

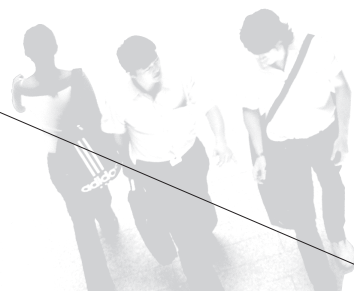
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## FINANCIAL STATEMENTS 2006



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 value of the financial position of the University at 31 December 2006 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*, *Public Finance and Audit Regulation 2005* and the Commonwealth Guidelines for the Preparation of Annual Financial Reports for the 2006 Reporting Period by Australian Higher Education Providers
3. the financial reports have been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and other mandatory professional reporting requirements
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



B Wilson  
Chair, Finance Committee

# INDEPENDENT AUDIT REPORT



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDIT REPORT

### THE UNIVERSITY OF TECHNOLOGY, SYDNEY

To Members of the New South Wales Parliament

#### **Audit Opinion Pursuant to the *Public Finance and Audit Act 1983***

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

- presents fairly the University's and the consolidated entity's financial position as at 31 December 2006 and their financial performance for the year ended on that date, in accordance with Accounting Standards (including Australian Accounting Interpretations), and
- complies with:
  - section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005, and
  - the 'Financial Statement Guidelines for Australian Higher Education Providers for the 2006 Reporting Period', issued by the Australian Government Department of Education Science and Training, pursuant to the *Higher Education Support Act 2003*, the *Higher Education Funding Act 1988* and the *Australian Research Council Act 2001*.

#### **Audit Opinion Pursuant to the *Charitable Fundraising Act 1991***

In my opinion:

- the financial report of the University and the consolidated entity show a true and fair view of the financial result of fundraising appeals for the year ended 31 December 2006
- the ledgers and associated records of the University and the consolidated entity have been properly kept during the year in accordance with the *Charitable Fundraising Act 1991 (the CF Act)* and the *Charitable Fundraising Regulation 2003 (the CF Regulation)*
- money received as a result of fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the CF Act and the CF Regulation, and
- there are reasonable grounds to believe that the University and the consolidated entity will be able to pay their debts as and when they fall due.

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

#### **Scope**

##### ***The Financial Report and Council's Responsibility***

The financial report comprises the balance sheets, income statements, statements of changes in equity, cash flow statements and the accompanying notes to the financial statements for the University and the consolidated entity, for the year ended 31 December 2006. The consolidated entity comprises the University and the entities it controlled during the financial year.

# INDEPENDENT AUDIT REPORT

The Council of the University is responsible for the preparation and true and fair presentation of the financial report in accordance with the PF&A Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

## Audit Approach

I conducted an independent audit in order 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 Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made 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
  - compliance with accounting and associated record keeping requirements pursuant to the CF Act, and
- obtained an understanding of the internal control structure for fundraising appeal activities.

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.



A Oyetunji  
Director, Financial Audit Services

SYDNEY  
19 April 2007

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Income from continuing operations</b>					
Australian Government financial assistance					
> Australian Government grants	2.1	135,255	128,635	135,255	128,635
> HECS-HELP – Australian Government payments	2.1	55,027	48,383	55,027	48,383
> FEE-HELP	2.1	19,260	18,967	19,260	18,967
State and local governments financial assistance					
HECS-HELP – student payments	2.2	3,355	2,834	3,355	2,834
Fees and charges	2.3	156,465	157,195	125,971	121,132
Investment income	2.4	5,574	5,320	4,344	4,055
Royalties, trademarks and licences	2.5	210	179	169	179
Consultancy and contracts	2.6	8,520	7,221	7,828	6,698
Other revenue	2.7	10,096	8,098	13,952	8,056
Gains/(losses) on disposal of assets	5	86	45	81	(46)
Share of net results of associates and joint venture partnerships accounted for using the equity method	31	–	576	–	–
Other income	2.7	12,345	11,597	12,462	11,891
Subtotal		426,126	407,628	397,637	369,362
Deferred government superannuation contributions		(41,131)	3,160	(41,131)	3,160
<b>Total revenue from continuing operations</b>		<b>384,995</b>	<b>410,788</b>	<b>356,506</b>	<b>372,522</b>
<b>Expenses from continuing operations</b>					
Employee benefits and on costs	3.1	245,089	239,141	230,843	223,005
Depreciation and amortisation	3.2	42,054	38,718	40,311	36,489
Repairs and maintenance	3.3	10,393	6,975	10,118	6,777
Finance costs	4	4,305	5,411	4,244	5,411
Bad and doubtful debts	3.4	2,166	841	349	836
Other expenses	3.5	104,378	102,869	89,464	83,724
Subtotal		408,385	393,955	375,329	356,242
Deferred employee benefits for superannuation		(42,402)	3,320	(42,402)	3,320
<b>Total expenses from continuing operations</b>		<b>365,983</b>	<b>397,275</b>	<b>332,927</b>	<b>359,562</b>
<b>Operating result before income tax</b>		<b>19,012</b>	<b>13,513</b>	<b>23,579</b>	<b>12,960</b>
Income tax expense	6	5	32	–	–
<b>Operating result from continuing operations</b>		<b>19,007</b>	<b>13,481</b>	<b>23,579</b>	<b>12,960</b>
<b>Operating result attributable to members of the University of Technology, Sydney</b>		<b>19,007</b>	<b>13,481</b>	<b>23,579</b>	<b>12,960</b>

The above income statement should be read in conjunction with the accompanying notes.



# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
> Cash and cash equivalents	9	24,599	26,389	5,984	4,891
> Trade and other receivables	10	8,460	12,365	8,201	12,424
> Other financial assets	11	57,370	40,571	57,370	40,571
> Other non-financial assets	12	9,001	10,253	8,174	9,002
> Non-current assets classified as held for sale	13	-	29	-	-
Total current assets		99,430	89,607	79,729	66,888
<b>Non-current assets</b>					
> Trade and other receivables	10	152,810	193,942	152,810	193,942
> Investments accounted for using the equity method	14	6,844	7,291	-	-
> Other financial assets	11	181	238	391	362
> Property, plant and equipment	15	863,581	791,169	860,356	787,345
> Intangible assets	16	20,284	23,213	17,909	20,616
Total non-current assets		1,043,700	1,015,853	1,031,466	1,002,265
<b>Total assets</b>		<b>1,143,130</b>	<b>1,105,460</b>	<b>1,111,195</b>	<b>1,069,153</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
> Trade and other payables	17	30,180	47,880	29,133	46,659
> Interest bearing liabilities	18	3,848	3,910	3,848	3,910
> Provisions	19	48,880	45,378	47,760	44,731
> Other liabilities	20	16,864	19,578	8,176	10,723
Total current liabilities		99,772	116,746	88,917	106,023
<b>Non-current liabilities</b>					
> Interest bearing liabilities	18	75,374	71,182	75,374	71,182
> Provisions	19	160,952	203,977	160,630	203,108
> Other liabilities	20	1,815	1,147	-	-
Total non-current liabilities		238,141	276,306	236,004	274,290
<b>Total liabilities</b>		<b>337,913</b>	<b>393,052</b>	<b>324,921</b>	<b>380,313</b>
<b>Net assets</b>		<b>805,217</b>	<b>712,408</b>	<b>786,274</b>	<b>688,840</b>
<b>EQUITY</b>					
<b>Parent entity interest</b>					
> Statutory funds	21	11,117	10,865	11,117	10,865
> Reserves	22(a)	370,279	296,477	370,319	296,464
> Retained surplus	22(d)	423,821	405,066	404,838	381,511
<b>Total equity</b>		<b>805,217</b>	<b>712,408</b>	<b>786,274</b>	<b>688,840</b>

The above balance sheet should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2006

	Economic entity [Consolidated]		Parent entity [University]	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Total equity at the beginning of the financial year</b>	<b>712,408</b>	<b>698,478</b>	<b>688,840</b>	<b>675,791</b>
Exchange differences on translation of foreign operations	(68)	229	-	-
Gain on revaluation of available for sale investments	10	23	10	23
Gain on revaluation of property, plant and equipment	73,845	66	73,845	66
Increase in reserves from associates	15	131	-	-
<b>Net income recognised directly in equity</b>	<b>73,802</b>	<b>449</b>	<b>73,855</b>	<b>89</b>
Operating result for the period	19,007	13,481	23,579	12,960
<b>Total recognised income and expense for the period</b>	<b>92,809</b>	<b>13,930</b>	<b>97,434</b>	<b>13,049</b>
<b>Total equity at the end of the financial year</b>	<b>805,217</b>	<b>712,408</b>	<b>786,274</b>	<b>688,840</b>
Total recognised income and expense for the year is attributable to:				
> members of University of Technology, Sydney	92,809	13,930	97,434	13,049
	92,809	13,930	97,434	13,049
Effect of correction of error in previous year, being an increase in retained surplus, attributable to members of University of Technology, Sydney	-	(723)	-	(734)

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>					
> Australian Government grants received	34	201,264	199,181	201,264	199,181
> State Government grants received		3,102	1,740	3,102	1,740
> Local Government grants received		253	233	253	233
> HECS-HELP – student payments		19,812	20,236	19,812	20,236
> Receipts from student fees and other customers		193,400	198,846	169,171	171,271
> Dividends received		702	2	702	2
> Interest received		5,463	6,142	4,320	4,877
> Payments to suppliers and employees (inclusive of goods and services tax)		(347,914)	(333,725)	(314,706)	(361,173)
> Interest and other costs of finance paid		(5,403)	(4,664)	(5,403)	(4,664)
> Income tax paid		(5)	(16)	-	-
<b>Net cash provided by/(used in) operating activities</b>	<b>33</b>	<b>57,415</b>	<b>73,786</b>	<b>59,496</b>	<b>78,170</b>
<b>Cash flows from investing activities</b>					
> Proceeds from sale of property, plant and equipment	5	10,416	649	10,156	155
> Proceeds from sale of financial assets		228,826	288,592	228,728	286,812
> Payments for financial assets		(244,389)	(284,642)	(244,389)	(284,642)
> Purchase of shares		(30)	(2,441)	(19)	(525)
> Payments for property, plant and equipment		(55,833)	(74,009)	(54,684)	(72,938)
<b>Net cash provided by/(used in) investing activities</b>		<b>(61,010)</b>	<b>(71,851)</b>	<b>(60,208)</b>	<b>(71,138)</b>
<b>Cash flows from financing activities</b>					
> Proceeds from interest bearing liabilities		10,000	-	10,000	-
> Repayment of interest bearing liabilities		(5,146)	(1,073)	(5,146)	(1,073)
> Repayment of lease liabilities		(3,049)	(2,687)	(3,049)	(2,687)
<b>Net cash provided by/(used in) financing activities</b>		<b>1,805</b>	<b>(3,760)</b>	<b>1,805</b>	<b>(3,760)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,790)</b>	<b>(1,825)</b>	<b>1,093</b>	<b>3,272</b>
Cash and cash equivalents at the beginning of the year		26,389	28,198	4,891	1,619
Effect of exchange rate changes on cash and cash equivalents		-	16	-	-
<b>Cash and cash equivalents at end of year</b>	<b>9</b>	<b>24,599</b>	<b>26,389</b>	<b>5,984</b>	<b>4,891</b>
Financing arrangements	18	-	-	-	-
Non-cash financing and investing activities	24	-	-	-	-

The above cash flow statement should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

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# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied by all entities to all the years presented, unless otherwise stated. The Financial Report includes separate financial statements for the University of Technology, Sydney and its subsidiaries.

The Financial Report was authorised for issue by the Council of the University of Technology, Sydney on 16 April 2007.

### (a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with the requirements of:

- (i) the Australian Accounting Standards including the Australian equivalents to the International Financial Reporting Standards (AIFRS);
- (ii) other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and AASB Interpretations;
- (iii) the *Financial Statements Guidelines for Australian Higher Education Providers for the 2006 Reporting Period* issued by the Commonwealth Department of Education, Science and Training (DEST); and
- (iv) the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2005*.

These financial statements have been prepared on an accrual accounting and going concern basis and under the historical cost convention, modified by the revaluation at fair value of land and buildings, financial assets, derivative instruments and certain classes of plant and equipment.

### Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to the International Financial Reporting Standards (AIFRS) but also include some requirements specific to not-for-profit entities that are inconsistent with IFRS requirements. The financial statements and notes of the University of Technology, Sydney comply with the Australian Accounting Standards as they apply to not-for-profit entities and hence are inconsistent with IFRS requirements in some instances.

### Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the University of Technology, Sydney's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are the calculation of the long service leave and doubtful debt provisions.

### (b) Principles of consolidation

#### (i) Subsidiaries

The Financial Report is for the University of Technology, Sydney consolidated 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
- > UTSM Services (Malaysia) Sdn Bhd, 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 for the same period by the University's controlled entities, which are audited by the Auditor General of New South Wales.

### (c) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the University of Technology, Sydney's functional and presentation currency.

#### (ii) Transactions and balances

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.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- > assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- > income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- > all resulting exchange differences are recognised as a separate component of equity.

## (d) Revenue recognition

In accordance with AASB1004 *Contributions* the operating and research grants provided by the government under the *Higher Education Support Act 2003* 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.

Lease income from operating leases is recognised on a straight-line basis over the lease term.

## (e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## (f) Leases

The University leases a range of assets and accounts for these as either operating or finance leases in accordance with the requirements of AASB 117 *Leases*.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the present value of the minimum lease payments.

Payments made under operating leases (net of any incentives received from the lessor) are recognised as an expense in the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Operating lease commitments are recorded on a GST inclusive basis. Finance leases are recorded on a GST exclusive basis.

Details of leased assets are provided in note 23.

## (g) Impairment of assets

Assets that have an infinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## (h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks and deposits at call.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## (i) Receivables

Trade receivables, which generally have 30-day terms, are recognised and carried at original invoice amount less provision for doubtful debts.

Non-current receivables are recognised at fair value.

Collectibility of trade receivables is reviewed on an ongoing basis. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Debts which are known to be uncollectible are written off to the income statement.

## (j) Inventories

The University holds no material inventory.

## (k) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are stated at the lower of their carrying amount and fair value less costs to sell.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the holding of assets classified as held for sale continue to be recognised.

## (l) Investments and other financial assets

The Group classifies its investments in the following categories:

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

The Group holds investments in managed funds which it classifies as financial assets at fair value through profit or loss. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. These assets are initially recognised at cost, being the fair value of the consideration given. They are subsequently recognised at fair value and gains or losses are recognised in the income statement.

### (ii) Available-for-sale financial assets

Investments in listed securities have been classified as available-for-sale financial assets. These assets are initially recognised at cost including the acquisition charges associated with the investment, being the fair value of the consideration given. Available-for-sale financial assets are subject to review for impairment. Gains or losses on available-for-sale investments are recognised in equity until the investment is sold or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

### (iii) Other financial assets

Equity instruments that are not quoted in an active market have been classified as other financial assets and have been recognised at cost less impairment.

## (m) Derivatives

The Group has not taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. Changes in the fair value of any derivative instrument are recognised immediately in the income statement.

The fair values of derivatives used for hedging purposes are disclosed in note 11. Details of the derivatives held by the Group are disclosed in note 35.

## (n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement of for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of the interest-rate swap is calculated as the present value of the estimated future cash flows. The fair value of the interest-rate cap has been calculated by an independent valuer using the Black-Scholes model, with the specific volatilities of the caplets being sourced from Bloomberg.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The value of long-term debt instruments has been calculated using the amortised cost method.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

### (o) Property, plant and equipment

#### (i) Initial recognition and measurement

Following initial recognition at cost, land, buildings and works of art are carried at fair value. Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of revaluation less any subsequent accumulated depreciation on buildings.

The Library collection is recorded at depreciated replacement cost.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

#### (ii) Revaluations

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance date.

Revaluation surpluses have been credited to the asset revaluation reserve included in the equity section of the balance sheet.

#### (iii) Depreciation

Land and works of art are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Asset class	Depreciation rate (%)	Depreciation method
Buildings	2.00	Straight line
Building infrastructure	4.00	Straight line
Electrical installations	5.00	Straight line
Suspended ceilings	6.66	Straight line
Carpet and carpet tiles	6.66	Straight line
Motor vehicles	20.00	Straight line
Computers	33.33	Straight line
Office, teaching and research equipment	20.00	Straight line
Library collection	12.50%	Straight line, 5% residual

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

#### (iv) Impairment

Property, plant and equipment assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### (v) Disposals

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

### (p) Intangible assets

#### (i) Research and development

In accordance with the requirements of AASB 138 *Intangible Assets*, no intangible asset arising from research is recognised. Expenditure on research activities is recognised in the income statement as an expense when it is incurred.

The Group has not incurred expenditure on development activities that meets the capitalisation criteria under AASB 138 *Intangible Assets* and hence has not recognised any intangible assets arising from development projects.

#### (ii) Software

Software, where the software is not an integral part of the related hardware, is classified as an intangible asset with a finite life. Amortisation is charged on a straight line basis at the rate of 14.29% per annum.



# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## (iii) Perpetual licences for online serials

The consolidated entity has purchased a number of licences which provide access to online serials in perpetuity. These assets are not subject to amortisation as they have an indefinite useful life but are tested annually for impairment.

## (q) Unfunded superannuation

In accordance with the 1998 instructions issued by the Department of Education, Science and Training, the effects of the unfunded superannuation liabilities of the Group were recorded in the income statement and the balance sheet for the first time in 1998. The previous practice had been to disclose these liabilities by way of a note to the financial statements.

The unfunded liabilities recorded in the balance sheet under provisions have been determined by the fund's actuary. The Projected Unit Credit valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. Actuarial gains and losses are recognised immediately in the income statement in the year in which they occur.

An arrangement exists between the Australian Government and the NSW Government to meet the unfunded liability for the Group's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987*, *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly the unfunded liabilities have been recognised in the balance sheet under provisions with a corresponding asset recognised under receivables. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the Group.

## (r) Trade and other payables

Accounts payable including accruals, represent liabilities for goods and services provided to the economic entity prior to the end of the 2006 reporting period. These amounts are usually settled on 30-day terms.

## (s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement through the amortisation process.

Borrowings are classified as non-current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

## (t) Finance costs

Finance costs including those incurred for the construction of any qualifying asset are expensed as per the benchmark treatment in AASB 123 *Borrowing Costs*.

## (u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; that is, when it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at the Australian Government bond rate.

## (v) Employee benefits

### (i) Wages and salaries and annual leave

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

### (ii) Long service leave

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. Expected future payments are discounted using market yields at the reporting date on national government bonds. The Group records long service leave as a current liability when all conditions for settlement are met.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

### (iii) Superannuation

Employees of the Group are entitled to benefits on retirement, disability or death from the Group's superannuation plans. The Group has both defined contribution plans and defined benefit plans. The defined benefit plans provide employees with defined benefits based on years of service and final average salary.

Contributions to the superannuation funds are recognised in the income statement as an expense as they become payable.

The liability or asset in respect of the defined benefit plans is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries. Consideration is given to expected future salary levels, experience of employee departures and periods of service.

A liability or asset in respect of the defined benefit superannuation plan for Unisuper has not been recognised in the balance sheet based on advice from Unisuper that the defined benefit plan is a contribution fund for the purposes of AASB 119 due to the amendment of the trust deed during 2006 (clause 34 of the Unisuper Trust Deed). The plan has been classified as a contribution plan in the parent entity's accounts.

