UTS:INSEARCH UNIVERSITY OF TECHNOLOGY SYDNEY

# Annual Report 2012

Bringing university success within reach of more people around the world.

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## OFFICERS OF THE COMPANY

Mr A Murphy, Managing Director
Mr N Patrick, Company Secretary

## REGISTERED OFFICE

INSEARCH Limited
Level 9, 187 Thomas Street
Sydney NSW 2000

## AUDITOR

The Audit Office, New South Wales
1 Margaret Street
Sydney NSW 2000

## SOLICITORS

Marque Lawyers
Level 4
343 George Street
Sydney NSW 2000

## BANKERS

Commonwealth Bank of Australia
431 Sussex Street
Sydney NSW 2000

## MEMBERS

Mr M Williams
Professor R Milbourne
Mr P Bennett
Ms D N Hill
Mr J M Hutchison (AM)
Professor B Milthorpe
Mr A Murphy
Professor W Purcell
Mr P Woods

## DIRECTORS

Mr M Williams
Mr P Bennett
Ms D N Hill
Mr J M Hutchison (AM)
Professor B Milthorpe
Mr A Murphy
Professor W Purcell
Mr P Woods

# Chair's Letter

Undoubtedly, along with other Australian organisations in the education sector, 2012 proved to be a challenging one for UTS:INSEARCH. Our ambitious revenue and new student enrolment targets for the year were reduced significantly by the serious changes to the external environment in which we have to operate - stemming largely from the changes to the General Skilled Migration program and the continued high Australian dollar.

As a result, the Board took the opportunity not only to direct urgent attention to the adverse budgetary impact of this downturn but also to undertake a thorough review of the Company's strategic direction and ensure that our core purpose, of providing quality students to UTS and making a financial donation to UTS, could be sustained. In the short term, costs were taken out of the business, processes streamlined and significant operational efficiencies achieved. This enabled us to maintain key strategic investments in curriculum development and in our offshore presence. By the end of the year, we achieved our revised targets and planning was underway for significant strategic improvement in future years.

The revised strategic review highlighted the likely changing and challenging operating environment in which we operate given the rapid changes that must be anticipated in future years - from social and economic developments in our main markets through to the impact of new forms of teaching associated with the IT revolution. The early part of 2012 was spent re-focusing the business to ensure we emerged more robust in the face of what we can only expect will be continued change in market conditions.

The review also underlined the need to reinforce the relationship between UTS:INSEARCH and UTS. There had been some very encouraging progress towards this in recent years but more work was still needed. The review concluded that this would not only enhance our brand but would also help strengthen the UTS brand and create more demand for UTS overseas. It was pleasing to see that in semester 3, 2012, almost 90% of Diploma students that completed their studies were either eligible to commence, or had commenced, studies at UTS.

Compromising the quality of our offer in pursuit of cost efficiencies was not an option the Board was prepared to consider. Instead, we competed more aggressively and creatively for our share of offshore business, delivering excellent results in China and launching a new joint venture in an English Language school in Jakarta, which will accept its first students in early 2013.

The new Academic English curriculum, launched in October in ACET schools in Vietnam, was the culmination of eighteen months of review, planning and design by a multi-disciplinary team. We expect that this market-leading curriculum will spearhead the growth of our offshore business in 2013 and beyond.

To recover student numbers in the latter part of 2012, we invested heavily in an enhanced brand and marketing presence to improve our market profile and penetration. Special promotions in pivotal markets ensured that a year-on-year downward trend in English language student numbers was halted and the third quarter of 2012 saw an increase in English language students from China for the first time in three years.

In a climate of change, we will need to anticipate external factors which might influence our ability to deliver our strategic objectives in 2013. In an election year, we will also need to prepare for possible changes in policy and funding for tertiary education and keep a close eye on currency and immigration issues that might impact on our bottom line.

On behalf of the Board I would like to register our appreciation to the Chancellor and Vice Chancellor of UTS and their senior colleagues for their continued assistance in building our relationship with UTS. I would also like to thank my fellow directors for their ongoing support and dedication. The Board and I would like to extend our thanks to the managing director, Alex Murphy, and his senior leadership team and all UTS:INSEARCH staff for their commitment in what has proven to be a testing commercial environment in 2012.

MACK WILLIAMS, INSEARCH LIMITED

# Managing Director's Review

The overall market for international student higher education in Australia has been in decline since 2009 due to a combination of adverse circumstances and changes in government and regulatory policy.

Across the education sector, tertiary education providers had a challenging year in 2012 and providers were strongly affected by the combined effect of the continued decline of international students under the student visa regime of the first half of the year and the robust performance of the Australian dollar on global currency markets, which impaired significantly our ability to compete with coordinated campaigns and aggressive pricing strategies from global private education providers and more financially attractive education destinations

The long-awaited introduction of the new Streamlined Visa Process (SVP) in the mid-year saw a rapid significant increase of interest in studying in Australia, which led to a gradual recovery of growth in the latter part of the year. However, we are yet to see how our sector will be affected by the combined impact of the introduction of the Tertiary Protection Scheme (TPS) that allows international students greater flexibility to leave a course before its completion and SVP that sees students obtain study visas more easily but which penalises institutions, should students decide to quit their studies before completing the course.

So, 2012 was a challenge on many fronts. A decline in performance in the first quarter meant that the organisation and its activities had to be repositioned to ensure future growth. Some targets were readjusted, cost efficiencies were implemented across the organisation and some retrenchment took place. We also reflected on our longer term strategy and reprioritised some of our activities to deliver on business development and diversification.

Growth recommenced quickly and robustly and, by the second half of the year, we were already on track to meet the business's revised targets for 2012, and were well-positioned to deliver our strategic goals for the next three years to 2015.

By streamlining cost and introducing and maintaining efficiencies across the business, we were able to maintain key strategic investment plans. Ultimately, the business has emerged from this period of realignment more closely focused on students than ever before.

Australia-wide, international student numbers are falling and we have witnessed a related, gradual decline in international students over the past few years as well as a decline in domestic pathway students following the introduction of uncapped demand for commonwealth sponsored domestic places in universities, which led to a perhaps unintended erosion of the domestic pathway market as many universities began to lower their ATAR requirements for direct places in bachelor degree programs.

Our numbers normalised after an unexpected peak in 2011. Our focus - on expanding our regional presence in Asia and in finding new ways to diversify the business - is designed to reverse this downward trend over the medium to long term. As a smaller, agile organisation we are well-placed to research and refine new markets and respond quickly to new opportunities.

Collaborating exclusively with UTS, when the Streamlined Visa Process (SVP) was introduced at the mid-year point, we were well-positioned, operationally, to take full advantage of changes and restore business performance for the year end. By the end of the third quarter, key initiatives had a significant and positive impact on our English language student numbers from China, our most important market for English Language courses.

The quality of the education we deliver is fundamental to our vision to bring university within reach of more people around the world. The strategic development and introduction of the most advanced Academic English language curriculum on the market in 2012 is indicative of our ability to realise this vision and is a product development model that can be extended across the business.

Enhancing our presence on the ground in Asia was a priority for 2012 and the completion of our joint venture with ELTI Gramedia in Jakarta, Indonesia, was a significant step towards this. Further strategic initiatives are planned for 2013 to develop our offshore delivery.

The private higher education pathway market is an increasingly competitive and tough environment. However, with a robust risk management strategy in place, we will continue to explore new markets coming on-stream and seize second-wave opportunities in more mature markets. We plan to extend relevant aspects of our successful blended learning approach in English to our academic programs so that we ensure that we are aligned with the way our students wish to study. Fundamental to these plans is our continued commitment to researching and understanding the student experience so that we may anticipate, rather than just react to, the future needs and preferences of our students.

