Corporation (STC). The University maintains a reserve account within the STC to assist in financing the employer contributions to the State schemes.

The 2002 calculation of the liabilities of SSS, SASS and SANCS is based on the full requirements of AASB1028.

The STC actuary has assessed the University's net accrued liability in respect of completed service by contributors of the above State superannuation schemes based on the following assumptions:

	2002/2003	2003/2004	2004/2005	Thereafter
	%	%	%	%
Rate of investment return	7.0	7.0	7.0	7.0
Rate of salary increase	6.5	4.0	4.0	4.0
Rate of CPI increase	2.5	2.5	2.5	2.5

The actuary did not provide a statement as to the effect on the calculation of the liability of the adoption of different values in these assumptions.

The University's liability in respect of each scheme is as follows:

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Gross liability assessed as at 31 December 2002	(17,772,762)	(9,621,079)	(216,816,922)	(244,210,763)
Less Reserve Account balance	16,934,643	7,094,529	93,710,887	117,740,059
[Deficiency]/Surplus as at 31 December 2002	(838,119)	(2,526,550)	(123,106,035)	(126,470,704)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

24. SUPERANNUATION PLANS (CONTINUED)

Unisuper Management Limited

The University contributes to Unisuper for non-academic staff appointed since 1 July 1991 and academic staff appointed since 1 March 1998. Unisuper offers both a defined benefit scheme and an accumulation scheme with a range of investment options.

An actuarial assessment of the present value of future payments to members of the defined benefit scheme was completed in May 2000 and conducted as at 31 December 1999. The economic assumptions used in the assessment were:

	Rate p.a.
Rate of investment return after tax (active members and deferred pensioners)	7.50%
Rate of investment return before tax (current pensioners)	8.00%
Rate of salary increases (non-promotional)	4.50%
Rate of price increases	3.50%

Details of the University's share of the defined benefit scheme assessed by the actuary as at 30 June 2002 are as follows:

	\$'000
Accrued benefits	57,322
Vested benefits	57,322
Net market value of assets	53,319
Net surplus (deficiency)	(4,003)

Unisuper is not considered to be controlled by the University and therefore the deficiency caused by excess of accrued benefits over assets has not been included in the University's accounts.

25. CONTINGENT LIABILITIES

Consequent upon the HIH Insurance Group being placed in provisional liquidation on 16 March 2001, the University may have an exposure to the non-settlement of potential public liability claims. The extent of any potential exposure cannot be estimated.

The University is not aware of any other contingent liabilities.

	Economic Entity [Consolidated]		Parent Entity [University]	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
26. LEASES				
Operating Leases				
Premises				
Within 1 year	3,584	3,656	1,259	1,450
Later than 1 year and not later than 5 years	3,700	4,830	829	2,233
Later than 5 years	1,626	1,245	1,626	1,234
	8,910	9,731	3,714	4,917
Motor vehicles				
Within 1 year	1,021	813	1,021	805
Later than 1 year and not later than 5 years	798	323	798	320
	1,819	1,136	1,819	1,125
Equipment				
Within 1 year	3,319	2,531	3,312	2,508
Later than 1 year and not later than 5 years	3,280	1,679	3,273	1,847
	6,599	4,210	6,585	4,355
	17,328	15,077	12,118	10,397

Operating lease commitments are recorded on a GST inclusive basis. The potential GST credit on the above operating lease commitments is \$1,570,000 (2001 \$1,371,000) for the economic entity and \$1,096,000 (2001 \$945,000) for the parent entity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

27. ECONOMIC DEPENDENCY

The University has no economic dependency on any other economic entity not clearly discernable in the Statement of Financial Performance or Statement of Financial Position.

28. JOINT VENTURE OPERATIONS

The University has not entered into any joint venture arrangements.

29. CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest	
		2002 %	2001 %
Parent Entity			
University of Technology, Sydney	Australia		
Controlled Entities			
Insearch Ltd (company limited by guarantee)	Australia	100	100
Insearch (Shanghai) Ltd	China	100	100
accessUTS Pty Ltd	Australia	100	100

30. RELATED PARTY TRANSACTIONS

(a) Responsible Persons

The names of persons who were responsible persons of the University of Technology, Sydney at any time during the financial year are disclosed in Note 7.

(b) Remuneration

Information on remuneration of responsible persons is disclosed in Note 7.

(c) Transactions with Related Parties in the Wholly Owned Group

The parent entity entered into the following transactions during the period with related parties in the group.

- (1) Donations amounting to \$4,800,000 (2001 \$4,095,000) were paid or payable to the ultimate controlling entity.
- (2) Sale of services and fees \$2,570,721 (2001 \$2,262,000) to the wholly owned University of Technology, Sydney group.

(d) Amounts Due to and Receivable from Related Parties in the Wholly Owned Group

Appropriate disclosure of these amounts is contained in the respective notes to the Financial Statements

(e) Ultimate Controlling Entity

The ultimate controlling entity is the University of Technology, Sydney

31. DISAGGREGATION INFORMATION (CONSOLIDATED)

The consolidated entity operates predominantly in the Higher Education industry. Revenues and results for all other segments are not material.

32. SUBSEQUENT EVENTS

The University is not aware of any subsequent events that have affected the reported result.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Economic Entity [Consolidated]		Parent Entity [University]	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
33. NOTES TO THE STATEMENT OF CASH FLOWS				
Reconciliation of Cash Flow from Operations with Operating Result – after related Income Tax				
Operating result	20,090	13,121	16,478	11,103
Depreciation	15,542	14,124	14,337	13,119
Increase/(decrease) in provisions:				
> Annual leave	2,191	678	2,108	658
> Donation	0	1,095	0	0
> Doubtful debts	(730)	1,538	(729)	1,532
> Long service leave	3,494	1,509	3,749	1,452
> Deferred superannuation	32,708	29,299	32,708	29,299
Decrease/(increase) in receivables	510	1,928	(216)	1,034
Decrease/(increase) in non-current receivables	(32,600)	(28,120)	(32,600)	(28,120)
Decrease/(increase) in prepayments and accrued income	(4,227)	(599)	(4,139)	(553)
Decrease/(increase) in inventories	86	72	86	72
(Decrease)/increase in accounts payable	4,294	654	3,623	695
(Decrease)/increase in income in advance and accrued expenses	(6,773)	5,219	(7,837)	4,752
(Profit)/loss on sale of assets	(761)	22	(795)	20
Goodwill	105	105	0	0
Write back of motor vehicles	0	0	0	0
Capitalisation of previous year's expenditure	0	0	0	0
Change in unrealised foreign exchange gain decrease/(increase)	(92)	0	0	0
Adjustment to accumulated funds at beginning of year	0	0	0	0
Net Cash provided by Operating Activities	33,837	40,645	26,773	35,063

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

34. FINANCIAL INSTRUMENTS

34.1 The following are the University's accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments.

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
Financial Assets			
Cash	9	Cash is recorded at nominal value.	Interest is calculated on the closing daily bank account balances and credited monthly.
Trade receivables	10	Trade receivables are recorded at original invoice amount less provision for doubtful debts.	Terms are 30 days. No interest rate is applied.
Receivables – related parties	10	Receivables – related parties are recorded at original invoice value.	Terms are 30 days. No interest rate is applied.
Term deposits	12	Term deposits are recorded at cost value.	Terms range from 0 to 180 days.
The financial assets listed below are under the management of Macquarie Investment Management Limited. The weighting of the University's investment portfolio is 15% fixed interest securities and 85% cash and short term deposits.			
At call investments	12	At call investments are recorded at cost value.	Interest rate variable.
Bank bills	12	Bank bills are recorded at cost value.	Terms range from 0 to 180 days.
Negotiable certificates of deposit	12	Negotiable certificates of deposit are recorded at cost value.	Terms range from 0 to 180 days invested at variable interest rates.
Fixed interest securities	12	Fixed Interest Securities are recorded at cost value.	Terms range from 1 to 5 years. Interest rates vary from 5.4% to 6.2%.
Government and semi-government bonds	12	Government and Semi-government bonds are recorded at cost value.	Varying terms with maturity dates up to 2015. Interest rate varies from 4.51% to 6.58%.
Financial Liabilities			
Government loan	17	The NSW Treasury Corporation loan is recorded at the principal amount.	Interest only loan for 15 years term and interest rate fixed at 6.41%.
Trade creditors	16	Trade Creditors are recorded at cost.	Terms are 30 days. No interest rate is applied.
Interest rate swap		The Interest Rate Swap is not recognised in the Financial Statements.	The Swap caps the interest rate at 7.50%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