### (iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

### (w) Joint ventures

For the consolidated entity financial statements, the interest in jointly controlled entities are accounted for using the equity method. Under this method, the share of the profits or losses of the joint venture is recognised in the Income Statement (page 8), whilst the share of retained earnings is recognised in the balance sheet. Details of joint ventures are set out in note 31.

### (x) 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.

### (y) Comparative figures

Where necessary, the classifications of 2005 comparative figures have been adjusted to conform with the mandatory presentation for the current year. These reclassifications have no effect on the 2005 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

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>2 INCOME FROM CONTINUING OPERATIONS</b>					
<b>2.1 Australian Government financial assistance including HECS-HELP and other Australian Government loan programs</b>					
<b>(a) Commonwealth Grants Scheme and other grants</b>	34.1				
Commonwealth Grants Scheme <sup>1</sup>		94,391	90,553	94,391	90,553
Indigenous Support Fund		1,278	1,105	1,278	1,105
Equity programs <sup>2</sup>		422	366	422	366
Workplace Reform program		1,464	1,417	1,464	1,417
Collaboration and structural reform		-	74	-	74
<b>Total Commonwealth Grants Scheme and other grants</b>		<b>97,555</b>	<b>93,515</b>	<b>97,555</b>	<b>93,515</b>
<b>(b) Higher education loan programs</b>	34.2				
HECS-HELP		55,027	48,383	55,027	48,383
FEE-HELP <sup>3</sup>		19,260	18,967	19,260	18,967
<b>Total higher education loan programs</b>		<b>74,287</b>	<b>67,350</b>	<b>74,287</b>	<b>67,350</b>
<b>(c) Scholarships</b>	34.7				
Australian Postgraduate Awards		1,459	1,372	1,459	1,372
International Postgraduate Research Scholarships		310	161	310	161
Commonwealth Education Cost Scholarships		647	382	647	382
Commonwealth Accommodation Scholarships		1,011	678	1,011	678
Indigenous Staff Scholarships		-	21	-	21
<b>Total scholarships</b>		<b>3,427</b>	<b>2,614</b>	<b>3,427</b>	<b>2,614</b>
<b>(d) DEST – research</b>	34.6				
Institutional Grants Scheme		4,216	3,969	4,216	3,969
Research Training Scheme		9,484	9,797	9,484	9,797
Research Infrastructure Block Grants		2,455	1,898	2,455	1,898
Small grants		-	-	-	-
<b>Total DEST – research grants</b>		<b>16,155</b>	<b>15,664</b>	<b>16,155</b>	<b>15,664</b>
<b>(e) Australian Research Council</b>	34.3				
<i>(i) Discovery</i>					
Project		5,255	4,469	5,255	4,469
Fellowships		503	238	503	238
<b>Total Discovery</b>		<b>5,758</b>	<b>4,707</b>	<b>5,758</b>	<b>4,707</b>
<i>(ii) Linkages</i>	34.4				
Projects		3,432	3,828	3,432	3,828
International		22	36	22	36
Infrastructure		1,982	1,118	1,982	1,118
Special research initiatives		47	51	47	51
<b>Total Linkages</b>		<b>5,483</b>	<b>5,033</b>	<b>5,483</b>	<b>5,033</b>
<i>(iii) Networks and centres</i>	34.5				
Research networks		766	778	766	778
Centres		763	950	763	950
<b>Total networks and centres</b>		<b>1,529</b>	<b>1,728</b>	<b>1,529</b>	<b>1,728</b>

<sup>1</sup> Includes the basic CGS grant amount, CGS – Regional Loading and CGS – Enabling Loading.

<sup>2</sup> Includes amounts for Higher Education Equity Support program and Students with Disabilities program.

<sup>3</sup> For 2005, FEE-HELP would include PELS and BOTPLS.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>2.1 Australian Government financial assistance including HECS-HELP and other Australian Government loan programs (continued)</b>					
<b>(f) Other Australian Government financial assistance</b>					
Department of Education, Science and Training		1,655	1,796	1,655	1,796
Department of Health and Aged Care		1,348	82	1,348	82
National Health and Medical Research Council		602	1,768	602	1,768
Department International Services		245	279	245	279
University of New South Wales		203	(17)	203	(17)
University of Melbourne		170	1	170	1
The Department of the Prime Minister and the Cabinet		161	-	161	-
CSIRO		139	191	139	191
Rural Industries Research and Development Corporation		64	70	64	70
Fisheries Research and Development Corporation		61	215	61	215
University of South Australia		48	115	48	115
Diabetes Australia Research Trust		45	-	45	-
Australian Greenhouse Office		15	51	15	51
Meat and Livestock Australia		-	124	-	124
Other		592	699	592	699
Total other Australian Government financial assistance		5,348	5,374	5,348	5,374
<b>Total Australian Government financial assistance</b>		<b>209,542</b>	<b>195,985</b>	<b>209,542</b>	<b>195,985</b>
<b>Reconciliation</b>					
Australian Government grants [a+c+d+e+f]		135,255	128,635	135,255	128,635
HECS-HELP – Australian Government payments		55,027	48,383	55,027	48,383
Other Australian Government loan programs [FEE-HELP]		19,260	18,967	19,260	18,967
Total Australian Government financial assistance		209,542	195,985	209,542	195,985
<b>(g) Australian Government grants received – cash basis</b>					
CGS and other DEST grants		97,555	93,747	97,555	93,747
Higher education loan programs		67,526	72,520	67,526	72,520
Scholarships		3,427	2,625	3,427	2,625
DEST research		16,155	15,664	16,155	15,664
ARC grants – Discovery		5,660	4,542	5,660	4,542
ARC grants – Linkages		4,917	4,045	4,917	4,045
ARC grants – Network and centres		676	664	676	664
Other Australian Government grants		5,348	5,374	5,348	5,374
Total Australian Government grants received – cash basis		201,264	199,181	201,264	199,181
OS-HELP (net)		254	1,000	254	1,000
<b>Total Australian Government funding received – cash basis</b>		<b>201,518</b>	<b>200,181</b>	<b>201,518</b>	<b>200,181</b>
<b>2.2 State and local government financial assistance</b>					
New South Wales Government		2,652	2,659	2,652	2,659
Other state governments		703	175	703	175
<b>Total state and local government financial assistance</b>		<b>3,355</b>	<b>2,834</b>	<b>3,355</b>	<b>2,834</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>2.3 Fees and charges</b>					
<b>Course fees and charges</b>					
Fee-paying overseas students		125,224	126,874	94,968	92,091
Continuing education		5,526	5,558	5,776	5,561
Fee-paying domestic postgraduate students		12,528	12,428	12,528	12,428
Fee-paying domestic undergraduate students		2,648	-	2,648	-
Other domestic course fees and charges		990	1,513	990	1,513
<b>Total course fees and charges</b>		<b>146,916</b>	<b>146,373</b>	<b>116,910</b>	<b>111,593</b>
<b>Other non-course fees and charges</b>					
Library charges		242	362	869	1,355
Student accommodation		1,570	2,525	871	1,668
Student Union fees		5,199	6,214	5,199	6,214
Medical fees		375	302	395	302
English testing centre		1,726	-	1,726	-
Other fees and charges		437	1,419	1	-
<b>Total other non-course fees and charges</b>		<b>9,549</b>	<b>10,822</b>	<b>9,061</b>	<b>9,539</b>
<b>Total fees and charges</b>		<b>156,465</b>	<b>157,195</b>	<b>125,971</b>	<b>121,132</b>
<b>2.4 Investment income</b>					
Distribution from managed funds and interest		5,574	5,320	4,344	4,055
<b>Total investment income</b>		<b>5,574</b>	<b>5,320</b>	<b>4,344</b>	<b>4,055</b>
<b>2.5 Royalties, trademarks and licenses</b>					
<b>Total royalties, trademarks and licenses</b>		<b>210</b>	<b>179</b>	<b>169</b>	<b>179</b>
<b>2.6 Consultancy and contracts</b>					
Contract research		5,616	5,274	5,616	5,534
Consultancy		2,904	1,947	2,212	1,164
<b>Total consultancy and contract research</b>		<b>8,520</b>	<b>7,221</b>	<b>7,828</b>	<b>6,698</b>
<b>2.7 Other revenue and income</b>					
<b>Other revenue</b>					
Donations and bequests		1,349	1,102	1,349	1,102
Scholarships and prizes		1,687	2,976	1,738	2,995
Non-government grants		559	11	559	11
Foreign exchange gain/(loss) (net) (note (a))		(55)	8	(55)	8
Contribution from INSEARCH Limited		-	-	4,000	2
Services		1,364	1,349	1,379	1,590
Sponsorship		2,007	359	2,007	382
Other		3,185	2,293	2,975	1,966
<b>Total other revenue</b>		<b>10,096</b>	<b>8,098</b>	<b>13,952</b>	<b>8,056</b>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>2.7 Other revenue and income (continued)</b>					
<b>Other income</b>					
Hire and rental		8,528	8,745	8,669	8,797
Sale of goods		1,999	1,597	1,860	1,662
Fair value gains on other financial assets at fair value through profit or loss		(55)	(180)	(55)	(136)
Contributions to fixed assets		557	575	557	575
Contributions for salary from other entities		614	858	729	991
Dividends received		702	2	702	2
<b>Total other income</b>		<b>12,345</b>	<b>11,597</b>	<b>12,462</b>	<b>11,891</b>
<b>(a) Net foreign exchange gain/(loss)</b>					
Net foreign exchange gains included in other income for the year		(55)	8	(55)	8
Exchange losses on foreign currency borrowings included in borrowing costs		-	-	-	-
Net foreign exchange gains/losses recognised in operating result before income tax for the year (as either other revenue or expense)		(55)	8	(55)	8
<b>3. EXPENSES FROM CONTINUING OPERATIONS</b>					
<b>3.1 Employee related expenses</b>					
<b>Employee benefits and on costs</b>					
<i>Academic</i>					
<i>Salaries</i>		93,224	92,744	87,333	84,762
Contributions to superannuation and pension schemes:					
> Emerging cost		2,452	2,507	2,452	2,507
> Funded		11,742	11,008	11,304	10,407
Payroll tax		6,627	6,351	6,294	5,881
Workers' compensation		744	1,085	729	1,005
Long service leave expense		3,247	3,449	3,247	3,358
Annual leave		6,124	6,741	6,040	6,702
<b>Total academic</b>		<b>124,160</b>	<b>123,885</b>	<b>117,399</b>	<b>114,622</b>
<i>Non-academic</i>					
<i>Salaries</i>		92,621	87,745	86,387	82,058
Contributions to superannuation and pension schemes:					
> Emerging cost		2,264	2,314	2,264	2,314
> Funded		10,694	9,948	10,202	9,539
Payroll tax		6,460	5,999	6,085	5,683
Workers' compensation		802	1,114	722	1,056
Long service leave expense		2,346	2,795	2,355	2,732
Annual leave		5,656	5,038	5,429	5,001
Other		86	303	-	-
<b>Total non-academic</b>		<b>120,929</b>	<b>115,256</b>	<b>113,444</b>	<b>108,383</b>
<b>Total employee benefits and on costs</b>		<b>245,089</b>	<b>239,141</b>	<b>230,843</b>	<b>223,005</b>
<b>Deferred government employee benefits for superannuation</b>		<b>(42,402)</b>	<b>3,320</b>	<b>(42,402)</b>	<b>3,320</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Total employee related expenses, including deferred government employee benefits for superannuation</b>		<b>202,687</b>	<b>242,461</b>	<b>188,441</b>	<b>226,325</b>
<b>3.2 Depreciation and amortisation</b>					
<b>Depreciation property, plant and equipment</b>					
Buildings		20,329	18,406	20,329	18,406
Equipment		10,257	9,950	9,208	8,479
Library		3,459	3,378	3,459	3,378
Motor vehicles		221	242	130	129
<b>Total depreciation property, plant and equipment</b>		<b>34,266</b>	<b>31,976</b>	<b>33,126</b>	<b>30,392</b>
<b>Amortisation property, plant and equipment</b>					
Leasehold improvements		14	14	14	14
Plant and equipment under finance leases		3,065	2,720	3,065	2,720
<b>Total amortisation property, plant and equipment</b>		<b>3,079</b>	<b>2,734</b>	<b>3,079</b>	<b>2,734</b>
<b>Total depreciation and amortisation property, plant and equipment</b>		<b>37,345</b>	<b>34,710</b>	<b>36,205</b>	<b>33,126</b>
<b>Amortisation intangibles</b>					
Software		4,678	3,939	4,106	3,363
Development		31	69	-	-
Patents and trademarks		-	-	-	-
<b>Total amortisation intangibles</b>		<b>4,709</b>	<b>4,008</b>	<b>4,106</b>	<b>3,363</b>
<b>Total depreciation and amortisation</b>		<b>42,054</b>	<b>38,718</b>	<b>40,311</b>	<b>36,489</b>
<b>3.3 Repairs and maintenance</b>					
Buildings		7,958	4,553	7,958	4,553
Leasehold improvements		-	-	-	-
Plant and equipment		2,435	2,422	2,160	2,224
<b>Total repairs and maintenance</b>		<b>10,393</b>	<b>6,975</b>	<b>10,118</b>	<b>6,777</b>
<b>3.4 Bad and doubtful debts</b>					
Bad debts		780	431	679	426
Increase/(decrease) in provision for doubtful debts		1,386	410	(330)	410
<b>Total bad and doubtful debts</b>		<b>2,166</b>	<b>841</b>	<b>349</b>	<b>836</b>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>3.5 Other expenses</b>					
Advertising, marketing and promotional expenses		2,416	3,150	1,799	1,817
Building rent and rates		5,710	6,180	1,582	2,043
Cleaning		4,462	4,314	4,245	4,068
Consultancy		6,577	6,107	5,561	4,843
Contributions research		2,120	1,775	2,120	1,775
Diminution of investments		398	2,179	11	200
Entertainment		2,007	2,103	1,971	2,074
Fees and subscriptions		19,374	18,383	16,913	15,755
Heating and lighting		4,451	3,842	4,272	3,696
Insurance		1,471	1,338	1,328	1,229
Laboratory supplies		1,749	1,646	1,749	1,646
Maintenance software		2,811	2,354	2,755	2,207
Minimum lease payments on operating lease rental expenses		1,141	1,759	1,104	1,759
Non-capitalised equipment		5,125	4,032	5,121	4,032
Other expenses		11,382	11,084	7,586	6,643
Postage		586	592	541	517
Printing		1,699	1,748	1,375	1,341
Scholarships and prizes		10,628	10,467	10,519	9,931
Security contract staff		2,593	2,784	2,290	2,372
Stationery		1,435	1,607	1,435	1,604
Telecommunications		2,996	2,447	2,743	2,281
Travel and related staff development and training		11,335	10,882	10,532	9,795
Tuition fees expense		1,912	2,096	1,912	2,096
<b>Total other expenses</b>		<b>104,378</b>	<b>102,869</b>	<b>89,464</b>	<b>83,724</b>

**4. FINANCE COSTS**

Gross finance costs		4,305	5,411	4,244	5,411
Less: amount capitalised		-	-	-	-
<b>Total finance costs expensed</b>		<b>4,305</b>	<b>5,411</b>	<b>4,244</b>	<b>5,411</b>

**5. SALES OF ASSETS****Proceeds from sale**

Property, plant and equipment		10,416	649	10,156	155
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**Carrying amount of assets sold**

Property, plant and equipment		10,330	604	10,075	201
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<b>Net gain or (loss) on sale of assets</b>		<b>86</b>	<b>45</b>	<b>81</b>	<b>(46)</b>
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**(a) Net gain on disposal of property, plant and equipment**

The consolidated net gain on disposal of property, plant and equipment in 2006 includes a gain of \$35,000 (2005 \$nil) on sale of buildings.

**6. INCOME TAX**

<b>Total income tax</b>		<b>5</b>	<b>32</b>	<b>-</b>	<b>-</b>
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The income tax expense represents tax liabilities for overseas entities in China.



# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## 7. KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) Names of responsible persons and executive officers

The following persons were responsible persons and executive officers of the University of Technology, Sydney during the year:

#### University

Professor Vicki Sara	Ms Dianne Leckie
Professor Anthony Baker	Dr Valerie Levy
Emeritus Professor Steve Bakoss (ceased April 2006)	Professor Ross Milbourne
Professor Larissa Behrendt (ceased October 2006)	Mr Ken Rennie, AM (ceased October 2006)
Mr Peter Brady (ceased October 2006)	Mr Michael G Sexton SC (commenced December 2005)
Mr Christopher Cahill	Mr Warwick Watkins
Ms Megan Cornelius, AM	Dr Katherine Woodthorpe
Ms Eva Cox, AO (ceased October 2006)	Mr Colin E Grady (ceased October 2006)
Ms Rebekah Doran (ceased October 2006)	Ms Patricia Kelly (commenced September 2006)
Mr Ross Fowler (commenced November 2006)	Mr Robert Kelly (commenced November 2006)
Mr Patrick Healy (ceased October 2006)	Mr A P (Tony) Stewart, MP (commenced February 2006)
Ms Margo Humphreys (ceased October 2006)	Mr Michael Nguyen (commenced November 2006)
Professor Greg Skilbeck (commenced November 2006)	Professor Jenny Onyx (commenced November 2006)
Mr Russell Taylor (commenced November 2006)	Mr Brian Wilson (commenced November 2006)
Ms Duha Zaater (commenced November 2006)	

#### INSEARCH Limited

Mr Richard Hill	Dr Katherine Woodthorpe
Dr Doreen Clark, AM	Mr William Wright
Mr Ken Rennie, AM	Professor David Goodman
Professor Robert Lynch	Mr Roger Allsep

#### accessUTS Proprietary Limited

Professor Sue Rowley	Mr Kevin McCarthy (ceased February 2006)
Mr Blair McRae	Dr Jane Morrison
Professor John Rice	

### (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the University during the financial year:

#### University

Professor Peter Booth	Mr Kevin McCarthy (ceased February 2006)
Ms Anne Dwyer	Professor Ross Milbourne
Dr Jeffrey FitzGerald	Professor Susan Rowley
Dr Alex Byrne	Professor David Goodman
Professor Carrick Martin (commenced March 2006, ceased June 2006)	Mr Patrick Woods (commenced July 2006)

#### INSEARCH Limited

Mr John Hall	Mrs Sheetal Purandare
Ms Jennifer Hannan	Ms Deborah Samuels
Mr Murray Laurence	Mr Steven Crayn
Mr Alex Murphy	

#### accessUTS Proprietary Limited

Mr Jeffrey Francis
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## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

**(c) Remuneration of board members and executives**

	Economic entity [Consolidated]		Parent entity [University]	
	2006	2005	2006	2005

The University's responsible persons do not receive any remuneration in respect of their work as members of Council.