Indeed, our research of students in 2012 confirmed that their continued success, and consequently ours, is only possible due to the commitment, rigour and professional capabilities of our teachers who not only understand that pathway education is a vital alternative to direct university entry but one which thrives due to personal commitment of the educators that deliver it. Together with UTS, we will remain committed to refining and enhancing the transition experience for our students and ensuring that our students are well-prepared to thrive in their studies at UTS.

ALEX MURPHY, INSEARCH LIMITED

# Directors' report

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:

| | Note 22 |
|---|---|
| | **Date of Appointment** |
| Mr M Williams (Chair from 23 Nov 08) | 26 Jun 08 |
| Mr P Bennett | 25 May 11 |
| Ms D N Hill | 27 Mar 08 |
| Mr J M Hutchison (AM) | 27 Nov 08 |
| Prof B Milthorpe | 1 Aug 09 |
| Mr A Murphy | 3 Sep 07 |
| Prof W Purcell | 21 May 09 |
| Mr P Woods | 25 May 07 |

## COMPANY SECRETARY

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

Mr N L Patrick (appointed 21 October 2010)

## ACTIVITIES

The activities of the company during the financial year ended 31 December 2012 were the provision of English language, foundation and academic courses that are designed as pathways to university studies.

## REVIEW AND RESULT OF OPERATIONS

In addition to the Chairman's Year in Review on page 1, INSEARCH also reported a profit of $1.1m, after the payment of a donation to the University of Technology, Sydney of $1.1m (Note 6). This profit added to the prior year accumulated profits brings the balance of the accumulated funds to $38.9m.

## BUSINESS STRATEGIES AND FUTURE DEVELOPMENTS

The main objectives of the company are to provide pathway courses for undergraduate entry to the University of Technology, Sydney and to pay donations to the University when appropriate. Scholarship programs and partnerships with other organisations to provide educational facilities/courses are also objectives of the company. The strategies of the company are focused on achieving these objectives.

Business strategies, prospects and future developments, which may affect the operations of the company in subsequent years, have been reported as appropriate elsewhere in this report. In the opinion of the Directors, disclosure of any further information on future developments would be unreasonably prejudicial to the interests of the company.

## 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 the benefit included in the aggregate amount of director's compensation shown on note 22 of the financial report.

## 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 $4,624 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.

## INFORMATION ON DIRECTORS

**Mack Williams**
*Non-Executive Director, Chair of the Board, Chair of the Remuneration Committee*

Mr Williams had a long career in the Australian Diplomatic Service – including as High Commissioner to Bangladesh and Ambassador to the Philippines and the Republic of Korea and senior positions in Canberra. He followed this with a range of consultancies in the commercial (including Coca-Cola Amatil) and academic (including for the Vice-Chancellor of the University of Sydney) sectors as well as active participation on the boards of a number of not-for-profit organisations.

Mr Williams has been Vice President of the Australia Korea Business Council, a member of the Australia Korea Foundation Board, President of the NSW Branch of Australian Institute of International Affairs and member of the board of the Research Institute for Asia and the Pacific at the University of Sydney.

Currently he is Chair of the Korea Research Institute at the University of New South Wales and a member of the Sight for Life Board at Sydney Eye Hospital.

**Peter Bennett** BEc, DipEd (Monash), MBA (Melb), FCPA, GAICD, SA Fin
*Non-Executive Director, Member of the Audit & Risk Committee*

Mr Bennett has 30 years of experience in accounting and finance including senior executive roles in the Finance industry, and the Consumer Goods industry in the Asia Pacific region. He is also a member of the University of Technology, Sydney Council.

**Dianne Hill** FCA, FAICD, MRSA, AIPM, BA Accounting
*Non-Executive Director, Chair of the Audit & Risk Committee*

Ms Hill has 30 years of experience as a Chartered Accountant and is a former New South Wales President and National Councillor. She is a current member of the Chartered Accountants Advisory Group providing an ethical counselling service to members and is a member of the Australian Institute of Internal Auditors.

Ms Hill is a director of Job Futures Limited, Austraining International Limited and of her management consulting company, Sector Research Pty Ltd. She is also a former Director of the Australian Consumers Association (awarded Life Membership) and the Internal Audit Bureau of New South Wales.

**Jon Hutchison** (AM) BCom, CPA
*Non-Executive Director, Member of Remuneration Committee*

Mr Hutchison was the Chief Executive Officer of Business Events Sydney (formerly Sydney Convention & Visitors Bureau) from 1998 to July 2011. Prior to this appointment, he held the position of Managing Director of the Australian Tourism Commission.

Mr Hutchison is an Adjunct Professor at the University of Technology, Sydney (UTS) and is Chair of the Australian Centre for Event Management Advisory Board, UTS.

He is also a director of Tasman Cargo Airlines and Presdyn Pty Ltd, and is a Tourism and Business events Consultant.

In 2006, Mr Hutchison was awarded membership of the Order of Australia for his service to tourism and business, through promoting Australia as a travel destination and in leadership and advisory roles with industry organisations.

**Bruce Milthorpe** BA (Hons), Grad Dip H Ed, PhD, FBSE, GAICD
*Non-Executive Director*

Professor Milthorpe is the Dean, Faculty of Science, at the University of Technology, Sydney. He has 27 years' experience in biomedical engineering and 10 years' experience in senior leadership roles in the tertiary education sector.

Professor Milthorpe is a director of the Sydney Institute of Marine Science and an Editorial Board member for the International Journal of Biomaterials and the Journal Materials Science: Materials in Medicine.

**Alex Murphy** BA (Hons), MAICD
*Managing Director*

Mr Murphy has 20 years' experience at INSEARCH Ltd in previous positions as Head of Sales & Marketing, Project Manager and Coordinator of Asian and European Languages.

Mr Murphy majored in Linguistics and Indonesian & Malayan Studies at The University of Sydney. He undertook research in Indonesian linguistics at the University of Sydney and lived in Indonesia from 1986 to 1989.

Mr Murphy has undertaken training in leadership and organisational dynamics through the former Australian Institute of Socio-analysis and the Tavistock Institute in the UK, and has been a member of the St James Ethics Centre since 1997.

**William (Bill) Purcell** BCom (Hons), UNSW, Dip Jap St (Kyoto U of Foreign St), PhD UNSW
*Non-Executive Director, Member of Remuneration Committee*

Professor Purcell is Deputy Vice-Chancellor and Vice President (International & Development) at the University of Technology, Sydney. He was formerly Deputy Vice-Chancellor (International) at the University of Newcastle. He has 20 years of experience as a senior manager especially in the area of corporate internationalisation and international joint venturing.

Professor Purcell has held a number of corporate board positions including Chairman and CEO of UON Singapore Pte Ltd, IDP Education Australia Ltd and AHIEA Ltd.

Professor Purcell is currently a Director of Sydney Educational Broadcasting Ltd, International Education Association of Australia Ltd, UTS Global Ltd, and is a Trustee of the Mitsui Education Foundation. Professor Purcell is the current Chair of the Universities Australia Deputy Vice-Chancellor International Committee and is a member of the Art Gallery New South Wales VisAsia Board.

Professor Purcell has served as both a business and government advisor and consultant in Australia and across Asia for the past 25 years.

# Directors' report (cont.)

**Patrick Woods** BSc, MBA, ACPA, FAICD
*Non-Executive Director, Member of Audit & Risk Committee*

Mr Woods is the Deputy Vice-Chancellor (Resources) at the University of Technology, Sydney.