34.2 The following table details the economic entity's exposure to interest rate risk as at 31 December 2002:

2002	Average Yield %	Variable Interest Rate \$'000	Fixed Interest Rate Maturity			Non-interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets							
Cash	4.28	25,750				32	25,782
Investments	5.17						
At call		6,494					6,494
Bank bills			5,951				5,951
Negotiable certificates of deposit		49,545					49,545
Fixed interest securities				1,508			1,508
Government and semi-government bonds			2,094	4,516	3,988		10,598
Receivables	N/A					7,158	7,158
Subtotal		81,789	8,045	6,024	3,988	7,190	107,036
Total Financial Assets		81,789	8,045	6,024	3,988	7,190	107,036
Financial Liabilities							
Government loan	6.41				40,000		40,000
Accounts payable	N/A					7,083	7,083
Subtotal		0	0	0	40,000	7,083	47,083
Total Financial Liabilities		0	0	0	40,000	7,083	47,083

2001	Average Yield %	Variable Interest Rate \$'000	Fixed Interest Rate Maturity			Non-interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets							
Cash	4.71	22,101				47	22,148
Investments	5.41						
At call		55,782					55,782
Bank bills			19,925				19,925
Non-interest bearing deposits						449	449
Negotiable certificates of deposit		13,201					13,201
Fixed interest securities			1,504	1,855			3,359
Government and semi-government bonds				13,082	7,448		20,530
Receivables	N/A					98,282	98,282
Subtotal		91,084	21,429	14,937	7,448	98,778	233,676
Total Financial Assets		91,084	21,429	14,937	7,448	98,778	233,676
Financial Liabilities							
Government Loan	6.41				40,000		40,000
Accounts payable	N/A					2,789	2,789
Subtotal		0	0	0	40,000	2,789	42,789
Total Financial Liabilities		0	0	0	40,000	2,789	42,789

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

34.3 The following table details the net fair value compared to the carrying amount of the economic entity's financial assets and liabilities as at 31 December 2002:

	Carrying Amount		Net Fair Value	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Assets				
Cash	25,782	22,148	25,782	22,148
Investments				
At call	6,494	55,782	6,548	55,899
Bank bills	5,951	19,925	6,044	19,970
Non-interest bearing deposits	0	449	0	449
Negotiable certificates of deposit	49,545	13,201	49,735	13,399
Fixed interest securities	1,508	3,359	1,559	3,461
Government and semi-government bonds	10,598	20,530	10,825	20,662
Receivables	7,158	98,282	7,158	98,282
Subtotal	107,036	233,676	107,651	234,270
Total Financial Assets	107,036	233,676	107,651	234,270
Financial Liabilities				
Government loan	40,000	40,000	40,000	40,000
Accounts payable	7,083	2,789	7,083	2,789
Subtotal	47,083	42,789	47,083	42,789
Total Financial Liabilities	47,083	42,789	47,083	42,789

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

35. ACQUITTAL OF COMMONWEALTH GOVERNMENT FINANCIAL ASSISTANCE 35.1 Teaching and Learning

	Operating Financial Assistance		Parent Entity [University] ONLY Capital Development Pool		Higher Education Contributions Scheme (HECS)		Postgraduate Education Loan Scheme	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid in previous reporting period for current reporting period)	0	0	0	0	3,794	3,398	0	0
Plus Financial Assistance received during reporting period	80,396	81,407	2,610	987	48,287	43,804	7,753	0
Plus contributions actually received from students	0	0	0	0	15,891	15,386	0	0
Less Financial assistance in advance (received in the reporting period for the next reporting period)	0	0	0	0	(3,985)	(3,794)	0	0
Accrual adjustments	0	0	0	0	200	0	921	0
Adjustments to financial assistance received in advance (in previous reporting period)	0	0	0	0	0	0	0	0
Adjustment for over/(under) enrolments	406	0	0	0	0	0	0	0
Adjustment to estimated upfront receipts	0	0	0	0	(819)	(2,248)	0	0
Revenue Attributed to Reporting Period	80,802	81,407	2,610	987	63,368	56,546	8,674	0
Plus Surplus/deficit prior year	556	268	0	0	0	0	0	0
Funds Available for Reporting Period	81,358	81,675	2,610	987	63,368	56,546	8,674	0
Less Expenses for current period	(81,358)	(81,119)	(2,610)	(987)	(63,368)	(56,546)	(8,674)	0
Surplus/Deficit for Reporting Period	0	556	0	0	0	0	0	0
Financial assistance in advance (paid in previous reporting period for current reporting period)	5,941	6,223	0	0	0	0	0	0
Less Financial Assistance in Advance (received in the reporting period for the next reporting period)	(5,255)	(5,941)	0	0	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

35. ACQUITTAL OF COMMONWEALTH GOVERNMENT FINANCIAL ASSISTANCE (CONTINUED)

35.2 Australian Research Council

	Large Grants		Parent Entity [University] ONLY				International Researcher Exchange	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance in advance (paid in previous reporting period for current reporting period)	0	0	0	0	0	0	0	0
Plus: Financial assistance received during reporting period	1,502	1,104	164	189	1,631	1,758	50	9
Less: Financial assistance in advance (received in reporting period for the next reporting period)	0	0	0	0	0	0	0	0
Accrual adjustments	0	0	0	0	0	0	0	0
Revenue Attributed to Reporting Period	1,502	1,104	164	189	1,631	1,758	50	9
Plus: Surplus/deficit prior year	622	457	30	22	1,034	887	6	9
Funds Available for Reporting Period	2,124	1,561	194	211	2,665	2,645	56	18
Less: Expenses for current period	(1,354)	(939)	(160)	(181)	(1,618)	(1,611)	(36)	(12)
Surplus/Deficit for Reporting Period	770	622	34	30	1,047	1,034	20	6
Financial assistance in advance (paid in previous reporting period for current reporting period)	0	0	0	0	0	0	0	0
Less Financial Assistance in Advance (received in the reporting period for the next reporting period)	(176)	0	(12)	0	(128)	0	(4)	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

35. ACQUITTAL OF COMMONWEALTH GOVERNMENT FINANCIAL ASSISTANCE (CONTINUED)

35.3 DEST Research Financial Assistance

	Institutional Grants Scheme		Research Training Scheme		Small Grants		Parent Entity [University] ONLY				
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	Research Infrastructure \$'000	2001 \$'000	Australian Postgraduate Awards \$'000	2002 \$'000	International Postgraduate Research Scholarships \$'000
Financial assistance in advance (paid in previous reporting period for current reporting period)	0	0	0	0	0	0	0	0	0	0	0
<i>Plus:</i> Financial assistance received during reporting period	3,367	2,874	10,179	10,623	0	281	2,020	1,473	1,320	1,285	141
<i>Less:</i> Financial assistance in advance (received in reporting period for the next reporting period)	0	0	0	0	0	0	0	0	0	0	0
Accrual adjustments	0	0	0	0	0	0	0	0	0	0	0
Revenue Attributed to Reporting Period	3,367	2,874	10,179	10,623	0	281	2,020	1,473	1,320	1,285	141
<i>Plus:</i> Surplus/deficit prior year	0	0	0	0	101	95	823	263	131	88	0
Funds Available for Reporting Period	3,367	2,874	10,179	10,623	101	376	2,843	1,736	1,451	1,373	141
<i>Less:</i> Expenses for current period	(3,035)	(2,874)	(10,179)	(10,623)	(81)	(275)	(1,710)	(913)	(1,322)	(1,242)	(128)
Surplus/Deficit for Reporting Period	332	0	0	0	20	101	1,133	823	129	131	13
Financial assistance in advance (paid in previous reporting period for current reporting period)	267	227	814	853	0	0	583	61	0	0	0
<i>Less:</i> Financial Assistance in Advance (received in the reporting period for the next reporting period)	(287)	(267)	(808)	(814)	0	0	(483)	(583)	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

35. ACQUITTAL OF COMMONWEALTH GOVERNMENT FINANCIAL ASSISTANCE (CONTINUED)

35.4 Summary of Unspent Financial Assistance

Category of Financial Assistance	Amount of Unspent Financial Assistance as at 31 December 2002 2002 \$'000	Amount of Unspent Financial Assistance that it is more likely will be Approved by the Commonwealth for Carry Forward 2002 \$'000	Amount of Unspent Financial Assistance that it is more likely will be Recovered by the Commonwealth 2002 \$'000
Teaching and Learning			
Operating, excluding HECS	0	0	0
HECS	0	0	0
PELS	0	0	0
Australian Research Council			
Large research	770	770	0
Research fellowships	34	34	0
SPIRT	1,047	1,047	0
International researcher exchange	20	20	0
Department of Education, Science and Training			
Small grants	20	20	0
Research infrastructure	1,133	1,133	0
Australian postgraduate awards	129	129	0
International postgraduate research scholarships	13	13	0
Total	3,166	3,166	0

36. OTHER ACTIVITIES

Sydney Educational Broadcasting Limited (2SER-FM)

The company is an enterprise jointly funded by Macquarie University and the University of Technology, Sydney to broadcast programs for continuing and adult education and for courses conducted by both Universities. The funding is via a set donation paid on a yearly basis.

The result of operations for the year ended 31 December 2002 was a deficit of \$63,896 (2001 \$44,368 deficit)

Australian Technology Park Innovation Pty Ltd (ATPI)

The ATPI Pty Ltd is an organisation involving the University of Technology, Sydney, Australian National University, University of Sydney and University of New South Wales. The organisation facilitates the incubation of research activity.

End of Audited Financial Statements.

DIRECTORS' DECLARATION

Pursuant to Section 295 (4) of the Corporations Act 2001, we, the directors whose signatures and names appear below, do hereby state that in the opinion of the directors:

- (a) the financial statements and notes for the financial period ending 31 December 2002 have been prepared in accordance with accounting standards, the corporations regulations and other mandatory professional reporting requirements
- (b) the financial statements and notes for the financial period ending 31 December 2002 present a true and fair view of the financial position and performance of the company
- (c) there are reasonable grounds to believe that the company will be able to pay its debts at and when they become due and payable, and
- (d) the financial statements and notes are in accordance with the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Dated this 16th day of April 2003

For and on behalf of the board.



Doreen V Clark
Director



Murray L Laurence
Director

STATEMENT BY APPOINTED OFFICERS

Statement in accordance with the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulations 2000*

Pursuant to the requirements of the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulations 2000, and in accordance with a resolution of the board of directors, we declare that in our opinion:

1. the accompanying financial statements present a true and fair view of the financial position of the company as at 31 December 2002 and transactions for the period then ended, and
2. the statements have been prepared in accordance with section 41B of the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulations 2000. The policies adopted by the company follow accounting standards and other mandatory professional requirements including Urgent Issues Group Consensus Views, the Corporations Act 2001 and other authoritative pronouncements of the Public Sector Accounting Standards Board and/or the Australian Accounting Standards Board.

Further we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Doreen V Clark
Director



Murray L Laurence
Director

16 April 2003

INDEPENDENT AUDIT REPORT



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

INSEARCH LIMITED

To Members of the New South Wales Parliament and Members of Insearch Limited

Audit Opinion

In my opinion, the financial report of Insearch Limited:

- (a) presents fairly Insearch Limited's and the consolidated entity's financial position as at 31 December 2002; and their financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the *Corporations Act 2001*, *Corporations Regulations 2001*, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983*.

The Directors' Role

The financial report of Insearch Limited and the consolidated entity is the responsibility of Insearch Limited's directors. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows and the accompanying notes, and directors' declaration. The consolidated entity comprises the company and the entity controlled at the year's end, or during the financial year.

The Auditor's Role and the Audit Scope

As required by the *Public Finance and Audit Act 1983* and the *Corporations Act 2001*, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament and the members of the company that the financial report is free of *material* misstatement.

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

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

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

INDEPENDENT AUDIT REPORT

My opinion does not provide assurance about the future viability of the company or its controlled entity or that the company or controlled entity have carried out their activities effectively, efficiently and economically.

My audit opinion was formed on the above basis.

Audit Independence

The Audit Office complies with all professional independence requirements. The *Public Finance and Audit Act 1983* further promotes independence by:

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



A T Whitfield FCA
Deputy Auditor-General

23 April 2003
SYDNEY

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Note	Consolidated		Parent Entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from ordinary activities	3	38,209	33,165	35,931	31,105
Share of net profits from joint venture accounted for using the equity method	9(b)	251	130	251	130
Total Revenue		38,460	33,295	36,182	31,235
Employee benefits expense	5(a)	(12,784)	(12,227)	(12,590)	(12,114)
Depreciation and amortisation expenses	5(b)	(1,307)	(1,111)	(1,266)	(1,077)
Other expenses from ordinary activities	5(c)	(21,031)	(17,939)	(18,807)	(16,478)
Total Expenses		35,122	31,277	32,663	29,669
Profit from Ordinary Activities before Income Tax Expense		3,338	2,018	3,519	1,566
Income tax expense	2(b)	-	-	-	-
Net Profit attributable to Members of Insearch Limited		3,338	2,018	3,519	1,566
Increase (decrease) in foreign currency translation reserve	4(b)	(97)	-	-	-
Total Revenues, Expenses and Valuation Adjustments attributable to Members of Insearch Limited recognised directly in Equity	4(b)	(97)	-	-	-
Total Changes in Equity other than those resulting from Transactions with Owners as Owners		3,241	2,018	3,519	1,566

The accompanying Notes form part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2002

	Note	Consolidated		Parent Entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current Assets					
Cash assets	16	22,924	19,181	22,124	18,057
Receivables	6	730	980	885	980
Other financial assets	7	332	154	320	141
Total Current Assets		23,986	20,315	23,329	19,178
Non-current Assets					
Investments accounted for using the equity method	9	497	155	497	155
Plant and equipment	10	5,117	2,544	4,857	2,226
Intangible assets	2(i), 11	662	738	662	738
Other financial assets	8	1,333	1,792	2,275	2,770
Total Non-current Assets		7,609	5,229	8,291	5,889
Total Assets		31,595	25,544	31,620	25,067
Current Liabilities					
Payables	12	2,349	1,735	2,480	1,720
Provisions	14	5,537	4,557	5,537	4,557
Other	13	9,357	7,913	9,425	7,903
Total Current Liabilities		17,243	14,205	17,442	14,180
Non-current Liabilities					
Provisions	15	203	431	203	431
Total Non-current Liabilities		203	431	203	431
Total Liabilities		17,446	14,636	17,645	14,611
Net Assets		14,149	10,908	13,975	10,456
Equity					
Retained profits	4(a)	14,246	10,908	13,975	10,456
Foreign currency translation reserve	4(b)	(97)	-	-	-
Total Equity		14,149	10,908	13,975	10,456

The accompanying Notes form part of the Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Note	Consolidated		Parent Entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cash Flows from Operating Activities					
Receipts from customers (inclusive of goods and services tax)		39,208	33,222	36,743	31,182
Donation paid to the University of Technology, Sydney		(4,092)	(3,000)	(4,092)	(3,000)
Payments to suppliers and employees (inclusive of goods and services tax)		(30,241)	(25,533)	(27,792)	(23,984)
		4,875	4,689	4,859	4,198
Dividends received		-	-	231	-
Interest received		915	893	907	886
Joint venture partnership distributions received		251	-	251	-
Goods and services tax refund		986	-	986	-
Net Cash Inflow from Operating Activities	17	7,027	5,582	7,234	5,084
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(3,105)	(1,552)	(3,088)	(1,199)
Payments for investments		(207)	(193)	(207)	(1,172)
Proceeds from sale of property, plant and equipment		128	187	128	187
Proceeds from sale of investments		-	-	-	-
Net Cash Inflow (Outflow) from Investing Activities		(3,184)	(1,558)	(3,167)	(2,184)
Net Increase (Decrease) in Cash Held		3,843	4,024	4,067	2,900
Cash at the beginning of the year		19,181	15,157	18,057	15,157
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the year		(100)	-	-	-
Cash at end of year	16	22,924	19,181	22,124	18,057

The accompanying Notes form part of the Financial Statements.