**Remuneration of board members**

\$0 to \$9,999	3	3	-	-
\$20,000 to \$29,999	4	4	-	-
\$30,000 to \$39,999	1	1	-	-
\$50,000 to \$59,999	1	-	-	-
	9	8	-	-

**Remuneration of executive officers**

\$40,000 to \$49,999	-	1	-	1
\$70,000 to \$79,999	1	-	1	-
\$80,000 to \$89,999	1	1	1	-
\$100,000 to \$109,999	-	1	-	-
\$110,000 to \$119,999	-	1	-	-
\$120,000 to \$129,999	2	1	-	-
\$130,000 to \$139,999	1	1	-	-
\$150,000 to \$159,999	1	1	-	-
\$160,000 to \$169,999	1	-	1	-
\$170,000 to \$179,999	1	1	-	-
\$180,000 to \$189,999	1	-	-	-
\$200,000 to \$209,999	-	1	-	1
\$220,000 to \$229,999	-	1	-	1
\$230,000 to \$239,999	-	2	-	2
\$240,000 to \$249,999	2	1	2	1
\$250,000 to \$259,999	-	1	-	1
\$260,000 to \$269,999	2	-	2	-
\$270,000 to \$279,999	1	-	1	-
\$290,000 to \$299,999	-	1	-	1
\$310,000 to \$319,999	1	1	-	-
\$320,000 to \$329,999	1	-	1	-
\$410,000 to \$419,999	-	1	-	-
\$510,000 to \$519,999	-	1	-	1
\$550,000 to \$559,999	1	-	1	-
	17	18	10	9
	\$	\$	\$	\$

**Key management personnel compensation**

Short-term employee benefits	3,877,585	3,921,666	2,487,585	2,274,083
Post-employment benefits	0	0	0	0
Termination benefits	0	26	-	0
	3,877,585	3,921,692	2,487,585	2,274,083
	\$'000	\$'000	\$'000	\$'000

**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>	468	381	194	214
<b>Total remuneration for audit services</b>	<b>468</b>	<b>381</b>	<b>194</b>	<b>214</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Economic entity [Consolidated]		Parent entity [University]	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>9. CASH AND CASH EQUIVALENTS</b>				
Cash at bank and on hand	10,505	9,388	5,984	4,891
Deposits at call	14,094	17,001	-	-
<b>Total cash and cash equivalents</b>	<b>24,599</b>	<b>26,389</b>	<b>5,984</b>	<b>4,891</b>

## (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the year as shown in the cash flow statement as follows:

Balances as above	24,599	26,389	5,984	4,891
Less: bank overdrafts	-	-	-	-
Balance as per Cash Flow Statement	24,599	26,389	5,984	4,891

## (b) Cash at bank and on hand

Cash at bank is interest bearing with interest rates ranging between 0.60% and 6.15%. Cash on hand is non-interest bearing.

## (c) Deposits at call

The deposits are bearing floating interest rates between 5.40% and 6.27% (2005 5.34% and 5.62%). These deposits have an average maturity of 59 days.

## 10. TRADE AND OTHER RECEIVABLES

### Current

Trade debtors – other	10,925	11,999	8,375	9,331
Provision for doubtful debts	(2,919)	(1,232)	(1,201)	(1,230)
	8,006	10,767	7,174	8,101
Trade debtors – student	1,753	3,348	1,693	3,348
Provision for doubtful debts	(1,539)	(1,840)	(1,539)	(1,840)
	214	1,508	154	1,508
	8,220	12,275	7,328	9,609

Amounts receivable from wholly owned subsidiaries

> INSEARCH Limited	-	-	166	2,337
> accessUTS Proprietary Limited	-	-	467	388

Amounts receivable from related entities

> Sydney Educational Broadcasting Limited	240	90	240	90
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<b>Total current receivables</b>	<b>8,460</b>	<b>12,365</b>	<b>8,201</b>	<b>12,424</b>
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### Non-current

Deferred government contribution for superannuation	152,810	193,942	152,810	193,942
Total non-current receivables	152,810	193,942	152,810	193,942

<b>Total trade and other receivables</b>	<b>161,270</b>	<b>206,307</b>	<b>161,011</b>	<b>206,366</b>
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### Bad and doubtful trade receivables

The Group has recognised a loss of \$2,166,000 (2005: \$841,000) in respect of bad and doubtful trade and student receivables during the year ended 31 December 2006. The loss has been included in 'Bad and doubtful debts' in the Income Statement (page 8).

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>11. OTHER FINANCIAL ASSETS</b>					
<b>Current</b>					
<b>Other financial assets at fair value through profit or loss</b>					
Managed funds – Macquarie Investment Management Limited		56,569	40,899	56,569	40,899
Managed funds – New South Wales Treasury Corporation		36	34	36	34
Derivative – interest rate swap	35 (b)	577	(605)	577	(605)
Derivative – interest rate cap	35 (b)	188	243	188	243
Total current other financial assets at fair value through profit or loss		57,370	40,571	57,370	40,571
<b>Total current other financial assets</b>		<b>57,370</b>	<b>40,571</b>	<b>57,370</b>	<b>40,571</b>
<b>Non-current</b>					
<b>Available-for-sale financial assets</b>					
<b>Listed securities</b>					
Insurance Australia Group Ltd		3	2	3	2
Sunshine Heart Limited		32	23	32	23
<b>Total non-current available-for-sale financial assets</b>		<b>35</b>	<b>25</b>	<b>35</b>	<b>25</b>
<b>Other financial assets at cost</b>					
Shares in subsidiaries		–	–	325	325
Shares in other entities		31	12	31	12
Interest in joint venture partnerships and investment in associates		–	–	–	–
Other unlisted securities – security deposits		115	201	–	–
Total non-current other financial assets at cost		146	213	356	337
<b>Total non-current other financial assets</b>		<b>181</b>	<b>238</b>	<b>391</b>	<b>362</b>
Changes in fair values of other financial assets at fair value through profit or loss are recorded in other income in the income statement.					
<b>(a) Investments in related parties</b>					
Refer to note 28 and note 31 for information on the carrying amount of investments in subsidiaries, joint ventures and associates.					
<b>12. OTHER NON-FINANCIAL ASSETS</b>					
<b>Current</b>					
Accrued income		2,454	2,383	2,378	2,208
Prepayments		6,547	7,870	5,796	6,794
<b>Total current other non-financial assets</b>		<b>9,001</b>	<b>10,253</b>	<b>8,174</b>	<b>9,002</b>
<b>13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>					
<b>Current</b>					
Motor vehicles		–	29	–	–
<b>Total non-current assets classified as held for sale</b>		<b>–</b>	<b>29</b>	<b>–</b>	<b>–</b>
<b>14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>					
Interest in joint venture entity and investment in associates	31	6,844	7,291	–	–
<b>Total investments accounted for using the equity method</b>		<b>6,844</b>	<b>7,291</b>	<b>–</b>	<b>–</b>
<b>(a) Shares in joint venture partnerships and investment in associates</b>					
The interest in joint ventures and investment in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (see note 31).					

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Construction in progress	Freehold land	Freehold buildings	Plant and equipment <sup>1</sup>	Leasehold improvements	Leased plant and equipment	Library	Other property, plant and equipment <sup>2</sup>	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>15. PROPERTY, PLANT AND EQUIPMENT</b>									
<b>Consolidated</b>									
<b>At 1 January 2005</b>									
- Cost	30,509	-	-	68,409	42	6,970	-	-	105,930
- Valuation	-	237,633	726,891	-	-	-	89,127	11,629	1,065,280
Accumulated depreciation	-	-	(320,171)	(42,868)	(7)	(2,169)	(70,029)	-	(435,244)
Net book amount	30,509	237,633	406,720	25,541	35	4,801	19,098	11,629	735,966
<b>Year ended 31 December 2005</b>									
Opening net book amount	30,509	237,633	406,720	25,541	35	4,801	19,098	11,629	735,966
Exchange differences	-	-	-	-	-	-	-	-	-
Revaluation surplus	-	-	-	-	-	-	116	(50)	66
Additions	65,698	-	8,762	8,315	1	3,597	4,067	11	90,451
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	(547)	-	(10)	(47)	-	(604)
Depreciation charge	-	-	(18,406)	(10,192)	(14)	(2,720)	(3,378)	-	(34,710)
Closing net book amount	96,207	237,633	397,076	23,117	22	5,668	19,856	11,590	791,169
<b>At 31 December 2005</b>									
- Cost	96,207	-	-	72,877	42	10,545	-	-	179,671
- Valuation	-	237,633	735,652	-	-	-	92,859	11,590	1,077,734
Accumulated depreciation	-	-	(338,576)	(49,760)	(20)	(4,877)	(73,003)	-	(466,236)
Net book amount	96,207	237,633	397,076	23,117	22	5,668	19,856	11,590	791,169

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Construction in progress	Freehold land	Freehold buildings	Plant and equipment <sup>1</sup>	Leasehold improvements	Leased plant and equipment	Library	Other property, plant and equipment <sup>2</sup>	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>15. PROPERTY, PLANT AND EQUIPMENT (continued)</b>									
<b>Year ended 31 December 2006</b>									
Opening net book amount	96,207	237,633	397,076	23,117	22	5,668	19,856	11,590	791,169
Exchange differences	-	-	-	-	-	-	-	-	-
Revaluation surplus	-	54,157	8,188	-	-	-	-	11,500	73,845
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-
Additions	(91,431)	11,201	108,018	12,676	-	2,299	3,470	9	46,242
Assets classified as held for sale and other disposals	-	(3,447)	(6,517)	(319)	-	-	(47)	-	(10,330)
Depreciation charge	-	-	(20,329)	(10,478)	(14)	(3,065)	(3,459)	-	(37,345)
Closing net book amount	4,776	299,544	486,436	24,996	8	4,902	19,820	23,099	863,581
<b>At 31 December 2006</b>									
- Cost	4,776	-	-	79,001	42	12,841	-	-	96,660
- Valuation	-	299,544	963,527	-	-	-	96,278	23,099	1,382,448
Accumulated depreciation	-	-	(477,091)	(54,005)	(34)	(7,939)	(76,458)	-	(615,527)
Net book amount	4,776	299,544	486,436	24,996	8	4,902	19,820	23,099	863,581
<b>Parent entity</b>									
<b>At 1 January 2005</b>									
- Cost	29,672	-	-	59,872	42	6,970	-	-	96,556
- Valuation	-	237,633	726,891	-	-	-	89,127	11,629	1,065,280
Accumulated depreciation	-	-	(320,171)	(38,765)	(7)	(2,169)	(70,029)	-	(431,141)
Net book amount	29,672	237,633	406,720	21,107	35	4,801	19,098	11,629	730,695

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Construction in progress	Freehold land	Freehold buildings	Plant and equipment <sup>1</sup>	Leasehold improvements	Leased plant and equipment	Library	Other property, plant and equipment <sup>2</sup>	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 31 December 2005</b>									
Opening net book amount	29,672	237,633	406,720	21,107	35	4,801	19,098	11,629	730,695
Revaluation surplus	-	-	-	-	-	-	116	(50)	66
Additions	66,441	-	8,762	7,032	1	3,597	4,067	11	89,911
Disposals	-	-	-	(144)	-	(10)	(47)	-	(201)
Depreciation charge	-	-	(18,406)	(8,608)	(14)	(2,720)	(3,378)	-	(33,126)
Closing net book amount	96,113	237,633	397,076	19,387	22	5,668	19,856	11,590	787,345
<b>At 31 December 2005</b>									
- Cost	96,113	-	-	64,213	42	10,545	-	-	170,913
- Valuation	-	237,633	735,652	-	-	-	92,859	11,590	1,077,734
Accumulated depreciation	-	-	(338,576)	(44,826)	(20)	(4,877)	(73,003)	-	(461,302)
Net book amount	96,113	237,633	397,076	19,387	22	5,668	19,856	11,590	787,345
<b>Year ended 31 December 2006</b>									
Opening net book amount	96,113	237,633	397,076	19,387	22	5,668	19,856	11,590	787,345
Revaluation surplus	-	54,157	8,188	-	-	-	-	11,500	73,845
Additions	(91,458)	11,201	108,018	11,907	-	2,299	3,470	9	45,446
Disposals	-	(3,447)	(6,517)	(64)	-	-	(47)	-	(10,075)
Depreciation charge	-	-	(20,329)	(9,338)	(14)	(3,065)	(3,459)	-	(36,205)
Closing net book amount	4,655	299,544	486,436	21,892	8	4,902	19,820	23,099	860,356

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Construction in progress	Freehold land	Freehold buildings	Plant and equipment <sup>1</sup>	Leasehold improvements	Leased plant and equipment	Library	Other property, plant and equipment <sup>2</sup>	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>15. PROPERTY, PLANT AND EQUIPMENT (continued)</b>									
At 31 December 2006									
- Cost	4,655	-	-	69,823	42	12,841	-	-	87,361
- Valuation	-	299,544	963,527	-	-	-	96,278	23,099	1,382,448
Accumulated depreciation	-	-	(477,091)	(47,931)	(34)	(7,939)	(76,458)	-	(609,453)
Net book amount	4,655	299,544	486,436	21,892	8	4,902	19,820	23,099	860,356

<sup>1</sup>Plant and equipment includes all operational assets.

<sup>2</sup>Other property, plant and equipment includes non-operational assets such as artworks.

**(a) Valuations of land and buildings**

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2006 revaluations were based on independent assessments by Colliers International as at 31 December 2006. The 2005 revaluations were based on independent assessments as at 31 December 2005. The revaluation surplus was credited to the asset revaluation reserve in equity (note 22).

**(b) Non-current assets pledged as security**

Refer to note 18 for information on non-current assets pledged as security by the parent entity and its controlled entities.



# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## 16. INTANGIBLE ASSETS

	Development costs \$'000	Patents and trademarks \$'000	Software \$'000	Licences perpetual \$'000	Goodwill \$'000	Total \$'000
<b>Consolidated</b>						
<b>At 1 January 2005</b>						
Cost	–	173	27,462	–	–	27,635
Accumulated amortisation and impairment	–	–	(4,631)	–	–	(4,631)
Net book amount	–	173	22,831	–	–	23,004
<b>Year ended 31 December 2005</b>						
Opening net book amount	–	173	22,831	–	–	23,004
Additions	–	48	2,978	1,191	–	4,217
Disposals	–	–	–	–	–	–
Amortisation charge	–	(69)	(3,939)	–	–	(4,008)
Closing net book amount	–	152	21,870	1,191	–	23,213
<b>At 31 December 2005</b>						
Cost	–	254	30,392	1,191	–	31,837
Accumulated amortisation and impairment	–	(102)	(8,522)	–	–	(8,624)
Net book amount	–	152	21,870	1,191	–	23,213
<b>Year ended 31 December 2006</b>						
Opening net book amount	–	152	21,870	1,191	–	23,213
Additions	–	35	1,745	–	–	1,780
Disposals	–	–	–	–	–	–
Acquisition of subsidiary	–	–	–	–	–	–
Impairment charge	–	–	–	–	–	–
Amortisation charge	–	(31)	(4,678)	–	–	(4,709)
Closing net book amount	–	156	18,937	1,191	–	20,284
<b>At 31 December 2006</b>						
Cost	–	289	32,137	1,191	–	33,617
Accumulated amortisation and impairment	–	(133)	(13,200)	–	–	(13,333)
Net book amount	–	156	18,937	1,191	–	20,284
Closing net book amount	–	156	18,937	1,191	–	20,284
<b>Parent entity</b>						
<b>At 1 January 2005</b>						
Cost	–	–	24,337	–	–	24,337
Accumulated amortisation and impairment	–	–	(3,900)	–	–	(3,900)
Net book amount	–	–	20,437	–	–	20,437
<b>Year ended 31 December 2005</b>						
Opening net book amount	–	–	20,437	–	–	20,437
Additions	–	–	2,351	1,191	–	3,542
Disposals	–	–	–	–	–	–
Amortisation charge	–	–	(3,363)	–	–	(3,363)
Closing net book amount	–	–	19,425	1,191	–	20,616

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

**16. INTANGIBLE ASSETS (continued)****Parent entity (continued)**

	Development costs \$'000	Patents and trademarks \$'000	Software \$'000	Licences perpetual \$'000	Goodwill \$'000	Total \$'000
<b>At 31 December 2005</b>						
Cost	–	–	26,640	1,191	–	27,831
Accumulated amortisation and impairment	–	–	(7,215)	–	–	(7,215)
Net book amount	–	–	19,425	1,191	–	20,616
<b>Year ended 31 December 2006</b>						
Opening net book amount	–	–	19,425	1,191	–	20,616
Additions	–	–	1,399	–	–	1,399
Disposals	–	–	–	–	–	–
Acquisition of subsidiary	–	–	–	–	–	–
Impairment charge	–	–	–	–	–	–
Amortisation charge	–	–	(4,106)	–	–	(4,106)
Closing net book amount	–	–	16,718	1,191	–	17,909
<b>At 31 December 2006</b>						
Cost	–	–	28,039	1,191	–	29,230
Accumulated amortisation and impairment	–	–	(11,321)	–	–	(11,321)
Net book amount	–	–	16,718	1,191	–	17,909
Closing net book amount	–	–	16,718	1,191	–	17,909

Notes	Economic entity [Consolidated]		Parent entity [University]	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000

**17. TRADE AND OTHER PAYABLES****Current**

OS-HELP liability to Australian Government	476	725	476	725
Deputy Commissioner of Taxation – PAYG	1,809	1,796	1,809	1,796
Office of State Revenue – payroll tax	1,061	1,530	1,061	1,438
Trade creditors and accruals	10,219	32,165	9,482	32,076
Other payroll accruals	6,443	4,513	6,443	4,513
Other	10,172	7,151	9,862	6,111
<b>Total trade and other payables</b>	<b>30,180</b>	<b>47,880</b>	<b>29,133</b>	<b>46,659</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
<b>18. INTEREST BEARING LIABILITIES</b>					
<b>Current</b>					
<b>Secured</b>					
Lease liabilities	23	2,599	2,764	2,599	2,764
Total current secured interest bearing liabilities		2,599	2,764	2,599	2,764
<b>Unsecured</b>					
Bank loans		1,100	1,009	1,100	1,009
Option premium payable		149	137	149	137
Total current unsecured interest bearing liabilities		1,249	1,146	1,249	1,146
Total current interest bearing liabilities		3,848	3,910	3,848	3,910
<b>Non-current</b>					
<b>Secured</b>					
Lease liabilities	23	2,502	3,061	2,502	3,061
Total non-current secured interest bearing liabilities		2,502	3,061	2,502	3,061
<b>Unsecured</b>					
Bank loans		71,625	66,716	71,625	66,716
Option premium payable		1,247	1,405	1,247	1,405
Total non-current unsecured interest bearing liabilities		72,872	68,121	72,872	68,121
Total non-current interest bearing liabilities		75,374	71,182	75,374	71,182
<b>Total interest bearing liabilities</b>		<b>79,222</b>	<b>75,092</b>	<b>79,222</b>	<b>75,092</b>
<b>(a) Interest rate risk exposures</b>					
Details of the entity's exposure to interest rate changes on borrowings are set out in the Financial Instruments note 35.					
<b>(b) Fair value disclosures</b>					
Details of fair value of borrowings for the entity are set out in Financial Instruments note 35.					
<b>Assets pledged as security</b>					
<b>Non-current</b>					
<i>Finance lease</i>					
Plant and equipment	15	12,841	10,545	12,841	10,545
<b>Total non-current assets pledged as security</b>		<b>12,841</b>	<b>10,545</b>	<b>12,841</b>	<b>10,545</b>
<b>Financing arrangements</b>					
Unrestricted access was available at balance date to the following lines of credit:					
<b>Bank loan facilities</b>					
Total facilities		102,725	127,725	102,725	127,725
Used at balance date		72,725	67,725	72,725	67,725
Unused at balance date		30,000	60,000	30,000	60,000