Prior to joining the University of Technology, Sydney in 2006, Mr Woods spent 28 years in the private corporate sector and held a number of positions as Chief Executive Officer and company officeholder in various local and international companies in North America, Asia and the Middle East.

Mr Woods is also a board member of the Pain Management Research Institute.

## INFORMATION ON COMPANY SECRETARY

**Mr Nathan Patrick** BBus, GradDipACG, FCA, ACSA, ACIS, GAICD
*Company Secretary*

Mr Patrick was appointed the Chief Financial Officer of INSEARCH Ltd in February 2010. Prior to joining INSEARCH Ltd, Mr Patrick had 25 years of experience in senior financial and management roles in the professional services, manufacturing and construction industries.

He has a Bachelor of Business and has a Graduate Diploma in Applied Corporate Governance from Chartered Secretaries Australia. He is a Fellow of the Institute of Chartered Accountants and has completed the Company Directors Diploma with the Australian Institute of Company Directors.

## 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 to the nearest thousand dollars in accordance with that Class Order, unless shown otherwise.

## AUDITOR

A copy of the Auditor's Independent Declaration as required under section 307C of the Corporations Act 2001 is set out on page 44 of this report.

For and on behalf of the directors signed
at Sydney this 4 April 2013

MACK WILLIAMS
Director

ALEX MURPHY
Director

## MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 31 December 2012, and the numbers of meetings attended by each director were:

| | INSEARCH BOARD MEETINGS (8) | | AUDIT & RISK MANAGEMENT COMMITTEE MEETINGS (4) | | REMUNERATION COMMITTEE MEETINGS (3) | |
|---|---|---|---|---|---|---|
| DIRECTOR | NUMBER ELIGIBLE TO ATTEND | NUMBER ATTENDED | NUMBER ELIGIBLE TO ATTEND | NUMBER ATTENDED | NUMBER ELIGIBLE TO ATTEND | NUMBER ATTENDED |
| **Mack Williams** | 8 | 8 | - | - | 3 | 3 |
| **Dianne Hill** | 8 | 8 | 4 | 4 | - | - |
| **Jon Hutchison** | 8 | 8 | - | 1 | 3 | 3 |
| **William Purcell** | 8 | 8 | - | - | 3 | 2 |
| **Bruce Milthorpe** | 8 | 8 | - | - | - | - |
| **Alex Murphy** | 8 | 7 | - | 4 | - | - |
| **Patrick Woods** | 8 | 6 | 4 | 3 | - | - |
| **Peter Bennett** | 8 | 8 | 4 | 4 | - | - |

Note: Directors have an open invitation to attend any Audit & Risk Management Committee meeting.

# Corporate Governance Statement

At INSEARCH, the Board of Directors is committed to the highest standards in the area of corporate governance and business conduct. As a public company limited by guarantee, INSEARCH is not required to report against the Corporate Governance Principles and Recommendations (CGPR) established by the Australian Stock Exchange (ASX) but chooses to adopt the principles that are appropriate to INSEARCH and use them as a guide to best practice in corporate governance and as a framework for its reporting.

## INTRODUCTION

INSEARCH, trading as UTS:INSEARCH, is a registered Higher Education Provider, English Language Intensive Courses for Overseas Students (ELICOS) Provider and is National English Language Training Accredited Scheme (NEAS) accredited. INSEARCH was established to assist and promote the University of Technology, Sydney (UTS) and to carry out the objectives as set out in the INSEARCH Constitution, including:

- To provide pathway courses for undergraduate entry to UTS; and
- To make donations to UTS of such amounts and at such times as the Board may determine.

As part of its ongoing relationship with UTS, INSEARCH reports to UTS as follows:

- INSEARCH's annual financial accounts are included in the UTS Annual Report;
- INSEARCH provides quarterly reports to the UTS Commercial Activities Committee (CAC), which is a committee reporting to the UTS Council;
- The UTS Senior Deputy Vice-Chancellor oversees the academic relationship between UTS and INSEARCH.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Role and composition of the Board

The Board's responsibilities are set out in the Board Charter. The Board is responsible for setting strategic direction and has the authority to determine all matters relating to the policies, practices, management and operations of INSEARCH. The Board delegates execution to the Managing Director. It is required to do all things that may be necessary in order to carry out the objectives of INSEARCH in compliance with INSEARCH's stated values.

The Board holds regular meetings. It is expected to meet at least 6 times per calendar year and as frequently as may otherwise be required to deal with urgent matters, which might arise between the scheduled meetings.

The Board is committed to INSEARCH's compliance with all of its contractual, statutory, ethical and any other legal obligations, including the requirements of any regulatory body.

The Board has established the following committees to assist it in discharging its functions:

- Audit and Risk Management Committee;
- Remuneration Committee;

The roles of each committee are set out in separate committee charters approved by the Board.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

INSEARCH currently has eight Directors, of which only the Managing Director is an Executive Director. The remaining Directors are all Non-Executives.

The Chair is a Non-Executive Director and there is a clear division of responsibility between the Chair and the Managing Director.

All incumbent Directors bring an independent judgment to bear in Board deliberations.

The Board and Committees undertake an evaluation of their performance at intervals considered appropriate by the relevant Chair of the Board or Committee.

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Board strongly supports and seeks to promote and encourage ethical and responsible decision-making.

### Ethics and Conduct

INSEARCH has a Code of Ethics. The Code sets out the core values which the organisation acts in accordance with to achieve its purpose and provides a framework for individuals and teams to engage in ethical decision-making within the organisation.

INSEARCH is committed to being an international, commercial provider of premium higher education and operating with integrity, honesty, courage, compassion, respect and imagination.

The Code of Ethics is included in all key external and internal publications for students, staff, channel partners and other stakeholders.

INSEARCH also has a Staff Code of Conduct which outlines the behaviour that it expects of its employees whilst at work and when representing INSEARCH in the course of work or at related events. This is communicated to every new employee and reinforced by managers and team leaders. It is also available on both the staff intranet site and the company website.

The Board, senior executives, management and all employees of INSEARCH are committed to implementing the Code of Conduct and each individual is accountable for such compliance.

### Academic Governance

INSEARCH has formulated its academic governance practices on the Australian Universities Quality Agency (AUQA) Good Practice guideline for Non-self-accrediting institutions (NSAIs), "Academic Governance and Quality Assurance". Academic governance is concerned with the integrity of INSEARCH's core higher education activities of learning, teaching and scholarship and, in particular, the structures, policies and processes which ensure academic standards, quality outcomes and continuous improvement. The Board delegates these academic functions to the INSEARCH Academic Board.

The Academic Board offers leadership to the organisation's academic community and manages its educational quality system. The Academic Board ensures that INSEARCH's approach to learning and teaching is defined, academic standards are maintained and academic policies are sound and effectively monitored.

The Academic Board has established the following committees to assist it in discharging its functions:

- Course Advisory Committees
- Quality and curriculum Committee
- Results Ratification Committee
- English Board of Studies
- Sydney Institute of Language and Commerce (SILC) INSEARCH Program Management Committee

The roles of the committees are set out in separate charters approved by the Academic Board.