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

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NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

1. THE COMPANY

Insearch Limited is a public company, limited by guarantee, having no share capital. The University of Technology, Sydney, provides this guarantee. The company is incorporated and domiciled in Australia, its registered office and principal place of business is Level 2, 187 Thomas Street, Haymarket, NSW, 2000. The company provides education services in English language, business, information technology and other disciplines to Australian and international students, in Australia and offshore. The company has a wholly owned entity Insearch (Shanghai) Limited operating in the People's Republic of China (PRC).

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The attached accounts are general purpose financial reports. The accounts of the company have been prepared in accordance with the requirements of the AASB1018 'Statement of Financial Performance', AASB1034 'Financial Report Presentation and Disclosures' and AASB1040 'Statement of Financial Position'. The accounts comply with s. 41B of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2000*. The policies adopted by the company follow accounting standards and other mandatory professional reporting requirements including Urgent Issues Group Consensus Views, the *Corporations Act 2001* and other authoritative pronouncements of the Australian Accounting Standards Board. The accounts have been prepared in accordance with the historical costs convention and accrual accounting and have not been adjusted to record changes in the general purchasing power of the dollar or changes in the price of specific assets.

Unless otherwise stated the accounting policies are consistent with those adopted in the previous year.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Insearch Limited (parent entity) as at 31 December 2002 and the results of all controlled entities for the year then ended. Insearch Limited and its controlled entity (Insearch (Shanghai) Limited) together are referred to in this financial report as the consolidated entity. The effects of all transactions between these entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(b) Income Tax

No income tax has been provided in the attached accounts as the company is exempt from income tax under ss. 50–55 of the *Income Tax Assessment Act 1997*.

(c) Receivables

A provision for doubtful debts is raised based on a review of all outstanding amounts at year end. Bad debts are written off in the year they are identified. Trade debtors are recognised at the amounts receivable as they are usually settled within 30 days.

(d) Investments

All Investments in the financial statements are shown at cost, except for managed funds, which are shown at recoverable value.

The interest in a joint venture is accounted for as set out in Note 2(l).

(e) Foreign Currency Transactions

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

(ii) Foreign operations

The assets and liabilities of the company's self-sustaining foreign operations are translated into Australian currency at rates of exchange current at balance date, while their revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve under the current rate method.

(f) Revenue Recognition

(i) Education income

Income is recognised on a pro-rata basis over the period of instruction as per AASB1004 'Revenue'.

(ii) Consulting income

The company recognises income when invoices are raised. For long-term consultancies profit is recognised in the period in which it occurs, provided that profit is virtually certain.

(iii) Income from outside operating activities

Income from outside operating activities includes interest, grants and proceeds from the sale of assets. Interest income is recognised as it accrues.

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

(g) Depreciation of Property, Plant and Equipment

Non-current assets are depreciated over their estimated useful lives to the company using the straight line method. Depreciation periods are five years for furniture and fittings and motor vehicles and three to five years for office equipment.

Profit and loss on the disposal of plant and equipment is taken into account in determining the operating result for the year.

(h) Leases

Operating lease payments are charged against income in the periods in which they are incurred. Lease commitments are recorded on a GST inclusive basis with the input tax recoverable from the Australian Taxation Office.

(i) Intangible Assets

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill. The goodwill is amortised on a straight line basis over the period during which benefits are expected to arise, which is currently 10 years.

(ii) Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight line basis over the periods of their expected benefits, which vary from three to five years.

(j) Trade and Other Creditors

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

(k) Financial Instruments

The net fair value of cash, cash equivalents, other financial assets and financial liabilities shown in the statement of financial position approximates their carrying value.

Classes of instruments recorded at cost comprise: cash assets, investments, receivables and trade and other creditors.

In accordance with AASB1033 'Presentation and Disclosure of Financial Instruments' information is disclosed in Note 20, in respect of the credit risk and interest rate risk of financial instruments. All such amounts are carried in the accounts at net fair value unless otherwise stated.

(l) Joint Ventures

The interest in a joint venture is accounted for using the equity method. Under this method, the share of the profits or losses of the joint venture is recognised in the statement of financial performance, whilst the share of retained earnings is recognised in the statement of financial position.

(m) Employee Entitlements

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) Long service leave

The amounts expected to be paid to employees with service over five years for their pro-rata entitlement to long service leave are accrued annually at current pay rates having regard to experience of employees departures and period of service. The amounts calculated using these methods do not vary materially from those that would have resulted from applying AASB1028 'Accounting for Employee Entitlements'.

(iii) Superannuation

The amount charged to the statement of financial performance represents contributions made by the company to the superannuation fund.

(n) Cash

For the purpose of the statement of cash flows, cash is represented by cash on hand, cash at banks and deposits at call with financial institutions. The deposits have a floating interest of approximately 4.33% (2001: 4.74%).

(o) Rounding of Amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commissions, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless shown otherwise.

(p) Comparative Figures

Where necessary, comparative previous year figures have been adjusted to conform with changes in presentation in the current year.

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
3. REVENUE				
Revenue from operating activities				
Fees	35,919	29,890	33,419	27,837
Consulting and other	765	2,109	764	2,109
	36,684	31,999	34,183	29,946
Revenue from outside the operating activities				
Interest	915	900	907	893
Sale of non-current assets	128	187	128	187
Export market development grant	84	79	84	79
Dividends from Insearch (Shanghai) Limited	-	-	231	-
Write back of provision for long service leave	312	-	312	-
Other	86	-	86	-
	1,525	1,166	1,748	1,159
Revenue from ordinary activities	38,209	33,165	35,931	31,105
4. RETAINED PROFITS AND RESERVES				
(a) Retained Profits				
Retained profits at the beginning of the financial year	10,908	8,890	10,456	8,890
Profit from operating activities	3,338	2,018	3,519	1,566
Retained Profits at the end of the year	14,246	10,908	13,975	10,456
(b) Reserves				
Foreign currency translation reserve at the beginning of the year	-	-	-	-
Translation of foreign operations	(97)	-	-	-
Reserves at the end of the year	(97)	-	-	-
5. EXPENSES FROM ORDINARY ACTIVITIES				
(a) Employee Benefits Expense				
> Salaries and wages	11,005	10,391	10,811	10,278
> Superannuation	822	841	822	841
> Payroll tax	587	612	587	612
> Other	370	383	370	383
Total Employee Benefits Expense	12,784	12,227	12,590	12,114
(b) Depreciation and Amortisation Expense				
Depreciation				
> Office equipment	642	546	637	543
> Furniture and fittings	431	338	404	316
> Motor vehicles	115	107	106	98
Total Depreciation	1,188	991	1,147	957
Amortisation				
> Goodwill	105	105	105	105
> Patents and trademarks	14	15	14	15
Total Amortisation	119	120	119	120
Total Depreciation and Amortisation	1,307	1,111	1,266	1,077

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
[c] Other Expenses from Ordinary Activities				
> Donation to University of Technology, Sydney	4,997	4,095	4,997	4,095
> Occupancy	3,063	2,380	2,923	2,291
> Agents commissions	2,270	2,060	2,270	2,060
> Educational expenses	3,709	2,469	1,794	1,269
> University of Technology, Sydney library costs	669	646	669	646
> Carrying value of plant and equipment sold	139	-	139	-
> Bad and doubtful debts	(16)	6	(16)	6
> (Gain)/loss on foreign exchange	35	(1)	35	(1)
> Other	6,165	6,284	5,996	6,112
Total Other Expenses from Ordinary Activities	21,031	17,939	18,807	16,478

6. CURRENT ASSETS – RECEIVABLES

Trade debtors	127	531	282	531
Less: provision for doubtful debts	14	35	14	35
	113	496	268	496
Other debtors	617	484	617	484
Total Receivables	730	980	885	980

7. CURRENT ASSETS – OTHER FINANCIAL ASSETS

Prepayments	75	94	63	94
Other	257	60	257	47
Total Other Financial Assets	332	154	320	141

8. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Investments in managed funds	1,333	1,498	1,333	1,498
Insearch (Shanghai) Limited	-	-	942	978
Other	-	294	-	294
Total Non-current Other Financial Assets	1,333	1,792	2,275	2,770

9. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Joint venture with:

> University of Technology, Sydney, IELTS	153	93	153	93
> Northeastern University China, ACIB	62	62	62	62
> IDP Education Australia (Vietnam)	207	-	207	-
> Shanghai University, SILC	75	-	75	-
Total Investments Accounted for using the Equity Method	497	155	497	155

The company has an interest in several joint ventures within the PRC, Australia and Vietnam, for which investments are carried at cost.

(i) International English Language Testing System (IELTS) Joint Venture

This is a joint venture between Insearch Limited and the University of Technology, Sydney, to operate the 'IELTS Sydney Test Centre' and 'Prepare for IELTS'. The investment is a 50% share of retained earnings. There are no substantial assets or liabilities and the share of any profit is not material to Insearch Limited.

(ii) Australia China Institute of Business (ACIB)

This is a joint venture between Insearch Limited and Northeastern University China, to provide English language and business courses. Insearch Limited is entitled to repatriation of direct expenses and management fees. The entity does not have substantial assets or liabilities.

(iii) IDP joint venture in Vietnam (IDP)

This is a joint venture between Insearch Limited and IDP Education Australia (Vietnam) Limited to deliver International English Language Testing System (IELTS) Preparatory and General English classes in Vietnam. This investment is a 40% share of retained earnings and does not have substantial assets or liabilities.

(iv) Sydney Institute of Language and Commerce (SILC)

This is a joint venture between Insearch Limited and Shanghai University, to provide English language and business courses. Insearch Limited is entitled to repatriation of direct expenses and management fees.

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

9. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Reconciliations

	Sydney Institute of Language and Commerce \$'000	Australia China Institute of Business \$'000	Investment with IDP in Vietnam \$'000	IELTS \$'000	Total \$'000
Joint Venture Partnerships					
(b) Parent Entity and Consolidated					
Carrying amount at start of year	–	62	–	93	155
Additional investments	75	–	207	60	342
Distribution received	(251)	–	–	–	(251)
Share of profit	251	–	–	–	251
Carrying amount at end of year	75	62	207	153	497
(c) Share of Assets and Liabilities of Joint Venture					
Current assets	75	62	207	131	475
Non-current assets	–	–	–	22	22
Current liabilities	–	–	–	–	–
Non-current liabilities	–	–	–	–	–
Share of Net Assets	75	62	207	153	497

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000

10. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

Office equipment at cost	4,332	2,139	4,275	2,090
Less accumulated depreciation	1,704	1,098	1,696	1,095
Carrying value	2,628	1,041	2,579	995
Furniture and fittings at cost	3,272	1,905	3,098	1,717
Less accumulated depreciation	1,290	856	1,240	834
Carrying value	1,982	1,049	1,858	883
Motor vehicles at cost	650	560	545	445
Less accumulated depreciation	143	106	125	97
Carrying value	507	454	420	348
Total plant and equipment at cost	8,254	4,604	7,918	4,252
Less accumulated depreciation	3,137	2,060	3,061	2,026
Carrying value of Plant and Equipment	5,117	2,544	4,857	2,226

Reconciliations

Reconciliations of the carrying amounts of each class of asset at the beginning and end of the current and previous financial year are set out below.

	Furniture and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Total \$'000
Consolidated 2002				
Carrying amount at start of year	1,049	1,041	454	2,544
Additions	1,414	2,229	257	3,900
Disposals	(50)	–	(89)	(139)
Depreciation	(431)	(642)	(115)	(1,188)
Carrying amount at end of year	1,982	2,628	507	5,117
Parent Entity 2002				
Carrying amount at start of year	883	995	348	2,226
Additions	1,429	2,221	267	3,917
Disposals	(50)	–	(89)	(139)
Depreciation	(404)	(637)	(106)	(1,147)
Carrying amount at end of year	1,858	2,579	420	4,857

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
11. NON-CURRENT ASSETS – INTANGIBLE ASSETS				
Goodwill at cost	1,055	1,055	1,055	1,055
Less accumulated amortisation	422	317	422	317
Carrying amount	633	738	633	738
Patents and trademarks	68	–	68	–
Less accumulated amortisation	39	–	39	–
Carrying amount	29	–	29	–
Total Intangible Assets	662	738	662	738

12. CURRENT LIABILITIES – PAYABLES

Trade creditors	426	346	398	346
University of Technology, Sydney	1,768	1,351	1,768	1,351
Other creditors	155	38	314	23
Total Payables	2,349	1,735	2,480	1,720

13. CURRENT LIABILITIES – OTHER

Accrued expenses	1,704	1,648	1,721	1,130
Other	375	528	426	1,036
Student fees received in advance	4,704	3,809	4,704	3,809
Prepaid course fees	2,574	1,928	2,574	1,928
Total Other	9,357	7,913	9,425	7,903

14. CURRENT LIABILITIES – PROVISIONS

Provision for donation to the University of Technology, Sydney	5,000	4,095	5,000	4,095
Provision for holiday pay	537	462	537	462
Total Current Provisions	5,537	4,557	5,537	4,557

15. NON-CURRENT LIABILITIES – PROVISIONS

Provision for long service leave	203	431	203	431
Total Provision for Long Service Leave	203	431	203	431

Long service leave and holiday pay provisions are recognised per Note 2(m).

The number of full-time staff at 31 December 2002 was 120 (2001: 130); part-time and casuals numbered 172 (2001: 152).

16. RECONCILIATION OF CASH BALANCE

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and money market investments readily convertible to cash, net of outstanding bank overdrafts.

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cash Balance Represented by:				
> Cash at bank	4,046	2,943	3,246	1,819
> Deposits at call	11,600	10,501	11,600	10,501
> Savings account	7,278	5,737	7,278	5,737
	22,924	19,181	22,124	18,057

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
17. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES TO NET CASH INFLOW FROM OPERATING ACTIVITIES				
Profit from Ordinary Activities	3,338	2,018	3,519	1,566
Depreciation	1,188	1,005	1,147	971
Amortisation	119	105	119	105
Gain/(loss) on sale of assets	(11)	2	(11)	2
Gain/(loss) on foreign exchange	-	-	-	-
Doubtful debts provision	(21)	6	(21)	6
Changes in Assets and Liabilities				
Receivables	271	657	(275)	657
Other financial assets	(178)	(46)	(179)	(33)
Other investments	(490)	-	(490)	-
Accounts payable	597	196	601	181
Foreign currency revaluation reserve	(50)	-	-	-
Provisions	752	1,172	752	1,172
Other	1,512	467	1,522	457
Net Cash from Operating Activities	7,027	5,582	7,234	5,084

18. SUPERANNUATION

Insearch Limited contributes to several superannuation funds on behalf of employees admitted as members to these funds. All funds are of the defined contribution type and do not require an actuarial valuation to be performed. The funds to which the company contribute to are:

(a) AMP Mobile Superannuation Plan

Employees are entitled to join this plan after employment for a qualifying period. The plan provides benefits on retirement, disability or death. Employees contribute to the plan at various percentages of their wages and salaries, and the company contributes to the plan.

(b) Other Funds

Employees covered under the Government Superannuation Guarantee Scheme are entitled to have the company contribute at 9% of ordinary earnings. Employees covered by this scheme are entitled to benefits on retirement, disability or death, and members can make voluntary contributions.

19. AUDIT FEES – AUDIT OF FINANCIAL REPORT

	2002 \$'000	2001 \$'000
The Audit Office of NSW		
> Audit of financial report	35	29

20. FINANCIAL INSTRUMENTS (NOTE 2(K))

(a) Credit Risk

The credit risk on financial assets of the company recognised in the statement of financial position is generally the carrying amount, net of any provision for doubtful debts. The company's maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the financial statements.

(b) Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The company's exposure to interest rate risk and the effective weighted average interest rate for financial assets is set out below. There is no interest rate risk for financial liabilities.

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

20. FINANCIAL INSTRUMENTS (NOTE 2(K)) (CONTINUED)

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Assets				
Cash (Note 2(n))	22,924	19,181	22,124	18,057
	22,924	19,181	22,124	18,057
Floating interest rate				
Weighted average interest calculated monthly	4.33%	4.74%		
Receivables – non-interest bearing	730	980	885	980
Other financial assets – floating interest	1,333	1,792	2,275	2,770
Investments accounted for using the equity method	497	155	497	155
	2,560	2,927	3,657	3,905

Cash and the majority of investments are held within the banking system, receivables are held with other organisations.

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financial Liabilities				
Accounts payable	2,349	1,735	2,480	1,720
Other payable	9,357	7,913	9,425	7,903
	11,706	9,648	11,905	9,623
Reconciliation of Net Financial Assets to Net Assets				
Net financial assets as above	13,778	12,460	13,876	12,339
Non-financial assets				
> Current other financial assets	332	154	320	141
> Plant and equipment	5,117	2,544	4,857	2,226
> Intangible assets	662	738	662	738
> Provisions	(5,740)	(4,988)	(5,740)	(4,988)
	14,149	10,908	13,975	10,456

Net fair value of financial assets and liabilities approximates their carrying value.

21. REMUNERATION OF DIRECTORS

	2002 \$'000	2001 \$'000
(a) Income paid or payable, or otherwise made available, to directors of the company by the company for the year ended 31 December 2002	423	368

(b) The number of directors whose income received from the company was within the following bands:

\$	Numbers 2002	Numbers 2001
0–9,999	2	3
10,000–19,999	1	4
20,000–29,999	3	1
30,000–39,999	1	–
270,000–279,999	–	1
300,000–309,999	1	–

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

22. RELATED PARTIES

(a) Directors

The names of persons who were directors at any time during the year were D V Clark, R J Hill, M L Laurence, A R Moon, K J Rennie, R W Robertson, W H Wright, and K L Woodthorpe.

(b) Remuneration and Retirement Benefits

Information on remuneration and retirement benefits of directors is disclosed in Note 21.

(c) Other Transactions with Directors and Director-related Entities

- (i) A director, R J Hill, is a director of Hillandip Pty Limited. Insearch Limited entered into a contract with Hillandip Pty Limited during the year for the provision of R J Hill's services as a director of Insearch Limited. The contract was based on normal commercial terms and conditions.
- (ii) A director, W H Wright, is a director of W. Wright Investments Pty Ltd. Insearch Limited entered into a contract with W. Wright Investments Pty Ltd during the year for the provision of W H Wright's services as a director of Insearch Limited. The contract was based on normal commercial terms and conditions.
- (iii) A director, K L Woodthorpe, is a director of People & Innovation Corporate Advisers Pty Ltd. Insearch Limited entered into a contract with People & Innovation Corporate Advisers Pty Ltd during the year for the provision of K L Woodthorpe's services as a director of Insearch Limited. The contract was based on normal commercial terms and conditions.

Aggregate amount of remuneration and retirement benefits of directors and their director-related entities is disclosed in Note 21.

(d) Wholly Owned Group

- (i) The parent entity in the wholly owned group is Insearch Limited. The ultimate parent entity is the University of Technology, Sydney, which acts as guarantor for the parent entity. Insearch Limited entered into the following transactions during the period with the University of Technology, Sydney:
 - > donation amounting to \$5,000,000 is payable (2001: \$4,000,000)
 - > donation for Technology Group Development \$91,000 (2001: \$95,000)
 - > sales of services and fees \$2,570,721 (2001: \$2,262,000).
- (ii) The wholly owned group consists of Insearch Limited and its wholly owned controlled entity, Insearch (Shanghai) Limited, which is 100% owned by Insearch Limited referred to in Note 2(a). Insearch Limited entered into the following transactions during the period with Insearch (Shanghai) Limited:
 - > profit remitted to Insearch Limited \$231,000 (2001: nil)
 - > consultancy expenses \$480,000 (2001: \$360,000).
- (iii) accessUTS Pty Ltd is considered a commonly owned entity to Insearch Limited and the University of Technology, Sydney. Insearch Limited entered into the following transactions during the period with accessUTS:
 - > accessUTS income \$18,645 (2001: \$1,312,398)
 - > consulting income \$22,987 (2001: \$233,952)
 - > salaries and overhead expenses \$42,279 (2001: \$1,110,272).

23. CONTINGENT LIABILITIES

In accordance with Australian Accounting Standard AASB1044 'Provisions, Contingent Liabilities and Contingent Assets', the company's contingent liabilities at balance date consisted of:

	2002 \$'000	2001 \$'000
> Restructure of the management	150	-
> Market research offshore	180	-

24. COMMITMENTS

(a) Capital Commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable with the input tax recoverable from the Australian Taxation Office \$10,000 (2001: nil).

	2002 \$'000	2001 \$'000
> Not later than one year	1,100	-
> Later than one year but not later than five years	-	-

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

24. COMMITMENTS (CONTINUED)

(b) Lease Commitments

Commitments for minimum lease payments, in relation to non-cancellable operating leases, contracted for at the reporting date but not recognised as liabilities, payable with the input tax recoverable from the Australian Taxation Office.

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
> Not later than one year	2,324	2,412	2,163	2,247
> Later than one year but not later than five years	2,871	2,835	2,775	2,657
Total inclusive of GST	5,195	5,247	4,938	4,904
Input Tax Recoverable from the Australian Taxation Office	472	477	449	446

(c) Remuneration Commitments

Commitments for payment of salaries under employment contracts not recognised as liabilities.

	2002	2001
	\$'000	\$'000
> Not later than one year	758	460
> Later than one year but not later than five years	551	852

(d) Other Expenditure Commitments

	2002	2001
	\$'000	\$'000
Commitments for trade creditors contracted for at the reporting date but not recognised as liabilities, payable with the input tax recoverable from the Australian Taxation Office	-	-

25. SEGMENT INFORMATION

(a) Business Segments

The company operates in the field of education.

(b) Geographic Segments

The company operates predominantly in Australia. The company also operates in the People's Republic of China (PRC) and other areas of South East Asia.

	Segment revenues		Segment assets		Acquisition of property, plant and equipment, intangibles and other non-current segment assets	
	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australia	34,212	30,339	30,197	23,546	2,655	127
PRC	4,224	2,717	1,398	1,998	(57)	318
Other countries	24	239	-	-	-	-
	38,460	33,295	31,595	25,544	2,598	445

End of Audited Financial Statements.

DIRECTORS' DECLARATION

The directors declare that the Financial Statements and Notes set out on pages xx to xx:

- (a) comply with Accounting Statements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's financial position as at 31 December 2002 and of its performance, as represented by the results of its operations and cash flows for the financial year ended on that date.

In the directors' opinion:

- (a) the Financial Statements and Notes thereto are in accordance with the *Corporations Act 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the company will be able to meet any obligations or liabilities to which it is, or may become liable.

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



Professor Peter Booth
Director



Professor Archie Johnston
Director

Sydney
22 April 2003

STATEMENT BY APPOINTED OFFICERS

Statement in accordance the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulations 2000*

Pursuant to the requirements of the *Public Finance and Audit Act 1983*, and in accordance with a resolution of the board of directors, we declare that in our opinion:

1. the accompanying financial statements present a true and fair view of the financial position of the company as at 31 December 2002 and transactions for the period then end;
2. the statements have been prepared in accordance with s.41B of *Public Finance and Audit Act 1983*, *Public Finance and Audit Regulations 2000*. The policies adopted by the company following Accounting Standards and other mandatory professional requirements including Urgent Issues Group Consensus Views, the *Corporations Act 2001* and other authoritative pronouncements of the Public Sector Accounting Standards Board and/or the Australian Accounting Standards Board.

Further we are not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.



Professor Peter Booth
Director



Professor Archie Johnston
Director

Sydney
22 April 2003

INDEPENDENT AUDIT REPORT



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

accessUTS PTY LIMITED

To Members of the New South Wales Parliament and Members of accessUTS Pty Limited

Audit Opinion

In my opinion, the financial report of accessUTS Pty Limited:

- (a) presents fairly the company's financial position as at 31 December 2002; and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the *Corporations Act 2001*, *Corporations Regulations 2001*, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983*.

The Directors' Role

The financial report is the responsibility of the company's directors. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes, and directors' declaration.

The Auditor's Role and the Audit Scope

As required by the *Public Finance and Audit Act 1983* and the *Corporations Act 2001*, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament and the members of the company that the financial report is free of *material* misstatement.

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

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

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

My opinion does not provide assurance about the future viability of the company or that the company has carried out its activities effectively, efficiently and economically.


My audit opinion was formed on the above basis.

INDEPENDENT AUDIT REPORT

Audit Independence

The Audit Office complies with all professional independence requirements. The *Public Finance and Audit Act 1983* further promotes independence by:

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



A T Whitfield FCA
Deputy Auditor-General

SYDNEY
22 April 2003

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Note	2002 \$
Revenue from ordinary activities	2	2,139,355
Employee benefits expense	3(a)	(230,904)
Depreciation and amortisation expense		(3,291)
Other expenses from ordinary activities	3(b)	(1,906,967)
Loss from ordinary activities before income tax expense		(1,807)
Income tax expense relating to ordinary activities	4	(185)
Loss from ordinary activities after related income tax expense		(1,992)
Net loss		(1,992)
Increase/(decrease) in asset revaluation reserve		-
Total Revenue, Expense and Valuation Adjustments recognised directly in Equity		-
Total Changes in Equity other than those resulting from Transactions with Owners as Owners		(1,992)

The above Statement of Financial Performance should be read in conjunction with the accompanying Notes.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2002

	Note	2002 \$
Current Assets		
Cash assets	5	488,585
Receivables	6	621,639
Other	7	34,731
Total Current Assets		1,144,955
Non-current Assets		
Property, plant and equipment	8	15,293
Other financial assets	9	67
Deferred tax asset	10	16,736
Total Non-current Assets		32,096
Total Assets		1,177,051
Current Liabilities		
Payables	11	1,058,872
Current tax liabilities	12	16,921
Provisions	13	23,130
Other	14	45,119
Total Current Liabilities		1,144,042
Non-current Liabilities		
Non-interest bearing liabilities	15	35,000
Total Non-Current Liabilities		35,000
Total Liabilities		1,179,042
Net Liabilities		(1,991)
Equity		
Contributed equity	16	1
Accumulated losses	17	(1,992)
Total Equity		(1,991)

The above Statement of Financial Position should be read in conjunction with the accompanying Notes.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	Note	2002 \$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)		1,446,958
Payments to suppliers and employees (inclusive of goods and services tax)		(1,084,764)
GST refund received from the Australian Taxation Office		65,380
Interest received		7,401
Net Cash provided by Operating Activities	18	434,975
Cash flows from investing activities		
Payments for investment securities		(67)
Payments for property, plant and equipment		(5,360)
Proceeds from acquisition of business		64,322
Payment for business		(40,285)
Net Cash provided by/(used in) Investing Activities		18,610
Cash flows from financing activities		
Proceeds from borrowings		35,000
Net Cash provided by/(used in) Financing Activities		35,000
Net increase in cash held		488,585
Cash at the beginning of the financial year		-
Cash at the End of the Financial Year	5	488,585

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

(a) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement in no more than 30 days.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(c) Cash

For the purpose of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(d) Trade and Other Creditors

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

(e) Depreciation of property plant and equipment

Depreciation is calculated on a diminishing value basis so as to write-off the net cost of each item of property, plant and equipment over its expected useful life which is estimated as:

Computer software	3.75 years
Fixtures and fittings	7.5–13.3 years
Office equipment	6 years

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense, or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables.

(g) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(h) Revenue Recognition

Revenue from consulting fees is recognised on an accruals basis.

Revenue from interest is recognised when accrued.

(i) Investments

Interests in listed and unlisted securities are brought to account at cost and dividend income is recognised in the statement of financial performance, when received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

(j) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(k) Employee entitlements

(i) Wages and salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) Bonuses

A liability for bonuses is recognised, and is measured according to employee contracts.

(iii) Superannuation

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

(l) Acquisition of Business

The company acquired the business from Insearch Limited on 2 January 2002, for cash proceeds of \$24,037 (refer note 27).

(m) Going Concern

As at 31 December 2002, the company has a deficiency of capital in the amount of \$1,991. This resulted from an operating loss during the financial year ending on that date. The shareholder has undertaken to provide sufficient financial assistance to the company, as and when it is needed, to enable the company to continue its operations and fulfil its financial obligations.

2. REVENUE

	2002 \$
Revenue from operating activities	
> Consulting fees	2,127,347
	2,127,347
Revenue from outside the operating activities	
> Other	4,607
> Interest	7,401
	12,008
Total Revenue from Ordinary and Outside Operating Activities	2,139,355

3. LOSS FROM ORDINARY ACTIVITIES

	2002 \$
(a) Employee Benefits Expense	
Salary and wages	166,706
Superannuation	14,025
Other	50,173
	230,904
(b) Other Expenses from Ordinary Activities	
Consultancy fees	1,683,756
General and administration expenses	192,378
Other expenses	30,833
	1,906,967

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

4. INCOME TAX EXPENSE

The income tax benefit for the financial year differs from the amount calculated on the result. The differences are reconciled as follows:

	2002 \$
Loss from ordinary activities before income tax benefit	(1,807)
Income tax benefit calculated at 30%	(542)
<i>Add:</i> Tax effect of permanent differences	727
Income tax expense adjusted for permanent differences	185
<i>Add:</i> Tax effect of timing differences	
Provision for annual leave	2,332
Provision for doubtful debts	6,000
Provision for fringe benefits tax	206
Accrued expenses	3,058
Provision for bonuses	4,401
Superannuation accrued	739
	16,736
Income tax expense adjusted for timing differences	16,921
Future income tax benefit brought to account at 31 December 2002	(16,736)
Income Tax Expense	185
Income tax expense comprises:	
Current tax provision	16,921
Future income tax benefits	(16,736)
	185

5. CURRENT ASSETS – CASH

	2002 \$
Bank	488,440
Cash on hand	145
	488,585

Reconciliation of Cash

Cash at the end of financial year as shown in the Statement of Cash Flows is reconciled to items in the balance sheet, as follows:

	2002 \$
Bank	488,440
Cash on hand	145
	488,585

6. CURRENT ASSETS – RECEIVABLES

Trade debtors	641,639
<i>Less:</i> Provision for doubtful debts	(20,000)
	621,639

7. CURRENT ASSETS – OTHER

GST refund due	30,031
Prepayments	2,360
Deferred expenditure	2,340
	34,731

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

8. PROPERTY, PLANT AND EQUIPMENT

	Staff amenities \$'000	Furniture and fittings \$'000	Computer software \$'000	Total \$'000
Carrying amount at 1 January 2002	-	-	-	-
Additions	115	13,109	5,360	18,584
Depreciation / amortisation expense (Note 3)	(115)	(1,608)	(1,568)	(3,291)
Carrying amount at 31 December 2002	-	11,501	3,792	15,293

2002
\$

9. OTHER FINANCIAL ASSETS

Shares in Sunshine Heart Company Pty Limited – at cost	67
	67

The company holds 66,757 ordinary \$0.001 shares in the capital of Sunshine Heart Company Pty Limited.

2002
\$

10. DEFERRED TAX ASSET

Future income tax benefit	16,736
	16,736

11. CURRENT LIABILITIES – PAYABLES

Trade creditors	210,920
Payables to parent entity	832,685
Superannuation	2,463
Accrued expenses	12,804
	1,058,872

12. CURRENT LIABILITIES – CURRENT TAX LIABILITIES

Income tax	16,921
	16,921

13. CURRENT LIABILITIES – PROVISIONS

Fringe benefits tax	687
Bonuses	14,671
Annual leave	7,772
	23,130

14. CURRENT LIABILITIES – OTHER

Customer deposits	45,119
	45,119

15. NON-CURRENT LIABILITIES – NON-INTEREST BEARING LIABILITIES

Unsecured loan from parent entity	35,000
	35,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

	2002 \$
16. CONTRIBUTED EQUITY	
(a) Share Capital	
Ordinary Shares – Fully Paid	1

(b) Movements in Ordinary Share Capital:

	No.	2002 \$
Fully paid ordinary share capital		
Issue of shares – 10 December 2001	1	1
Balance at end of financial year	1	1

(c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds are winding up of the company in proportion to the number of and amount paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	2002 \$
17. ACCUMULATED LOSSES	
Accumulated losses at the beginning of the financial year	–
Loss for the year	(1,992)
Accumulated Losses at the end of the financial year	(1,992)

18. RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating loss after income tax	(1,992)
Depreciation and amortisation	3,291
Work in progress acquired	27,215
Non-cash item acquired	(4,494)
Provision for doubtful debts	20,000
Change in operating assets and liabilities:	
> Increase in trade debtors	(641,639)
> Increase in other operating assets	(34,731)
> Increase in trade creditors and payables	1,058,872
> Increase in other operating liabilities	8,453
Net Cash Inflow from Operating Activities	434,975

19. AUDITORS REMUNERATION

Remuneration of the auditor for:	
> Auditing the financial report	8,000
	8,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

20. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

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:

2002	Note	Weighted average interest rate %	Floating interest rate \$	Within 1 year \$	Non-interest bearing \$	Total \$
Financial Assets						
Cash and deposits	5	3.55	488,440	-	145	488,585
Receivables	6/7	-	-	-	621,639	621,639
			488,440	-	621,784	1,110,224
Financial Liabilities						
Trade and other creditors	11	-	-	-	1,058,872	1,058,872
Other loans	15	-	-	-	35,000	35,000
			-	-	1,093,872	1,093,872
Net Financial Assets/ (Liabilities)			488,440	-	(472,088)	16,352

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to and forming part of the financial statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors.

(c) Net Fair Values of Financial Assets and Liabilities

The fair value of financial assets and liabilities is not materially different to the carrying amounts.

21. COMMITMENTS FOR EXPENDITURE

Lease commitments

Commitments in relation to operating lease contracted for at the reporting date but not recognised as liabilities, payable:

	2002 \$
> Within one year	6,360
> Later than one year but not later than 5 years	7,510
Total Commitments (including GST)	13,870
Input Tax Credits	1,261

22. CONTINGENT LIABILITIES

As at the reporting date, the directors are not aware of any contingent liabilities not otherwise disclosed in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

23. REMUNERATION OF DIRECTORS

	2002 \$
Income paid or payable, or otherwise made available to directors of the company in connection with the management of affairs of the company.	-
	Number
The number of directors whose total income from the company or related parties was within the specified bands is as follows:	
\$0-\$9,999	3

24. RELATED PARTY TRANSACTIONS

Directors

The names of persons being directors of accessUTS Pty Limited at any time during the financial year are as follows:
R Robertson, A Johnston, P Booth and R Milbourne.

Remuneration and retirement benefits

Remuneration and retirement benefits for directors of the company have been paid by a director-related entity (refer to Note 23).

Loans from directors and director related entities

Loans from director and director related entities disclosed in Note 15 comprise:

Loans received

	2002 \$
Loan from University of Technology, Sydney	35,000
	35,000

Other transactions with directors and director-related entities

There were no other related party transactions during the financial year.

Wholly owned group

The wholly owned group consists of University of Technology, Sydney and its controlled entities accessUTS Pty Limited, Insearch Limited and Insearch (Shanghai) Limited. Transactions between accessUTS Pty Limited and other entities in the group during the year ended 31 December 2002 consisted of:

- (a) Acquisition of the business from Insearch Limited.
- (b) Expenses paid by University of Technology, Sydney invoiced to access UTS Pty Limited.
- (c) Faculty costs payable to University of Technology, Sydney.
- (d) Loans advanced by University of Technology, Sydney.
- (e) Loans repaid to University of Technology, Sydney.

There are no fixed terms for the repayment of the loans which are unsecured and no interest has been charged by the parent entity.

	2002 \$
Aggregate amounts included in the determination of loss from ordinary activities before income tax that resulted from transactions with entities in the wholly owned group:	
Rent	23,760
License fee	41,280
Service fee	15,000
Faculty costs	662,739
Service level agreement	5,336
Operating lease	4,878
Aggregate amounts payable by the company to the parent entity at balance date:	
Current liabilities	832,685
Non-current Liabilities (Loans)	35,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002

25. EVENTS OCCURRING AFTER REPORTING DATE

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

26. COMPARATIVES

The company was incorporated on 10 December 2001, and commenced trading on 2 January 2002. The current year financial statements are in respect of the period 1 January 2002 to 31 December 2002 and as such, there are no comparatives included.

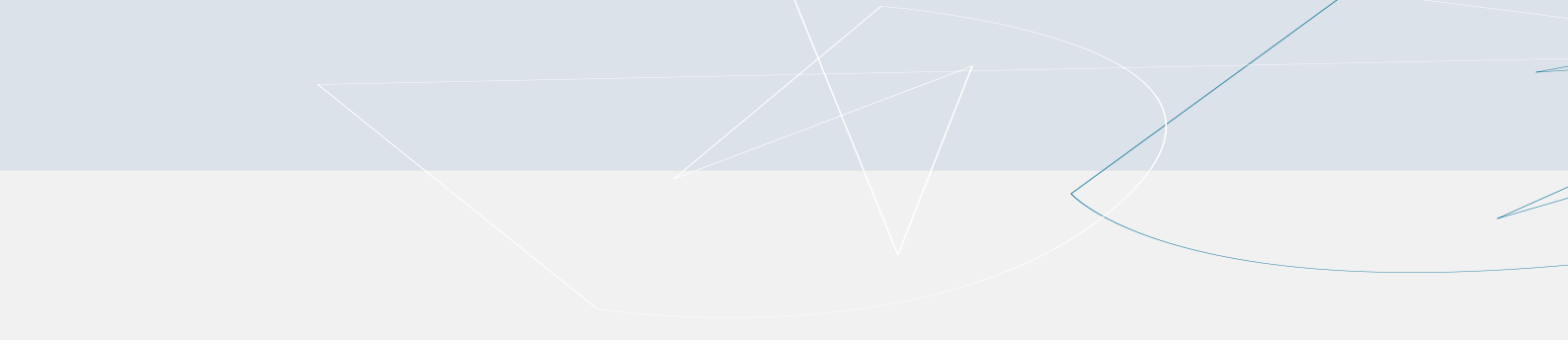
27. ACQUISITION OF BUSINESS

On 2 January 2002, the company acquired the business from Insearch Limited, a wholly owned subsidiary of the University of Technology, Sydney, for cash proceeds of \$24,037.

Details of the acquisition are as follows.

	2002 \$
Fair value of identifiable assets acquired:	
> Furniture and fittings	14,576
> Work in progress	27,215
> Provision for leave pay	(1,506)
> Customer deposits	(64,322)
Cash Proceeds	(24,037)

End of Audited Financial Statements.



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