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>19. PROVISIONS</b>					
<b>Current provision expected to be settled within 12 months</b>					
Employee entitlements					
> Annual leave	1 (v)	10,660	8,320	10,400	7,713
> Long service leave	1 (v)	4,456	2,858	4,340	2,858
Subtotal		15,116	11,178	14,740	10,571
<b>Current provision expected to be settled after more than 12 months</b>					
Employee entitlements					
> Annual leave	1 (v)	7,438	8,222	7,000	8,182
> Long service leave	1 (v)	26,326	25,978	26,020	25,978
Subtotal		33,764	34,200	33,020	34,160
Total current provisions		48,880	45,378	47,760	44,731
<b>Non-current</b>					
Employee entitlements					
> Long service leave	1 (v)	5,917	6,540	5,595	5,671
> Deferred government benefits for superannuation		155,035	197,437	155,035	197,437
Total non-current provisions		160,952	203,977	160,630	203,108
<b>Total provisions</b>		<b>209,832</b>	<b>249,355</b>	<b>208,390</b>	<b>247,839</b>
<b>20. OTHER LIABILITIES</b>					
<b>Current</b>					
Unearned Commonwealth grants – HECS		111	1,783	111	1,783
Prepaid student fees		11,886	12,887	7,372	8,355
Other		4,867	4,908	693	585
Total current other liabilities		16,864	19,578	8,176	10,723
<b>Non-current</b>					
Other		1,815	1,147	–	–
Total non-current other liabilities		1,815	1,147	–	–
<b>Total other liabilities</b>		<b>18,679</b>	<b>20,725</b>	<b>8,176</b>	<b>10,723</b>
<b>21. STATUTORY FUNDS</b>					
Statutory funds at the beginning of the year		10,865	5,871	10,865	5,871
Net operating result relating to statutory funds		252	4,994	252	4,994
<b>Statutory funds at the end of the year</b>		<b>11,117</b>	<b>10,865</b>	<b>11,117</b>	<b>10,865</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>22. RESERVES AND RETAINED SURPLUS</b>					
<b>(a) Reserves comprise</b>					
Property plant and equipment revaluation reserve					
> Freehold land		221,542	167,384	221,542	167,384
> Buildings		48,640	102,040	48,640	102,040
> Building infrastructure		80,732	19,145	80,732	19,145
> Art works		1,219	1,219	1,219	1,219
> Library		116	116	116	116
> Other assets		18,037	6,537	18,037	6,537
Available-for-sale investments revaluation reserve		33	23	33	23
Foreign currency translation reserve		(186)	(118)	-	-
Reserves from associates		146	131	-	-
<b>Total reserves</b>		<b>370,279</b>	<b>296,477</b>	<b>370,319</b>	<b>296,464</b>
<b>(b) Movements in reserves</b>					
Property plant and equipment revaluation reserve					
Balance 1 January 2006		296,441	296,375	296,441	296,375
Increase/(decrease) revaluation	15	73,845	66	73,845	66
Balance at 31 December 2006		370,286	296,441	370,286	296,441
Available-for-sale investments revaluation reserve					
Balance at 1 January 2006		23	-	23	-
Increase/(decrease) revaluation		10	23	10	23
Balance at 31 December 2006		33	23	33	23
Foreign currency translation reserve					
Balance at 1 January 2006		(118)	(347)	-	-
Net exchange differences on translation of foreign controlled entity		(68)	229	-	-
Balance at 31 December 2006		(186)	(118)	-	-
Share of reserves from associates					
Balance at 1 January 2006		131	-	-	-
Increase/(decrease) in reserves from associates		15	131	-	-
Balance at 31 December 2006		146	131	-	-
<b>Total reserves</b>		<b>370,279</b>	<b>296,477</b>	<b>370,319</b>	<b>296,464</b>
<b>(c) Nature and purpose of reserves</b>					
Property, plant and equipment revaluation reserve refer note 1(o) for details of nature and purpose of reserve.					
Available-for-sale investments revaluation reserve refer note 1(l)(ii) for details of nature and purpose of reserve.					
Foreign currency translation reserve refer note 1(c)(iii) for details of nature and purpose of reserve.					
<b>(d) Retained surplus</b>					
Movements in retained surplus were as follows:					
Retained surplus at 1 January		405,066	396,579	381,511	373,545
Operating result for the period		19,007	13,481	23,579	12,960
Transferred to statutory funds		(252)	(4,994)	(252)	(4,994)
<b>Retained surplus at the end of the year</b>		<b>423,821</b>	<b>405,066</b>	<b>404,838</b>	<b>381,511</b>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>23. COMMITMENTS FOR EXPENDITURE</b>					
<b>(a) Capital expenditure commitments</b>					
Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as liabilities are payable as follows:					
<b>Building works</b>					
> Not later than one year		2,419	14,774	2,220	14,695
> Later than one year and not later than five years		-	-	-	-
<b>Plant and equipment</b>					
> Not later than one year		1,610	2,351	1,610	2,351
<b>Intangible assets</b>					
> Not later than one year		-	-	-	-
<b>Total capital commitments</b>		<b>4,029</b>	<b>17,125</b>	<b>3,830</b>	<b>17,046</b>
<b>(b) Lease commitments</b>					
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable as follows:					
Within one year		8,415	8,902	5,093	6,001
Later than one year but not later than five years		12,472	6,039	3,775	4,996
Later than five years		1,377	1,349	1,377	1,349
<b>Total lease commitments</b>		<b>22,264</b>	<b>16,290</b>	<b>10,245</b>	<b>12,346</b>
Representing:					
Cancellable operating leases		-	-	-	-
Non-cancellable operating leases		16,723	9,932	4,704	5,988
Future finance charges on finance leases		5,541	6,358	5,541	6,358
		22,264	16,290	10,245	12,346
<b>Operating leases</b>					
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:					
<b>Premises</b>					
> Within one year		3,864	4,026	574	1,154
> Later than one year and not later than five years		8,928	1,682	251	689
> Later than five years		1,377	1,349	1,377	1,349
		14,169	7,057	2,202	3,192
<b>Motor vehicles</b>					
> Within one year		1,485	1,557	1,485	1,557
> Later than one year and not later than five years		790	945	790	945
		2,275	2,502	2,275	2,502
<b>Equipment</b>					
> Within one year		198	256	166	227
> Later than one year and not later than five years		81	117	61	67
		279	373	227	294
<b>Total operating leases</b>		<b>16,723</b>	<b>9,932</b>	<b>4,704</b>	<b>5,988</b>

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Notes	Economic entity [Consolidated]		Parent entity [University]	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Finance leases</b>					
The University of Technology, Sydney leases various plant and equipment with a carrying amount of \$4,901,715 (2005: \$5,668,000) under finance leases expiring within one to five years.					
Commitments for minimum lease payments in relation to finance leases are payable as follows:					
<b>Equipment</b>					
> Within one year		2,868	3,063	2,868	3,063
> Later than one year and not later than five years		2,673	3,295	2,673	3,295
Total minimum finance lease payments		5,541	6,358	5,541	6,358
Future finance charges		(440)	(533)	(440)	(533)
Recognised as a liability		5,101	5,825	5,101	5,825
Representing lease liabilities					
> Current liability	18	2,599	2,764	2,599	2,764
> Non-current liability	18	2,502	3,061	2,502	3,061
		5,101	5,825	5,101	5,825

## (c) Other expenditure commitments

Commitments for trade creditors and salaries in existence at the reporting date but not recognised as liabilities, payable:

### Trade creditors

> Not later than one year		532	533	532	533
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### Remuneration commitments

> Not later than one year		-	496	-	-
> Later than one year and not later than five years		-	196	-	-
		-	692	-	-

<b>Total other expenditure commitments</b>		<b>532</b>	<b>1,225</b>	<b>532</b>	<b>533</b>
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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 \$1,935,000 (2005: \$2,508,000) for the economic entity and \$824,000 (2005: \$2,142,000) for the parent entity.

## 24. NON-CASH FINANCING AND INVESTING ACTIVITIES

Acquisition of plant and equipment by means of finance leases		2,299	3,597	2,299	3,597
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## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

**25. SUPERANNUATION PLANS**

During the 2006 accounting period, the University contributed to the following superannuation schemes:

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

**State Authorities Superannuation Trustee Corporation (STC)**

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

The 2006 calculation of the liabilities of SSS, SASS and SANCS is based on the requirements of AASB 119.

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:

	2006 %	2005 %
Discount rate at 31 December	6.0	5.3
Expected return on plan assets at 31 December	7.6	7.3
Expected salary increases	4.0	4.0
Expected rate of CPI increase	2.5	2.5

The following tables summarise the components of net benefit expense recognised in the consolidated income statement and the funded status and amounts recognised in the consolidated balance sheet for the respective plans.

Total expense recognised in the income statement:

	SASS		SANCS		SSS	
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
Current service cost	1,845,141	1,716,255	683,640	663,361	2,034,203	2,271,325
Interest on obligation	2,206,906	2,060,273	600,305	554,728	18,089,448	18,137,624
Expected return on plan assets	(3,098,584)	(2,421,213)	(771,060)	(671,760)	(11,257,868)	(9,822,022)
Net actuarial losses/(gains) recognised in year	(1,744,500)	341,448	(1,288,758)	733,410	(44,960,510)	(5,835,844)
Change in surplus in excess of recovery available from scheme	-	-	-	-	-	-
Past service cost	-	-	-	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-	-	-	-
Total included in 'employee benefits expense'	(791,037)	1,696,763	(775,873)	1,279,739	(36,094,727)	4,751,083
Actual return on plan assets	5,625,263	5,189,679	1,299,490	1,363,891	21,046,807	20,798,590
Reconciliation of the assets and liabilities recognised in the balance sheet:						
Present value of defined benefit obligations	45,295,906	43,901,310	11,294,982	12,275,458	324,113,004	349,895,789
Fair value of plan assets	(47,285,952)	(43,051,883)	(9,070,320)	(8,780,231)	(169,312,622)	(156,803,500)
	(1,990,046)	849,427	2,224,662	3,495,227	154,800,382	193,092,289
Surplus in excess of recovery available from schemes	-	-	-	-	-	-
Unrecognised past service costs	-	-	-	-	-	-
Net (asset)/liability to be disclosed in balance sheet	(1,990,046)	849,427	2,224,662	3,495,227	154,800,382	193,092,289



# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	SASS		SANCS		SSS	
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
Movement in net liability/asset recognised in balance sheet						
Net (asset)/liability at start of year	849,427	733,970	3,495,227	3,335,430	193,092,289	190,047,655
Net expense recognised in the income statement	(791,036)	1,696,762	(775,873)	1,279,739	(36,094,727)	4,751,084
Contributions	(2,048,437)	(1,581,305)	(494,692)	(1,119,942)	(2,197,180)	(1,706,450)
Net (asset)/liability to be disclosed in balance sheet (note 19)	(1,990,046)	849,427	2,224,662	3,495,227	154,800,382	193,092,289
Details of the defined pension plan as extracted from the plans' most recent report calculated in accordance with AAS 25 – <i>Financial Reporting by Superannuation Plans</i> :						
Accrued benefits	44,256,994	41,294,650	10,938,564	11,303,400	279,138,978	287,056,222
Net market value of fund assets	(47,285,952)	(43,051,883)	(9,070,320)	(8,780,231)	(169,312,622)	(156,803,500)
Net (surplus)/deficit	(3,028,958)	(1,757,233)	1,868,244	2,523,169	109,826,356	130,252,722

## 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.

- The Unisuper Defined Benefit Plan (DBP) is a defined benefit plan.
- During the 2006 year clause 34 of the Unisuper Trust Deed was amended which substantially transfers the actuarial risks from the employer to the employee. The amendment to the trust deed has resulted in the Unisuper defined benefit fund to be reclassified as a defined contribution fund for the purposes of AASB 119 – Employee Benefits.
- As at 30 June 2006 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the DBP.  
As at 30 June 2006 the assets of the DBP in aggregate were estimated to be \$958 million in excess of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of CPI indexed pensions being provided by the DBP.  
As at 30 June 2006 the assets of the DBP in aggregate were estimated to be \$1,834 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensioners which arise from membership of Unisuper up to the reporting date.
- The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits using the actuarial demographic assumptions outlined in their report dated 13 July 2006 on the actuarial investigation of the DBP as at 31 December 2005. The financial assumptions used were:

	Vested benefits % p.a.	Accrued benefits % p.a.
Gross of tax investment return	7	8.3
Net of tax investment return	6.5	7.8
Consumer Price Index	2.5	2.5
Inflationary salary increases long term	3.5	3.5
Inflationary salary increases next three years	5	5

(Additional promotional salary increases are assumed to apply based on past experience.)

- Assets have been included at their net market value, that is, allowing for realisation costs.
- Clause 34 of the Unisuper Trust Deed outlines the process Unisuper must undertake (including employer notifications and notice periods) in order to reduce benefits to beneficiaries of the Unisuper defined benefit scheme in the event of insufficient assets held by the fund. The main points are:
  - If, after an actuarial investigation and valuation of Unisuper, the Trustee considers that Unisuper is or may be insufficient to provide benefits payable under the Deed, the Trustee must notify each employer.
  - If, after the next two succeeding actuarial investigations and valuations of Unisuper (made in a period of not less than four years) the Trustee still considers that Unisuper is or may be insufficient to provide the benefits payable under the Deed, the Trustee must reduce the benefits (including benefits in the course of payment) payable under Division A and Division B on a fair and equitable basis.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

### 26. CONTINGENT ASSETS AND CONTINGENT 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 associated potential liability cannot be estimated at this stage.
- (iii) The University may have a liability to provide financial support to accessUts Pty Ltd during 2007.
- (iv) The University may have a liability to provide financial support to Sydney Educational Broadcasting Limited (2SER-FM) during 2007.

The University is not aware of any other contingent liabilities.

### 27. ECONOMIC DEPENDENCY

The University has no economic dependency on any other economic entity not clearly discernible in the Income Statement (page 8) or Balance Sheet (page 9).

### 28. SUBSIDIARIES

Name of entity	Principal activities	Country of incorporation	Ownership interest		Equity	
			2006 %	2005 %	2006 \$'000	2005 \$'000
<b>Parent entity</b>						
University Of Technology, Sydney	Education services	Australia	-	-	790,310	694,314
<b>Controlled entities</b>						
INSEARCH Limited (company limited by guarantee)	Education services	Australia	100	100	13,591	17,416
INSEARCH (Shanghai) Limited	Education services	China	100	100	579	661
INSEARCH Education International Pty Limited	Education services	Australia	100	100	135	(205)
INSEARCH Yaysan Medan	Education services	Indonesia	88	88	343	489
Australia Centre Thailand	Education services	Thailand	81	81	90	110
accessUTS Proprietary Limited	Consulting	Australia	100	100	132	(377)
UTSM Services (Malaysia) Sdn Bhd	Education services	Malaysia	100	-	37	-

### 29. RELATED PARTIES

#### (a) Parent entities

The ultimate parent entity within the Group is the University of Technology, Sydney.

#### (b) Subsidiaries

Interests in subsidiaries are set out in note 28.

#### (c) Key management personnel

Disclosures relating to responsible persons and executive officers are set out in note 7.

#### (d) Transactions with related parties in the wholly owned group

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

- (1) Donations amounting to \$4,000,000 (2005 \$2,000) were paid or payable to the ultimate controlling entity.
- (2) Sale of services and fees \$ 2,449,980 (2005 \$2,757,049) to the wholly owned University of Technology, Sydney group.
- (3) Purchase of services and fees \$304,640 (2005 \$811,600) by the wholly owned University of Technology, Sydney group.
- (4) Purchase of shares in a subsidiary \$0 (2005 \$450,000) by the wholly owned University of Technology, Sydney group.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## (e) Outstanding balances

	Economic entity [Consolidated]		Parent entity [University]	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Current receivables</b>				
Subsidiaries	-	-	598	2,690
<b>Current receivables (loans)</b>				
Subsidiaries	-	-	35	35

A provision of \$183,000 (2005 \$215,000) has been raised for doubtful debts in the parent entity accounts for outstanding balances due from related parties.

## 30. DISAGGREGATION INFORMATION (CONSOLIDATED)

	Revenue		Results		Assets	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Geographical (consolidated entity)</b>						
Australia	377,649	403,927	17,190	11,865	1,140,589	1,102,599
China	2,675	3,305	1,335	1,544	586	1,265
United Kingdom	1,908	971	102	(517)	1,227	936
South East Asia	2,763	2,585	380	589	728	660
<b>Total</b>	<b>384,995</b>	<b>410,788</b>	<b>19,007</b>	<b>13,481</b>	<b>1,143,130</b>	<b>1,105,460</b>

## 31. INTERESTS IN JOINT VENTURES AND INVESTMENTS IN ASSOCIATES

The interest in the Joint Ventures and Investment in Associates are accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the parent entity (refer to note 11).

### (a) Joint venture partnerships

The parent entity has an interest in the following joint venture entity, which is resident in Australia.

1. Sport Knowledge Australia Pty Ltd

This is a joint venture between the University of Sydney; the University of Technology, Sydney; and Sydney Olympic Park Authority, to develop, market and sell education and training programs and knowledge services in the fields of sports science and management. The University of Technology, Sydney has a one third share of Issued share capital.

2. The International English Language Testing System (IELTS) joint venture was dissolved on 30th September 2005. The joint venture was equity accounted up to the dissolution date.

This was a joint venture between INSEARCH Limited and the University of Technology, Sydney to operate the 'IELTS Sydney Test Centre' and prepare for its divisions. The investment was a 50% share of retained earnings. The joint venture was dissolved on the 30th September 2005.

3. 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.

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

- (a) Beijing INSEARCH Language School (BILS)
- (b) Australian Centres for Education and Training (ACET)
- (c) Sydney Institute of Language and Commerce (SLIC).

### (b) Investment in associates

Australian Technology Park Innovation Proprietary Limited (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 University of Technology, Sydney has a 25% share of issued share capital. The organisation facilitates the incubation of research activity.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

**31. INTERESTS IN JOINT VENTURES AND INVESTMENTS IN ASSOCIATES (continued)**

	Economic entity [Consolidated]		Parent entity [University]	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>(c) Carrying amounts of investment in partnerships and associates</b>	6,844	7,291	-	-
<b>Share of assets and liabilities</b>				
Current assets	9,537	8,792	-	-
Non-current assets	4,053	4,981	-	-
Total assets	13,590	13,773	-	-
Current liabilities	6,061	5,911	-	-
Non-current liabilities	685	571	-	-
Total liabilities	6,746	6,482	-	-
<b>Net assets</b>	<b>6,844</b>	<b>7,291</b>	<b>-</b>	<b>-</b>
<b>Share of revenues, expenses and results</b>				
Revenues	6,265	6,610	-	-
Expenses	6,265	6,034	-	-
<b>Net operating result before income tax</b>	<b>-</b>	<b>576</b>	<b>-</b>	<b>-</b>
<b>Share of commitments</b>				
Lease commitments	-	-	-	-
Other commitments (other than for the supply of inventories)	-	-	-	-
Total expenditure commitments	-	-	-	-
Capital commitments	-	-	-	-

**(d) Contingent liabilities relating to joint ventures**

No material losses are anticipated in respect to contingent liabilities.

**32. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

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

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## 33. RECONCILIATION OF OPERATING RESULT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Economic entity [Consolidated]		Parent entity [University]	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Operating result for the period	19,007	13,481	23,579	12,960
Depreciation and amortisation	42,054	38,718	40,311	36,489
Increase/(decrease) in provisions:				
> Annual leave	1,556	4,116	1,505	4,102
> Diminution of shares	11	2,144	11	200
> Doubtful debts	1,386	410	(330)	410
> Long service leave	1,323	3,433	1,448	3,289
> Deferred superannuation	(42,402)	3,319	(42,402)	3,319
Decrease/(increase) in receivables	43,650	(3,932)	45,684	(1,741)
Decrease/(increase) in non-current receivables	-	(3,160)	-	(3,160)
Decrease/(increase) in prepayments and accrued income	1,172	(3,332)	748	2,637
Decrease/(increase) in inventories	-	-	-	-
(Decrease)/increase in accounts payable	(7,454)	14,622	(7,280)	14,359
(Decrease)/increase in current tax liabilities	-	-	-	-
(Decrease)/increase in income in advance	(2,046)	2,571	(2,547)	3,579
Decrease/(increase) in derivatives – asset	(1,127)	784	(1,127)	784
(Profit)/loss on sale of assets	(85)	(45)	(81)	44
Write back of motor vehicles	-	-	-	-
Increase in share of profit of joint venture received as dividends or distribution	393	(166)	-	-
Fair value gains on other financial assets at fair value through profit or loss	-	-	-	76
Increase in investment income due to adoption of fair value for Investments per AASB 139	(23)	823	(23)	823
Capitalisation of previous year's expenditure	-	-	-	-
Change in unrealised foreign exchange gain decrease/(increase)	-	-	-	-
Adjustment to accumulated funds at beginning of year	-	-	-	-
<b>Net cash provided by operating activities</b>	<b>57,415</b>	<b>73,786</b>	<b>59,496</b>	<b>78,170</b>

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

**34. ACQUITTAL OF AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE****34.1 DEST – CGS and other DEST grants**

	Notes	Parent entity [University] only						Total				
		Commonwealth Grants Scheme <sup>1</sup>	Indigenous Support Fund	Equity Programmes <sup>2</sup>	Workplace Reform Program	Collaboration and Structural Reform Program	Total					
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000			
Financial assistance received in cash during the reporting period (total cash received from the Australian Government for the programs)		94,391	90,785	1,278	1,105	422	366	1,464	1,417	74	97,555	93,747
Net accrual adjustments		-	(232)	-	-	-	-	-	-	-	-	(232)
Revenue for the period	2.1 (a)	94,391	90,553	1,278	1,105	422	366	1,464	1,417	74	97,555	93,515
Surplus/(deficit) from the previous year		-	-	-	-	-	-	-	-	-	-	-
Total revenue including accrued revenue		94,391	90,553	1,278	1,105	422	366	1,464	1,417	74	97,555	93,515
Less expenses including accrued expenses		(94,391)	(90,553)	(1,278)	(1,105)	(422)	(366)	(1,464)	(1,417)	(74)	(97,555)	(93,515)
Surplus/(deficit) for reporting period		-	-	-	-	-	-	-	-	-	-	-

<sup>1</sup>Includes the basic CGS grant amount; CGS-Regional Loading and CGS-Enabling Loading.<sup>2</sup>Includes Higher Education Disability Support program and Higher Education Equity Support program.**34.2 Higher education loan programs**

	Notes	Parent entity [University] only						Total	
		HECS-HELP (Australian Government payments only)		FEE-HELP		OS-HELP <sup>1</sup>			
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period (total cash received from the Australian Government for the programs)		52,026	48,775	15,500	23,745	254	1,000	67,780	73,520
Net accrual adjustments		3,001	(392)	3,760	(4,778)	(254)	(1,000)	6,507	(6,170)
Revenue for the period	2.1 (b)	55,027	48,383	19,260	18,967	-	-	74,287	67,350
Surplus/(deficit) from the previous year		-	-	-	-	-	-	-	-
Total revenue including accrued revenue		55,027	48,383	19,260	18,967	-	-	74,287	67,350
Less expenses including accrued expenses		(55,027)	(48,383)	(19,260)	(18,967)	-	-	(74,287)	(67,350)
Surplus/(deficit) for reporting period		-	-	-	-	-	-	-	-

<sup>1</sup>The revenue line for OS-HELP should be nil.

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## 34.3 Australian Research Council Grants

### (a) Discovery

	Notes	Parent entity [University] only					
		Discovery – projects		Discovery – fellowships		Total	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period (total cash received from the Australian Government for the programs)		5,157	4,304	503	238	5,660	4,542
Net accrual adjustments		98	165	–	–	98	165
Revenue for the period	2.1 (e)(i)	5,255	4,469	503	238	5,758	4,707
Surplus/(deficit) from the previous year		2,814	1,947	238	2	3,052	1,949
Total revenue including accrued revenue		8,069	6,416	741	240	8,810	6,656
Less expenses including accrued expenses		(4,530)	(3,602)	(185)	(2)	(4,715)	(3,604)
Surplus/(deficit) for reporting period		3,539	2,814	556	238	4,095	3,052

## 34.4 Australian Research Council Grants

### (b) Linkages

	Notes	Parent entity [University] only									
		Linkage – projects		Linkage – international		Linkage – infrastructure		Linkage – special research initiatives		Total	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period (total cash received from the Australian Government for the programs)		3,318	3,663	22	36	1,530	295	47	51	4,917	4,045
Net accrual adjustments		114	165	–	–	452	823	–	–	566	988
Revenue for the period	2.1 (e)(ii)	3,432	3,828	22	36	1,982	1,118	47	51	5,483	5,033
Surplus/(deficit) from the previous year		3,795	1,977	59	51	115	52	56	29	4,025	2,109
Total revenue including accrued revenue		7,227	5,805	81	87	2,097	1,170	103	80	9,508	7,142
Less expenses including accrued expenses		(3,788)	(2,010)	(39)	(28)	(729)	(1,055)	(20)	(24)	(4,576)	(3,117)
Surplus/(deficit) for reporting period		3,439	3,795	42	59	1,368	115	83	56	4,932	4,025

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

**34. ACQUITTAL OF AUSTRALIAN GOVERNMENT FINANCIAL ASSISTANCE (continued)****34.5 Australian Research Council grants****(c) Networks and centres**

	Notes	Parent entity [University] only					
		Research networks		Centres		Total	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period (total cash received from the Australian Government for the programs)		676	664	-	-	676	664
Net accrual adjustments		90	114	763	950	853	1,064
Revenue for the period	2.1 (e)(iii)	766	778	763	950	1,529	1,728
Surplus/(deficit) from the previous year		945	561	557	-	1,502	561
Total revenue including accrued revenue		1,711	1,339	1,320	950	3,031	2,289
Less expenses including accrued expenses		(1,120)	(394)	(1,034)	(393)	(2,154)	(787)
Surplus/(deficit) for reporting period		591	945	286	557	877	1,502

**34.6 Department of Education, Science and Training research**

	Notes	Parent entity [University] only									
		Institutional Grants Scheme		Research Training Scheme		Small grants		Research Infrastructure Block Grants		Total	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assistance received in cash during the reporting period (total cash received from the Australian Government for the programs)		4,216	3,969	9,484	9,797	-	-	2,455	1,898	16,155	15,664
Net accrual adjustments		-	-	-	-	-	-	-	-	-	-
Revenue for the period	2.1 (d)	4,216	3,969	9,484	9,797	-	-	2,455	1,898	16,155	15,664
Surplus/(deficit) from the previous year		-	-	-	-	12	8	1,777	959	1,789	967
Total revenue including accrued revenue		4,216	3,969	9,484	9,797	12	8	4,232	2,857	17,944	16,631
Less expenses including accrued expenses		(4,216)	(3,969)	(9,484)	(9,797)	(7)	4	(4,232)	(1,080)	(17,939)	(14,842)
Surplus/(deficit) for reporting period		-	-	-	-	5	12	-	1,777	5	1,789



# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## 34.7 Scholarships

	Parent entity [University] only										Total		
	Australian Postgraduate Awards		International Postgraduate Research Scholarships		Commonwealth Education Cost Scholarships		Commonwealth Accommodation Costs Scholarships		Indigenous Staff Scholarships				
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000		2006 \$'000	2005 \$'000
<b>Notes</b>													
Financial assistance received in cash during the reporting period (total cash received from the Australian Government for the programs)	1,459	1,372	310	161	647	382	1,011	678	-	32	3,427	2,625	
Net accrual adjustments	-	-	-	-	-	-	-	-	-	(11)	-	(11)	
Revenue for the period	1,459	1,372	310	161	647	382	1,011	678	-	21	3,427	2,614	
Surplus/(deficit) from the previous year	307	216	-	63	5	-	185	6	-	-	497	285	
Total revenue including accrued revenue	1,766	1,588	310	224	652	382	1,196	684	-	21	3,924	2,899	
Less expenses including accrued expenses	(1,248)	(1,281)	(310)	(224)	(566)	(377)	(592)	(499)	-	(21)	(2,716)	(2,402)	
Surplus/(deficit) for reporting period	518	307	-	-	86	5	604	185	-	-	1,208	497	

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

### 35. FINANCIAL INSTRUMENTS

#### (a) Financial risk management

The Group's activities exposes it to a variety of financial risks, as follows.

The Group's principal financial instruments comprise bank loans, finance leases, cash and managed funds. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivative transactions, principally interest rate caps and interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk.

#### Interest rate risk

The Group's exposure to market risk for changes in interest rate relates primarily to the Group's long term debt obligations. Long term debt obligations are managed by either fixed interest rate loans, interest rate swaps and interest rate caps. At the 31 December 2006, after taking into account interest rate swaps and interest rate caps, 100% of the Group's borrowings are at a fixed or capped rate of interest.

#### Credit risk

Receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets, fair value through profit or loss financial assets and other financial assets at cost, the Group's exposure to credit risk arises from default of the counter party, with the maximum exposure equal to the carrying amount of these instruments.

#### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through use of bank loans and finance leases. The parent entity does not anticipate increasing bank loan facilities in the foreseeable future.

#### (b) Derivative financial instruments

##### (i) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates for certain long term loans.

Derivatives are recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting year. Changes in the fair value of any derivative instrument are recognised immediately in the income statement. The following derivatives are held by the parent entity.

- (i) The University has entered into a cap agreement in order to limit its interest rate exposure from a loan of \$22,725,000 from the ANZ Banking Group Limited. The fair value of this derivative as at 31 December 2006 is an asset of \$187,454 (2005 asset of \$242,509).
- (ii) The University has entered into a interest rate swap agreement in order to limit its interest rate exposure in relation to a loan facility of \$40,000,000 from the ANZ Banking Group Limited. The interest rate swap covers \$36,000,000 of the loan facility of \$40,000,000. As at 31 December 2006 \$10,000,000 of the loan facility has been drawdown. The fair value of this derivative as at 31 December 2006 is an asset of \$576,965 (2005 liability of \$605,279).

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## (c) Interest rate risk exposures

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. Exposure arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non- interest- bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2006</b>									
<b>Financial assets</b>									
Cash and cash equivalents	24,599	-	-	-	-	-	-	-	24,599
Receivables	-	-	-	-	-	-	-	161,270	161,270
Managed funds	36	-	-	-	-	-	-	-	36
Managed funds Income Plus fund	31,973	-	-	-	-	-	-	-	31,973
Managed funds Treasury Fund	24,596	-	-	-	-	-	-	-	24,596
Shares in other organisations	-	-	-	-	-	-	-	181	181
Derivatives	-	-	-	-	-	-	-	765	765
Investments using the equity method	-	-	-	-	-	-	-	6,844	6,844
	81,204	-	-	-	-	-	-	169,060	250,264
Weighted average interest rate	6.22%	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>									
Payables	-	-	-	-	-	-	-	30,180	30,180
Government loan	-	-	-	-	-	-	40,000	-	40,000
ANZ Bank loan	-	-	-	-	-	-	32,725	-	32,725
Option premium payable	-	-	-	-	-	-	1,396	-	1,396
Finance leases	-	-	-	5,101	-	-	-	-	5,101
	-	-	-	5,101	-	-	74,121	30,180	109,402
Weighted average interest rate	-	-	-	6.97%	-	-	6.38%	-	-
Net financial assets (liabilities)	81,204	-	-	(5,101)	-	-	(74,121)	138,880	140,862

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non- interest- bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>35. FINANCIAL INSTRUMENTS (continued)</b>									
<b>(c) Interest rate risk exposures (continued)</b>									
<b>2005</b>									
<b>Financial assets</b>									
Cash and cash equivalents	26,389	-	-	-	-	-	-	-	26,389
Receivables	-	-	-	-	-	-	-	206,307	206,307
Managed funds	34	-	-	-	-	-	-	-	34
Managed funds Income Plus Fund	30,087	-	-	-	-	-	-	-	30,087
Managed funds Treasury Fund	10,812	-	-	-	-	-	-	-	10,812
Derivatives	-	-	-	-	-	-	-	(362)	(362)
Shares in other organisations	-	-	-	-	-	-	-	238	238
Investments using the equity method	-	-	-	-	-	-	-	7,291	7,291
	67,322	-	-	-	-	-	-	213,474	280,796
Weighted average interest rate	5.30%	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>									
Payables	-	-	-	-	-	-	-	47,880	47,880
Government loan	-	-	-	-	-	-	40,000	-	40,000
ANZ Bank loan	-	-	-	-	-	-	27,725	-	27,725
Option premium payable	-	-	-	-	-	-	1,542	-	1,542
Finance leases	-	-	-	5,825	-	-	-	-	5,825
	-	-	-	5,825	-	-	69,267	47,880	122,972
Weighted average interest rate	-	-	-	6.64%	-	-	6.10%	-	-
Net financial assets (liabilities)	67,322	-	-	(5,825)	-	-	(69,267)	165,594	157,824

# NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2006

## (d) Fair value of financial assets and liabilities

The carrying amounts and fair values of financial assets and financial liabilities at balance date are:

	2006		2005	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
<b>Non-traded financial assets</b>				
Cash and cash equivalents	24,599	24,599	26,389	26,389
Receivables	161,270	161,270	206,307	206,307
Managed funds	36	36	34	34
Managed funds Income Plus Fund	31,973	31,973	30,087	30,087
Managed funds Treasury Fund	24,596	24,596	10,812	10,812
Derivatives	765	765	(362)	(362)
Shares in other organisations	181	181	238	238
Investments using the equity method	6,844	6,844	7,291	7,291
	250,264	250,264	280,796	280,796
<b>Financial liabilities</b>				
<b>Non-traded financial liabilities</b>				
Payables	30,180	30,180	47,880	47,880
Government loan	40,000	40,412	40,000	42,727
ANZ Bank loan	32,725	32,725	27,725	27,725
Option premium payable	1,396	1,396	1,542	1,542
Finance leases	5,101	5,101	5,825	5,825
	109,402	109,814	122,972	125,699

## 36. CHARITABLE FUNDRAISING ACTIVITIES

The University of Technology, Sydney conducts fundraising activities, the income from which is recognised in the financial statements of the University.

	Income raised	Direct expenditure	Indirect expenditure	Net proceeds
	\$'000	\$'000	\$'000	\$'000
Appeals	996	-	-	996
Percentage of income	100%	0%	0%	100%
The net proceeds were used for the following purposes:				
Purchase of equipment and consumables				34
Research expenditure				416
Held for specific purposes				546
				996

The provisions of the *Charitable Fundraising Act 1991* and the regulations under the Act have been complied with and internal controls exercised by the University of Technology, Sydney are considered appropriate and effective in accounting for all the income received in all material respects.

## End of audited Financial Statements

## DIRECTORS' DECLARATION

### **INSEARCH LIMITED**

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 2006 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 2006 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 as 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 17th day of April 2007

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 2005*

For the year ended 31 December 2006

Pursuant to the requirements of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulations 2005*, 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 2006 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 2005*. The policies adopted by the company follow the Australian Accounting Standards, including Australian Accounting Interpretations, the *Corporations Act 2001* and other authoritative pronouncements of the Public Sector 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

17 April 2007

# 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 (the Company) is in accordance with:

- the *Corporations Act 2001*, including:
  - giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2006 and their performance for the year ended on that date, and
  - complying with Accounting Standards in Australia (including Australian Accounting Interpretations) and the Corporations Regulations 2001,
- other mandatory financial reporting requirements in Australia, and
- section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

### Scope

#### *The Financial Report and Directors' Responsibility*

The financial report comprises the balance sheets, income statements, statements of changes in equity, cash flow statements, accompanying notes to the financial statements and directors' declaration for the Company and consolidated entity, for the year ended 31 December 2006. The consolidated entity comprises the Company and the entities it controlled during the financial year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with both the PF&A Act and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit Approach*

I conducted an independent audit in order to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament and the members of the Company that the financial report is free of *material* misstatement.

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

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



# INDEPENDENT AUDIT 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:

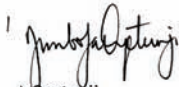
- about the future viability of the Company or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

## Audit Independence

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

My Declaration of Independence dated 11 April 2006 would have been made on the same terms if it had been made at the date of this report.



A Oyetunji  
Director, Financial Audit Services

SYDNEY  
19 April 2006

## AUDITOR'S INDEPENDENCE DECLARATION



GPO BOX 12  
Sydney NSW 2001

To the Directors  
INSEARCH Limited

### Auditor's Independence Declaration

As auditor for the audit of INSEARCH Limited for the year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The independence requirements of the *Corporations Act 2001* in relation to the audit, and
- Any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'A Oyetunji'.

A Oyetunji  
Director of Audit

11 April 2007  
SYDNEY

# REPORT OF THE DIRECTORS

This report of the directors of INSEARCH Limited is made in accordance with a resolution of the directors in accordance with section 298(2)(a) of the *Corporations Act 2001*.

## DIRECTORS

The names of directors in office during the year and at the date of this report are:

	<b>Date of Appointment</b>
Mr R J Hill (Chair)	24 October 1996
Dr D V Clark	14 December 1993
Professor D S Goodman	22 April 2004
Mr M L Laurence	18 December 1997
Professor R L Lynch	22 April 2004
Mr K J Rennie	22 July 1999
Dr K L Woodthorpe	23 November 2000
Mr W H Wright	25 February 1999

## COMPANY SECRETARY

The name of Company Secretary in office during the year is:

	<b>Date of Appointment</b>
Mr R E Allsep	21 May 87

The name of Company Secretary in office at the date of this report is:

	<b>Date of Appointment</b>
Ms D A Samuels	21 Dec 06

## PRINCIPAL ACTIVITIES

The activities of the company during the financial year ended 31 December 2006 were the provision of English language and academic courses that are designed as pathways to university studies.

## RESULTS OF OPERATIONS

The consolidated result for INSEARCH was a loss of \$3.522 million, after the payment of a donation to the University of Technology, Sydney of \$4 million. This loss, added to the prior year accumulated profits, brings the balance of the accumulated funds to \$15.274 million.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year INSEARCH made a material provision for the potential non-collectibility of monies owed to it by its Beijing joint venture, Beijing BLCU-Insearch Language School. The joint venture has not operated in 2006.

## LIKELY DEVELOPMENTS

Likely developments in the economic operations of the company have been reported as appropriate elsewhere in this report. In the opinion of the directors, it would prejudice the interests of the company to provide further information as to likely developments in the operations of the company, including the expected results there from, in financial years subsequent to the year ended 31 December 2006.

## DIRECTORS' BENEFITS

No director of the company has, during and since the end of the financial year, received or become entitled to receive a benefit other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors and the fixed salary of a full-time employee of the company by reason of a contract made by the company or related corporation with the director or with a firm of which he or she is a member or with an entity in which he or she has a substantial financial interest. Further details of directors' remuneration are covered in note 19 of the financial report.

## REPORT OF THE DIRECTORS (continued)

### INFORMATION ON DIRECTORS

**DV Clark** AM, BSc PhD, Hon DUniv (UTS), FRACI, FTSE  
Company Director

**D S G Goodman** BA, DipEcon, PhD, FASSA  
Deputy Vice-Chancellor (International)  
University of Technology, Sydney

**R J Hill** BA, LLB, LLM  
Chairman, Calliden Group Limited  
Chairman, Sirtex Medical Ltd  
Director, Pelorus Property Group  
Director, Longreach Ltd  
Director, Hillandip Pty Limited

**M L Laurence** BA, DipEd  
Managing Director, INSEARCH Limited

**R L Lynch** BEd (Hons), MEd, PhD  
Dean, Faculty of Business  
University of Technology, Sydney

**K J Rennie** AM, FCA,  
Executive Consultant, Ernst & Young

**K L Woodthorpe** BSc, PhD, FAICD  
Chief Executive, Australian Private Equity and Venture Capital Association Ltd  
Director, Vertracor Limited  
Member of Council, University of Technology, Sydney

**W H Wright** FAICD  
Chairman, ID South Pacific Pty Ltd  
Chairman, Sydney Attractions Group Ltd  
Deputy Chair, INSEARCH Ltd

### INFORMATION ON COMPANY SECRETARY

**R E Allsep** MAICD Dip

**D A Samuels** BA, GradDipPM, GradDip (Arts Admin)

### INSURANCE OF DIRECTORS AND OFFICERS

During the financial year a premium to insure directors and officers of the company was paid by the University of Technology, Sydney to the amount of \$6,194 per S300(1)(g), 300(8) and 300(9). The liabilities insured include costs and expenses that may be brought against the directors and officers in their capacity as directors and officers of the company.

# REPORT OF THE DIRECTORS (continued)

## DIRECTORS' MEETINGS

The number of directors' meetings including meetings of the audit committee held and the number of meetings attended by each of the directors of the company during the financial year is:

	Full meetings of directors	Audit Committee
<b>Number of meetings Held</b>	11	4
<b>Number of meetings attended by:</b>		
D V Clark (11 meetings held while a director)	10	*
R J Hill (11 meetings held while a director)	10	*
D S Goodman (11 meetings held while a director)	7	*
M L Laurence (11 meetings held while a director)	10	*
R L Lynch (11 meetings held while a director)	9	4
K J Rennie (11 meetings held while a director)	9	3
K L Woodthorpe (11 meetings held while a director)	11	4
W H Wright (11 meetings held while a director)	9	*

\* Not a Member of the Audit Committee.

The number of meetings held shown against each director is the number of meetings (not including Audit Committee) during that director's period in office.

## ROUNDING OF ACCOUNTS

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

## AUDIT DECLARATION

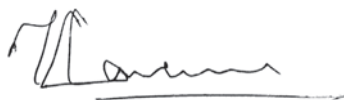
A copy of the Auditor's Independent Declaration as required under section 307C of the *Corporations Act 2001* is included in this report.

For and on behalf of the directors signed at Sydney this 17th day of April 2007.



RICHARD J HILL  
Director

17 April 2007



Murray L Laurence  
Director

17 April 2007

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated		Parent entity	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue from continuing operations	4	32,959	38,575	32,497	37,703
Other income	4	414	707	272	336
Share of net profits from joint venture partnerships accounted for using the equity method	12 [d]	996	521	-	-
<b>Total income</b>		<b>34,369</b>	<b>39,803</b>	<b>32,769</b>	<b>38,039</b>
Employee benefits expense	5 [a]	(14,245)	(15,963)	(13,544)	(15,312)
Depreciation and amortisation expense	5 [b]	(1,740)	(2,226)	(1,714)	(2,180)
Other expenses	5 [c]	(21,901)	(21,076)	(21,568)	(20,468)
<b>Total expenses</b>		<b>(37,886)</b>	<b>(39,265)</b>	<b>(36,826)</b>	<b>(37,960)</b>
Profit/(loss) before income tax expense		(3,517)	538	(4,057)	79
Income tax expense	6	(5)	(16)	(5)	(1)
<b>Profit/(loss) for the year</b>		<b>(3,522)</b>	<b>522</b>	<b>(4,062)</b>	<b>78</b>

The accompanying notes form part of the financial report.

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2006

	Note	Consolidated		Parent entity	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Current assets</b>					
Cash and cash equivalents	7	17,969	20,964	17,387	20,532
Trade and other receivables	8	1,569	3,945	1,459	3,616
Inventories	9	61	57	57	54
Other financial assets	10	104	174	104	174
		19,703	25,140	19,007	24,376
Non-current assets classified as held for sale	11	-	30	-	30
<b>Total current assets</b>		<b>19,703</b>	<b>25,170</b>	<b>19,007</b>	<b>24,406</b>
<b>Non-current assets</b>					
Investments accounted for using the equity method	12	2,034	1,886	-	-
Plant and equipment	13	3,217	3,813	3,136	3,734
Intangible assets	14	2,373	2,597	2,373	2,596
Other financial assets	15	117	201	1,181	1,644
<b>Total non-current assets</b>		<b>7,741</b>	<b>8,497</b>	<b>6,690</b>	<b>7,974</b>
<b>Total assets</b>		<b>27,444</b>	<b>33,667</b>	<b>25,697</b>	<b>32,380</b>
<b>Current liabilities</b>					
Trade and other payables	16	907	2,959	1,360	3,368
Provisions	17	1,289	1,312	1,272	1,312
Other	18	8,392	8,731	8,195	8,610
<b>Total current liabilities</b>		<b>10,588</b>	<b>13,002</b>	<b>10,827</b>	<b>13,290</b>
<b>Non-current liabilities</b>					
Provisions	19	1,582	1,803	1,582	1,803
<b>Total non-current liabilities</b>		<b>1,582</b>	<b>1,803</b>	<b>1,582</b>	<b>1,803</b>
<b>Total liabilities</b>		<b>12,170</b>	<b>14,805</b>	<b>12,409</b>	<b>15,093</b>
<b>Net assets</b>		<b>15,274</b>	<b>18,862</b>	<b>13,288</b>	<b>17,287</b>
<b>Equity</b>					
Retained profits	20 [a]	15,458	18,980	13,132	17,194
Reserves	20 [b]	(184)	(118)	156	93
<b>Total equity</b>		<b>15,274</b>	<b>18,862</b>	<b>13,288</b>	<b>17,287</b>

The accompanying notes form part of the financial report.

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated		Parent entity	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Total equity at the beginning of the financial year</b>		<b>18,862</b>	<b>17,645</b>	<b>17,287</b>	<b>17,766</b>
Exchange differences on translation of foreign operations	20 [b]	(66)	229	63	109
Effect of correction of error in previous year, being a reduction in retained earnings – see note 1	20 [a]	–	–	–	(1,132)
Effect of change in accounting treatment – see note 2	20 [a]	–	466	–	466
<b>Net income/(expense) recognised directly in equity</b>		<b>(66)</b>	<b>695</b>	<b>63</b>	<b>(557)</b>
Profit/(loss) for the year		(3,522)	522	(4,062)	78
<b>Total recognised income and expense for the year</b>		<b>(3,588)</b>	<b>1,217</b>	<b>(3,999)</b>	<b>(479)</b>
Transactions with equity holders in their capacity as equity holders		–	–	–	–
<b>Total equity at the end of the financial year</b>		<b>15,274</b>	<b>18,862</b>	<b>13,288</b>	<b>17,287</b>

Note 1: correction to previous year reflects incorrect treatment of joint venture partnership investments in the parent entity accounts.

Note 2: change in accounting treatment of certain direct expenses to align them with the revenue related to those expenses.

The accompanying notes form part of the financial report.



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated		Parent entity	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		32,700	36,039	31,466	34,773
Donation paid to the University of Technology, Sydney		(4,000)	(6,000)	(4,000)	(6,000)
Payment to suppliers and employees (inclusive of goods and services tax)		(33,372)	(37,085)	(32,335)	(35,425)
Income taxes paid		(5)	(16)	(5)	(1)
		(4,677)	(7,062)	(4,874)	(6,653)
Interest received		1,226	1,281	1,225	1,280
Joint venture partnership distributions received		393	290	393	290
Input tax credit refund from Australian Taxation Office		1,016	1,404	1,016	1,404
<b>Net cash (outflow)/inflow from operating activities</b>	27	<b>(2,042)</b>	<b>(4,087)</b>	<b>(2,240)</b>	<b>(3,679)</b>
Cash flows from investing activities					
Payments for plant and equipment and intangible assets		(1,155)	(1,070)	(1,125)	(1,000)
Payment for investments		-	(2,366)	-	(2,366)
Proceeds from sale of managed funds		15	1,750	15	1,750
Proceeds from sale of joint venture		-	121	-	121
Proceeds from sale of plant and equipment		245	268	245	248
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(895)</b>	<b>(1,297)</b>	<b>(865)</b>	<b>(1,247)</b>
Net increase/(decrease) in cash and cash equivalents		(2,937)	(5,384)	(3,105)	(4,926)
Cash and cash equivalents at the beginning of the financial year		20,964	26,332	20,532	25,437
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year		(58)	16	(40)	21
<b>Cash and cash equivalents at end of financial year</b>	7	<b>17,969</b>	<b>20,964</b>	<b>17,387</b>	<b>20,532</b>

The accompanying notes form part of the financial report.

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# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

## 1. THE COMPANY

INSEARCH Limited is a public company, limited by guarantee, having no share capital. The company is incorporated and domiciled in Australia, its registered place of business is Level 2, 187 Thomas Street, Haymarket, NSW, 2000. The company provides education services in English language, business and information technology and other disciplines to Australian and overseas students in Australia and at its offshore locations.

The company has the wholly owned entities, INSEARCH Education International Pty Ltd, INSEARCH Education and INSEARCH (Shanghai) Limited. INSEARCH Education International Pty Ltd has the controlling interest in both the Yayasan Insearch in Indonesia and the Australia Centre (Thailand) Limited. Both entities provide education and related services. INSEARCH Limited purchased the controlling interest in these entities in 1998. INSEARCH Education is a company registered as a charity in the United Kingdom. INSEARCH (Shanghai) Limited provides market research and other services to INSEARCH Limited. INSEARCH (Shanghai) Limited was formed in 2001.

INSEARCH Limited also has a branch in the United Kingdom, INSEARCH Essex, at which it provides pathway courses for students wishing to progress to the University of Essex. The branch was formed in 2004.

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate Financial Statements for the parent entity and the Group comprising INSEARCH Limited and its subsidiaries.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Australian equivalents to the International Financial Reporting Standards (AIFRSs) in the case of the parent entity's Financial Statements but generally accepted accounting principles have been used to prepare the subsidiaries Financial Statements, as well as other authoritative pronouncements of the Australian Accounting Standards Board (AASB), including Australian Accounting Interpretations, the *Public Finance and Audit Act and Regulations* and the *Corporations Act 2001*. Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

#### Compliance with the Australian equivalents to the International Financial Reporting Standards (AIFRSs)

The parent entity's Financial Statements and notes comply with the Australian equivalents to the International Financial Reporting Standards.

#### Historical cost convention

These Financial Statements have been prepared under the historical cost convention, except for certain investments and plant and equipment, which are recorded at valuation.

### (b) Principles of consolidation

#### (i) Subsidiaries

The consolidated Financial Statements incorporate the assets and liabilities of all entities controlled by INSEARCH Limited (parent entity) as at 31 December 2006 and the results of all the controlled entities for the year then ended. INSEARCH Limited and its controlled entities INSEARCH (Shanghai) Limited, INSEARCH Education, INSEARCH Education International Pty Ltd, Australia Centre (Thailand) Limited and Yayasan Insearch together are referred to in this financial report as the consolidated entity (the Group). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Inter-company transactions, balances and unrealised gains and losses between Group entities are eliminated in full.

#### (ii) Joint ventures

The interests in joint venture partnerships are accounted for in the consolidated Financial Statements using the equity method and are carried at cost in the parent entity. Under the equity method, the share of profit and loss of the partnership is recognised in the income statement and the share of movements in reserves is recognised in the balance sheet. Details relating to the partnerships are set out in note 12.

### (c) Segment reporting

INSEARCH Limited reports by geographical segment as it is engaged in providing products and services in different economic environments and is subject to risks and returns which vary according to those economic environments.

The economic environments in which INSEARCH Limited operates are:

- > Australia
- > United Kingdom
- > People's Republic of China (PRC)
- > South East Asia
- > Other.

## NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated Financial Statements are presented in Australian dollars, INSEARCH Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

#### (iii) Group companies

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- > Assets and liabilities for each balance sheet presented are translated at the closing rate of the balance sheet;
- > Income and expenses for the income statement for INSEARCH Essex, the branch, are translated at the spot rate of transactions;
- > For all other entities income statements are translated at the average exchange rate;
- > The resulting exchange differences are recognised as a separate component of equity.

### (e) Revenue recognition

#### (i) Fees

Education fees are recognised as revenue in advance upon student enrolment and are then disbursed to revenue at the time of course delivery. Education revenue is disclosed net of refunds.

#### (ii) Other fees and charges

Fees are recognised as revenue when services are provided. For programs running longer than one month, revenue is recognised between the program start date and finish date.

#### (iii) Other revenue

Other revenue including interest received, share of net profit from joint ventures and sale of non-current assets are recognised on an accrual basis. The net gain or loss on disposal of non-current assets is disclosed in other revenue.

### (f) Expense recognition

#### (i) Direct expenses

Costs associated with delivering educational programmes are recognised at the time of course delivery. Direct expenses incurred for courses not yet delivered are treated as prepayments.

#### (ii) Change in accounting treatment

In 2006 the accounting treatment for agent commissions was changed to recognise the expense at the time of course delivery. The 2005 comparative figures were adjusted accordingly.

#### (i) Other expenses

All other expenses are charged against revenue when the liability has been recognised.

### (g) Income tax

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

Income tax has been provided for the offshore entities.

### (h) 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 expense.

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

The net amount of the recoverable from or payable to the Australian Taxation Office is included as a current asset or liability in the balance sheet.

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

### (i) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets. Assets are initially recorded at their cost at the date of acquisition. Cost is measured as the fair value of the consideration provided at the date of exchange and incidental costs directly attributable to the acquisition.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

## (j) Impairment of assets

All material assets in the Group are reviewed for impairment annually to ensure assets are carried at no more than their recoverable amount.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## (k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank and deposits at call with financial institutions. The deposits have a floating interest rate of approximately 5.93% (2005: 5.46%).

## (l) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. They are due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off in the year they are identified. A provision for doubtful debts is established when there is objective evidence that the Group may not be able to collect all amounts due.

## (m) Inventories

The inventory for INSEARCH Limited reflects IELTS textbooks, which are held for sale. Inventory is valued at the lower of cost and net realisable value.

## (n) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered through a sale transaction rather than through continued use.

The Group classified motor vehicles as non-current assets held for sale at the date of the decision of the entity to dispose of the motor vehicles.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets held for sale are presented separately in the balance sheet.

## (o) Investments and other financial assets

In order to comply with the AIFRSs, investments, with the exception of financial assets at amortised cost, are measured at fair value. Changes in the fair value are either taken to the income statement or to an equity reserve.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, financial assets at amortised cost, loans and receivables, held to maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were required.

## (p) Property plant and equipment

### (i) Acquisition

All plant and equipment is initially stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate when it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the item can be measured reliably. Repairs and maintenance of the assets are charged to the income statement during the financial period in which they are incurred.

Subsequently all plant and equipment is stated at its recoverable amount, as the carrying amounts of the assets are reviewed annually by the Capital Review Committee to determine whether they are in excess of their recoverable amount at balance date. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### (ii) Depreciation

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 in the Group. The Capital Review Committee reviews the remaining useful lives of assets on a regular basis. The expected useful lives for the parent entity are as follows:

Furniture and fittings	Period of the lease
Office equipment	3–5 years
Motor vehicles	5 years
Computer equipment	3–5 years

### (iii) Disposal

Gains and losses on disposal of assets are determined by comparing the proceeds received with the carrying amount of the asset. The net gain or loss on disposal is included in the income statement.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

## (iv) Leasehold improvements

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

## (q) Intangible assets

### (i) Software

Software is initially recorded at historical cost and amortised. Subsequently software is reported at its recoverable amount, as the carrying amount of each asset is reviewed annually by the capital review committee to determine whether it is in excess of its recoverable amount at balance date.

### (ii) Curriculum and course development and validation expenses

Curriculum and Course Development represents the costs associated with developing the curriculum and teaching materials for a course to be delivered. These have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

Course validation represents the costs associated with the development of the framework for the education courses and the necessary validation of those courses by the University of Essex. This cost has been amortised on a straight line basis over 10 years.

### (iii) Preparation for IELTS publication

This asset represents the intellectual property of designing and developing the IELTS course books. The asset includes costs associated with the layout, design, review, editorial proofreading etc. The asset has a finite life cycle and is carried at cost less accumulated amortisation and impairment losses.

### (iv) Website development

The costs associated in developing, building and enhancing websites, to the extent they represent future economic benefits, are controlled and can be reliably measured, have been capitalised and amortised over the period of the expected benefits.

### (v) Amortisation

Amortisation is calculated on a straight-line basis to write off the net cost of each asset over its expected useful life. The expected useful lives for the parent entity are as follows:

Software	2-7 years
Curriculum and Course Development	3-5 years
Preparation for IELTS publications	3 years
Website development	3 years

## (r) Leases

Leases of property in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All leases of the Group are operating leases.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Incentives received on entering long term leases are recognised as liabilities and lease payments are allocated between rental expenditure and reduction in the liability, in accordance with the AIFRS.

Lease commitments are reported inclusive of GST with the input tax recoverable from the Australian Taxation Office.

## (s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group 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.

## (t) Provisions

The provisions of the Group represent a present legal or constructive obligation as a result of past events, in which an outflow of resources will be required to settle the obligation. The amounts have been reliably estimated.

## (q) Employee benefits

### (i) Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits 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 current liability for provision of annual leave represents the total value including on costs of leave accrued by employees but not taken.

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

The recorded non-current liability for provision for annual leave is measured at the present value of expected future payments to be made, including on costs of leave accrued by employees up to the reporting date. The expected future payments of non-current annual leave provision is discounted using yearly averaged market yields at reporting date of 5% (2005: 5.25%).

### (iii) Long service leave

The provision for long service leave is recognised as a liability and 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 yearly averaged market yields at reporting date of 5% (2005: 5.25%).

The recorded current liability for the provision of long service leave represents the total value, including on costs, of leave accrued by employees who have completed ten years of service.

### (iv) Superannuation

INSEARCH Limited complies with the *Superannuation Guarantee (Administration) Act 1992*.

### (u) Rounding of amounts

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

## 3. SEGMENT INFORMATION

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

	Segment revenue		Segment assets		Acquisition of property, plant and equipment, intangibles and others	
					Non-current segment assets	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Australia	31,001	36,600	24,932	30,656	1,087	3,347
PRC	308	544	585	1,265	17	-
United Kingdom	1,908	971	1,228	936	34	7
South East Asia	1,094	1,540	683	660	17	77
Other	58	148	16	150	-	-
	34,369	39,803	27,444	33,667	1,155	3,431

## 4. INCOME

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Revenue from operating activities</b>				
Fees	31,486	37,113	30,673	35,977
Other fees and charges	280	215	239	190
	31,766	37,328	30,912	36,167
Interest	1,193	1,247	1,192	1,246
Distributions from interest in joint venture partnership	-	-	393	290
	1,193	1,247	1,585	1,536
<b>Total revenue from continuing operations</b>	<b>32,959</b>	<b>38,575</b>	<b>32,497</b>	<b>37,703</b>
<b>Other income</b>				
Net gain/(loss) on sale of non-current assets	5	91	10	75
Other	409	616	262	261
<b>Total other income</b>	<b>414</b>	<b>707</b>	<b>272</b>	<b>336</b>

## NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>5. EXPENSES</b>				
<b>(a) Employee benefits expense</b>				
Salaries and wages	11,912	13,504	11,241	12,894
Superannuation	930	1,006	930	1,006
Payroll tax	708	780	708	780
Other	695	673	665	632
<b>Total employee benefits expense</b>	<b>14,245</b>	<b>15,963</b>	<b>13,544</b>	<b>15,312</b>
<b>(b) Depreciation and amortisation expense</b>				
<b>Depreciation and amortisation</b>				
Office equipment	65	102	58	94
Furniture and fittings	718	970	714	959
Motor vehicles	91	113	82	96
Computer equipment	263	395	258	387
Leasehold improvements	1	1	-	-
<b>Total depreciation and amortisation</b>	<b>1,138</b>	<b>1,581</b>	<b>1,112</b>	<b>1,536</b>
<b>Amortisation</b>				
Software	571	577	571	577
Patents, trademarks and course curriculum	31	68	31	67
Total amortisation	602	645	602	644
<b>Total depreciation and amortisation expense</b>	<b>1,740</b>	<b>2,226</b>	<b>1,714</b>	<b>2,180</b>
<b>(c) Other expenses</b>				
Donation to the University of Technology, Sydney	4,000	-	4,000	-
Occupancy	4,581	4,451	4,455	4,319
Security	303	412	303	412
Communications	409	579	374	538
Agents commissions	2,943	2,841	2,943	2,841
Homestay and welcome	676	775	676	775
Educational expenses	813	1,418	798	1,071
Registration and accreditation	145	363	143	363
Scholarships	29	255	29	255
Library fees	686	764	686	764
Promotion	643	1,074	529	1,066
Overseas travel	653	863	611	824
Audit and accounting fees	264	268	259	265
Legal fees	672	356	630	352
Consultancy	666	1,260	661	1,260
Printing and stationery	324	405	313	396
Bad and doubtful debt provisions	1,817	-	1,739	-
(Gain)/loss on foreign exchange	(5)	(40)	(3)	(41)
Impairment losses of investments	387	1,979	387	1,979
Other	1,895	3,053	2,035	3,029
<b>Total other expenses</b>	<b>21,901</b>	<b>21,076</b>	<b>21,568</b>	<b>20,468</b>



# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Consolidated		Parent entity	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

## (d) Individually significant items

The provision for doubtful debts recognises the potential non-collectibility of monies owed by BLCU-Insearch Language School, in Beijing.

A donation of \$4,000,000 was paid to the University of Technology, Sydney in 2006.

## 6. INCOME TAX EXPENSE

Current tax	5	16	5	1
<b>Total income tax expense</b>	<b>5</b>	<b>16</b>	<b>5</b>	<b>1</b>

## 7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	4,181	3,963	3,599	3,531
Deposits at call	13,788	17,001	13,788	17,001
<b>Total cash and cash equivalents</b>	<b>17,969</b>	<b>20,964</b>	<b>17,387</b>	<b>20,532</b>

## 8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Trade receivables	363	666	322	540
Other receivables	1,876	1,817	1,875	1,708
Less: provision for doubtful other receivables	(1,716)	–	(1,716)	–
Pre-payments	1,045	1,459	978	1,366
<b>Total trade and other receivables</b>	<b>1,569</b>	<b>3,945</b>	<b>1,459</b>	<b>3,616</b>

## 9. CURRENT ASSETS – INVENTORIES

Finished goods, at cost	61	57	57	54
<b>Total inventories</b>	<b>61</b>	<b>57</b>	<b>57</b>	<b>54</b>

## 10. CURRENT ASSETS – OTHER FINANCIAL ASSETS

Accrued income	17	54	17	54
Accrued interest	87	120	87	120
<b>Total other financial assets</b>	<b>104</b>	<b>174</b>	<b>104</b>	<b>174</b>

## 11. CURRENT ASSETS – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Motor vehicle held for sale	–	30	–	30
<b>Total non-current assets classified as held for sale</b>	<b>–</b>	<b>30</b>	<b>–</b>	<b>30</b>

## NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Consolidated 2006 \$'000	Consolidated 2005 \$'000
<b>12. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>		
<b>(a) Joint ventures with:</b>		
Shanghai University	1,550	1,205
IDP Education Australia	484	294
Beijing BLCU-Insearch Language School	–	387
<b>Total investments accounted for using the equity method</b>	<b>2,034</b>	<b>1,886</b>

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 per AASB 131 *Interests in Joint Ventures*.

**(1) 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 is entitled to repatriation of direct expenses and management fees.

**(2) Australia Centres for Education and Training (ACET)**

This is a joint venture between INSEARCH Limited and IDP Education Australia (Vietnam) Limited to deliver general English classes in Vietnam. This investment is a 40% share of retained earnings and does not have substantial assets.

**(3) Beijing BLCU-Insearch Language School (BILS)**

This joint venture between INSEARCH Limited and the Beijing Language and Culture University did not operate during 2006.

**Non-current assets – other financial assets and investments accounted for using the equity method****Reconciliations****Joint ventures**

	SILC \$'000	BILS \$'000	ACETs \$'000	Total \$'000
<b>(b) Consolidated</b>				
Carrying amount at start of year	1,205	387	294	1,886
Share of increment/decrement on revaluation of investment	–	(387)	(20)	(407)
Distribution received/receivable	(235)	–	(158)	(393)
Share of profit	635	–	361	996
Foreign currency exchange differences	(55)	–	7	(48)
Carrying amount at end of year	1,550	–	484	2,034
<b>(c) Share of assets and liabilities of joint ventures</b>				
Current assets	3,903	1,919	673	6,495
Non-current assets	649	246	21	916
Current liabilities	(2,350)	(2,165)	(210)	(4,725)
Non-current liabilities	(652)	–	–	(652)
Share of net assets	1,550	–	484	2,034
<b>(d) Share of joint ventures' profits</b>				
Revenues	3,015	–	1,112	4,127
Expenses	(2,380)	–	(751)	(3,131)
Share of profit from joint ventures	635	–	361	996

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>13. NON-CURRENT ASSETS – PLANT AND EQUIPMENT</b>				
Office equipment at cost	845	770	744	699
Less accumulated depreciation	(706)	(628)	(623)	(569)
Carrying value	139	142	121	130
Furniture and fittings at cost	5,387	5,316	5,338	5,249
Less accumulated depreciation	(3,431)	(2,755)	(3,400)	(2,699)
Carrying value	1,956	2,561	1,938	2,550
Motor vehicles at cost	405	542	339	478
Less accumulated depreciation	(118)	(133)	(87)	(113)
Carrying value	287	409	252	365
Computer equipment at cost	2,214	2,007	2,173	1,962
Less accumulated depreciation	(1,501)	(1,401)	(1,468)	(1,366)
Carrying value	713	606	705	596
Leashold improvements at cost	9	8	–	–
Less accumulated amortisation	(7)	(6)	–	–
Carrying value	2	2	–	–
Capital work in process	120	93	120	93
Total plant and equipment at cost	8,980	8,736	8,714	8,481
Less accumulated depreciation	(5,763)	(4,923)	(5,578)	(4,747)
<b>Carrying value of plant and equipment</b>	<b>3,217</b>	<b>3,813</b>	<b>3,136</b>	<b>3,734</b>

## Non-current assets – plant and equipment

### Reconciliations

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

	Office equipment	Furniture and fittings	Motor vehicles	Computer equipment	Leashold improve- ments	Capital work in process	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>							
<b>Year 2006</b>							
Carrying amount at start of year	142	2,561	409	606	2	93	<b>3,813</b>
Additions	62	121	205	370	1	27	<b>786</b>
Disposals	(1)	(14)	(239)	(1)	–	–	<b>(255)</b>
Foreign currency exchange differences	1	6	3	1	–	–	<b>11</b>
Depreciation and amortisation	(65)	(718)	(91)	(263)	(1)	–	<b>(1,138)</b>
<b>Carrying amount at end of year</b>	<b>139</b>	<b>1,956</b>	<b>287</b>	<b>713</b>	<b>2</b>	<b>120</b>	<b>3,217</b>
<b>Parent entity</b>							
<b>Year 2006</b>							
Carrying amount at start of year	130	2,550	365	596	–	93	<b>3,734</b>
Additions	49	106	208	365	–	27	<b>755</b>
Disposals	(1)	(10)	(239)	–	–	–	<b>(250)</b>
Foreign currency exchange differences	1	6	–	2	–	–	<b>9</b>
Depreciation	(58)	(714)	(82)	(258)	–	–	<b>(1,112)</b>
<b>Carrying amount at end of year</b>	<b>121</b>	<b>1,938</b>	<b>252</b>	<b>705</b>	<b>–</b>	<b>120</b>	<b>3,136</b>

## NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>14. NON-CURRENT ASSETS – INTANGIBLE ASSETS</b>				
Patents, trademarks and course curriculum	279	254	279	240
Less accumulated amortisation	(123)	(101)	(123)	(88)
Carrying amount	156	153	156	152
Software	4,097	3,752	4,097	3,752
Less accumulated amortisation	(1,880)	(1,308)	(1,880)	(1,308)
Carrying amount	2,217	2,444	2,217	2,444
<b>Total intangible assets</b>	<b>2,373</b>	<b>2,597</b>	<b>2,373</b>	<b>2,596</b>

**Non-current assets – intangible assets****Reconciliations**

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the current year are set out below:

	Software \$'000	Patents, trademarks and course curriculum \$'000	Total \$'000	
<b>Consolidated</b>				
<b>Year 2006</b>				
Carrying amount at start of year	2,444	153	2,597	
Additions	341	28	369	
Disposals	–	–	–	
Foreign currency exchange differences	3	6	9	
Amortisation	(571)	(31)	(602)	
Carrying amount at end of year	2,217	156	2,373	
<b>Parent entity</b>				
<b>Year 2006</b>				
Carrying amount at start of year	2,444	152	2,596	
Additions	341	29	370	
Disposals	–	–	–	
Foreign currency exchange differences	3	6	9	
Amortisation	(571)	(31)	(602)	
Carrying amount at end of year	2,217	156	2,373	
	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000

**15. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS**

Insearch (Shanghai) Limited	–	–	942	942
Interest in joint venture partnerships	–	–	136	523
Other	117	201	103	179
<b>Total other financial assets</b>	<b>117</b>	<b>201</b>	<b>1,181</b>	<b>1,644</b>

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>16. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES</b>				
Trade creditors	868	572	1,327	985
University of Technology, Sydney	11	2,337	11	2,337
Other creditors	28	50	22	46
<b>Total payables</b>	<b>907</b>	<b>2,959</b>	<b>1,360</b>	<b>3,368</b>

The University of Technology, Sydney no longer provides payroll bureau services to INSEARCH Limited.

## 17. CURRENT LIABILITIES – PROVISIONS

Provision for annual leave	618	341	601	341
Provision for long service leave	423	519	423	519
Other	248	452	248	452
<b>Total current provisions</b>	<b>1,289</b>	<b>1,312</b>	<b>1,272</b>	<b>1,312</b>

## 18. CURRENT LIABILITIES – OTHER

Accrued expenses	1,325	1,696	1,254	1,659
Other	774	845	718	800
Student fees received in advance	1,780	1,895	1,710	1,856
Prepaid course fees	4,513	4,295	4,513	4,295
<b>Total other</b>	<b>8,392</b>	<b>8,731</b>	<b>8,195</b>	<b>8,610</b>

## 19. NON-CURRENT LIABILITIES – PROVISIONS

Provision for annual leave	79	306	79	306
Provision for long service leave	322	350	322	350
Other	1,181	1,147	1,181	1,147
<b>Total non-current provisions</b>	<b>1,582</b>	<b>1,803</b>	<b>1,582</b>	<b>1,803</b>

## 20. RETAINED PROFITS AND RESERVES

### (a) Retained profits

Retained profits at the beginning of the year	18,980	17,992	17,194	17,782
Adjustments to retained profits during the year	–	466	–	(666)
Profits from operating activities	(3,522)	522	(4,062)	78
Retained profits at the end of the year	15,458	18,980	13,132	17,194

### (b) Reserves

Foreign currency translation reserve	(184)	(118)	156	93
Reserves at the end of the year	(184)	(118)	156	93

Movements:

Foreign currency translation reserve				
> Balance at the beginning of the year	(118)	(347)	93	(16)
> Translation of foreign operations	(66)	229	63	109
Foreign currency translation reserve balance at the end of the year	(184)	(118)	156	93

## NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>21. REMUNERATION OF DIRECTORS</b>				
<b>(a) Income paid or payable, or otherwise made available, to directors of the company by the company for the year ended 31 December 2006:</b>				
	456	442	456	442
	456	442	456	442

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

	Numbers	Numbers
	2006	2005
\$0 to \$9,999	2	2
\$20,000 to \$29,999	4	4
\$30,000 and \$39,999	1	1
\$310,000 and \$319,999	1	1

**22. REMUNERATION OF AUDITORS**

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>The Audit Office of New South Wales</b>				
Audit of financial report				
> INSEARCH Limited	148	95	148	95
> INSEARCH (Shanghai) Limited	-	20	-	20
> Australia Centre (Thailand) Limited	-	20	-	20
> Sydney Institute of Language and Commerce	-	14	-	14
> Yayasan Insearch	-	7	-	7
	148	156	148	156

**23. COMMITMENTS****(a) Capital commitments**

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payables, with the input tax recoverable from the Australian Taxation Office \$18,120 (2005: \$6,000).

> Not later than one year	199	79	199	55
	199	79	199	55

**(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	2,924	2,860	2,883	2,776
> Later than one year but not later than five years	7,570	1,012	7,464	964
> Total inclusive of GST	10,494	3,872	10,347	3,740
> Input tax recoverable from the Australian Taxation Office	1,021	334	1,021	334

**(c) Remuneration commitments**

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

> Not later than one year	872	496	872	496
> Later than one year but not later than five years	1,273	196	1,273	196
	2,145	692	2,145	692

# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

## 24. EMPLOYEE BENEFIT AND RELATED ON-COST LIABILITIES

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Included in other – current liabilities	(5)	152	(5)	151
Provision for employee benefits – current liabilities	1,041	860	1,023	860
Provision for employee benefits – non-current liabilities	401	656	401	656
	1,437	1,668	1,419	1,667

## 25. 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

Professor R Lynch

Mr K J Rennie

Dr K L Woodthorpe

Mr W H Wright

### (b) Remuneration and retirement benefits

Information regarding remuneration and retirement benefits of directors is disclosed in note 21.

### (c) Other transactions with directors and director-related entities

- (i) Mr R J Hill is a director of Hillandip Pty Limited. INSEARCH Limited continued the existing 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 is based on normal commercial terms and conditions.

### (d) Wholly owned group

- (i) The parent entity in the wholly owned group is INSEARCH Limited. The controlling entity of INSEARCH Limited is the University of Technology, Sydney. INSEARCH Limited entered into the following transactions:
  - > Donation for the University of Technology, Sydney \$4,000,000 [2005: \$nil]
  - > Donation for Technology Development Group \$80,000 [2005: \$50,000]
  - > Sales of Services and Fees \$1,541,107 [2005: \$1,390,161]
- (ii) The wholly owned group consists of INSEARCH Limited and its wholly owned controlled entities, INSEARCH Education International Pty Ltd, INSEARCH Education and INSEARCH (Shanghai) Limited, which are 100% owned by INSEARCH Limited as referred to in note 2[b](i). INSEARCH Education International Pty Limited holds the controlling interests in Yayasan Insearch and Australia Centre (Thailand) Limited.

INSEARCH Limited entered into the following transactions during the period with these entities:

- > Consulting service income between INSEARCH (Shanghai) Limited and INSEARCH Limited [\$287,632]
- > Consulting service expense between INSEARCH Limited and INSEARCH (Shanghai) Limited \$287,632
- > Commissions and recovery of services between Yayasan Insearch and INSEARCH Limited [\$38,690]
- > Commissions, travel and promotion services between INSEARCH Limited and Yayasan Insearch \$38,690
- > Recovery of services between Australia Centre (Thailand) Limited and INSEARCH Limited [\$79,799]
- > Travel and promotion services between INSEARCH Limited and Australia Centre (Thailand) Limited \$79,799

## NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

### 26. RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank and money market investments readily convertible to cash, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement are reconciled to the related items in the balance sheet as follows:

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash at bank and on hand	4,181	3,963	3,599	3,531
Deposits at call	13,788	17,001	13,788	17,001
	17,969	20,964	17,387	20,532

### 27. RECONCILIATION OF PROFIT/(LOSS) FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated		Parent entity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Profit/(loss) for the year</b>	(3,522)	522	(4,062)	79
Depreciation	1,138	1,581	1,112	1,536
Amortisation	602	645	602	644
Foreign currency exchange difference	(8)	(12)	42	(78)
Net (gain) loss on sale of non-current assets	5	91	10	75
Doubtful debts provision	101	-	23	-
Write down of investments to recoverable amount	407	-	-	-
Share of profit of joint ventures partnership not received as dividends or distributions	(603)	(231)	-	-
<b>Changes in assets and liabilities</b>				
Receivables	2,376	(2)	2,157	286
Inventories	(4)	(57)	(3)	(54)
Other financial assets	100	23	563	116
Payables	(2,052)	(545)	(2,008)	(60)
Provisions	(244)	(5,813)	(261)	(5,813)
Other liabilities	(338)	(289)	(415)	(410)
<b>Net cash flows from operating activities</b>	<b>(2,042)</b>	<b>(4,087)</b>	<b>(2,240)</b>	<b>(3,679)</b>



# NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

## 28. FINANCIAL INSTRUMENTS

The Group's and the Company's principal financial instruments are cash and short-term deposits. The main purpose of these financial instruments is to fund the Company's ongoing operations and any future investments. The Group has other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk, and credit risk. The board and management review and agree policies for managing each of these risks and these are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the Financial Statements.

### Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates only to interest earned on cash investments. The Group is not materially exposed to cash flow interest rate risk.

### Foreign currency risk

As a result of its investment in the United Kingdom the Group's balance sheet can be affected by movements in the Australian dollar and the pound sterling. Such an exposure arises from sales or purchases by an operating unit in the United Kingdom. For the reporting period these transactions have not been significant for the Group. The Group does not have the necessary power under the *Public Finance and Audit Act* to hedge foreign currency transactions.

### Credit Risk

The Group is not exposed to significant credit risk due to the nature of its revenue, which is generally received in advance of the service being provided. In situations where revenues are not received in advance account balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts, other than that disclosed in the accounts, is kept to a minimum.

### Liquidity risk

The Group's objective is to maintain a balance between providing an annual donation to the University of Technology, Sydney and maintaining sufficient fund for future growth. At reporting date the Group has no significant exposure to liquidity risk.

### Fair Values

All financial instruments are carried at fair values or values approximating fair values.

## End of audited Financial Statements

## DIRECTORS' DECLARATION

**accessUTS Pty Limited**

**ABN: 55 098 424 312**

In accordance with a resolution of the directors of accessUTS Pty Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2006 and of the company's performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and *Corporations Regulations 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.

On behalf of the Board:



Susan Elizabeth Rowley

Sydney

18 April 2007



Blair Peter McRae

# STATEMENT BY APPOINTED OFFICERS

**accessUTS Pty Limited**

**ABN: 55 098 424 312**

Statement in accordance with the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulations 2005

For the year ended 31 December 2006

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 2006 and transactions for the year then ended
- 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 2005. The policies adopted by the company follow Accounting Standards and other mandatory professional requirements including Urgent Issues Group Interpretations, the Corporations Act 2001 and other authoritative pronouncements of 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.



Blair Peter McRae  
Chair



Susan Elizabeth Rowley

Sydney

20 April 2007.

## AUDITOR'S INDEPENDENCE DECLARATION



GPO BOX 12  
Sydney NSW 2001

To the Directors  
accessUTS Pty Limited  
P O Box 123 Broadway  
SYDNEY NSW 2007

### Auditor's Independence Declaration

As auditor for the audit of accessUTS Pty Ltd for the year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the independence requirements of the *Corporations Act 2001* in relation to the audit, and
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'A Oyetunji'.

A Oyetunji  
Director, Financial Audit Services

17 April 2007  
SYDNEY

# 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 (the Company) is in accordance with:

- the *Corporations Act 2001*, including:
  - giving a true and fair view of the Company's financial position as at 31 December 2006 and its performance for the year ended on that date, and
  - complying with Accounting Standards in Australia (including Australian Accounting Interpretations) and the Corporations Regulations 2001,
- other mandatory financial reporting requirements in Australia, and
- section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

### Scope

#### *The Financial Report and Directors' Responsibility*

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and directors' declaration for the Company, for the year ended 31 December 2006.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with both the PF&A Act and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit Approach*

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament and the members of the Company that the financial report is free of *material* misstatement.

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

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

## INDEPENDENT AUDIT REPORT (continued)

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 PF&A 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.

My Declaration of Independence dated 17 April 2007 would have been made on the same terms if it had been made at the date of this report.



A Oyetunji  
Director, Financial Audit Services

SYDNEY  
23 April 2007

# DIRECTORS' REPORT

The directors submit their report for the year ended 31 December 2006.

## Directors

The names of the directors of the company from the beginning of the financial year (1 January 2006) until the date of this report were:

- > Susan Elizabeth Rowley
- > Blair Peter McRae
- > John Rice
- > Jane Morrison
- > Kevin John McCarthy (resigned 22 February 2006)

All directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

## Principal activities

The principal activity of the company during the financial year was developing and managing the consulting activities of the University of Technology, Sydney. There has been no significant change in the nature of this activity during the year.

## Operating result

The result after income tax for the year ended 31 December 2006 was \$nil (2005 loss of \$82,899).

## Review of operations

The operations of the company and the results of those operations were satisfactory.

## Dividends

The company did not pay a dividend during the year and the directors have recommended that no dividend be paid in respect of the 2006 year.

## Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the company during the year.

## Significant events after the balance date

There have been no significant events after the balance date that would materially affect the results presented at year end.

## Environmental regulation

The company's operations are not subject to any significant environmental regulations under either Commonwealth or state legislation. However, the Board believes the company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the company.

## Likely developments

It is not foreseen that the company will undertake any change in its general direction during the coming financial year. The company will continue to pursue its financial trading activities as detailed earlier in the report to produce the most beneficial result for the members.

## Indemnification and insurance of officers and auditors

### Indemnification

Since the end of the previous financial year, the company has not indemnified or made a relevant agreement for indemnifying against a liability of any person who is or has been an officer or auditor of the company.


### Insurance premiums

During the year, no premiums were paid to insure the directors against liability.

## Auditor's Independence Declaration

The Auditor's Independence Declaration for the year to 31 December 2006 has been received and can be found in the pages preceding the Notes to the Financial Statements.

Signed in accordance with a resolution of the directors:



Susan Elizabeth Rowley

Sydney

18 April 2007



Blair Peter McRae

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 \$	2005 \$
Revenue	4	1,325,585	1,129,832
Other income		20	39,896
Employee benefits' expense	5(a)	(6,964)	(171,468)
Depreciation and amortisation expenses		(1,761)	(2,343)
Other expenses	5(b)	(1,316,880)	(1,078,816)
Loss before income tax		-	(82,899)
Income tax expense	6	-	-
<b>Loss attributable to the members of the company</b>		<b>-</b>	<b>(82,899)</b>

The accompanying notes form part of and are to be read in conjunction with this financial report.

## BALANCE SHEET

AS AT 31 DECEMBER 2006

	Note	2006 \$	2005 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	646,545	524,033
Trade and other receivables	8	331,135	185,225
<b>Total current assets</b>		<b>977,680</b>	<b>709,258</b>
<b>Non-current assets</b>			
Plant and equipment	9	8,825	10,586
<b>Total assets</b>		<b>986,505</b>	<b>719,844</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	820,002	553,341
<b>Total current liabilities</b>		<b>820,002</b>	<b>553,341</b>
<b>Non-current liabilities</b>			
Borrowings	10	35,000	35,000
<b>Total liabilities</b>		<b>855,002</b>	<b>588,341</b>
<b>Net assets</b>		<b>131,503</b>	<b>131,503</b>
<b>Equity</b>			
Contributed equity	11	450,001	450,001
Accumulated losses	12	(318,498)	(318,498)
<b>Total equity</b>		<b>131,503</b>	<b>131,503</b>

The accompanying notes form part of and are to be read in conjunction with this financial report.



## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Share capital \$	Accumulated losses \$	Total \$
<b>Balance at 1 January 2005</b>		1	(235,599)	<b>(235,598)</b>
Shares issued during the year		450,000		<b>450,000</b>
Loss attributable to the member of the company		–	(82,899)	<b>(82,899)</b>
<b>Balance at 31 December 2005</b>		450,001	(318,498)	<b>131,503</b>
Loss attributable to the member of the company		–	–	–
Balance at 31 December 2006		450,001	(318,498)	<b>131,503</b>

The accompanying notes form part of and are to be read in conjunction with this financial report.

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 \$	2005 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,142,583	1,173,753
Payments to suppliers and employees		(1,213,654)	(1,364,586)
Interest received		36,637	17,868
<b>Net cash inflow/(outflow) from operating activities</b>	13	<b>(34,434)</b>	<b>(172,965)</b>
<b>Cash flows from investing activities</b>			
Repayment of advances by non-related parties		2,537	–
Purchase of plant and equipment		–	(454)
Advances paid to related parties		(222,434)	–
Advances paid to non-related parties		(2,063)	–
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(221,960)</b>	<b>(454)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		–	450,000
Borrowings from related parties		378,906	–
<b>Net cash inflow/(outflow) from financing activities</b>		<b>378,906</b>	<b>450,000</b>
<b>Net increase in cash and cash equivalents</b>		122,512	276,581
Cash and cash equivalents at the beginning of the year		524,033	247,452
<b>Cash and cash equivalents at the end of the year</b>	7	<b>646,545</b>	<b>524,033</b>

The accompanying notes form part of and are to be read in conjunction with this financial report.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

## 1. CORPORATE INFORMATION

The financial report of accessUTS Pty Limited for the year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 21 February 2007.

accessUTS Pty Limited is a company limited by shares and is incorporated and domiciled in Australia. The registered office of accessUTS Pty Limited is Level 7, Building 1, 1-9 Broadway Ultimo NSW 2007. The company employed no employees as at 31 December 2006.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

This financial report is a general purpose financial report and has been prepared in accordance with the requirements of the *Corporations Act 2001*, including applicable accounting standards and other mandatory professional reporting requirements.

The financial report has been prepared on an historical cost basis and is presented in Australian dollars. The accounting policies adopted are consistent with those of the previous year.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards, including Australian equivalents of International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

### (c) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained from both external and internal sources.

### (d) Impairment of assets

At each reporting date the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

### (e) Goods and services tax (GST)

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

- (i) where the amount of GST is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- (ii) receivables and payables, which are stated with the amount of GST included; and
- (iii) cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (f) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

#### Sales revenue

Sales revenue represents revenue earned from the sale of products and is recognised when the goods are provided.

#### Service revenue

Service revenue represents revenue from services provided by the entity and is recognised when the services are provided.

#### Interest income

Interest income is recognised as it accrues.

#### Asset sales

The gross proceeds from the sale of assets is included as revenue of the entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale occurs.

#### Other revenue

Other revenue is brought to account when it becomes due and receivable.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

### (g) Income tax

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent that timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current tax rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Where assets are revalued, no provision for potential capital gains tax has been made. The income tax expense for the year is calculated using the current company tax rate of 30%.

### (h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes deposits at call that are readily convertible to cash on hand and that are used in the cash management function on a day-to-day basis, net of any outstanding bank overdrafts.

### (i) Investments

Investments are valued either at cost less amounts written off for permanent diminution in the value of the investments, or at directors' valuation. Dividends and interest are brought to account when received.

### (j) Plant and equipment

#### Cost and valuation

Items of plant and equipment are brought to account at cost or at independent or directors' valuation and depreciated as outlined below.

#### Depreciation

Items of plant and equipment, including capitalised leased assets but excluding any freehold land, are depreciated over their estimated useful lives commencing from the time each asset is ready for use. Estimates of remaining useful lives are made at the time each asset is acquired and periodically thereafter.

Depreciation is calculated on a straight line or diminishing value basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The major depreciation rates used for each class of asset are as follows:

Plant and equipment	40% to 50%
Furniture and fittings	11.25% to 20%

### (k) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity. 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.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

### (l) Loans and borrowings

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Bills of exchange and promissory notes are carried at the principal amount plus deferred interest.

## 3. SEGMENT INFORMATION

The company operates predominantly in one industry – consulting services – and in one geographical area – Australia.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	2006 \$	2005 \$
<b>4. REVENUE</b>		
<b>Revenue</b>		
Consulting fees	1,288,968	1,112,080
Interest received or receivable	36,617	17,752
<b>Total revenue</b>	<b>1,325,585</b>	<b>1,129,832</b>

## 5. EXPENSES

### (a) Employee benefits' expense

Salaries and wages	6,669	90,055
Superannuation	–	4,198
Other	295	77,215
	<u>6,964</u>	<u>171,468</u>

### (b) Other expenses

Consultancy fees	1,015,928	705,998
Service level agreement – Research and Innovation Office	201,499	201,140
General and administrative expenses	99,453	167,524
Other	–	4,154
	<u>1,316,880</u>	<u>1,078,816</u>

## 6. INCOME TAX EXPENSE

The income tax expense provided in the accounts is calculated as follows:

Tax on operating profit/(loss) at 30%	–	(24,870)
<b>Add/(less) tax effect of permanent differences</b>		
Non-allowable expenses	–	157
Non-assessable income	–	8,365
Current year tax losses not brought to account	–	23,171
Current year timing difference not brought to account	3,254	(6,823)
Tax losses not previously tax effected – recouped this year	(3,254)	–

## 7. CASH AND CASH EQUIVALENTS

Cash on hand	21	42
Cash at bank	340,449	523,991
Cash on deposit	306,075	–
	<u>646,545</u>	<u>524,033</u>

## 8. RECEIVABLES

### Current

Trade receivables	327,151	180,766
Pre-payments	–	2,537
Interest receivable	3,984	1,922
	<u>331,135</u>	<u>185,225</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	2006 \$	2005 \$
<b>9. PLANT AND EQUIPMENT</b>		
At cost	23,354	23,354
Less accumulated depreciation	(14,529)	(12,768)
	<b>8,825</b>	<b>10,586</b>

### Movements in carrying amounts

Movements in the carrying amounts for each class of plant and equipment between the beginning and end of the financial year

	Plant and equipment \$
Balance at the beginning of the financial year	10,586
Additions	–
Disposals	–
Depreciation expense	1,761
<b>Carrying amount at the end of the financial year</b>	<b>8,825</b>

	2006 \$	2005 \$
<b>10. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Trade payables	50,245	88,077
Accrued expenses	216,682	87,823
GST payable	22,947	3,786
Amounts payable to parent entity	530,128	373,655
	<b>820,002</b>	<b>553,341</b>
<b>Non-current</b>		
Loans from parent entity (unsecured)*	35,000	35,000

\*The loans from the parent entity are unsecured, interest-free and repayable on demand.

### 11. CONTRIBUTED EQUITY

#### Issued and paid up capital

Ordinary shares fully paid	450,001	450,001
----------------------------	---------	---------

#### Movements in shares on issue

Issued capital at the beginning of the year	450,001	1
Capital issued during the year	–	450,000
<b>Issued capital at the end of the year</b>	<b>450,001</b>	<b>450,001</b>

### 12. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	(318,498)	(235,599)
Net loss attributable to the member	–	(82,899)
<b>Accumulated losses at the end of the year</b>	<b>(318,498)</b>	<b>(318,498)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	2006 \$	2005 \$
<b>13. RECONCILIATION OF LOSS FOR THE YEAR WITH CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss after income tax	–	(82,899)
<b>Non-cash items</b>		
Amortisation	809	1,251
Depreciation	952	1,092
Net (profit)/loss on sale of investments	–	67
<b>Changes in operating assets and liabilities</b>		
Decrease/(increase) in trade receivables	(146,384)	64,922
Decrease/(increase) in other receivables	–	41,090
Increase/(decrease) in trade payables	(37,832)	(176,956)
Increase/(decrease) in other payables	148,021	(21,532)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(34,434)</b>	<b>(172,965)</b>

## 14. LEASE COMMITMENTS

### Operating lease commitments

Future minimum rentals (net of recoverable GST) payable under non-cancellable operating leases as at 31 December 2006 are as follows:

> Not later than one year	3,689	4,362
> Later than one year but not later than two years	1,249	5,019
	<b>4,938</b>	<b>9,381</b>

## 15. AUDITORS' REMUNERATION

Amounts received or due and receivable by the auditors of accessUTS Pty Limited for:

> An audit or review of the financial statements	11,000	9,000
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## 16. DIRECTORS' REMUNERATION

### Directors

The names of persons holding the position of director of the company at any time during the financial year are set in the Directors' Report at the beginning of this report.

### Remuneration of specified directors

Directors' remuneration paid by the company is set out below. All other remuneration and retirement benefits for directors of the company have been paid by the parent entity.

	Salary and fees \$	Super- annuation \$	Cash bonus \$	Non-cash benefits \$	Other \$	Total \$
<b>2006</b>						
Jane Morrison	6,669	–	–	–	–	6,669
<b>2005</b>						
Jane Morrison	2,888	–	–	–	–	2,888

## 17. CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities that have not been disclosed in the financial statements.

## 18. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events after the balance date that would materially affect the results presented at the end of the year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

### 19. ECONOMIC DEPENDENCY

The company's economic viability is dependent upon the continued financial support of its parent entity.

### 20. RELATED PARTY TRANSACTIONS

#### (a) Directors

The names of the directors of the company during the financial year are set out in the Directors' Report at the beginning of this report.

#### (b) Parent entity

The parent entity is University of Technology, Sydney, an entity incorporated in New South Wales.

##### Transactions with the parent entity

The following transactions occurred during the year between the company and University of Technology, Sydney (UTS).

	2006 \$	2005 \$
Loan from UTS	35,000	35,000

There are no fixed terms for the repayment of the loan, which is unsecured. No interest has been charged by the parent entity.

##### Services provided by UTS

UTS provided services to the company in accordance with the service level agreement between the two entities. Services included the provision of personnel and premises and the payment of various operating expenses.

##### Faculty costs charged by UTS

The services of various UTS personnel were utilised by the company during the year. In return, the company paid fees to various UTS faculties.

##### Reimbursement of expenses

UTS reimburses the company for its net operating costs after taking account of revenue generated from its provision of services to third parties.

#### (c) Wholly owned group

The wholly owned group consists of University of Technology, Sydney (UTS) and its controlled entities, accessUTS Pty Ltd, Insearch Limited and Insearch (Shanghai) Limited.

### 21. FINANCIAL INSTRUMENTS

#### (a) Financial risk management

The company's financial instruments consist of deposits with the Commonwealth Bank of Australia Limited, accounts receivable and payable and loans from the parent entity.

The company does not have any derivative instruments at the end of the financial year.

##### Financial risks

The company's main exposure from its financial instruments are interest rate risk, currency risk and credit risk.

##### *Interest rate risk*

Interest rate risk is managed with a mixture of fixed and floating rates.

##### *Foreign currency risk*

The company is not exposed to fluctuations in foreign currencies.

##### *Credit risk*

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

The company does not have any material credit risk exposure to any single receivable or company of receivables under financial instruments entered into by the company.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

## (b) Net fair values

The net fair values of assets and liabilities approximate their carrying values. No financial assets and financial liabilities are readily traded on organised markets in standardised form.

The Aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2006		2005	
	Carrying amount \$	Net fair value \$	Carrying amount \$	Net fair value \$
<b>Financial assets</b>				
Loans and receivables	327,151	327,151	180,766	180,766
	<b>327,151</b>	<b>327,151</b>	<b>180,766</b>	<b>180,766</b>
<b>Financial liabilities</b>				
Trade and other creditors	820,002	820,002	553,340	553,340
Loan	35,000	35,000	35,000	35,000
	<b>855,002</b>	<b>855,002</b>	<b>588,340</b>	<b>588,340</b>

## (c) Interest risk exposure

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

	Weighted average effective interest rate %	Floating interest rate \$	Within one year \$	Non-interest bearing \$	Total \$
<b>2006</b>					
<b>Financial assets</b>					
Cash and cash equivalents	5.5	646,524	–	21	646,545
Receivables		–	–	327,151	327,151
<b>Total financial assets</b>		646,524	–	327,173	973,696
<b>Financial liabilities</b>					
Trade and other creditors		–	–	820,002	820,002
Other loans		–	–	35,000	35,000
<b>Total financial liabilities</b>		–	–	855,002	855,002
<b>2005</b>					
<b>Financial assets</b>					
Cash and cash equivalents	4.0	523,991	–	42	524,033
Receivables		–	–	180,766	180,766
<b>Total financial assets</b>		523,991	–	180,808	704,799
<b>Financial liabilities</b>					
Trade and other creditors		–	–	553,340	553,340
Other loans		–	–	35,000	35,000
<b>Total financial liabilities</b>		–	–	588,340	588,340

## (d) Credit risk exposure

The company's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

## (e) Hedging transactions

The company did not enter into any hedging transactions during the year.

## End of audited Financial Statements

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## CAMPUS LOCATIONS

### City campus

15 Broadway, Ultimo  
702-730 Harris Street, Ultimo  
745 Harris Street, Ultimo  
755 Harris Street, Ultimo  
235 Jones Street, Ultimo  
1-59 Quay Street, Haymarket

### Kuring-gai campus

Eton Rd, Lindfield

### Access

The University is open for general business from 9.00 a.m. – 5.00 p.m., weekdays. Many sections of the University are open at other times. Contact the University to check particular section opening times.

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[www.uts.edu.au](http://www.uts.edu.au)

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