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING AND PRINCIPLE 7 RECOGNISE AND MANAGE RISK

### Audit and Risk Management

The Board has established an Audit and Risk Management Committee to assist the Board. The responsibilities of the committee are set out in a charter approved by the Board. The Audit and Risk Management Committee consists of three Non-Executive Directors who at the date of this report are:

- Ms Dianne Hill (Chair)
- Mr Patrick Woods
- Mr Peter Bennett

The main objective of this Committee is to assist the Boardin discharging its corporate governance responsibilities in relation to oversight and review of:

- the reliability and integrity of financial information
- internal control environment
- audit, accounting and financial reporting obligations
- effective risk management framework
- compliance with applicable laws and regulations
- compliance with the requirements of the internal and external audit program

In order to fulfil its responsibilities, the Committee meets at least four times a year and receives regular reports from management. Internal and external auditors attend these meetings and they also have direct line of communication to the Chair of the Committee and the Chair of the Board. The Board is responsible for the oversight of the company's risk management and control framework. It has implemented risk management measures which include maintaining comprehensive policies, procedures and guidelines. These cover areas such as business continuity, management, training and development, finance and administration, marketing and sales, academic good practice and management of the corporate brand and reputation.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The company is not a publicly listed company and is not subject to ASX Listing Rules disclosure requirements. The company does, however, report to its members and stakeholders and does have reporting requirements.

Reporting requirements include but are not limited to the following: Audited financial statements are presented at the members' Annual General Meeting and lodged with the Australian Securities and Investment Commission (ASIC) and the Tertiary Education Quality and Standards Agency (TEQSA). An annual report on INSEARCH's activities is presented to NSW Parliament by the NSW Audit Office, and UTS incorporates the INSEARCH annual report into the UTS annual report.

## PRINCIPLE 6: RESPECT THE RIGHTS OF MEMBERS/SHAREHOLDERS

INSEARCH communicates relevant and important information regularly to its stakeholders by:

- Circulating the annual report and full financial information;
- Providing information about the last four years' annual reports and financial data on the company website;
- Providing access to information and updates through e-communications, the INSEARCH website and by means of a targeted media communications strategy.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

### Remuneration Committee

The role, composition and structure of the Remuneration Committee is set out in its charter approved by the Board.

The Remuneration Committee is comprised of non-executive directors, who at the date of this report are:

- Mr Mack Williams (Chair)
- Mr Jonathan Hutchison (AM)
- Prof William (Bill) Purcell

# FINANCIAL STATEMENTS

# Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

| | NOTE | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|---|
| | | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| Revenue from continuing operations | 4 | 52,340 | 54,897 | 54,885 | 55,920 |
| Other income | 5 | 216 | 560 | 216 | 3,700 |
| Employee benefits expenses | 6 | (23,903) | (23,786) | (23,783) | (23,664) |
| Depreciation and amortisation expense | 6 | (4,126) | (2,843) | (4,095) | (2,823) |
| Other expenses | 6 | (24,635) | (29,645) | (24,687) | (29,632) |
| Finance income / (costs) | | 111 | (25) | 118 | (32) |
| Share of net profit of joint venture partnership accounted for using the equity method | 25 | 1,095 | 1,491 | - | - |
| **SURPLUS BEFORE INCOME TAX** | | 1,098 | 649 | 2,654 | 3,469 |
| Income tax expense | | - | - | - | - |
| **SURPLUS FOR THE YEAR** | | 1,098 | 649 | 2,654 | 3,469 |
| **OTHER COMPREHENSIVE INCOME** | | | | | |
| Exchange differences on translation of foreign operations | 21 [a] | (126) | 363 | - | - |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | (126) | 363 | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 972 | 1,012 | 2,654 | 3,469 |
| Surplus is attributable to: Equity holders of INSEARCH Limited | | 1,098 | 649 | 2,654 | 3,469 |
| Total comprehensive income is attributable to: Equity holders of INSEARCH Limited | | 972 | 1,012 | 2,654 | 3,469 |

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

AS AT 31 DECEMBER 2012

| | NOTE | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|---|
| | | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| **ASSETS** | | | | | |
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 7 | 38,366 | 33,705 | 37,976 | 33,297 |
| Trade and other receivables | 8 | 7,520 | 4,936 | 7,571 | 4,957 |
| Inventories | 9 | 1 | 93 | 1 | 93 |
| Total Current Assets | | 45,887 | 38,734 | 45,548 | 38,347 |
| **NON-CURRENT ASSETS** | | | | | |
| Receivables | 10 | 1,125 | 1,168 | 1,125 | 1,124 |
| Investments accounted for using the equity method | 11 | 569 | 2,109 | - | - |
| Property, plant and equipment | 12 | 9,753 | 13,349 | 9,689 | 13,253 |
| Intangible assets | 13 | 4,956 | 1,953 | 4,956 | 1,953 |
| Other non-current assets | 14 | 31 | 133 | 313 | 393 |
| Total Non-Current Assets | | 16,434 | 18,712 | 16,083 | 16,723 |
| **TOTAL ASSETS** | | 62,321 | 57,446 | 61,631 | 55,070 |
| **LIABILITIES** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 16 | 1,555 | 1,117 | 1,544 | 1,105 |
| Borrowings | 15 | 305 | 244 | 305 | 244 |
| Provisions | 17 | 2,027 | 2,343 | 2,027 | 2,341 |
| Other current liabilities | 18 | 17,575 | 13,689 | 17,574 | 13,687 |
| Total Current Liabilities | | 21,462 | 17,393 | 21,450 | 17,377 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Borrowings | 19 | 161 | 312 | 161 | 312 |
| Provisions | 20 | 1,755 | 1,770 | 1,755 | 1,770 |
| Total Non-Current Liabilities | | 1,916 | 2,082 | 1,916 | 2,082 |
| **TOTAL LIABILITIES** | | 23,378 | 19,475 | 23,366 | 19,459 |
| **NET ASSETS** | | 38,943 | 37,971 | 38,265 | 35,611 |
| **EQUITY** | | | | | |
| Reserves | 21 [a] | (1,401) | (1,275) | - | - |
| Retained surplus | 21 [b] | 40,344 | 39,246 | 38,265 | 35,611 |
| **TOTAL EQUITY** | | 38,943 | 37,971 | 38,265 | 35,611 |

The above statements of financial position should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

| | NOTE | RESERVES | RETAINED EARNINGS | TOTAL EQUITY |
|---|---|---|---|---|
| | | $000 | $000 | $000 |
| **CONSOLIDATED** | | | | |
| **BALANCE AT 1 JANUARY 2011** | | (1,638) | 38,597 | 36,959 |
| Surplus for the year | 21 [b] | - | 649 | 649 |
| Exchange differences on translation of foreign operations | 21 [a] | 363 | - | 363 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 363 | 649 | 1,012 |
| **BALANCE AT 31 DECEMBER 2011** | | (1,275) | 39,246 | 37,971 |

| | NOTE | RESERVES | RETAINED EARNINGS | TOTAL EQUITY |
|---|---|---|---|---|
| | | $000 | $000 | $000 |
| **CONSOLIDATED** | | | | |
| **BALANCE AT 1 JANUARY 2012** | | (1,275) | 39,246 | 37,971 |
| Surplus for the year | 21 [b] | - | 1,098 | 1,098 |
| Exchange differences on translation of foreign operations | 21 [a] | (126) | - | (126) |
| **TOTAL COMPREHENSIVE INCOME** | | (126) | 1,098 | 972 |
| **BALANCE AT 31 DECEMBER 2012** | | (1,401) | 40,344 | 38,943 |

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

# Statement of Changes in Equity (cont.)

FOR THE YEAR ENDED 31 DECEMBER 2012

| | NOTE | RESERVES | RETAINED EARNINGS | TOTAL EQUITY |
|---|---|---|---|---|
| | | $000 | $000 | $000 |
| **PARENT ENTITY** | | | | |
| **BALANCE AT 1 JANUARY 2011** | | - | 32,142 | 32,142 |
| Surplus for the year | 21 [b] | - | 3,469 | 3,469 |
| Other comprehensive income | 21 [a] | - | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | - | 3,469 | 3,469 |
| **BALANCE AT 31 DECEMBER 2011** | | - | 35,611 | 35,611 |

| | NOTE | | RETAINED EARNINGS | TOTAL EQUITY |
|---|---|---|---|---|
| | | $000 | $000 | $000 |
| **PARENT ENTITY** | | | | |
| **BALANCE AT 1 JANUARY 2012** | | - | 35,611 | 35,611 |
| Surplus for the year | 21 [b] | - | 2,654 | 2,654 |
| Other comprehensive income | 21 [a] | - | - | - |
| **TOTAL COMPREHENSIVE INCOME** | | - | 2,654 | 2,654 |
| **BALANCE AT 31 DECEMBER 2012** | | - | 38,265 | 38,265 |

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

# Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

| | NOTE | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|---|
| | | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Receipts from customers (inclusive of goods and services tax) | | 55,427 | 53,739 | 56,492 | 53,668 |
| Donation paid to the University of Technology, Sydney | | (1,098) | (5,000) | (960) | (5,000) |
| Payment to suppliers and employees (inclusive of goods and services tax) | | (49,349) | (50,268) | (49,601) | (49,991) |
| | | 4,980 | (1,529) | 5,931 | (1,323) |
| Net Interest received | | 1,555 | 2,173 | 1,554 | 2,172 |
| Interest paid | | (49) | (36) | (49) | (36) |
| Joint venture partnership distribution received | | 967 | - | - | - |
| Input tax credit refund from Australian Taxation Office | | 903 | 1,704 | 903 | 1,704 |
| **NET CASH INFLOW FROM OPERATING ACTIVITIES** | 31 | 8,356 | 2,312 | 8,339 | 2,517 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Payments for property and equipment and intangible assets | | (3,423) | (12,530) | (3,424) | (12,434) |
| Proceeds from sale of Joint Ventures | | - | 2,832 | - | 2,832 |
| Proceeds from sale of property, plant and equipment | | 1 | 3 | 1 | 3 |
| **NET CASH OUTFLOW FROM INVESTING ACTIVITIES** | | (3,422) | (9,695) | (3,423) | (9,599) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Finance lease payments | | (237) | (151) | (237) | (151) |
| **NET CASH OUTFLOW FROM FINANCING ACTIVITIES** | | (237) | (151) | (237) | (151) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | 4,697 | (7,534) | 4,679 | (7,233) |
| Cash and cash equivalents at the beginning of the financial year | | 33,705 | 40,885 | 33,297 | 40,520 |
| Effects of exchange rate changes on cash and cash equivalents | | (36) | 354 | - | 10 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR** | 7 | 38,366 | 33,705 | 37,976 | 33,297 |

The above statements of cash flows should be read in conjunction with the accompanying notes.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

## 1. THE COMPANY

INSEARCH Limited is a public company, limited by guarantee of its members, having no share capital. The company is incorporated and domiciled in Australia. Its registered place of business is Level 9, 187 Thomas Street, Haymarket, NSW 2000. The company provides education services in English language, business and other disciplines to Australian and overseas students in Australia.

The company has the wholly owned entities, INSEARCH Education International Pty Limited, INSEARCH Education and INSEARCH [Shanghai] Limited. INSEARCH Education is a company registered as a charity in the United Kingdom and was formed in 2004. INSEARCH [Shanghai] Limited provides consulting, marketing support and other services to INSEARCH Limited. INSEARCH [Shanghai] Limited was formed in 2001 in the Peoples Republic of China.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

[a] Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Public Finance and Audit Act 1983, the Public Finance and Audit Regulations 2010 and the Corporations Act 2001. Where there are inconsistencies between the above requirements, the legislative provisions have prevailed. INSEARCH Limited is a not for profit entity for the purpose of preparing the financial statements.

The consolidated financial report for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 2 April 2013.

*(i) Statement of Compliance*

The parent entity's financial statements and accompanying notes comply with Australian Accounting Standards which include Australian Accounting Interpretations.

Generally accepted accounting principles, authoritative pronouncements of the AASB, including Interpretations, the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, and the Corporations Act 2001 have been used to prepare the subsidiaries' financial statements.

*(ii) New and amended standards adopted by the Group*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of the revised AASB 124 Related Party Disclosures resulted in the disclosure of additional related party transactions and required the restatement of some comparative information in note 23, and the adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project enabled the removal of certain disclosures in relation to commitments and the franking of dividends.

*(iii) Early adoption of standards*

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 January 2012.

*(iv) Historical cost convention*

These financial statements have been prepared under the historical cost convention.

*(v) Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

INSEARCH Limited has made estimates on the valuation of its joint venture investments. Estimates are based on the historical experience and other factors that are considered to be relevant, including latest available management information of financial performance and position. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

[b] Principles of Consolidation

*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of INSEARCH Limited (''company'' or ''parent entity'') as at 31 December 2012 and the results of all subsidiaries for the year then ended. INSEARCH Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(ii) Joint ventures*

The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Details relating to the partnership are set out in note 25.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

[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 financial statements are presented in Australian dollars, which is 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 profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

*(iii) Group companies*

The results and financial position of foreign operations (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 statements of financial position presented are translated at the closing rate at the date of that statements of financial position;
- income and expenses for each income statements and statements of comprehensive income 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 in other comprehensive income.

*(iv) Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

[d] Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

*(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.

*(iii) Other income*

Other income 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 income.

[e] Expense Recognition

*(i) Direct expenses*

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

*(ii) Other expenses*

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

[f] Income Tax

No income tax has been provided in the attached accounts for 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, where appropriate, for the other overseas entities.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

[g] Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

[h] 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.

[i] Impairment of assets

Assets 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

[j] Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash at bank is interest rate bearing with interest rates between 0.10% and 2.50% [2011: 0.10% and 3.75%]. Deposits at Call are bearing a floating interest rate between 2.90% and 4.15% [2011: 4.15% and 4.65%]. Fixed Term Deposits are bearing interest rates between 4.25% and 5.60% [2011: 5.25% and 5.81%].

[k] Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a receivable for which an impairment provision had been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously recognised as uncollectible are brought to account against other expenses in the statement of comprehensive income..

[l] Inventories

The inventory for INSEARCH Limited represents IELTS textbooks, which are held for sale. Inventory is valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

[m] Investments and other financial assets

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 statement of comprehensive income 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. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

[n] Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Capitalisation threshold for all assets is $1,000. 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

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 estimated useful lives, residual values and depreciation method of assets at the end of

each annual reporting period, with the effect of any changes recognised on a prospective 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 |

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(i)).

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

[o] Intangible assets

*(i) IT development and 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 the end of the reporting period.

Amortisation is calculated on a straight-line basis over periods generally ranging from 2 to 7 years.

*(ii) Curriculum & 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, if any.

Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 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 and proofreading. The asset has a finite life cycle and is carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated on a straight-line basis to write off the net cost of each asset over its expected useful life of 3 years.

*(iv) Website Development*

The costs associated in developing, building and enhancing websites designed for external access, 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.

Amortisation is calculated on a straight-line basis to write off the net cost of each asset over its expected useful life of 3 years.

[p] Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 19). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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

[q] Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

[r] Provisions

The provisions of the Group are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and that the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

[s] Employee Benefits

*(i) Wages and salaries*

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services up to the end of the reporting period 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.

The recorded liability for provision of annual leave includes annual leave entitlements accrued but not expected to be taken within 1 year. These entitlements are measured at the present value of expected future payments to be made, including on costs of leave accrued by employees up to the end of the reporting period. The expected future payments of this leave provision is discounted using published market yield of the two year Treasury Bond at the end of the reporting period of 2.75% [2011: 3.16%].

*(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 end of the reporting period. Consideration is given to on costs, expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using published market yield of the ten year Treasury Bond at the end of each reporting period of 3.39% [2011: 3.74%].

*(iv) Superannuation*

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

[t] Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

[u] New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2012 reporting periods and have not yet been applied in the financial statements. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

*(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015).*

*AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.*

*There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.*

*(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)*

*In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.*

*The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 31 December 2013.*

*(iii) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)*

*In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. Since INSEARCH Limited does not have any defined benefit obligations, the amendments will not have any impact on the Group's financial statements. The Group has not yet decided when to adopt the new standard.*

*(iv) AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income (effective 1 July 2012)*

*In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the statements of financial position or the profit or loss in the current period. The Group intends to adopt the new standard from 1 January 2013.*

*(v) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)*

*In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.*

*(vi) AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities and AASB 2012-2 Disclosures -Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014 and 1 January 2013 respectively)*

*In June 2012, the AASB approved amendments to the application guidance in AASB 132 Financial Instruments: Presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements. However, the AASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from 1 January 2013. When they become applicable, the Group will have to provide a number of additional disclosures in relation to its offsetting arrangements. The Group intends to apply the new rules for the first time in the financial year commencing 1 January 2013.*

*(vii) AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective for annual periods beginning on or after 1 January 2013)*

*In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The Group will apply the amendments from 1 January 2013. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.*

*There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions*

[v] Comparative information

Comparative data has been reclassified where necessary to enhance comparability in respect of changes in the current year. Where prior year data was not disclosed or where it is not practical to calculate the information, comparative data has been omitted.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

## 3. FINANCIAL RISK MANAGEMENT

INSEARCH Limited's principal financial instruments are outlined below. These financial instruments arise directly from the entity's operations or are required to finance the entity's operation. INSEARCH Limited does not enter into or trade in financial instruments.

INSEARCH Limited's risks arising from financial instruments are outlined below, together with the entity's objectives and policies for measuring and managing risk.

The INSEARCH Limited Board has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risk limits and controls, and to monitor risks. Compliance with policies is reviewed by the Audit Committee on a continuous basis.

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| **FINANCIAL ASSETS** | | | | |
| Cash and cash equivalents | 38,366 | 33,705 | 37,976 | 33,297 |
| Trade and other receivables - current | 4,839 | 2,582 | 4,894 | 2,607 |
| Trade and other receivables - non-current | 1,125 | 1,168 | 1,125 | 1,124 |
| Other financial assets | 31 | 133 | 313 | 393 |
| **TOTAL FINANCIAL ASSETS** | 44,361 | 37,588 | 44,308 | 37,421 |
| **FINANCIAL LIABILITIES** | | | | |
| Trade and other payables | 1,555 | 1,117 | 1,544 | 1,105 |
| Borrowings | 466 | 556 | 466 | 556 |
| Other financial liabilities | 15,444 | 11,779 | 15,443 | 11,777 |
| **TOTAL FINANCIAL LIABILITIES** | 17,465 | 13,452 | 17,453 | 13,438 |

[a] Market risk

The primary areas of market risk that INSEARCH Limited is exposed to are interest rate risk and foreign exchange risk.

(i) Foreign exchange risk

INSEARCH Limited's tuition fees for services provided in Australia are specified in Australian dollars. Therefore there is little or no exchange rate exposure in relation to fees.

INSEARCH Limited has operations in China and Vietnam which are affected by movements in exchange rates. The impact of these movements can affect both the surplus expressed in Australian dollars, and the carrying values of the operations on the statement of financial position of the Group.

INSEARCH Limited also has a receivable from the United Kingdom from a sale of business in 2009. The stated balance will be subject to currency fluctuations until fully paid in 2019.

INSEARCH Limited views these exposures to movements in exchange rates as long term and therefore does not hedge against foreign exchange movements.

The movement in exchange rates in 2012 have contributed to the Australian dollar decrease in surplus for INSEARCH Limited.

(ii) Interest rate risk

INSEARCH Limited has no borrowings and therefore no associated payable risk as a result of fluctuating interest rates. INSEARCH Limited does have an exposure to changes in income due to fluctuations in interest rates.

Cash investments are maintained for between 1 to 3 months in order to respond to more attractive interest bearing deposits. Cash investments are reviewed monthly as part of the management reporting process.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

(iii) Sensitivity

The following table summarises the sensitivity of the company's financial assets and financial liabilities to interest rate risk and foreign exchange risk:

| CONSOLIDATED | | INTEREST RATE RISK | | | | FOREIGN EXCHANGE RISK | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | +1% | | -1% | | +10% | | -10% | |
| | Carrying amount $000 | Profit $000 | Equity $000 | Profit $000 | Equity $000 | Profit $000 | Equity $000 | Profit $000 | Equity $000 |
| **2012** | | | | | | | | | |
| **FINANCIAL ASSETS** | | | | | | | | | |
| Cash and cash equivalents | 38,366 | 377 | - | (377) | - | - | 95 | - | (95) |
| Trade and other receivables - Current | 4,839 | - | - | - | - | - | 37 | - | (37) |
| Trade and other receivables - Non-Current | 1,125 | - | - | - | - | - | 112 | - | (112) |
| Other financial assets | 31 | - | - | - | - | - | - | - | - |
| **TOTAL INCREASE/ (DECREASE) IN FINANCIAL ASSETS** | | 377 | - | (377) | - | - | 244 | - | (244) |
| **FINANCIAL LIABILITIES** | | | | | | | | | |
| Trade and other payables | 1,555 | - | - | - | - | - | (1) | - | 1 |
| Borrowings | 466 | - | - | - | - | - | - | - | - |
| Other financial liabilities | 15,444 | - | - | - | - | - | - | - | - |
| **TOTAL INCREASE/ (DECREASE) IN FINANCIAL LIABILITIES** | | - | - | - | - | - | (1) | - | 1 |
| **2011** | | | | | | | | | |
| **FINANCIAL ASSETS** | | | | | | | | | |
| Cash and cash equivalents | 33,705 | 331 | - | (331) | - | - | 76 | - | (76) |
| Trade and other receivables - Current | 2,582 | - | - | - | - | - | 29 | - | (29) |
| Trade and other receivables - Non-Current | 1,168 | - | - | - | - | - | 117 | - | (117) |
| Other financial assets | 133 | 2 | - | (2) | - | - | - | - | - |
| **TOTAL INCREASE/ (DECREASE) IN FINANCIAL ASSETS** | | 333 | - | (333) | - | - | 222 | - | (222) |
| **FINANCIAL LIABILITIES** | | | | | | | | | |
| Trade and other payables | 1,117 | - | - | - | - | - | (1) | - | 1 |
| Borrowings | 556 | - | - | - | - | - | - | - | - |
| Other financial liabilities | 11,779 | - | - | - | - | - | - | - | - |
| **TOTAL INCREASE/ (DECREASE) IN FINANCIAL LIABILITIES** | | - | - | - | - | - | (1) | - | 1 |

[b] Credit risk

Credit risk arises where there is a possibility of the entity's debtors defaulting on their contractual obligations, resulting in a financial loss to the entity.

INSEARCH Limited has limited exposure to credit risk due to the collection of the majority of tuition fees prior to the provision of services. The Group's position with regard to credit risk is monitored monthly with outstanding items being actively managed.

The non-current portion of receivables relates to a contractual obligation associated with the sale of the operations in the United Kingdom.

Cash and cash equivalents comprise of cash on hand and bank balances held with the Commonwealth Bank, ANZ Bank, and HSBC. Interest on these accounts is earned on the daily bank balance.

[c] Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due.

INSEARCH Limited maintains adequate cash balances to ensure that it has sufficient funds to meet future operating expenditure and capital expenditure.

Liquidity is managed by the Group through the preparation and review of monthly statement of cash flows and cash forecasts. Cash at bank is reconciled on a monthly basis and bank balances are independently confirmed as part of the annual audit process.

[d] Fair value measurements

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

The fair value of the Group's financial instruments is equal to their carrying value.

## 4. REVENUE

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| **REVENUE FROM CONTINUING OPERATIONS** | | | | |
| Fees | 50,767 | 52,798 | 50,767 | 52,798 |
| Interest | 1,522 | 2,026 | 1,521 | 2,025 |
| Other fees and charges | 51 | 73 | 51 | 73 |
| Distributions from interest in joint venture partnerships | - | - | 2,546 | 1,024 |
| **TOTAL REVENUE** | 52,340 | 54,897 | 54,885 | 55,920 |

## 5. OTHER INCOME

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| **OTHER INCOME** | | | | |
| Net loss on sale of non-current assets | (81) | (29) | (81) | (29) |
| Net loss on disposal of operations | - | (15) | - | (15) |
| Net gain on sale of joint venture investments | - | - | - | 2,777 |
| Other | 297 | 604 | 297 | 967 |
| **TOTAL OTHER INCOME** | 216 | 560 | 216 | 3,700 |

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

## 6. EXPENSES

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| **EXPENSES FROM CONTINUING OPERATIONS** | | | | |
| [a] EMPLOYEE BENEFITS EXPENSE | | | | |
| Superannuation | 1,702 | 1,729 | 1,702 | 1,729 |
| Salaries and wages | 18,627 | 18,807 | 18,507 | 18,686 |
| Payroll tax | 1,172 | 1,167 | 1,172 | 1,167 |
| Other | 2,402 | 2,083 | 2,402 | 2,082 |
| **TOTAL EMPLOYEE BENEFITS EXPENSES** | 23,903 | 23,786 | 23,783 | 23,664 |
| [b] DEPRECIATION AND AMORTISATION EXPENSE | | | | |
| Depreciation | | | | |
| Office equipment | 80 | 78 | 80 | 77 |
| Furniture and fittings | 2,233 | 1,342 | 2,208 | 1,327 |
| Motor vehicles | 47 | 24 | 47 | 24 |
| Reimbursement of motor vehicles for salary packaging | (23) | (13) | (23) | (13) |
| Computer equipment | 679 | 563 | 673 | 559 |
| **TOTAL DEPRECIATION** | 3,016 | 1,994 | 2,985 | 1,974 |
| AMORTISATION | | | | |
| Software | 1,110 | 849 | 1,110 | 849 |
| **TOTAL AMORTISATION** | 1,110 | 849 | 1,110 | 849 |
| **TOTAL DEPRECIATION AND AMORTISATION EXPENSE** | 4,126 | 2,843 | 4,095 | 2,823 |

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

## 6. EXPENSES (cont)

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| [c] OTHER EXPENSES | | | | |
| Donation to the University of Technology, Sydney | 1,098 | 5,000 | 960 | 5,000 |
| Occupancy | 6,840 | 6,383 | 6,728 | 6,309 |
| Security | 308 | 391 | 308 | 391 |
| Communications | 580 | 756 | 548 | 729 |
| Channel partner commissions | 5,821 | 5,857 | 5,821 | 5,857 |
| Homestay & welcome | 655 | 538 | 655 | 538 |
| Educational expenses | 1,584 | 1,815 | 1,584 | 1,815 |
| Registration & accreditation | 46 | 106 | 46 | 106 |
| Scholarships | 285 | 336 | 285 | 336 |
| Library fees | 818 | 918 | 818 | 918 |
| Promotion | 1,582 | 1,883 | 1,562 | 1,875 |
| Overseas travel | 579 | 695 | 579 | 695 |
| Local travel | 248 | 254 | 165 | 206 |
| Staff appointments | 244 | 138 | 244 | 138 |
| Audit & accounting fees | 406 | 355 | 404 | 354 |
| Legal fees | 184 | 246 | 184 | 244 |
| Consultancy | 427 | 572 | 427 | 572 |
| Subscription and membership | 232 | 248 | 232 | 248 |
| Printing & stationery | 312 | 445 | 306 | 442 |
| Bad debt receivables and inventory write-offs | 62 | 169 | 62 | 9 |
| [Gain] / loss on foreign exchange | (9) | 353 | 21 | 376 |
| Impairment losses of investments | - | - | (18) | (34) |
| Exhibition and interview program | 230 | 249 | 230 | 249 |
| Offshore representation expenses | 110 | 67 | 673 | 508 |
| Other | 1,993 | 1,871 | 1,863 | 1,751 |
| **TOTAL OTHER EXPENSES** | 24,635 | 29,645 | 24,687 | 29,632 |

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| **7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS** | | | | |
| Cash at bank and on hand | 8,955 | 10,609 | 8,565 | 10,201 |
| Deposits at call | 911 | 5,596 | 911 | 5,596 |
| Term deposits | 28,500 | 17,500 | 28,500 | 17,500 |
| **TOTAL CASH AND CASH EQUIVALENTS** | 38,366 | 33,705 | 37,976 | 33,297 |
| **8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES** | | | | |
| Trade receivables | 548 | 881 | 548 | 897 |
| Provision for impairment of receivables [a] | (41) | (201) | (41) | (41) |
| | 507 | 680 | 507 | 856 |
| Prepayments | 2,681 | 2,354 | 2,677 | 2,350 |
| Other receivables | 4,212 | 1,749 | 4,267 | 1,598 |
| Accrued interest | 120 | 153 | 120 | 153 |
| **TOTAL TRADE AND OTHER RECEIVABLES** | 7,520 | 4,936 | 7,571 | 4,957 |

[a] IMPAIRED TRADE AND OTHER RECEIVABLES

As at 31 December 2012, current trade receivables of the Group with a nominal value of $41,288 and they relate to individually impaired receivables for student tuition fees which were uncollectable from students who have graduated. In 2012, $160,000 related to profit share from the SILC joint venture was written-off. The remaining balance of $41,288 was deemed adequate to cover impaired receivables for 2012.

Movements in the provision for impairment of receivables are as follows:

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| At 1 January | 201 | 60 | 41 | 60 |
| Provision for impairment recognised during the year | - | 160 | - | - |
| Receivables written off during the year as uncollectible | (160) | (19) | - | (19) |
| **AT 31 DECEMBER** | 41 | 201 | 41 | 41 |

The creation and release of the provision for impaired receivables has been included in "other expenses" in the income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

[b] PAST DUE BUT NOT IMPAIRED

As of 31 December 2012, the Group trade and other receivables of $333,167 (2011: $863,778) and the Parent trade and other receivables of $333,167 (2011: $961,563) were past due but not impaired. The ageing analysis of the receivables is as follows:

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| Up to 3 months | 252 | 768 | 252 | 753 |
| 3 to 6 months | 74 | 81 | 74 | 179 |
| Over 6 months | 7 | 15 | 7 | 30 |
| | 333 | 864 | 333 | 962 |
| **9. CURRENT ASSETS - INVENTORIES** | | | | |
| Finished goods - at cost | 1 | 93 | 1 | 93 |
| **TOTAL INVENTORIES** | 1 | 93 | 1 | 93 |
| **10. NON-CURRENT ASSETS - RECEIVABLES** | | | | |
| Other receivables | 1,125 | 1,168 | 1,125 | 1,124 |
| **TOTAL OTHER FINANCIAL ASSETS** | 1,125 | 1,168 | 1,125 | 1,124 |
| **11. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD** | | | | |
| Interest in joint venture partnership (note 25) | 569 | 2,109 | - | - |
| **TOTAL INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD** | 569 | 2,109 | - | - |

[a] Australia Centres for Education and Training (ACETs)

This is a joint venture between INSEARCH Limited and IDP Education Australia [Vietnam] Limited to deliver general English classes in Vietnam. INSEARCH Limited has a 50% ownership interest in the ACETs and is entitled to a 40% share of its retained earnings.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

## 12. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

| | OFFICE EQUIPMENT $000 | MOTOR VEHICLES $000 | FURNITURE & FITTINGS $000 | COMPUTER EQUIPMENT $000 | CAPITAL WORK IN PROCESS $000 | TOTAL $000 |
|---|---|---|---|---|---|---|
| CONSOLIDATED | | | | | | |
| **AT 1 JANUARY 2011** | | | | | | |
| Cost | 954 | 27 | 6,660 | 3,122 | 1,087 | 11.850 |
| Accumulated depreciation | (769) | (27) | (5,122) | (2,068) | - | (7,986) |
| Net book amount | 185 | - | 1,538 | 1,054 | 1,087 | 3,864 |
| **YEAR ENDED 31 DECEMBER 2011** | | | | | | |
| Opening net book amount | 185 | - | 1,538 | 1,054 | 1,087 | 3,864 |
| Additions | 85 | 171 | 8,921 | 726 | 1,622 | 11,525 |
| Disposals | (2) | - | (26) | (4) | - | (32) |
| Depreciation charge | (79) | (24) | (1,341) | (564) | - | (2,008) |
| Closing net book amount | 189 | 147 | 9,092 | 1,212 | 2,709 | 13,349 |
| **AT 31 DECEMBER 2011** | | | | | | |
| Cost | 958 | 198 | 14,974 | 3,540 | 2,709 | 22,379 |
| Accumulated depreciation | (769) | (51) | (5,882) | (2,328) | - | (9,030) |
| Net book amount | 189 | 147 | 9,092 | 1,212 | 2,709 | 13,349 |
| **YEAR ENDED 31 DECEMBER 2012** | | | | | | |
| Opening net book amount | 189 | 147 | 9,092 | 1,212 | 2,709 | 13,349 |
| Additions | 71 | - | 1,217 | 937 | - | 2,225 |
| Disposals | (42) | - | (12) | (19) | - | (73) |
| Transfers to intangible assets | - | - | - | - | (2,709) | (2,709) |
| Depreciation charge | (80) | (47) | (2,233) | (679) | - | (3,039) |
| Closing net book amount | 138 | 100 | 8,064 | 1,451 | - | 9,753 |
| **AT 31 DECEMBER 2012** | | | | | | |
| Cost | 450 | 198 | 13,305 | 3,609 | - | 17,562 |
| Accumulated depreciation | (312) | (98) | (5,241) | (2,158) | - | (7,809) |
| Net book amount | 138 | 100 | 8,064 | 1,451 | - | 9,753 |

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

**12. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (cont)**

| | OFFICE EQUIPMENT $000 | MOTOR VEHICLES $000 | FURNITURE & FITTINGS $000 | COMPUTER EQUIPMENT $000 | CAPITAL WORK IN PROCESS $000 | TOTAL $000 |
|---|---|---|---|---|---|---|
| PARENT ENTITY | | | | | | |
| **AT 1 JANUARY 2011** | | | | | | |
| Cost | 947 | 27 | 6,644 | 3,101 | 1,087 | 11.806 |
| Accumulated depreciation | (766) | (27) | (5,108) | (2,062) | - | (7,963) |
| Net book amount | 181 | - | 1,536 | 1,039 | 1,087 | 3,843 |
| **YEAR ENDED 31 DECEMBER 2011** | | | | | | |
| Opening net book amount | 181 | - | 1,536 | 1,039 | 1,087 | 3,843 |
| Additions | 84 | 171 | 8,837 | 715 | 1,622 | 11,429 |
| Disposals | (2) | - | (26) | (4) | - | (32) |
| Depreciation charge | (78) | (24) | (1,327) | (558) | - | (1,987) |
| Closing net book amount | 185 | 147 | 9,020 | 1,192 | 2,709 | 13,253 |
| **AT 31 DECEMBER 2011** | | | | | | |
| Cost | 953 | 198 | 14,879 | 3,516 | 2,709 | 22,255 |
| Accumulated depreciation | (768) | (51) | (5,859) | (2,324) | - | (9,002) |
| Net book amount | 185 | 147 | 9,020 | 1,192 | 2,709 | 13,253 |
| **YEAR ENDED 31 DECEMBER 2012** | | | | | | |
| Opening net book amount | 185 | 147 | 9,020 | 1,192 | 2,709 | 13,253 |
| Additions | 72 | - | 1,217 | 937 | - | 2,226 |
| Disposals | (42) | - | (12) | (19) | - | (73) |
| Transfers to intangible assets | - | - | - | - | (2,709) | (2,709) |
| Depreciation charge | (80) | (47) | (2,208) | (673) | - | (3,008) |
| Closing net book amount | 135 | 100 | 8,017 | 1,437 | - | 9,689 |
| **AT 31 DECEMBER 2012** | | | | | | |
| Cost | 445 | 198 | 13,211 | 3,585 | - | 17,439 |
| Accumulated depreciation | (310) | (98) | (5,194) | (2,148) | - | (7,750) |
| Net book amount | 135 | 100 | 8,017 | 1,437 | - | 9,689 |

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

## 13. NON-CURRENT ASSETS - INTANGIBLE ASSETS

| | PATENTS, TRADEMARKS & COURSE CURRICULUM $000 | COMPUTER SOFTWARE $000 | CAPITAL WORK-IN-PROGRESS $000 | TOTAL $000 |
|---|---|---|---|---|
| CONSOLIDATED | | | | |
| **AT 1 JANUARY 2011** | | | | |
| Cost | 73 | 5,367 | - | 5,440 |
| Accumulated amortisation and impairment | (73) | (4,003) | - | (4,076) |
| Net book amount | - | 1,364 | - | 1,364 |
| **YEAR ENDED 31 DECEMBER 2011** | | | | |
| Opening net book amount | - | 1,364 | - | 1,364 |
| Additions | - | 1,438 | - | 1,438 |
| Amortisation charge | - | (849) | - | (849) |
| Closing net book amount | - | 1,953 | - | 1,953 |
| **AT 31 DECEMBER 2011** | | | | |
| Cost | - | 6,805 | - | 6,805 |
| Accumulated amortisation and impairment | - | (4,852) | - | (4,852) |
| Net book amount | - | 1,953 | - | 1,953 |
| **YEAR ENDED 31 DECEMBER 2012** | | | | |
| Opening net book amount | - | 1,953 | - | 1,953 |
| Additions | - | 788 | 625 | 1,413 |
| Disposals | - | (9) | - | (9) |
| Transfers from plant and equipment | - | - | 2,709 | 2,709 |
| Amortisation charge | - | (1,110) | - | (1,110) |
| Closing net book amount | - | 1,622 | 3,334 | 4,956 |
| **AT 31 DECEMBER 2012** | | | | |
| Cost | - | 7,139 | 3,334 | 10,473 |
| