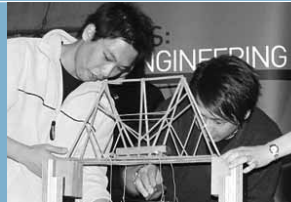


FINANCIAL STATEMENTS 2004



UNIVERSITY OF
TECHNOLOGY SYDNEY

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2004 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 2004 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 Financial Statement Guidelines for Australian Higher Education Providers for the 2004 Reporting Period issued by the Australian Government Department of Education, Science and Training
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

18 April 2005

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 2004 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
- (b) complies with:
 - (i) section 41B of the *Public Finance and Audit Act 1983* (the Act), and
 - (ii) the 'Financial Statement Guidelines for Australian Higher Education Providers for the 2004 Reporting Period' issued by the Australian Government Department of Education, Science and Training.

My opinion should be read in conjunction with the rest of this report.

The Council's Role

The financial report 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 for the University and the consolidated entity. 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 not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the University or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. 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 FCA
Director, Financial Audit Services

SYDNEY
22 April 2005

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities					
Commonwealth Government financial assistance					
Commonwealth Government grants	2.1	111,550	109,504	111,550	109,504
Higher Education Contribution Scheme (HECS)					
> Student contributions		16,710	15,983	16,710	15,983
> Commonwealth payments	2.1	44,497	49,374	44,497	49,374
Commonwealth loan programmes	2.1	20,418	15,163	20,418	15,163
State and local governments financial assistance	2.2	2,498	3,367	2,498	3,367
Superannuation – deferred government contributions		(6,453)	13,469	(6,453)	13,469
Fees and charges	2.3	142,094	125,535	102,211	86,105
Investment income	2.4	6,565	5,317	5,051	4,029
Royalties, trademarks and licenses	2.5	68	58	68	58
Consultancy and contract research	2.6	8,904	6,587	7,691	5,760
Other revenue	2.7	19,945	15,560	25,324	21,788
Share of net result of associates and joint ventures accounted for using the equity method		69	191	–	–
Total revenue from ordinary activities		366,865	360,108	329,565	324,600
Expenses from ordinary activities					
Employee benefits and on costs	3.1	221,690	209,428	206,806	195,526
Depreciation and amortisation	3.2	33,059	25,003	31,071	23,522
Repairs and maintenance	3.3	6,956	9,248	6,755	8,885
Borrowing cost expense	4	4,728	2,869	4,728	2,869
Bad and doubtful debts	3.4	748	963	745	976
Other expenses	3.5	111,898	100,127	91,715	83,781
Total expenses from ordinary activities		379,079	347,638	341,820	315,559
Operating result from ordinary activities before income tax expense		(12,214)	12,470	(12,255)	9,041
Income tax expense	6	39	17	–	–
Operating result from ordinary activities after income tax expense		(12,253)	12,453	(12,255)	9,041
Net operating result		(12,253)	12,453	(12,255)	9,041
Net increase/(decrease) on translation of financial report of foreign controlled entity	21	5	(291)	–	–
Net increase/(decrease) in asset revaluation reserve	21	20,050	53,489	20,050	53,489
Total revenue, expense and valuation adjustments attributable to the parent entity recognised directly in equity		20,055	53,198	20,050	53,489
Total changes in equity attributable to the parent entity other than those resulting from transactions with owners as owners		7,802	65,651	7,795	62,530

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2004

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current assets					
Cash assets	9	27,875	28,591	1,619	1,899
Receivables	10	8,791	13,367	11,093	15,049
Other financial assets	11	43,872	79,834	43,520	79,461
Other non-financial assets	12	7,446	8,343	12,096	13,263
Total current assets		87,984	130,135	68,328	109,672
Non-current assets					
Receivables	10	130,961	137,413	130,961	137,413
Investments accounted for using the equity method	13	377	487	-	-
Other financial assets	11	1,500	1,445	-	-
Property, plant and equipment	14	759,116	702,605	751,396	696,047
Intangible assets	15	432	544	-	-
Total non-current assets		892,386	842,494	882,357	833,460
Total assets		980,370	972,629	950,685	943,132
Current liabilities					
Payables	16	16,269	12,253	15,416	9,859
Interest-bearing liabilities	17	3,342	1,838	3,342	1,838
Provisions	18	12,423	11,712	11,793	11,045
Other	19	16,945	21,024	7,144	12,754
Total current liabilities		48,979	46,827	37,695	35,496
Non-current liabilities					
Interest-bearing liabilities	17	70,208	70,829	70,208	70,829
Provisions	18	165,356	167,044	164,631	166,451
Other	19	123	27	-	-
Total non-current liabilities		235,687	237,900	234,839	237,280
Total liabilities		284,666	284,727	272,534	272,776
Net assets		695,704	687,902	678,151	670,356
Equity					
Statutory funds	20	5,871	3,945	5,871	3,945
Reserves	21(a)	295,909	275,854	296,290	276,240
Retained surplus	21(d)	393,924	408,103	375,990	390,171
Total equity		695,704	687,902	678,151	670,356

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 2004

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Inflows					
Commonwealth Government					
> Teaching and learning	34.1	82,812	80,236	82,812	80,236
> HECS and other loan programs	34.2	63,332	63,917	63,332	63,917
> Scholarships	34.6	2,097	1,541	2,097	1,541
> DEST research	34.5	14,154	14,960	14,154	14,960
> ARC grant – Discovery	34.3	2,871	2,567	2,871	2,567
> ARC grant – Linkages	34.4	5,115	2,595	5,115	2,595
> Other Commonwealth		5,346	6,109	5,346	6,109
State Government		2,498	3,367	2,498	3,367
HECS student payments		16,230	16,853	16,230	16,853
Receipts from student fees and other customers		186,224	162,415	148,537	124,952
Investment income		6,678	4,747	5,164	3,458
		387,357	359,307	348,156	320,555
Outflows					
Payments to suppliers and employees		(349,710)	(316,995)	(313,084)	(286,085)
Borrowing costs		(4,733)	(2,869)	(4,733)	(2,869)
Income tax paid		(39)	–	–	–
		(354,482)	(319,864)	(317,817)	(288,954)
Net cash provided/used by operating activities	32	32,875	39,443	30,339	31,601
CASH FLOWS FROM INVESTING ACTIVITIES					
Inflows					
Proceeds from sale of investment securities		225,000	174,000	225,000	174,000
Proceeds from sale of assets	5	202	369	35	138
		225,202	174,369	225,035	174,138
Outflows					
Payments for investment securities		(188,993)	(179,910)	(189,098)	(179,314)
Purchase of shares		–	(52)	–	(52)
Payments for purchase of property, plant and equipment		(67,375)	(60,339)	(64,161)	(57,135)
		(256,368)	(240,301)	(253,259)	(236,501)
Net cash provided/used in investing activities		(31,166)	(65,932)	(28,224)	(62,363)
CASH FLOWS FROM FINANCING ACTIVITIES					
Inflows					
Proceeds from borrowings		–	29,500	–	29,500
Outflows					
Repayment of borrowings		(2,395)	–	(2,395)	–
Net cash provided/used by financing activities		(2,395)	29,500	(2,395)	29,500
Net increase/(decrease) in cash held		(686)	3,011	(280)	(1,262)
Effect of exchange rates on cash holdings in foreign currencies		(30)	(202)	–	–
Cash at beginning of reporting period		28,591	25,782	1,899	3,161
Cash at end of reporting period	9	27,875	28,591	1,619	1,899
Non-cash financing and investing activities	23	3,284	3,686	3,284	3,686

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 2004

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

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 2004 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 Regulations 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) Financial effects of changes to Commonwealth payment arrangements for 2005 grant year

Background

Payment to universities in respect of programs under the *Higher Education Funding Act 1988* (HEFA) are made on the second and last Thursdays of each month. In the recent past, the first payment in respect of a grant year (equalling 8% of the total recurrent funding for that year) had been made at the end of December of the previous year.

Funding for most programs under HEFA ends on 31 December 2004 while most new programs under the *Higher Education Support Act 2003* (HESA) commence on 1 January 2005. Continuing the current practice of making the first payment in December 2004 for the 2005 grant year would mean that Commonwealth payments would be made in respect of programs that are yet to commence and that these payments are treated by the majority of universities as revenue for 2004. This has considerable accountability implications for the Australian Government Department of Education, Science and Training (DEST) in administering and accounting for the program payments.

Higher education providers (even those within the same State) do not treat the early payment uniformly and the payment is treated in at least three different ways – as revenue when it is received, as an advance (a liability), and part as revenue and the other as liability. Such varied treatment creates a lack of transparency and distorts both the Commonwealth funding and the higher education providers' financial year results.

DEST has announced changes to payment arrangements whereby all recurrent payments in respect of a grant year will be made in that year. For the 2005 grant year, the first payment was made in January 2005 instead of December 2004.

The changes to payment arrangements will mean, that from the 2005 reporting period, the financial statements of all higher education providers will accurately reflect the Commonwealth financial assistance in respect of a grant year.

Financial effects for 2004

Changes to payment arrangements will mean that those higher education providers that reported the whole or part of the 8% first payment in respect of the 2004 grant year as revenue in 2003 will have the effect of understating the Commonwealth funding for the 2004 grant year in their 2004 Statement of Financial Performance.

To identify the impact of the changed treatment on the operating result, grants provided for 2004 activities but recognised as 2003 revenue should be adjusted by incorporating the amount received in December 2003 as revenue for the 2004 reporting period. The effect of this is shown below:

	\$'000
2004 revenue from operating activities (per Statement of Financial Performance)	329,565
Add grants received in 2003 for 2004 activities:	
Commonwealth Government financial assistance	7,827
Total restated 2004 revenue from operating activities	337,392
Restated 2004 operating result	(4,428)
Reported 2004 operating result	(12,255)
Financial effect on 2004 operating result	(7,827)

The Commonwealth will use the restated figures in all DEST publications, including the Finance 2004 publication, to ensure consistent treatment across all higher education providers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

(b) International financial reporting standards

UTS will apply the Australian equivalents to International Financial Reporting Standards (AEIFRS) from the reporting period beginning 1 January 2005.

UTS is managing the transition to the new standards by allocating internal resources and utilising external consultants to analyse the standards and Urgent Issues Group Abstracts to identify areas of change that affect UTS policies and systems and quantify the financial impacts imposed by the transition.

As a result of this exercise, UTS has instigated a phased approach to managing the transition to the new standards:

Assessment and Planning phase (Stage 1): Analysis of the new standards to identify key areas of impact upon policies, procedures, systems and potential financial impacts affected by the transition and the establishment of an action plan for Stage 2.

Design and Implementation phases (Stage 2): Design of new policies, processes, systems and models and integration into the UTS way of business, including training and education of staff and liaison with outside agencies. The implementation involves preparation of transition date balances, capture of comparative balances and promulgation of the new policies to affected staff.

The Assessment and Planning stage is complete and Stage 2 is underway. The Design component of Stage 2 is expected to be completed by the end of February 2005 with the implementation stage substantially completed by 31 March 2005.

The University is utilising the assistance of PricewaterhouseCoopers to manage the change.

Impact of conversion to AEIFRS

The following areas have been identified as being significant to the University in its adoption of AEIFRS. Some of these differences arise because AEIFRS requirements are different to existing AASB requirements. Other differences could arise from the options in AEIFRS and these changes will be reported in subsequent accounts.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AEIFRS:

- > AASB1 – First-time Adoption of Australian Equivalents to International Financial Reporting Standards – requires retrospective application of the new AEIFRS from 1 January 2004, with limited exemptions. Similarly, AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors – requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements whereby such changes are recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- > AASB 116 – Property Plant and Equipment – allows a choice in the transition year between the cost and revaluation methods as accounting policy. At this time UTS has not made a decision regarding the method to be adopted.
- > AASB 118 – Revenue – does not include the concept of non-reciprocal transfers. This will represent a change of accounting policy for the University, and in 2005 will affect the recognition of revenue and consequently the operating result for the 2004 comparative reporting period, as shown in (a) above.

AASB 118 requires that gains on sale of assets are to be recorded on a net basis. This represents a change of presentation for the University.

- > AASB 119 – Employee Benefits – requires the annual leave liability to be measured using a discount rate to calculate the present value of the estimated future cash outflows where the leave is expected to be paid out beyond one year. This represents a change in accounting policy for the University as under the current standards annual leave liability must be measured at the nominal rate.

In respect of its defined benefit superannuation plans, the University has been advised that Unisuper will no longer provide individual employer information as, due to the substantially different methodology adopted by AASB 119, there is no consistent and reliable basis for allocating liabilities, assets and costs to individual institutions. Consequently the University intends to adopt the multi-employer provisions of the new standard, which allow employers with defined benefit obligations to report on a defined contribution basis. Unisuper has undertaken to provide the information necessary for compliance with the additional disclosure requirements of the multi-employer provision.

- > AASB 120 - Accounting for Government Grants and Disclosure of Government Assistance - provides that grants shall be recognised as income over the periods necessary to match them with the related costs for which they are intended to compensate. This will result in a change to the current accounting policy, whereby research grants are recognised in the year of receipt.
- > AASB 123 – Borrowing Costs – includes the option to capitalise borrowing costs where they relate to qualifying assets. The University intends to adopt this option, which aligns with its current policy.
- > AASB 136 – Impairment of Assets – provides that non-current assets will be subject to assessment for impairment at each balance date. Where there is an indication of impairment, an impairment loss must be recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses will be accounted for as expenses for assets measured at cost or revaluation decrements for assets measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

- > AASB 138 – Intangible Assets: under AEIFRS, software will be re-classified as an intangible asset. It will continue to be valued on a cost basis.
- > AASB 139 – Financial Instrument Recognition and Measurement – requires financial instruments to be designated into categories whereupon appropriate measurement criteria are applied for each category. The criteria are as follows:
- > AASB 1004 – Contributions – is the applicable standard for not for profit entities in relation to the accounting treatment of government grants. The standard provides that contributions (including grants) shall be recognised as income immediately the entity obtains control of the contribution or the right to receive the contribution.

Financial asset	Measurement	Recognised as
Originated loans or receivables	Amortised cost	Profit or loss
Assets held to maturity	Amortised cost	Profit or loss
Assets available for sale	Fair value	Equity or profit or loss
Assets held at fair value through profit or loss (including those 'held for trading')	Fair value	Profit or loss

The likely outcome for the University is that its financial instruments will be designated as assets available for sale and valued at fair value.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AEIFRS, as not all standards have been analysed and some decisions regarding accounting choices are still to be made. For these reasons it is not yet possible to quantify the impact of AEIFRS on the consolidated entity's financial position and reported results.

(c) 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

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.

(d) Revenue recognition

In accordance with AASB1004 – Revenue – the operating and research grants provided by the Government under the *Higher Education Funding Act 1988* are considered to be contributions of assets, or non-reciprocal transfers, and are therefore recognised in the year in which they are received. Payments from the Higher Education Trust Fund are considered to be revenue arising from the provision of a service and so 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.

(e) 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 subject to a periodic independent revaluation, with independent desk-top revaluations as required in the intervening years. Fair value for land, buildings and infrastructure has been assessed on the basis of market value for the existing use.

Works of art are valued at fair value and are revalued every five years. Fair value has been assessed on the basis of market value for existing use.

The library collection is recorded at fair value on the basis of depreciated replacement value.

Equipment and motor vehicles are stated at acquisition cost less accumulated depreciation.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

The depreciation method for office, teaching and research equipment, major software applications and computers has been changed in the current reporting period to the straight line method. In prior years the reducing balance method was used for these asset classes.

Depreciation rates and methods are as follows:

Asset class	Depreciation rate (%)	Depreciation method
Buildings	2.00	Straight line
Building infrastructure	4.00	Straight line
Motor vehicles	20.00	Straight line
Computers	33.33	Straight line
Major software applications	14.29	Straight line
Office, teaching and research equipment	20.00	Straight line
Library collection	12.50	Straight line, 5% residual

(g) 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 is calculated on a present value basis. This is done using the total nominal value, including on costs and allowing for known pay increases, of all leave accrued but not taken, including pre-conditional leave. This figure is then adjusted according to the staff profile and a factor designed to compensate for inflation and wage increases. Accrued long service leave is treated as a non-current liability.

(h) Superannuation

During the 2004 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 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 2004 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).

(i) Payables

Accounts payable, including accruals, represent liabilities for goods and services provided to the economic entity prior to the end of the 2004 reporting period. These amounts are usually settled on 30 day terms.

(j) Borrowings

The borrowings have been brought to account at cost, representing the principal amounts.

(k) Capitalisation of borrowings

Borrowing costs are expensed in the financial year in which they occur, except when they are directly attributable to the acquisition or construction of a qualifying asset, in which case they are capitalised in accordance with AASB 1036 - Borrowing Costs.

(l) Inventories

The University holds no material inventory.

(m) Revaluations of non-current assets

Subsequent to initial recognition as assets, land and buildings and works of art are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessments are made by the responsible persons, supplemented by independent assessments at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(n) 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 the *Educational Services for Overseas Students Act 1991* consist of a trust money market account.

(o) 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.

(p) Leased assets

The University leases a range of assets and accounts for these as either operating or finance leases in accordance with the requirements of AASB 1008 – Leases. Details of leased assets are provided in Note 22. Lease commitments are recorded on a GST inclusive basis. Finance leases are recorded on a GST exclusive basis.

(q) 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 realised interest.

(r) 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.

(s) 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 which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(t) Foreign currency

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

(ii) The assets and liabilities of the subsidiaries' 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 for the year. Exchange differences arising on translation are taken to the foreign currency reserve under the current rate method.

(u) Research and development costs

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

(v) Financial instruments

In accordance with AASB1033 – Presentation and Disclosure of Financial Instruments – information regarding Financial Instruments is disclosed in Note 33. 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.

(w) 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.

(x) 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.

(y) Comparative figure

Where necessary, 2004 comparative figures have been adjusted to conform with the mandatory presentation for the current year. The reclassifications have no effect on the 2004 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 TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
2. REVENUE FROM ORDINARY ACTIVITIES					
2.1 Commonwealth Government financial assistance including HECS and other Commonwealth loan programs					
(a) DEST – Teaching and learning 34.1					
Operating grant ¹		82,072	81,455	82,072	81,455
Total DEST – Teaching and learning		82,072	81,455	82,072	81,455
(b) HECS and other Commonwealth loan programs 34.2					
HECS – Commonwealth payments		44,497	49,374	44,497	49,374
PELS		20,333	15,128	20,333	15,128
BOTPLS		85	35	85	35
Total HECS and other Commonwealth loan programs		64,915	64,537	64,915	64,537
(c) Scholarships 34.6					
Australian Postgraduate Awards		1,434	1,368	1,434	1,368
International Postgraduate Research Scholarships		243	173	243	173
Commonwealth Education Costs Scholarships		132	–	132	–
Commonwealth Accommodation Scholarships		288	–	288	–
Total scholarships		2,097	1,541	2,097	1,541
(d) DEST – Research 34.5					
Institutional Grants Scheme		3,556	3,619	3,556	3,619
Research Training Scheme		9,292	10,119	9,292	10,119
Research infrastructure block grants		1,306	1,259	1,306	1,259
Small grants		–	–	–	–
Total DEST – Research		14,154	14,997	14,154	14,997
Total DEST		163,238	162,530	163,238	162,530
(e) Australian Research Council 34.3					
Discovery					
Project		2,878	2,222	2,878	2,222
Fellowships		(7)	157	(7)	157
Total Discovery		2,871	2,379	2,871	2,379
Linkages 34.4					
Projects		2,380	1,898	2,380	1,898
International		51	101	51	101
Infrastructure		1,547	244	1,547	244
Special research initiatives		–	80	–	80
Research Networks		1,032	700	1,032	700
Centres		–	–	–	–
Total Linkages		5,010	3,023	5,010	3,023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Economic entity [Consolidated]		Parent entity [University]	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
2.1 Commonwealth Government financial assistance including HECS and other Commonwealth loan programmes (continued)				
(f) Other Commonwealth Government financial assistance				
Department of Education, Science and Training	1,692	1,732	1,692	1,732
National Health and Medical Research Council	1,697	1,654	1,697	1,654
Aboriginal & Torres Strait Islander Commission	673	-	673	-
Australian National Training Authority	-	375	-	375
Commonwealth Scientific Industrial Research Organisation	189	342	189	342
CeNTIE	162	-	162	-
University of New South Wales	-	252	-	252
Meat and Livestock Australia	190	232	190	232
Australian Centre for International Agricultural Research	-	225	-	225
Department of Family and Community Services	80	144	80	144
Diabetes Australia Research Trust	79	-	79	-
University of Sydney	-	140	-	140
Cooperative Research Centre for Asthma Limited	-	129	-	129
Department of Health and Aged Care	99	119	99	119
Rural Industries Research and Development Corporation	53	90	53	90
Horticultural Research and Development Corporation	-	85	-	85
University of Melbourne	-	68	-	68
Cooperative Research Centre for Satellite Education	-	60	-	60
The High Court of Australia	35	40	35	40
Australian Greenhouse Office	36	-	36	-
Other	361	422	361	422
Total other Commonwealth Government financial assistance	5,346	6,109	5,346	6,109
Total Commonwealth Government financial assistance	176,465	174,041	176,465	174,041
1. Operating grant includes Superannuation Program and Workplace Reform Program.				
Reconciliation				
Commonwealth Government grants (a+c+d+e+f)	111,550	109,504	111,550	109,504
HECS - Commonwealth payments	44,497	49,374	44,497	49,374
Commonwealth loan programs [PELS + BOTPLS]	20,418	15,163	20,418	15,163
Total Commonwealth Government financial assistance	176,465	174,041	176,465	174,041
2.2 State and Local Governments financial assistance				
New South Wales State Government	2,343	3,248	2,343	3,248
Other State Governments	155	119	155	119
Total State and Local Government financial assistance	2,498	3,367	2,498	3,367
2.3 Fees and charges				
Course fees and charges				
Fee-paying overseas students	114,990	102,484	76,738	63,015
Continuing education	4,509	5,126	4,515	5,196
Fee-paying domestic postgraduate students	11,298	13,470	11,298	13,470
Fee-paying domestic non-award students	210	179	210	179
Other domestic course fees and charges	1,090	1,727	1,091	1,696
Total course fees and charges	132,097	122,986	93,852	83,556
Other fees and charges				
Library charges	330	675	602	675
Student accommodation	2,471	1,546	1,569	1,546
Student Union fees	5,596	-	5,596	-
Medical fees	582	328	592	328
Other fees and charges	1,018	-	-	-
Total other fees and charges	9,997	2,549	8,359	2,549
Total fees and charges	142,094	125,535	102,211	86,105

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Economic entity [Consolidated]		Parent entity [University]	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
2.4 Investment Income				
Distribution from managed funds and interest	6,565	5,317	5,051	4,029
Total investment income	6,565	5,317	5,051	4,029
Restricted investment income	-	-	-	-
Total restricted investment income	-	-	-	-
Unrestricted investment income	6,565	5,317	5,051	4,029
Total unrestricted investment income	6,565	5,317	5,051	4,029
Total investment income	6,565	5,317	5,051	4,029
2.5 Royalties, trademarks and licenses				
Total royalties, trademarks and licenses	68	58	68	58
2.6 Consultancy and contract research				
Contract research and development	5,565	3,091	5,565	3,241
Consultancy	3,339	3,496	2,126	2,519
Total consultancy and contract research	8,904	6,587	7,691	5,760
2.7 Other revenue				
Donations	837	720	837	820
Scholarships and prizes	2,013	1,686	2,025	1,706
Non-government grants	164	-	164	-
Proceeds from the sale of assets (see Note 5)	202	373	35	138
Contribution from Insearch Limited	-	-	6,000	5,700
Contributions to fixed assets	640	65	640	65
Contributions for salary from third parties	486	384	486	384
Hire and rental	7,264	3,294	7,343	3,313
Sale of goods	1,420	1,236	1,462	1,118
Services	1,551	2,097	2,211	2,489
Sponsorship	2,010	3,122	2,033	3,229
Other	3,358	2,583	2,088	2,826
Total other revenue	19,945	15,560	25,324	21,788

3. EXPENSES FROM ORDINARY ACTIVITIES

3.1 Employee benefits and on costs

Academic				
Salaries	85,380	74,770	78,752	68,489
Contributions to superannuation and pension schemes:				
> Emerging cost	2,280	2,813	2,280	2,813
> Funded	10,242	8,443	9,666	7,911
Payroll tax	6,173	5,479	5,790	5,104
Workers' compensation	819	512	763	443
Long service leave	3,772	2,878	3,662	2,667
Annual leave	5,386	5,487	5,342	5,364
Other	-	4	-	-
Total academic	114,052	100,386	106,255	92,791

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Economic entity [Consolidated]		Parent entity [University]	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
3.1 Employee benefits and on costs (continued)				
Non-academic				
Salaries	85,852	74,310	79,837	69,226
Contributions to superannuation and pension schemes:				
> Emerging cost	2,105	2,596	2,105	2,596
> Funded	9,529	7,689	9,017	7,271
Payroll tax	5,947	5,193	5,596	4,898
Workers' compensation	782	479	733	463
Long service leave	2,455	1,896	2,359	1,675
Annual leave	5,521	5,216	5,485	5,083
Other	28	140	-	-
Total non-academic	112,219	97,519	105,132	91,212
Total academic and non-academic employee benefits and on costs	226,271	197,905	211,387	184,003
Deferred employee benefits for superannuation	(4,581)	11,523	(4,581)	11,523
Total employee benefits and on costs	221,690	209,428	206,806	195,526
3.2 Depreciation and amortisation				
Depreciation				
Buildings and building infrastructure	16,035	13,072	16,035	13,072
Equipment	11,729	11,037	9,990	9,797
Library	3,308	-	3,308	-
Motor vehicles	251	198	116	98
Total depreciation	31,323	24,307	29,449	22,967
Amortisation				
Leasehold improvements	7	-	7	-
Plant and equipment under finance leases	1,615	555	1,615	555
Goodwill	99	105	-	-
Patents and trademarks	15	36	-	-
Total amortisation	1,736	696	1,622	555
Total depreciation and amortisation	33,059	25,003	31,071	23,522
3.3 Repairs and maintenance				
Buildings	4,740	7,775	4,740	7,412
Plant and equipment	2,216	1,473	2,015	1,473
Total repairs and maintenance	6,956	9,248	6,755	8,885
3.4 Bad and doubtful debts				
Bad debts	14	-	14	-
Increase/(decrease) in provision for doubtful debts	734	963	731	976
Total bad and doubtful debts	748	963	745	976

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

THINK

	Economic entity [Consolidated]		Parent entity [University]	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
3.5 Other expenses				
Scholarships and prizes	9,377	7,636	8,691	7,105
Non-capitalised equipment	5,794	6,576	5,794	6,576
Advertising, marketing and promotional expenses	3,405	2,114	2,316	2,114
Library revaluation decrement	0	3,018	0	3,018
Insurance	1,665	1,210	1,600	1,210
Telecommunications	2,928	2,781	2,722	2,603
Travel and related staff development and training	13,914	11,101	12,598	10,353
Entertainment	2,080	1,843	2,008	1,843
Minimum lease payments on operating lease rental expenses	3,150	5,006	3,132	5,000
Building rent and rates	5,203	4,950	2,030	1,908
Cleaning	4,255	4,187	3,995	3,662
Consultancy	6,920	5,263	5,067	4,735
Fees and subscriptions	19,161	13,252	15,783	10,195
Heating and lighting	3,589	2,906	3,452	2,796
Postage	740	788	681	649
Printing	2,067	2,194	1,660	1,999
Stationery	2,017	2,396	2,014	2,297
Security contract staff	2,454	1,807	2,042	1,807
Tuition fees expense	3,124	2,119	3,124	2,119
Carrying amount of assets sold (see note 5)	822	788	644	392
Maintenance software	2,490	1,256	2,354	1,256
Contributions research	1,371	657	1,371	657
Laboratory supplies	1,535	1,024	1,575	1,024
Other expenses	13,837	15,255	7,102	8,463
Total other expenses	111,898	100,127	91,715	83,781

4. BORROWING COST EXPENSE

Gross borrowing costs	4,992	2,955	4,992	2,955
Less: amount capitalised	(264)	(86)	(264)	(86)
Total borrowing cost expensed	4,728	2,869	4,728	2,869

5. SALES OF ASSETS

Proceeds from sale				
Property, plant and equipment	202	373	35	138
Carrying amount of assets sold				
Property, plant and equipment	822	788	644	392
Net gain or (loss) on sale of assets	(620)	(415)	(609)	(254)

6. INCOME TAX

Total income tax	39	17	-	-
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

7. RESPONSIBLE PERSONS AND EXECUTIVE OFFICERS

(a) Names of responsible persons

University	
The Hon. Sir F G Brennan, AC, KBE	Ms Dianne Leckie
Professor Anthony Baker	Dr Valerie Levy
Emeritus Professor Steve Bakoss	Professor Ross Milbourne
Professor Larissa Behrendt	Mr Nirav Parekh (ceased May 2004)
Mr Peter Brady (commenced November 2004)	Mr Ken Rennie, AM
Associate Professor Di Brown (ceased October 2004)	Ms Anne Robinson (ceased October 2004)
The Hon. Tony Burke, MLC (ceased June 2004)	The Hon. Eric Roozendaal, MLC (commenced August 2004)
Mr Chris Cahill (commenced November 2004)	The Hon. Ian F Sheppard, AO, QC
Ms Megan Cornelius, AM	Mr A Somani (commenced June 2004, ceased October 2004)
Ms Eva Cox, AO (commenced November 2004)	Mr A P (Tony) Stewart, MP
Ms Rebekah Doran (commenced November 2004)	Mr Warwick Watkins
Mr Colin E Grady	Mr Garth Williams (ceased October 2004)
Mr Patrick Healy	Dr Katherine Woodthorpe
Ms Margo Humphreys	
Insearch Limited	
Mr Richard Hill	Professor Bob Robertson (ceased April 2004)
Dr Doreen Clark, AM	Dr Katherine Woodthorpe
Professor Tony Moon (ceased February 2004)	Mr W H Wright
Mr Ken Rennie, AM	Professor Robert Lynch (commenced April 2004)
Professor David Goodman (commenced April 2004)	
accessUTS Proprietary Limited	
Professor Archie Johnston	Professor Bob Robertson (ceased September 2004)
Professor Peter Booth	Professor Sue Rowley (commenced September 2004)

(b) Names of executive officers

University	Insearch Limited
Professor Peter Booth	Mr John Hall
Ms Anne Dwyer (commenced April 2004)	Ms Jennifer Hannan
Dr Jeffrey FitzGerald	Mr Murray Laurence
Professor David Goodman (commenced April 2004)	Mr Alex Murphy
Professor Lesley Johnson (ceased April 2004)	Mrs Sheetal Purandare
Professor Richard Johnstone	Ms Deborah Samuels
Mr Kevin McCarthy	Mr David White
Professor Ross Milbourne	
Mr Barry Munns (ceased April 2004)	accessUTS Proprietary Limited
Professor Bob Robertson (ceased April 2004)	Ms Jann Hill
Professor Susan Rowley (commenced April 2004)	
Mr Blair Willoughby (ceased April 2004)	

(c) Remuneration of board members and executives

	Economic entity [Consolidated]		Parent entity [University]	
	2004	2003	2004	2003
Income paid or payable, or otherwise made available, to board members by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities.	\$120,000	\$118,000	\$ -	\$ -
The University's responsible persons do not receive any remuneration in respect of their work as members of Council.				
Remuneration of board members				
\$1 to \$9,999	2	2	-	-
\$20,000 to \$29,999	4	5	-	-
\$30,000 to \$39,999	1	-	-	-
	7	7	-	-
Income paid or payable, or otherwise made available, to executive officers by entities in the consolidated entity and related parties	\$3,213,415	\$3,738,211	\$2,102,774	\$2,371,062

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Economic entity [Consolidated]		Parent entity [University]	
	2004	2003	2004	2003
(d) Remuneration of board members and executives (continued)				
\$70,000 to \$79,999	1	-	-	-
\$90,000 to \$99,999	1	-	-	-
\$100,000 to \$109,999	2	1	-	-
\$110,000 to \$119,999	1	2	1	-
\$120,000 to \$129,999	-	1	-	1
\$130,000 to \$139,999	2	1	-	-
\$140,000 to \$149,999	-	1	-	1
\$170,000 to \$179,999	1	2	-	-
\$200,000 to \$209,999	-	1	-	-
\$210,000 to \$219,999	1	2	1	2
\$220,000 to \$229,999	1	2	1	3
\$240,000 to \$249,999	2	-	2	-
\$250,000 to \$259,999	1	1	1	1
\$270,000 to \$279,999	-	1	-	-
\$300,000 to \$309,999	1	-	-	-
\$330,000 to \$339,999	1	-	1	-
\$340,000 to \$349,999	-	1	-	-
\$450,000 to \$459,999	-	1	-	1
\$470,000 to \$479,999	1	-	1	-
	16	17	8	9

8. REMUNERATION OF AUDITORS

Fees paid to Audit Office of New South Wales:

Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	320	244	175	157
Total remuneration for audit services	320	244	175	157

9. CASH ASSETS

Cash at bank	9,278	6,262	1,587	1,861
Cash on hand	34	46	32	38
Deposits at call	14,000	23,000	-	-
Deposits held under ESOS Act 1991 requirements	4,563	[717]	-	-
Total cash assets	27,875	28,591	1,619	1,899

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Economic entity [Consolidated]		Parent entity [University]	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
10. RECEIVABLES				
Current				
Trade debtors – other	8,153	12,216	7,557	11,183
Provision for doubtful debts	[832]	[494]	[829]	[494]
	7,321	11,722	6,728	10,689
Trade debtors – student	3,098	2,860	3,098	2,860
Provision for doubtful debts	(1,831)	(1,435)	(1,831)	(1,435)
	1,267	1,425	1,267	1,425
	8,588	13,147	7,995	12,114
Amounts receivable from wholly owned subsidiaries				
Insearch Limited	–	–	2,470	2,212
accessUTS Proprietary Limited	–	–	425	503
Amounts receivable from related entities				
Sydney Educational Broadcasting Limited	203	220	203	220
Total current receivables	8,791	13,367	11,093	15,049
Non-current				
Deferred government contribution for superannuation	130,961	137,413	130,961	137,413
Total non-current receivables	130,961	137,413	130,961	137,413
Total receivables	139,752	150,780	142,054	152,462
11. OTHER FINANCIAL ASSETS				
Current				
Managed funds – Macquarie Investment Management Limited	43,474	79,379	43,474	79,379
Managed funds – New South Wales Treasury Corporation	32	30	32	30
Shares in other organisations	14	52	14	52
Other	352	373	–	–
Total current other financial assets	43,872	79,834	43,520	79,461
Non-current				
Investments in managed funds	1,500	1,445	–	–
Total non-current other financial assets	1,500	1,445	–	–
Total other financial assets	45,372	81,279	43,520	79,461
Restricted other financial assets				
Other	103	–	–	–
Total restricted other financial assets	103	–	–	–
Unrestricted other financial assets				
Investments in managed funds	45,006	80,854	43,506	79,409
Shares in other organisations	14	52	14	52
Other	249	373	–	–
Total unrestricted other financial assets	45,269	81,279	43,520	79,461
Total other financial assets	45,372	81,279	43,520	79,461
12. OTHER NON-FINANCIAL ASSETS				
Current				
Accrued income	2,490	2,490	7,751	7,927
Prepayments	4,956	5,853	4,345	5,336
Total other non-financial assets	7,446	8,343	12,096	13,263

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Economic entity [Consolidated]		Parent entity [University]	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Interest in joint venture entity	377	487	-	-
Total investments accounted for using the equity method	377	487	-	-
14. PROPERTY, PLANT AND EQUIPMENT				
Land and buildings				
Freehold land				
At independent valuation 1st October 2004	237,633	150,193	237,633	150,193
	237,633	150,193	237,633	150,193
Buildings				
At independent valuation 1st October 2004	726,891	464,835	726,891	464,835
Less: Accumulated depreciation	(320,171)	-	(320,171)	-
	406,720	464,835	406,720	464,835
Buildings under construction				
Construction costs	28,169	6,289	28,169	6,154
Borrowing costs	264	86	264	86
	28,433	6,375	28,433	6,240
Leasehold improvements				
Leasehold improvements – at cost	42	-	42	-
Less: Accumulated amortisation	(7)	-	(7)	-
	35	-	35	-
Total land and buildings	672,821	621,403	672,821	621,268
Plant and equipment				
Office, teaching and research equipment				
At cost	96,130	85,949	85,032	75,877
Less: Accumulated depreciation	(46,252)	(41,616)	(42,321)	(37,463)
	49,878	44,333	42,711	38,414
Motor vehicles				
At cost	1,405	1,220	680	584
Less: Accumulated depreciation	(516)	(359)	(344)	(227)
	889	861	336	357
Plant and equipment under finance lease				
At capitalised cost	6,970	3,686	6,970	3,686
Less: Accumulated amortisation	(2,169)	(554)	(2,169)	(554)
	4,801	3,132	4,801	3,132
Other assets				
Library collection				
At fair value	19,098	18,393	19,098	18,393
Works of art				
At independent valuation 1st October 2004	1,629	1,861	1,629	1,861
Other assets				
At independent valuation 1st October 2004	10,000	12,622	10,000	12,622
Total property, plant and equipment	759,116	702,605	751,396	696,047
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
(i) Buildings	16,042	13,072	16,042	13,072
(ii) Plant and equipment and other assets	16,903	11,790	15,029	10,450
	32,945	24,862	31,071	23,522

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

Reconciliations
Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current year are set out below:

	Freehold land	Buildings	Buildings under construction	Leasehold improvements	Plant and equipment	Leased plant and equipment	Other plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Consolidated								
Carrying amount at 1 January 2004	150,193	464,835	6,375	-	45,194	3,132	32,876	702,605
Additions	16,463	787	27,539	42	17,874	3,284	4,239	70,228
Disposals	-	(286)	-	-	(322)	-	(214)	(822)
Transfers	-	5,481	(5,481)	-	-	-	-	-
Revaluation increments	70,977	(48,062)	-	-	-	-	(2,865)	20,050
Depreciation/amortisation expense	-	(16,035)	-	(7)	(11,979)	(1,615)	(3,309)	(32,945)
Carrying amount at 31 December 2004	237,633	406,720	28,433	35	50,767	4,801	30,727	759,116
(b) Parent								
Carrying amount at 1 January 2004	150,193	464,835	6,240	-	38,771	3,132	32,876	696,047
Additions	16,463	6,268	22,193	42	14,525	3,284	4,239	67,014
Disposals	-	(286)	-	-	(144)	-	(214)	(644)
Transfers	-	5,481	(5,481)	-	-	-	-	-
Revaluation increments	70,977	(48,062)	-	-	-	-	(2,865)	20,050
Depreciation/amortisation expense	-	(16,035)	-	(7)	(10,105)	(1,615)	(3,309)	(31,071)
Carrying amount at 31 December 2004	237,633	406,720	28,433	35	43,047	4,801	30,727	751,396

Note: During 2004 the University acquired a property at Ultimo Road for \$17.25 million. The property was of strategic importance to the University as part of its long term campus development and the purchase also involved a maximum two years lease back to the vendor of the building at a commercial rate of return based on the purchase price. An external professional valuer was engaged to value the property prior to the purchase. He valued the property at \$12 million on an open market basis and also advised the University that an offer in the range of \$14.5 million to \$16.5 million was fair and reasonable given the circumstances. The difference between the purchase price and the open market value, \$5.25 million, has been taken to the asset revaluation reserve in the financial report.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Economic entity [Consolidated]		Parent entity [University]	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
15. INTANGIBLE ASSETS				
Goodwill at cost	1,055	1,055	-	-
Less: Accumulated amortisation	(624)	(527)	-	-
	431	528	-	-
Patents and trademarks at cost	68	68	-	-
Less: Accumulated amortisation	(67)	(52)	-	-
	1	16	-	-
Total intangible assets	432	544	-	-
16. PAYABLES				
Current				
Deputy Commissioner of Taxation – PAYG	1,877	1,674	1,877	1,638
Office of State Revenue – payroll tax	1,377	1,266	1,268	1,156
Trade creditors	1,805	595	1,294	-
Other payroll accruals	3,021	1,802	3,008	1,802
Other	8,189	6,916	7,969	5,263
Total payables	16,269	12,253	15,416	9,859
17. INTEREST-BEARING LIABILITIES				
Current				
Secured				
Lease liabilities	2,334	1,130	2,334	1,130
Total current secured interest-bearing liabilities	2,334	1,130	2,334	1,130
Unsecured				
Bank loans	1,008	708	1,008	708
Total current unsecured interest-bearing liabilities	1,008	708	1,008	708
Total current interest-bearing liabilities	3,342	1,838	3,342	1,838
Non-current				
Secured				
Lease liabilities	2,566	2,037	2,566	2,037
Total non-current secured interest-bearing liabilities	2,566	2,037	2,566	2,037
Unsecured				
Bank loans	67,642	68,792	67,642	68,792
Total non-current unsecured interest-bearing liabilities	67,642	68,792	67,642	68,792
Total non-current interest-bearing liabilities	70,208	70,829	70,208	70,829
Total interest-bearing liabilities	73,550	72,667	73,550	72,667
Assets pledged as security				
First mortgage				
Freehold land and buildings	-	-	-	-
Finance lease				
Plant and equipment under finance lease	4,801	3,132	4,801	3,132
Floating charge				
Plant and equipment	-	-	-	-
Total non-current assets pledged as security	4,801	3,132	4,801	3,132

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
18. PROVISIONS					
Current					
Employee entitlements					
> Annual leave	1 (g)	12,423	11,712	11,793	11,045
Total current provisions		12,423	11,712	11,793	11,045
Non-current					
Employee entitlements					
> Long service leave	1 (g)	31,943	29,050	31,218	28,457
Deferred benefits for superannuation		133,413	137,994	133,413	137,994
Total non-current provisions		165,356	167,044	164,631	166,451
19. OTHER LIABILITIES					
Current					
Prepaid commonwealth grants – HECS		1,392	4,766	1,392	4,766
Prepaid student fees		12,868	15,440	5,752	7,657
Other		2,685	818	–	331
Total current other liabilities		16,945	21,024	7,144	12,754
Non-current					
Other		123	27	–	–
Total non-current other liabilities		123	27	–	–
Total other liabilities		17,068	21,051	7,144	12,754
20. STATUTORY FUNDS					
Statutory funds at the beginning of the year		3,945	3,498	3,945	3,498
Net operating result relating to statutory funds		1,926	447	1,926	447
Statutory funds at the end of the year		5,871	3,945	5,871	3,945
21. RESERVES AND RETAINED SURPLUS					
(a) Reserves comprise					
Freehold land		167,384	96,407	167,384	96,407
Buildings		101,955	154,365	101,955	154,365
Building infrastructure		19,145	14,797	19,145	14,797
Art works		1,269	1,512	1,269	1,512
Other assets		6,537	9,159	6,537	9,159
Foreign currency translation reserve		(381)	(386)	–	–
Total reserves		295,909	275,854	296,290	276,240
(b) Movements in reserves					
Asset revaluation reserve					
Balance 1 January 2004		276,240	222,751	276,240	222,751
Changes in equity - transactions with owners as owners:					
Increase recognised in the Statement of Financial Performance on revaluation of assets		20,050	53,489	20,050	53,489
Balance 31 December 2004		296,290	276,240	296,290	276,240
Foreign currency translation reserve					
Balance 1 January 2004		(386)	(95)	–	–
Net exchange differences on translation of foreign controlled entity		5	(291)	–	–
Balance 31 December 2004		(381)	(386)	–	–
Total reserves		295,909	275,854	296,290	276,240

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Economic entity [Consolidated]		Parent entity [University]	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(c) Nature and purpose of reserves				
Asset revaluation reserve, refer Note 1(m) for details of nature and purpose of reserve.				
Foreign currency translation reserve, refer Note 1 (t)(ii) for details of nature and purpose of reserve.				
(d) Retained surplus				
Retained surplus at the beginning of the year	408,103	396,097	390,171	381,577
Changes in equity – transactions with owners as owners:				
Net operating result	(12,253)	12,453	(12,255)	9,041
Transfer to statutory funds	(1,926)	(447)	(1,926)	(447)
Retained surplus at the end of the year	393,924	408,103	375,990	390,171

22. COMMITMENTS FOR EXPENDITURE

(a) Capital expenditure commitments

Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:

Building works

Not later than one year	65,840	6,588	65,840	6,083
Later than one year and not later than five years	11,170	–	11,170	–

Plant and equipment

Not later than one year	3,354	6,371	3,354	5,888
Total capital commitments	80,364	12,959	80,364	11,971

(b) Lease commitments

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

Within one year	11,168	8,046	6,311	5,692
Later than one year but not later than five years	12,128	8,917	5,888	4,155
Later than five years	1,298	1,350	1,298	1,350
Total lease commitments	24,594	18,313	13,497	11,197

Representing:

Cancellable operating leases	–	–	–	–
Non-cancellable operating leases	19,332	14,879	8,235	7,763
Future finance charges on finance leases	5,262	3,434	5,262	3,434
	24,594	18,313	13,497	11,197

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Premises

Within one year	6,067	3,034	1,211	687
Later than one year and not later than five years	8,148	4,970	1,908	209
Later than five years	1,298	1,350	1,298	1,350
	15,513	9,354	4,417	2,246

Motor vehicles

Within one year	1,410	1,166	1,410	1,166
Later than one year and not later than five years	1,138	771	1,138	771
	2,548	1,937	2,548	1,937

Equipment

Within one year	1,120	2,560	1,119	2,553
Later than one year and not later than five years	151	1,028	151	1,027
	1,271	3,588	1,270	3,580
Total operating leases	19,332	14,879	8,235	7,763

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

Finance leases

Commitments for minimum lease payments in relation to finance leases are payable as follows:

	Economic entity [Consolidated]		Parent entity [University]	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Equipment				
Within one year	2,571	1,286	2,571	1,286
Later than one year and not later than five years	2,691	2,148	2,691	2,148
Total minimum finance lease payments	5,262	3,434	5,262	3,434
Future finance charges	(362)	(267)	(362)	(267)
Recognised as a liability	4,900	3,167	4,900	3,167
Representing lease liabilities				
Current liability	17	2,334	1,130	2,334
Non-current liability	17	2,566	2,037	2,037
	4,900	3,167	4,900	3,167

(c) Other expenditure commitments

Trade creditors

Not later than one year	1,754	1,280	1,754	625
Remuneration commitments				
Not later than one year	634	306	-	-
Later than one year and not later than five years	936	148	-	-
	1,570	454	-	-
Total other expenditure commitments	3,324	1,734	1,754	625

Commitments for expenditure are recorded on a GST inclusive basis except for finance leases which are recorded on a GST exclusive basis. The potential GST credit on the above commitments is \$9,104,000 (2003 \$2,647,000) for the economic entity and \$8,214,000 (2003 \$1,851,000) for the parent entity.

23. NON-CASH FINANCING AND INVESTING ACTIVITIES

Acquisition of plant and equipment by means of finance leases	3,284	3,686	3,284	3,686
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24. SUPERANNUATION PLANS

During the 2004 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).

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 2004 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	4.0	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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

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 2003	(20,877)	(10,100)	(240,627)	(271,604)
Less reserve account balance	22,384	7,648	108,159	138,191
(Deficiency)/surplus as at 31 December 2003	1,507	(2,452)	(132,468)	(133,413)

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 conducted as at 31 December 2002 and completed on 16 May 2003. The economic assumptions used in the assessment have not been disclosed.

Details of the University's share of the defined benefit scheme assessed by the actuary as at 30 June 2004 are as follows:

	\$'000
Accrued benefits	71,188
Vested benefits	82,756
Net market value of assets	80,125
Net surplus (deficiency)	8,937

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

25. CONTINGENT ASSETS AND LIABILITIES

(a) Contingent assets

The University carries out various research projects and has developed intellectual properties and registered patents, at the commercialisation of these the University may realise a future monetary benefit.

(b) Contingent liabilities

- (i) 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.
- (ii) The University is currently involved in minor litigation, the potential liability from which is estimated to be not greater than \$10,000.
- (iii) The University may have a liability for severance payments to temporary staff up to a maximum of \$190,000.
- (iv) The University may have a liability to provide financial support to accessUTS Pty Ltd during 2005.
- (v) The University may have a liability to provide financial support to Sydney Educational Broadcasting Limited (2SER-FM) during 2005.

The University is not aware of any other contingent liabilities.

26. 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.

27. JOINT VENTURE OPERATIONS

The University, along with the Sydney Olympic Park Authority and the University of Sydney, were the successful consortium for the establishment of the International Centre of Excellence for Sports Science and Management (ICESSM). The University has a one-third ownership of the company. ICESSM will receive approximately \$7.8 million of federal funding to deliver this initiative. The University will equity account for its interest in ICESSM in future financial reports.

Insearch Limited, a wholly owned subsidiary, has the following joint ventures:

- (a) International English Testing System (IELTS) Joint Venture
- (b) Australia China Institute of Business
- (c) IDP joint venture in Vietnam
- (d) Sydney Institute of Language and Commerce (SLIC)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

Name of entity	Principal activities	Country of incorporation	Ownership interest		Net equity		Total revenue		Operating result		Contributing to operating result	
			2004 %	2003 %	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Parent entity												
University of Technology, Sydney	Education services	Australia			678,151	670,356	320,529	316,557	(12,255)	9,041	(18,255)	3,541
Controlled entities												
Insearch Limited												
(company limited by guarantee)	Education services	Australia	100	100	16,953	16,969	42,365	39,360	(39)	3,733	5,961	9,233
Insearch (Shanghai) Limited	Education services	China	100	100	820	755	1,519	2,711	84	(145)	84	(145)
accessUTS Proprietary Limited	Consulting	Australia	100	100	(220)	(178)	2,452	1,480	(43)	(176)	(43)	(176)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

29. 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 \$6,000,000 (2003 \$5,700,000) were paid or payable to the ultimate controlling entity.
- (2) Sale of services and fees \$3,347,175 (2003 \$2,343,284) 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.

30. DISAGGREGATION INFORMATION (CONSOLIDATED)

Geographical (consolidated entity)	Revenue		Results		Assets	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Australia	361,118	352,086	(15,469)	8,616	978,644	971,137
China	2,159	3,789	869	29	1,069	1,492
United Kingdom	210	-	(162)	-	657	-
South East Asia	3,378	4,233	2,509	3,808	-	-
Total	366,865	360,108	(12,253)	12,453	980,370	972,629

31. SUBSEQUENT EVENTS

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

32. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash flow from operations with operating result after related income tax.

	Economic entity [Consolidated]		Parent entity [University]	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Net operating result	(12,253)	12,453	(12,255)	9,041
Depreciation and amortisation	33,059	25,003	31,071	23,522
Increase/(decrease) in provisions:				
> Annual leave	711	1,588	748	1,466
> Diminution of shares	38	-	38	-
> Doubtful debts	734	942	731	976
> Long service leave	2,893	3,093	2,761	2,677
> Deferred superannuation	(4,581)	11,523	(4,581)	11,523
Decrease/(increase) in receivables	3,842	(7,151)	3,225	(7,758)
Decrease/(increase) in non-current receivables	6,453	(13,469)	6,453	(13,469)
Decrease/(increase) in prepayments and accrued income	1,326	(1,100)	1,596	(2,167)
Decrease/(increase) in inventories	-	-	-	-
(Decrease)/increase in accounts payable	4,016	430	5,556	823
(Decrease)/Increase in current tax liabilities	-	(17)	-	-
(Decrease)/increase in income in advance	(3,983)	5,733	(5,610)	4,713
(Profit)/loss on sale of assets	620	415	606	254
Write back of motor vehicles	-	-	-	-
Capitalisation of previous year's expenditure	-	-	-	-
Change in unrealised foreign exchange gain decrease/(increase)	-	-	-	-
Adjustment to accumulated funds at beginning of year	-	-	-	-
Net cash provided by operating activities	32,875	39,443	30,339	31,601

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

Recognised financial instruments	Notes	Accounting policies	Terms and conditions
33. FINANCIAL INSTRUMENTS			
33.1 The following are the University's accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments.			
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	11	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	11	At call investments are recorded at cost value.	Interest rate variable.
Bank bills	11	Bank bills are recorded at cost value.	Terms range from 0 to 180 days.
Negotiable certificates of deposit	11	Negotiable certificates of deposit are recorded at cost value.	Terms range from 0 to 180 days invested at variable interest rates.
Fixed interest securities	11	Fixed interest securities are recorded at cost value.	Terms range from 1 to 5 years. Interest rates vary from 5.0% – 5.81%.
Government and semi-government bonds	11	Government and semi-government bonds are recorded at cost value.	Varying terms with maturity dates up to 2008. Interest rate varies from 6.5% to 8.75%.
Financial liabilities			
Government loan	17	The NSW Treasury Corporation loan is recorded at the principal amount.	Interest only loan maturing on 12/12/2016. Interest rate fixed at 6.41%.
ANZ bank loan	17	The ANZ bank loan is recorded at the principal amount.	Interest and principal loan maturing on 28/11/2021. Interest rate is capped at 7.5%, excluding margins.
Trade creditors	16	Trade creditors are recorded at cost.	Terms are 30 days. No interest rate is applied.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

33.2 The following table details the economic entity's exposure to interest rate risk as at 31 December 2004:

	Average yield	Variable interest rate	Fixed interest rate maturity			Non- interest bearing	Total
			Less than 1 year	1 to 5 years	More than 5 years		
2004	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash	4.53	27,841				34	27,875
Investments	5.65						1,207
> At call		1,207					1,207
> Bank bills			9,956				9,956
> Negotiable certificates of deposit		27,636					27,636
> Fixed interest securities				6,207			6,207
> Government and semi- government bonds							-
> Shares in other organisations		391					391
> Other						352	352
Receivables	N/A					8,791	8,791
		57,075	9,956	6,207	-	9,177	82,415
Financial liabilities							
Government loan	6.41				40,000		40,000
ANZ Bank loan	6.65	28,650					28,650
Finance leases	6.26		2,334	2,566			4,900
Accounts payable	N/A					16,269	16,269
		28,650	2,334	2,566	40,000	16,269	89,819
2003							
	Average yield	Variable interest rate	Fixed Interest Rate Maturity			Non- interest bearing	Total
	%	\$'000	Less than 1 year	1 to 5 years	More than 5 years	\$'000	\$'000
Financial assets							
Cash	4.49	28,545				46	28,591
Investments	4.41						11,693
> At call		11,693					11,693
> Negotiable certificates of deposit		57,248					57,248
> Fixed interest securities				6,041			6,041
> Government and semi- government bonds				5,864			5,864
> Shares in other organisations		547					547
> Other						373	373
Receivables	N/A					13,367	13,367
		98,033	-	11,905	-	13,786	123,724
Financial liabilities							
Government loan	6.41				40,000		40,000
ANZ Bank loan	5.37	29,500					29,500
Finance leases	5.82		1,130	2,037			3,167
Accounts payable	N/A					12,253	12,253
		29,500	1,130	2,037	40,000	12,253	84,920

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

33.3 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 2004:

	Carrying amount		Net fair value	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assets				
Cash	27,875	28,591	27,875	28,591
Investments				
> At call	1,207	11,693	1,361	11,774
> Bank bills	9,956	-	9,973	-
> Non-interest-bearing deposits	-	-	-	-
> Negotiable certificates of deposit	27,636	57,248	27,833	57,562
> Fixed interest securities	6,207	6,041	6,423	6,032
> Government and semi-government bonds	-	5,864	-	5,904
> Shares in other organisations	391	547	391	547
> Other	352	373	352	373
Receivables	8,791	13,367	8,791	13,367
	82,415	123,724	82,999	124,150
Financial liabilities				
Government loan	40,000	40,000	40,000	40,000
ANZ Bank loan	28,650	29,500	28,650	29,500
Finance leases	4,900	3,167	4,900	3,167
Accounts payable	16,269	12,253	16,269	12,253
	89,819	84,920	89,819	84,920

34. ACQUITTAL OF COMMONWEALTH GOVERNMENT FINANCIAL ASSISTANCE**34.1 Teaching and learning.**

	Parent entity [University] ONLY			
	Operating financial assistance		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the Programs)	82,812	80,236	82,812	80,236
Net accrual adjustments	(740)	1,219	(740)	1,219
Revenue for the period	82,072	81,455	82,072	81,455
Surplus/(deficit) from the previous year	-	-	-	-
Total revenue including accrued revenue	82,072	81,455	82,072	81,455
Less expenses including accrued expenses	(82,072)	(81,455)	(82,072)	(81,455)
Surplus/(deficit) for reporting period	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

34.2 HECS and other Commonwealth loan programs

	HECS (Commonwealth payments only)		Parent entity [University] ONLY				Total
	2004 \$'000	2003 \$'000	Postgraduate Education Loan Scheme (PELS)		Bridging for Overseas Trained Professional Loan Scheme (BOTPLS)		
			2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programs)	41,603	49,806	21,649	14,076	80	35	63,917
Net accrual adjustments	2,894	(432)	(1,316)	1052	5	-	1,583
Revenue for the period	44,497	49,374	20,333	15,128	85	35	64,915
Surplus/(deficit) from the previous year	-	-	-	-	-	-	-
Total revenue including accrued revenue	44,497	49,374	20,333	15,128	85	35	64,915
Less expenses including accrued expenses	(44,497)	(49,374)	(20,333)	(15,128)	(85)	(35)	(64,537)
Surplus/(deficit) for reporting period	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

34.3 Australian Research Council Grants
(a) Discovery

	Parent entity [University] ONLY					
	Discovery projects		Discovery fellowships		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programs)	2,878	2,398	(7)	169	2,871	2,567
Net accrual adjustments		(176)		(12)	-	(188)
Revenue for the period	2,878	2,222	(7)	157	2,871	2,379
Surplus/(deficit) from the previous year	1,237	770	35	34	1,272	804
Total revenue including accrued revenue	4,115	2,992	29	191	4,144	3,183
Less expenses including accrued expenses	(2,168)	(1,755)	(27)	(156)	(2,195)	(1,911)
Surplus/(deficit) for reporting period	1,947	1,237	2	35	1,949	1,272

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

34.4 Australian Research Council (b) Linkages

	Parent entity [University] ONLY										Total			
	Linkage – projects		Linkage – international		Linkage – infrastructure		Linkage – special research initiatives		Linkage – Research Networks			Linkage – centres		
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003		2004	2003	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programs)	2,380	2,026	76	105	1,547	384	-	80	1,112	-	-	-	5,115	2,595
Net accrual adjustments	-	(128)	(25)	(4)	-	(140)	-	-	(80)	700	-	-	(105)	428
Revenue for the period	2,380	1,898	51	101	1,547	244	-	80	1,032	700	-	-	5,010	3,023
Surplus/(deficit) from the previous year	1,408	1,047	74	20	-	934	80	-	676	-	-	-	2,238	2,001
Total revenue including accrued revenue	3,788	2,945	125	121	1,547	1,178	80	80	1,708	700	-	-	7,248	5,024
Less expenses including accrued expenses	(1,811)	(1,537)	(74)	(47)	(1,495)	(1,178)	(51)	-	(1,147)	(24)	-	-	(4,578)	(2,786)
Surplus/(deficit) for reporting period	1,977	1,408	51	74	52	-	29	80	561	676	-	-	2,670	2,238

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

34.5 DEST Research

	Parent entity [University] ONLY									
	Institutional Grants Scheme		Research Training Scheme		Small Grants		Research Infrastructure		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programs)	3,556	3,597	9,292	10,119	-	-	1,306	1,244	14,154	14,960
Net accrual adjustments	-	22	-	-	-	-	15	-	37	-
Revenue for the period	3,556	3,619	9,292	10,119	-	-	1,306	1,259	14,154	14,977
Surplus/(deficit) from the previous year	-	332	-	-	14	20	203	199	217	551
Total revenue including accrued revenue	3,556	3,951	9,292	10,119	14	20	1,509	1,458	14,371	15,548
Less expenses including accrued expenses	(3,556)	(3,951)	(9,292)	(10,119)	(6)	(6)	(550)	(1,255)	(13,404)	(15,331)
Surplus/(deficit) for reporting period	-	-	-	-	8	14	959	203	967	217

34.6 Scholarships

	Parent entity [University] ONLY											
	Australian Postgraduate Awards (pre-2002)		Australian Postgraduate Awards (post-2002)		International Postgraduate Research Scholarships		Commonwealth Education Costs Scholarships		Commonwealth Accommodation Costs Scholarships		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programs)	214	733	1,220	635	243	173	132	-	288	-	2,097	1,541
Net accrual adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Revenue for the period	214	733	1,220	635	243	173	132	-	288	-	2,097	1,541
Surplus/(deficit) from the previous year	58	17	46	112	114	13	-	-	-	-	218	142
Total revenue including accrued revenue	272	750	1,266	747	357	186	132	-	288	-	2,315	1,683
Less expenses including accrued expenses	(255)	(692)	(1,067)	(701)	(294)	(72)	(132)	-	(282)	-	(2,030)	(1,465)
Surplus/(deficit) for reporting period	17	58	199	46	63	114	-	-	6	-	285	218

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

35. 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 2004 was a deficit of \$102,750 (2003 \$90,000 surplus).

Australian Technology Park Innovation Pty Ltd (ATPI)

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

End of audited financial statements of the University of Technology, Sydney.

DO

DIRECTORS' DECLARATION

DO

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 2004 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 2004 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 8th day of April 2005

For and on behalf of the board.



Richard J Hill
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 2004 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.



Richard J Hill
Director



Murray L Laurence
Director

8 April 2005

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 is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Insearch Limited's and consolidated entity's financial position as at 31 December 2004 and financial performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia, and the *Corporations Regulations 2001*,
- (b) other mandatory financial reporting requirements in Australia, and
- (c) section 41B of the *Public Finance and Audit Act 1983*.

My opinion should be read in conjunction with the rest of this report.

The Directors' Role

The financial report is the responsibility of the company's directors. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows, the accompanying notes and the directors' declaration for Insearch Limited and the consolidated entity. The consolidated entity comprises Insearch Limited and the entities controlled at 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 Insearch Limited 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 not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the company or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. 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.

P.K. Brown

P K Brown FCA
Director, Financial Audit Services

SYDNEY
20 April 2005

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	Consolidated		Parent entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities	4	42,836	41,865	41,462	39,340
Shares of net profits from joint venture partnership accounted for using the equity method	9[d]	566	167	566	167
Total revenue		43,402	42,032	42,028	39,507
Employee benefits expense	5[a]	(14,577)	(13,632)	(14,378)	(13,367)
Depreciation and amortisation expenses	5[b]	(1,994)	(1,545)	(1,913)	(1,457)
Other expenses from ordinary activities	5[c]	(26,207)	(22,998)	(25,240)	(20,679)
Total expenses		(42,778)	(38,175)	(41,531)	(35,503)
Profit from ordinary activities before income tax expense		624	3,857	497	4,004
Income tax expense	2[b]	(39)	-	-	-
Net profit		585	3,857	497	4,004
Increase (decrease) in foreign currency translation reserve	17[b]	(20)	(215)	-	-
Total revenues, expenses and valuation adjustments recognised directly in equity		(20)	(215)	-	-
Total changes in equity other than those resulting from transactions with owners as owners		565	3,642	497	4,004

The accompanying notes form part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2004

	Note	Consolidated		Parent entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current assets					
Cash assets	6	26,332	26,262	25,438	25,374
Receivables	7	399	1,035	452	1,228
Other financial assets	8	1,252	786	1,251	802
Total current assets		27,983	28,083	27,141	27,404
Non-current assets					
Investments accounted for using the equity method	9	1,234	421	1,234	421
Plant and equipment	11	7,216	6,523	7,160	6,410
Intangible assets	12	595	544	595	544
Other financial assets	10	1,981	1,540	2,923	2,482
Total non-current assets		11,026	9,028	11,912	9,857
Total assets		39,009	37,111	39,053	37,261
Current liabilities					
Payables	13	3,513	3,003	3,437	3,013
Provisions	15	7,288	6,549	7,288	6,549
Other	14	9,012	9,149	9,012	9,101
Total current liabilities		19,813	18,701	19,737	18,663
Non-current liabilities					
Provisions	16	840	619	840	619
Total non-current liabilities		840	619	840	619
Total liabilities		20,653	19,320	20,577	19,282
Net assets		18,356	17,791	18,476	17,979
Equity					
Retained profits	17[a]	18,688	18,103	18,476	17,979
Reserves	17[b]	(332)	(312)	-	-
Total equity		18,356	17,791	18,476	17,979

The accompanying notes form part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	Consolidated		Parent entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		40,214	40,269	38,982	38,086
Donation paid to the University of Technology, Sydney		(5,500)	(5,000)	(5,500)	(5,000)
Payment to suppliers and employees (inclusive of goods and services tax)		(34,936)	(31,069)	(33,777)	(29,173)
Income tax paid		(39)	-	-	-
		(261)	4,200	(295)	3,913
Interest received		1,547	1,108	1,545	1,105
Joint venture partnership distributions received		68	193	68	193
Input tax credit refund from Australian Taxation Office		1,344	1,165	1,344	1,165
Net cash provided by operating activities	26	2,698	6,666	2,662	6,376
Cash flows from investing activities					
Acquisition of plant and equipment		(2,721)	(3,300)	(2,721)	(3,300)
Purchase of investments		(44)	(61)	(44)	(61)
Proceeds from sale of plant and equipment		167	235	167	235
Net cash used in investing activities		(2,598)	(3,126)	(2,598)	(3,126)
Net increase (decrease) in cash held		100	3,540	64	3,250
Cash at the beginning of the year		26,262	22,924	25,374	22,124
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the year		(30)	(202)	-	-
Cash at end of year	25	26,332	26,262	25,438	25,374

The accompanying notes form part of the financial statements.

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

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NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

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). During 2004, the company established a branch in United Kingdom, INSEARCH Essex.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The company's general purpose financial report has been prepared on an accruals basis and in accordance with:

- > applicable Australian Accounting Standards;
- > other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- > Urgent Issues Group (UIG) Consensus Views;
- > the requirements of the Public Finance and Audit Act and Regulations; and
- > *Corporations Act 2001*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AASB 'Accounting Policies' is considered.

Except for certain investments and plant and equipment, which are recorded at valuation, the financial statements are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

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 2004 and the results of controlled entity 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 in the Australian operations as the company is exempt from income tax under Sections 50–55 of the *Income Tax Assessment Act 1997*.

Income tax has been provided for the wholly owned entity INSEARCH (Shanghai) Limited.

[c] Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of the expense.

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

The net amount of GST recoverable from, or payable to the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from or payable to the Australian Taxation Office, are classified as operating cash flows.

[d] Foreign currency transactions

(i) Transactions

Foreign currency transactions during the year are 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 reported in the statement of financial performance.

(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.

The activities undertaken in the United Kingdom are integrated within operations in Australia. The assets, liabilities and equity of the United Kingdom operations are consolidated into the parent entity using the temporal method of translation whereby non-monetary assets and liabilities and equity items, including

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

revenue and expenses, are translated using historic rates of exchange, and monetary assets and liabilities are translated using rates of exchange current at the reporting date. Any resultant exchange differences are recorded as revenue or expense by the parent entity.

[e] Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement within 30 days.

Collectibility of trade debtors is reviewed on an ongoing basis. A provision for doubtful debts is raised when some doubt as to collection exists. Bad debts are written off in the year they are identified.

[f] Revenue recognition

(i) Education fees

Education fees are recognised as revenue in advance upon student enrolment and are then disbursed to revenue based on course delivery.

(ii) Other revenue

Other revenue including interest received, joint venture partnership distributions and sale of fixed assets are recognised on an accruals basis.

[g] Revaluation of non-current assets

Subsequent to initial recognition as assets, investments in managed funds are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made at year-end.

Revaluation increments are credited directly to the managed funds revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

[h] Leasehold improvements

The cost of improvements to leasehold properties has been integrated into the asset class furniture and fittings, and has been depreciated in line with the expected unexpired period of the lease.

[i] Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident 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 against income in the periods in which they are incurred. Lease commitments are reported inclusive of GST with the input tax recoverable from the Australian Taxation Office.

Incentives received on entering long term operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

Operating leases have been accounted in accordance with the Australian Accounting Standards.

[j] 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 cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. The goodwill is amortised on a straight-line basis over 10 years.

(ii) Validation expenses

The expenses incurred in the development of the framework for the education courses and the necessary validation of those courses by the University of Essex have been capitalised as an intangible asset. This cost has been amortised on a straight-line basis over 10 years.

[k] 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.

[l] 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.

Financial Instruments' information is disclosed in Note 18, 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.

[m] Joint ventures

The interest in a joint venture which meets the 'control' test under AASB 1006 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.

[n] Website costs

Costs in relation to the website are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of expected benefit. Costs incurred in relation to feasibility studies during the planning phase and ongoing

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing the website, to the extent they represent future economic benefits controlled and can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which is 2 years.

[o] Employee benefits

(i) Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits, and non-accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Annual leave

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

(iii) Long service leave

The provision for long service leave is recognised as a non-current liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to on-costs and known future salary increases. Expected future payments are then discounted using staff profile and a factor designed to compensate for inflation and salary increase.

(iv) Superannuation

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

[p] 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 5.35% (2003: 4.75%).

[q] Investments

All current investments in the financial statements are shown at cost. Investments in managed funds are shown at fair value.

Controlled entities are accounted for in the consolidated financial statements as set out in Note 2[a].

The interest in a joint venture is accounted for as set out in Note 2[m].

[r] Depreciation of plant and equipment

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over its expected useful life to the consolidated entity. The recently formed capital review committee reviews the remaining useful lives on a regular basis for all assets. The expected useful lives are as follows:

Furniture and fittings	4–8 years
Office equipment	3–7 years
Motor vehicles	5 years
Computer equipment	3–5 years and
Software	2–7 years

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

[s] Acquisition of assets

Items of plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided and incidental costs directly attributed to the acquisition.

[t] Recoverable amount of non-current assets

The recoverable amount of a non-current asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. The carrying amounts of non-current assets valued using the cost basis are reviewed by the capital expenditure review committee to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in the Statements of Financial Performance in the reporting period in which the recoverable amount write-down occurs.

[u] Other controlled entities

- > East Coast Network Pty Ltd (not trading), and
- > Insearch Education International Pty Ltd

The investment in these entities is carried in the accounts of Insearch Ltd at a nominal value.

Insearch Education International Pty Ltd holds the controlling interests in the Australia Centre – Medan in Indonesia and Australia Centre – Chiang-Mai in Thailand. The accounts of these entities are not consolidated on the basis of immateriality.

[v] Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, 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.

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

3. SEGMENT INFORMATION

INSEARCH Limited operates in the field of education.

The consolidated entity is organised on a global basis into the following business segments in Australia, the People's Republic of China (PRC), United Kingdom and other areas of South East Asia.

	Segment revenue		Segment assets		Acquisition of property, plant and equipment, intangibles & other non-current segment assets	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australia	41,665	38,188	37,283	35,619	2,927	3,300
PRC	1,374	3,615	1,069	1,492	-	-
United Kingdom	210	-	657	-	224	-
Other countries	153	229	-	-	-	-
	43,402	42,032	39,009	37,111	3,151	3,300

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
4. REVENUE				
Revenue from operating activities				
Fees	40,008	40,020	38,658	37,498
Consulting and other	-	131	-	131
	40,008	40,151	38,658	37,629
Revenue from outside the operating activities				
Interest	1,542	1,282	1,540	1,279
Sale of non-current assets	167	235	167	235
Other	1,119	197	1,097	197
	2,828	1,714	2,804	1,711
Revenue from ordinary activities	42,836	41,865	41,462	39,340

5. EXPENSES FROM ORDINARY ACTIVITIES

[a] Employee benefits expense

Salaries and wages	12,198	11,137	12,050	10,872
Superannuation	1,068	929	1,068	929
Payroll tax	719	654	719	654
Other	592	912	541	912
Total employee benefits expense	14,577	13,632	14,378	13,367

[b] Depreciation and amortisation expense

Depreciation				
> Office equipment	125	859	118	819
> Furniture and fittings	709	468	687	420
> Motor vehicles	135	100	98	100
> Computer equipment	434	-	419	-
> Software	481	-	481	-
Total depreciation	1,884	1,427	1,803	1,339
Amortisation				
> Goodwill	106	105	106	105
> Patents and trademarks	4	13	4	13
Total amortisation	110	118	110	118
Total depreciation and amortisation expense	1,994	1,545	1,913	1,457

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
[c] Other expenses from ordinary activities				
> Donation to the University of Technology, Sydney	6,000	5,500	6,000	5,500
> Occupancy	3,491	3,381	3,421	3,293
> Agents commissions	3,073	2,982	3,073	2,982
> Homestay and welcome	881	942	881	942
> Educational expenses	2,358	3,126	1,449	1,091
> University of Technology, Sydney library costs	899	770	899	770
> Promotional expenses	799	545	780	527
> Overseas travel	1,054	483	1,054	464
> Consultant fees	1,924	528	1,924	528
> Carrying value of plant and equipment disposed	168	467	168	408
> Carrying value of intangibles disposed	10	-	10	-
> Bad and doubtful debts	2	(13)	2	(13)
> (Gain)/loss on foreign exchange	101	88	101	88
> Other	5,447	4,199	5,478	4,099
Total other expenses from ordinary activities	26,207	22,998	25,240	20,679

[d] Individually significant items

Pre-operating expenditure associated with the development and implementation of the INSEARCH Essex joint venture and the Beijing INSEARCH Language College accounted for \$1.36m of the additional expenditure under the category 'Other'.

Other significant expenditure from ordinary activities included Information Technology consultants of \$570,000 (2003:\$63,000) and subscription and membership fees of \$302,003 (2003:\$74,980), associated primarily with the implementation of the Information System project.

6. CURRENT ASSETS – CASH ASSETS

Cash at bank and on hand	7,832	3,262	6,938	2,374
Deposits at call	18,500	23,000	18,500	23,000
Total cash assets	26,332	26,262	25,438	25,374

7. CURRENT ASSETS – RECEIVABLES

Trade debtors	218	725	102	650
Less: provision for doubtful debts	(3)	-	-	-
	215	725	102	650
Other debtors	184	310	350	578
Total receivables	399	1,035	452	1,228

8. CURRENT ASSETS – OTHER FINANCIAL ASSETS

Prepayments	566	420	565	411
Other	686	366	686	391
Total other financial assets	1,252	786	1,251	802

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
9. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
[a] Joint venture with:				
> The University of Technology, Sydney (IELTS)	76	65	76	65
> Northeastern University China (ACIB)	–	62	–	62
> IDP Education Australia (Vietnam)	164	219	164	219
> Shanghai University (SILC)	994	75	994	75
Total investments accounted for using the equity method	1,234	421	1,234	421

The company has joint ventures in Australia, the People's Republic of China (PRC) and Vietnam, for which investments are accounted for using the equity method.

(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' divisions. The investment is a 50% share of retained earnings.

(ii) 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.

(iii) 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. This entity is inactive.

(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.

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	75	62	219	65	421
New capital invested	–	–	–	–	–
Share of increment/decrement on revaluation of investment	537	(62)	(116)	–	359
Distribution received / receivable	–	–	(28)	(84)	(112)
Share of profit	382	–	89	95	566
Carrying amount at end of year	994	–	164	76	1,234
[c] Share of assets and liabilities of joint venture					
Current assets	2,648	–	228	213	3,089
Non-current assets	482	–	40	12	534
Current liabilities	(1,633)	–	(68)	(127)	(1,828)
Non-current liabilities	(503)	–	(36)	(22)	(561)
Share of net assets	994	–	164	76	1,234
[d] Share of partnership's revenues, expenses and results					
Revenues	4,408	–	546	1,083	6,037
Expenses	(4,026)	–	(457)	(988)	(5,471)
Share of profit from joint venture partnership	382	–	89	95	566

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
10. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS				
Investments in managed funds	1,664	1,437	1,664	1,437
Insearch (Shanghai) Limited	–	–	942	942
Other	317	103	317	103
Total non-current other financial assets	1,981	1,540	2,923	2,482
11. NON-CURRENT ASSETS – PLANT AND EQUIPMENT				
Office equipment at cost	690	4,271	675	4,224
Less accumulated depreciation	(510)	(2,524)	(500)	(2,486)
Carrying value	180	1,747	175	1,738
Furniture and fittings at cost	4,114	3,735	4,064	3,606
Less accumulated depreciation	(1,591)	(1,719)	(1,558)	(1,639)
Carrying value	2,523	2,016	2,506	1,967
Motor vehicles at cost	725	636	649	558
Less accumulated depreciation	(172)	(132)	(115)	(109)
Carrying value	553	504	534	449
Computer equipment at cost	1,808	–	1,775	–
Less accumulated depreciation	(1,091)	–	(1,073)	–
Carrying value	717	–	702	–
Software at cost	3,125	–	3,125	–
Less accumulated depreciation	(731)	–	(731)	–
Carrying value	2,394	–	2,394	–
Capital work in process	849	2,256	849	2,256
Total plant and equipment at cost	11,311	10,898	11,137	10,644
Less accumulated depreciation	(4,095)	(4,375)	(3,977)	(4,234)
Carrying value of plant and equipment	7,216	6,523	7,160	6,410

Significant items

In 2004 the company elected to further categorise its non current assets to recognise separately computer equipment and computer software. The amounts reclassified as at 1 January 2004 were as follow:

- > Computer equipment \$717,000
- > Software \$916,000

The company reviewed all asset categories to assess their economic lives and assigned the expected useful lives in line with Note 2[r].

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

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.

	Office equipment \$'000	Furniture & fittings \$'000	Motor vehicles \$'000	Computer equipment \$'000	Software \$'000	Capital work in process \$'000	Total \$'000
Consolidated							
Year 2004							
Carrying amount at start of year	1,747	2,016	504	-	-	2,256	6,523
Additions							
> Reclassification of assets	(1,643)	15	(5)	717	916	-	-
> Transfers from work in process	162	1,033	-	337	1,959	(3,491)	-
> Purchases	-	193	346	98	-	2,084	2,721
Foreign currency exchange differences	42	(25)	6	1	-	-	24
Disposals	(3)	-	(163)	(2)	-	-	(168)
Depreciation	(125)	(709)	(135)	(434)	(481)	-	(1,884)
Carrying amount at end of year	180	2,523	553	717	2,394	849	7,216
Parent entity							
Year 2004							
Carrying amount at start of year	1,738	1,967	449	-	-	2,256	6,410
Additions							
Reclassification of assets	(1,604)	-	-	688	916	-	-
> Transfers from work in process	162	1,033	-	337	1,959	(3,491)	-
> Purchases	-	193	346	98	-	2,084	2,721
Disposals	(3)	-	(163)	(2)	-	-	(168)
Depreciation	(118)	(687)	(98)	(419)	(481)	-	(1,803)
Carrying amount at end of year	175	2,506	534	702	2,394	849	7,160

The capital review committee has utilised the work in process account to monitor the commissioning process and review the useful economic life of assets.

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
12. NON-CURRENT ASSETS – INTANGIBLE ASSETS				
Goodwill at cost	1,055	1,055	1,055	1,055
Less accumulated amortisation	(633)	(527)	(633)	(527)
Carrying amount	422	528	422	528
Patents and trademarks	198	68	198	68
Less accumulated amortisation	(25)	(52)	(25)	(52)
Carrying amount	173	16	173	16
Total intangible assets	595	544	595	544

13. CURRENT LIABILITIES – PAYABLES

Trade creditors	851	784	844	784
University of Technology, Sydney	2,471	2,212	2,471	2,212
Other creditors	191	7	122	17
Total payables	3,513	3,003	3,437	3,013

14. CURRENT LIABILITIES – OTHER

Accrued expenses	1,515	1,057	1,515	1,009
Other	436	309	436	309
Student fees received in advance	2,555	2,168	2,555	2,168
Prepaid course fees	4,506	5,615	4,506	5,615
Total other	9,012	9,149	9,012	9,101

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
15. CURRENT LIABILITIES – PROVISIONS				
Provision for donation to the University of Technology, Sydney	6,000	5,500	6,000	5,500
Provision for holiday pay	624	655	624	655
Other	664	394	664	394
Total current provisions	7,288	6,549	7,288	6,549

16. NON-CURRENT LIABILITIES – PROVISIONS

Provision for long service leave	725	593	725	593
Other	115	26	115	26
Total provision for long service leave	840	619	840	619

Long service leave and holiday pay provisions are recognised as per Note 2[o].

Other current and non-current liabilities include recently negotiated lease incentives which have been accounted for in accordance with UIG abstract 3.

17. RETAINED PROFITS AND RESERVES

[a] Retained profits

Retained profits at the beginning of the year	18,103	14,246	17,979	13,975
Profits from operating activities	585	3,857	497	4,004
Retained profits at the end of the year	18,688	18,103	18,476	17,979

[b] Reserves

Foreign currency translation reserve	(332)	(312)	–	–
Reserves at the end of the year	(332)	(312)	–	–

Movements:

Foreign currency translation reserve				
> Balance at the beginning of the year	(312)	(97)	–	–
> Translation of foreign operations	(20)	(215)	–	–
Foreign currency translation reserve balance at the end of the year	(332)	(312)	–	–

[c] Nature and purpose of reserves

Foreign currency translation reserve

Exchange differences arising on translation on the foreign controlled entity are taken to the foreign currency translation reserve, as described in Note 2[d].

18. FINANCIAL INSTRUMENTS (NOTE 2[l])

[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.

Financial assets

Cash (Note # 2[p])	26,332	26,262	25,438	25,374
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Floating interest rate

Weighted average interest calculated monthly	5.35%	4.75%	5.35%	4.75%
Receivables – non-interest-bearing	399	1,035	452	1,228
Investments non-current – floating interest	1,664	1,437	1,664	1,437
Investments non-current – non-interest-bearing	1,234	421	2,176	1,363
	3,297	2,893	4,292	4,028

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

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Financial liabilities				
Accounts payable	3,513	3,003	3,437	3,013
Other payable	9,012	9,149	9,012	9,101
	12,525	12,152	12,449	12,114
Net financial assets	17,104	17,003	17,281	17,288
Reconciliation of net financial assets to net assets				
Net financial assets as above	17,104	17,003	17,281	17,288
> Non-financial assets				
> Current other financial assets	1,252	786	1,251	802
> Non-current other financial assets	317	103	317	103
> Plant and equipment	7,216	6,523	7,160	6,410
> Intangible assets	595	544	595	544
> Provisions	(8,128)	(7,168)	(8,128)	(7,168)
Net assets	18,356	17,791	18,476	17,979

The net fair value of financial assets and liabilities approximates their carrying value.

19. REMUNERATION OF DIRECTORS

[a] Income paid or payable, or otherwise made available, to directors of the company by the company for the year ended 31 December 2004:

	439	453	439	453
	439	453	439	453

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

\$	Numbers		Numbers	
	2004	2003	2004	2003
0-9,999		4		2
20,000-29,999		4		5
30,000-39,999		1		-
310,000-319,999		1		-
340,000-349,999		-		1
	Consolidated	Parent entity	2004	2003
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000

20. REMUNERATION OF AUDITORS

The Audit Office of New South Wales

Audit of financial report - Insearch Limited	90	65	90	65
Australia Centre (Thailand) Limited	13	28	13	28
Insearch (Shanghai) Limited	34	-	34	-
	137	93	137	93

21. 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:

Business tax - Insearch (Shanghai) Ltd	245	207	-	-
Australia Centre (Thailand) Ltd	248	249	-	-
Legal expenses	-	75	-	75
	493	531	-	75

22. 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 \$0 (2003: \$90,800).

Not later than one year	62	998	62	998
	62	998	62	998

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Consolidated		Parent entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
22. 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.				
Not later than one year	3,589	2,323	3,520	2,314
Later than one year but not later than five years	6,126	4,733	6,121	4,732
Total inclusive of GST	9,715	7,056	9,641	7,046
Input tax recoverable from the Australian Taxation Office	482	584	482	584

[c] Remuneration commitments

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

Not later than one year	786	348	786	348
Later than one year but not later than five years	1,297	722	1,297	722
	2,083	1,070	2,083	1,070

[d] Other expenditure commitments

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 were not material at reporting date.

Not later than one year	-	-	-	-
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23. EMPLOYEE BENEFIT AND RELATED ON-COSTS LIABILITIES

Included in other – current liabilities (Note 14)	205	160	205	160
Provision for employee benefits – current liabilities (Note 15)	624	655	624	655
Provision for employee benefits – non-current liabilities (Note 16)	725	593	725	593
	1,554	1,408	1,554	1,408

24. RELATED PARTIES

[a] Directors

The following persons were directors of INSEARCH Limited during the financial year:

Chairman – Non-Executive

Mr R J Hill

Executive Director

Mr M L Laurence

Non-Executive Directors

Dr D V Clark

Professor D Goodman (commenced 22.04.04)

Professor R Lynch (commenced 22.04.04)

Professor A Moon (resigned 27.02.04)

Mr K J Rennie

Professor R W Robertson (resigned 22.04.04)

Dr K L Woodthorpe

Mr W H Wright

[b] Remuneration and retirement benefits

Information on remuneration and retirement benefits of directors is disclosed in Note 19.

[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, 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 19.

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

[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 \$6,000,000 is payable (2003: \$5,500,000)
 - > Donation for Technology Development Group \$50,000 (2003: \$150,000)
 - > Sales of services and fees \$1,985,758 (2003: \$1,512,988).
- (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:
- > Advertising expenses \$44,627 (2003: \$100,000)
 - > Promotion expenses \$100,000 (2003: \$0)
- (iii) Australia Centre Medan is an offshore centre of INSEARCH Limited. INSEARCH Limited entered into a loan transaction of \$100,000 in February 2002, and received a part repayment of \$25,000 in September 2004. The loan is an interest free loan.
- All other loans and transactions were based on normal terms and conditions.
- (iv) INSEARCH Limited entered into a contract with TNC Ltd for the exploration and establishment of new business, representation and advancement of INSEARCH Limited in the People's Republic of China and the provision of management services for INSEARCH (Shanghai) Limited:
- > Consultancy expenses \$637,616 (2003: \$492,000)

	Consolidated		Parent entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000

25. 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.

Cash assets represented by:

Cash at bank and on hand	7,832	3,262	6,938	2,374
Deposits at call	18,500	23,000	18,500	23,000
	26,332	26,262	25,438	25,374

26. RECONCILIATION OF NET PROFIT TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net profit	585	3,857	497	4,004
Depreciation	1,884	1,427	1,803	1,339
Amortisation	110	118	110	118
Gain/loss on sale of assets	11	232	11	173
Doubtful debts provision	-	(13)	-	(13)
Gain/loss on foreign exchange	-	88	-	88
Write up of investments to recoverable amount	(359)	-	(359)	-
Share of profit of associates and joint ventures partnership not received as dividends or distributions	(498)	-	(498)	-
Increase in value of managed funds	(183)	(43)	(183)	(43)

Changes in assets and liabilities

Receivables	636	(305)	776	(343)
Other financial assets	(650)	(557)	(618)	(585)
Accounts payable	510	654	424	533
Provisions	960	1,417	960	1,453
Other	(308)	(209)	(261)	(348)
Net cash provided by operating activities	2,698	6,666	2,662	6,376

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

27. SUPERANNUATION

INSEARCH limited contributes to several superannuation funds on behalf of employees admitted as members to these funds. All funds are defined contribution funds. INSEARCH Limited is obliged to contribute at fixed rates or amounts in accordance with industrial awards, agreements and relevant legislation. The funds to which the company contributes 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.

28. AASB 1047 ADOPTION OF THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the year ending 31 December 2005.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained profits as at 1 January 2004.

The consolidated entity has established a project team to manage the transition to Australian equivalents to IFRS. The project team's primary focus is to ensure a successful adoption by:

- > Preparing a comprehensive review of the impact of change brought by the adoption of Australian equivalents to International Financial Reporting Standards;
- > Preparing and submitting to the board an Impact Statement;
- > Effectively communicating the affects of the adoption across the entire organisation;
- > Delivering an appropriate level of staff training;
- > Developing a new system of internal control to support the adoption; and
- > Developing new policy.

The project team is led by the Financial Controller. The team has prepared a detailed timetable for the implementation of change.

To date the project team has, through a succession of technical workshops, analysed most of the Australian equivalents to International Financial Reporting Standards which are expected to affect the consolidated entity. In some cases, choices of accounting policies are available, including elective exemptions under AASB1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards.

Key changes identified to date that are expected to be required to the consolidated entity's existing accounting policies include the following (references to new AASB standards below are to the Australian equivalents to IFRS issued in July 2004):

(i) Financial instruments

Under the new AASB 139 Financial Instruments: Recognition and Measurement there may be major impacts as a result of:

- > Financial assets held by the consolidated entity being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost. The most likely accounting change is that investments in equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.

This will result in a change to the current accounting policy, under which the recoverable amount of non-profit assets is generally only measured where there is an indication of impairment. The Company does not believe that the adoption of this standard will have a significant effect on the financial statements.

NOTES TO AND FORMING PART OF THE ACCOUNTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

(ii) Impairment of assets

Under the new AASB 136 Impairment of Assets, non-current assets will be subject to assessment for impairment. Impairment must be measured for non-current assets with indications of impairment and for intangible assets not yet available for use. Impairment is measured by comparing the asset's fair value less costs to sell and its value in use. The greater of these two measurements must not exceed the asset's carrying value. 'Value in use' is determined as either:

- (a) Net present value of net cash inflows (for-profit assets); or
- (b) Depreciated replacement cost (all other assets).

In the event that an asset does not generate cash flows individually, the asset must be considered to be part of a group of assets known as a cash-generating unit (CGU). A CGU is the smallest group of assets that includes the asset under review that generates cash inflows from continuing use, which are largely independent of those cash flows from other assets or groups of assets. For purposes of conducting impairment tests, the Company will be required to evaluate its various operations to determine the relevant CGUs.

Under the new AASB 138 Intangible Assets, indefinite lived intangible assets such as goodwill will no longer be subject to amortisation. These assets will now be required to be reviewed for impairment at least annually in a manner similar to that described in (ii) above. The Company is currently in the process of allocating goodwill to each of its CGUs as discussed above to facilitate the performance of impairment testing.

(iii) Intangible assets

The Company does not believe that the adoption of this standard will have a significant effect on the financial statements.

(iv) Foreign currency

Under the new AASB 121 Changes in Foreign Exchange Rates each entity is required to measure their financial statements in their functional currency, which may differ from their presentation currency. AASB 121 does not distinguish between foreign operations that are integral and those that are self-sustaining. Rather, the results and financial position of a foreign operation are translated by:

- > translating assets and liabilities at the closing rate at the balance sheet date;
- > translating income and expenses at exchange rates at the date of the transaction; and
- > recognising resulting exchange differences as a separate component of equity.

This will result in a change to the current accounting policy, under which the Company's integrated foreign operation's results are translated using the temporal method (with exchange differences recognised as income or expense) and the Company's self-sustaining foreign operation's results are translated using the current rate method (with exchange differences recognised directly in equity).

Under the transitional rules of AASB 1 First Time Adoption of Australian Equivalents to International Financial Accounting Standards, the Company can utilise an exception allowing them to reset the foreign currency translation reserve. This would result in a debit adjustment to retained profits.

(v) Leases

Under the new AASB 117 Leases, certain leases currently classified as operating may require recognition in the Statement of Financial Position. The Company is in the process of evaluating its lease obligations in accordance with the new standard; however, it is not expected to have a significant impact on the Company.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

End of audited financial statements of Insearch Limited.

DIRECTORS' DECLARATION

The directors declare that the Financial Statements and Notes set out on pages 66 to 77:

- (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 2004 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
30 March 2005

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 2004 and transactions for the period then end;
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 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
30 March 2005

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 is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the accessUTS Pty Limited's financial position as at 31 December 2004 and financial performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia, and the *Corporations Regulations 2001*,
- (b) other mandatory financial reporting requirements in Australia, and
- (c) section 41B of the *Public Finance and Audit Act 1983*.

My opinion should be read in conjunction with the rest of this report.

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 accessUTS Pty Limited 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 not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

- about the future viability of the company,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. 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.



P K Brown
Director, Financial Audit Services

SYDNEY
18 April 2005

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	2004 \$	2003 \$
Revenue from ordinary activities	2	2,452,833	1,483,348
Employee benefits expense	3(a)	(319,101)	(280,825)
Depreciation and amortisation expense		(3,306)	(3,828)
Other expenses from ordinary activities	3(b)	(2,189,234)	(1,356,756)
Loss from ordinary activities before income tax expense		(58,808)	(158,061)
Income tax expense relating to ordinary activities	4	-	(16,736)
Loss from ordinary activities after related income tax expense		(58,808)	(174,797)
Net loss		(58,808)	(174,797)
Total changes in equity other than those resulting from transactions with owners as owners		(58,808)	(174,797)

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2004

	Note	2004 \$	2003 \$
Current assets			
Cash assets	5	247,452	430,113
Receivables	6	245,688	304,958
Other	7	45,549	51,049
Total current assets		538,689	786,120
Non-current assets			
Property, plant and equipment	8	12,475	15,781
Other financial assets	9	67	67
Total non-current assets		12,542	15,848
Total assets		551,231	801,968
Current liabilities			
Payables	10	730,205	724,305
Provisions	11	21,622	12,416
Other	12	-	207,035
Total current liabilities		751,827	943,756
Non-current liabilities			
Non-interest-bearing liabilities	13	35,000	35,000
Total non-current liabilities		35,000	35,000
Total liabilities		786,827	978,756
Net liabilities		235,596	176,788
Equity			
Contributed equity	14	1	1
Accumulated losses	15	(235,597)	(176,789)
Total equity		(235,596)	(176,788)

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 2004

	Note	2004 \$	2003 \$
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		2,253,923	1,961,474
Payments to suppliers and employees (inclusive of goods and services tax)		(2,464,342)	(2,023,660)
Income tax paid		-	(16,921)
Interest received		27,757	24,951
Net cash used in operating activities	16	(182,662)	(54,156)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(4,316)
Net cash used in investing activities			(4,316)
Net increase/(decrease) in cash held		(182,662)	(58,472)
Cash at the beginning of the financial year		430,113	488,585
Cash at the end of the financial year	5	247,452	430,113

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 2004

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

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) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, accumulated depreciation.

(f) 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 & fittings	7.5–13.3 years
Office equipment	6 years

(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) 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.

(i) Revenue recognition

Revenue is recognised on an accruals basis.

(j) 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 2004

(k) 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.

(l) 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.

(m) Foreign currency transactions

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions.

2. REVENUE

	2004 \$	2003 \$
Revenue from operating activities		
> Consulting fees	2,420,193	1,440,627
	2,420,193	1,440,627
Revenue from outside the operating activities		
> Other	5,206	15,409
> Interest	27,434	27,312
	32,640	42,721
Total revenue from ordinary and outside operating activities	2,452,833	1,483,348

3. EXPENSES

	2004 \$	2003 \$
(a) Employee benefits expense		
Salary and wages	241,552	242,214
Superannuation	21,934	22,119
Other	55,615	16,492
	319,101	280,825
(b) Other expenses from ordinary activities		
Consultancy fees	1,992,498	1,161,140
General and administration expenses	196,736	195,616
	2,189,234	1,356,756

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

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:

	2004 \$	2003 \$
Loss from ordinary activities before income tax benefit	(58,808)	(158,061)
Income tax benefit calculated at 30%	(17,642)	(47,418)
Tax effect of permanent differences	99	(428)
Income tax expense/(benefit) adjusted for permanent differences	(17,543)	(47,846)
Tax effect of timing differences:		
Add/(less):		
Provision for annual leave	(924)	1,186
Provision for doubtful debts	-	(6,000)
Provision for fringe benefits tax	(139)	1
Accrued expenses	(2,988)	6,587
Interest receivable	96	(709)
Provision for bonuses	-	(4,401)
Superannuation accrued	(409)	(63)
	(4,364)	(3,399)
Income tax expense/(benefit) adjusted for timing differences	(21,907)	(51,245)
Future income tax benefit not brought to account	21,907	51,245
Future income tax benefit brought to account at 31 December 2002 - Reversed 31 December 2003	-	16,736
Income tax expense	-	16,736

The directors estimate that the potential future income tax benefit at 31 December, 2004, in respect of tax losses not brought to account, is \$73,152 (2003: \$51,245).

This benefit for tax losses will only be obtained if:

- (i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; or
- (ii) the company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the company in realising the benefits from the deductions for the losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

5. CURRENT ASSETS – CASH

	2004 \$	2003 \$
Bank	247,317	429,981
Cash on hand	135	132
	247,452	430,113

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:

Bank	247,317	429,981
Cash on hand	135	132
	247,452	430,113

6. CURRENT ASSETS – RECEIVABLES

Trade debtors	245,688	304,958
	245,688	304,958

7. CURRENT ASSETS – OTHER

GST refund due	43,026	16,488
Prepayments	485	2,200
Deferred expenditure	–	30,000
Interest receivable	2,038	2,361
	45,549	51,049

8. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings \$'000	Computer software \$'000	Total \$'000
Carrying amount at 1 January 2004	10,850	4,931	15,781
Additions	–	–	–
Depreciation/amortisation expense	(1,232)	(2,074)	(3,306)
Carrying amount at 31 December 2004	9,618	2,857	12,475

9. OTHER FINANCIAL ASSETS

	2004 \$	2003 \$
Shares in Sunshine Heart Company Pty Limited – at cost	67	67
	67	67

The company holds 66,757 ordinary \$0.001 shares in the issued capital of Sunshine Heart Company Limited (SHC). During the financial year SHC was listed on the Australian Stock Exchange.

The market value of SHC shares held by the company at the close of business on 31 December 2004 was \$28,038.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

10. CURRENT LIABILITIES – PAYABLES

	2004 \$	2003 \$
Trade creditors	97,516	96,273
Payables to parent entity	535,848	587,628
Superannuation	889	2,254
Accrued expenses	95,952	38,150
	730,205	724,305

11. CURRENT LIABILITIES – PROVISIONS

Fringe benefits tax	227	690
Bonuses	12,750	–
Annual leave	8,645	11,726
	21,622	12,416

12. CURRENT LIABILITIES – OTHER

Prepaid income	–	198,000
Customer deposits	–	9,035
	–	207,035

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

Unsecured loan from parent entity ¹	–	35,000
	–	35,000

¹The loan is interest free and repayable upon demand.

14. CONTRIBUTED EQUITY

(a) Share capital

Ordinary shares – fully paid	1	1
------------------------------	---	---

(b) 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.

15. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	176,789	1,992
Loss for the year	58,808	174,797
Accumulated losses at the end of the financial year	235,597	176,789

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

	2004 \$	2003 \$
Operating loss after income tax	(58,808)	(174,797)
Depreciation & amortisation	3,306	3,828
Other non-cash items	(4,628)	2,686
Provision for doubtful debts	–	(8,107)
Change in operating assets and liabilities:		
> (Increase)/decrease in trade debtors	32,733	320,513
> (Increase)/decrease in other operating assets	170,338	25,139
> (Increase)/decrease in trade creditors and payables	(391,246)	(228,808)
> (Increase)/decrease in other operating liabilities	65,644	(11,345)
> Decrease in future income tax benefit	–	16,735
Net cash inflow from operating activities	(182,662)	(54,156)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

17. AUDITOR'S REMUNERATION

Remuneration of the auditor for:

> Auditing the financial report	9,000	9,000
	9,000	9,000

18. 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:

	Note	Weighted average interest rate %	Floating interest rate \$	Within 1 year \$	Non-interest bearing \$	Total \$
2004						
Financial assets						
Cash and deposits	5	4.75	247,317	–	135	247,452
Receivables	6	–	–	–	245,688	245,688
			247,317	–	245,823	493,140
Financial liabilities						
Trade and other creditors	10	–	–	–	730,205	730,205
Other loans	13	–	–	–	35,000	35,000
			–	–	765,205	765,205
Net financial assets/ (liabilities)			247,317	–	(519,382)	(272,065)
	Note	Weighted average interest rate %	Floating interest rate \$	Within 1 year \$	Non-interest bearing \$	Total \$
2003						
Financial assets						
Cash and deposits	5	4.75	429,981	–	132	430,113
Receivables	6	–	–	–	304,958	304,958
			429,981	–	305,090	735,071
Financial liabilities						
Trade and other creditors	10	–	–	–	683,902	683,902
Other loans	13	–	–	–	35,000	35,000
			–	–	718,902	718,902
Net financial assets/ (liabilities)			429,981	–	(413,812)	16,169

(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 as at 31 December 2004.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

19. COMMITMENTS FOR EXPENDITURE

Computer lease commitments

	2004 \$	2003 \$
Commitments in relation to operating lease contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	1,150	6,360
Later than one year but not later than 5 years	–	1,150
Total commitments (including GST)	1,150	7,510
Input tax credits	105	683

20. CONTINGENT LIABILITIES

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

21. REMUNERATION OF DIRECTORS

	2004 \$	2003 \$
Income paid or payable, or otherwise made available to directors of the company in connection with the management of affairs of the company.	–	–
	Number	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	3

22. REMUNERATION OF EXECUTIVES

Remuneration received, or due and receivable from executive officers of the company whose remuneration was at least \$100,000.

	2004 \$	2003 \$
Executive officers	102,679	107,612
	Number	Number
The number of executive officers whose total income from the company or related parties was within the specified bands is as follows:		
\$100,000–\$109,999	1	1

23. RELATED PARTY TRANSACTIONS

Directors

The names of persons being directors of accessUTS Pty Limited at any time during the financial year are as follows: Robert Wayne Robertson, Archie James Johnston, Susan Elizabeth Rowley and Peter James Booth.

Remuneration and retirement benefits

Remuneration and retirement benefits for directors of the company have been paid by a director-related entity. Refer to Note 21.

Loans from directors and director related entities

Loans from director and director related entities disclosed in Note 13 comprise:

Loans received

	2004 \$	2003 \$
Loan from University of Technology, Sydney	35,000	35,000
	35,000	35,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

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 2004 consisted of:

- (a) Expenses paid by University of Technology, Sydney invoiced to access UTS Pty Limited.
- (b) Faculty costs payable 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.

	2004 \$	2003 \$
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	23,760
License fee	47,000	29,275
Service fee	15,000	15,000
Faculty costs	1,380,024	480,811
Service level agreement	6,354	5,598
Operating lease	6,597	5,986
Public liability indemnity	6,000	6,000
Aggregate amounts payable by the company to the parent entity at balance date:		
Current liabilities	535,848	587,628
Non-current liabilities (loan)	35,000	35,000

24. 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.

25. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The company must comply with the Australian equivalents of International Financial Reporting Standards (AIFRS), issued by the Australian Standards Board, for reporting periods beginning on, or after, 1 January 2005.

The adoption of AIFRS will be reflected in the company's financial statements for the year ended 31 December 2005.

Opening balances as at 1 January 2005, for the comparative year ended 31 December 2004, will be converted to AIFRS, in accordance with AASB 1 'First Time Adoption of Australian International Financial Reporting Pronouncements'.

The company is currently analysing the likely impact that AIFRS will have on its statement of financial performance and statement of financial position.

The potential changes in accounting policies required, which have been identified to date, are as a result of the adoption of the following standards:

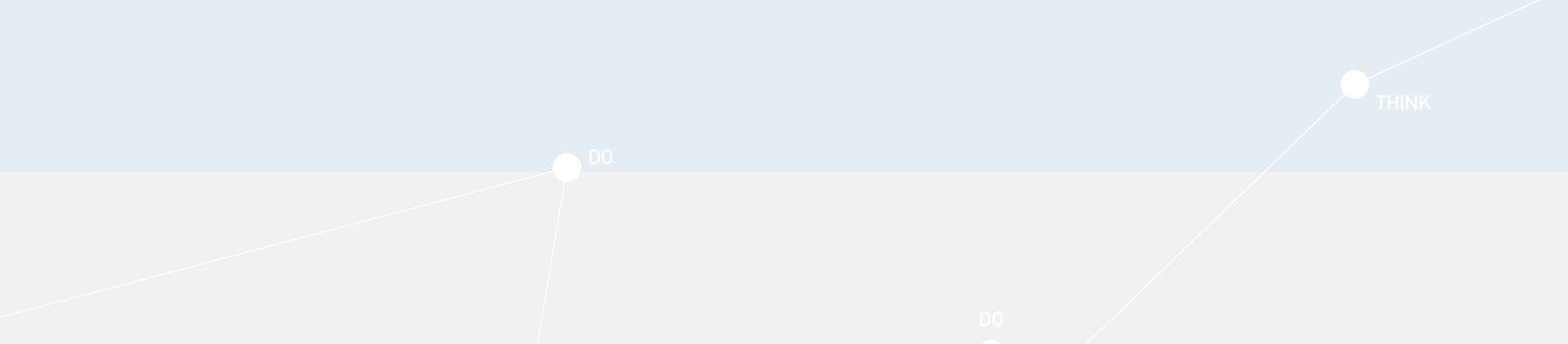
- > AASB 1: First Time Adoption of Australian International Financial Reporting Standards
- > AASB 139: Financial Instruments – classification and measurement of financial instruments
- > AASB 112: Income tax – 'balance sheet' approach to be adopted

As at the date of this financial report, the company is not able to accurately quantify the impact of AIFRS.

26. GOING CONCERN

As at 31 December 2004, the company has a deficiency in the amount of \$235,596 (2003: \$176,788). 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.

End of audited financial report of accessUTS Pty Ltd.

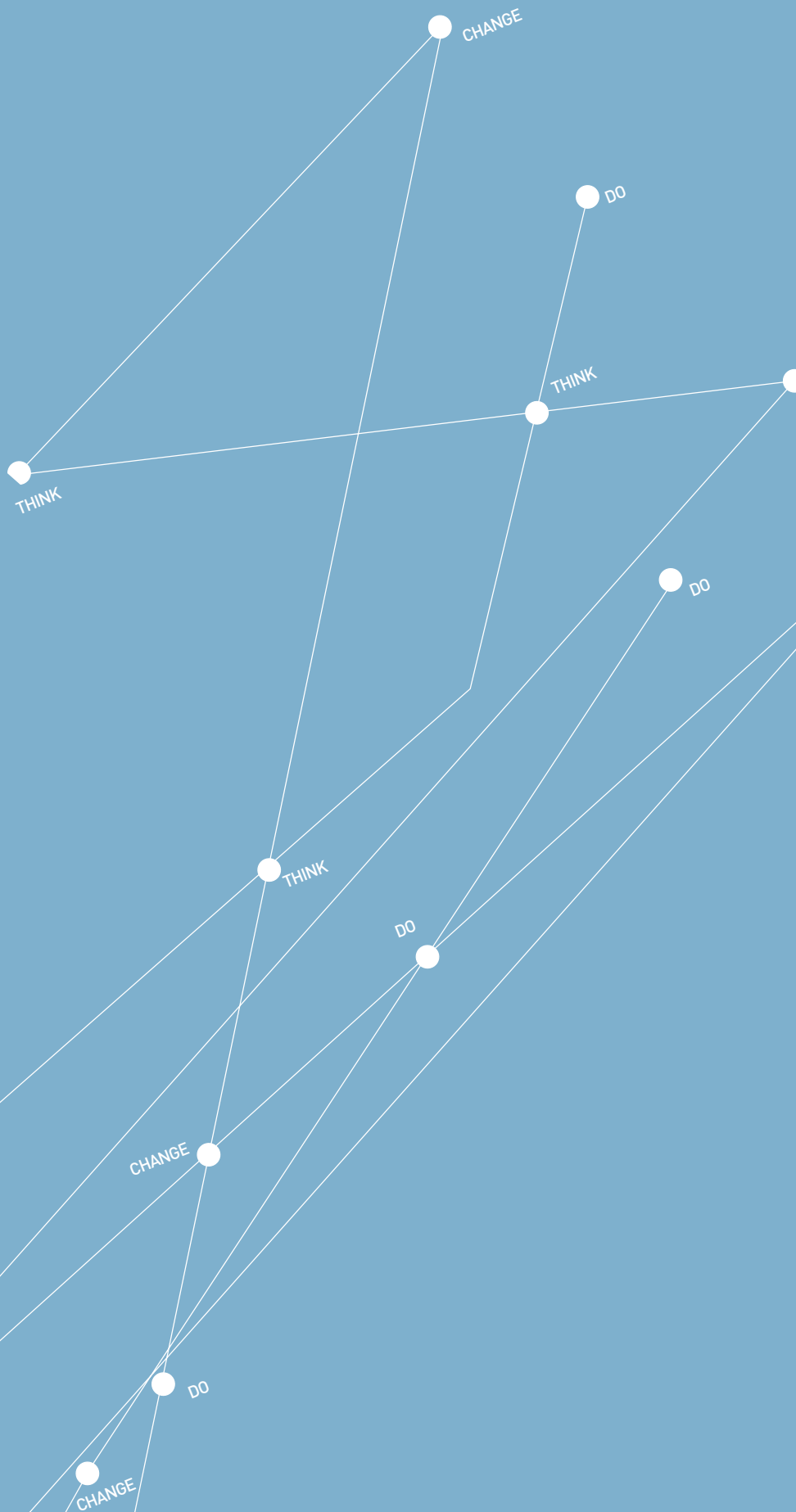


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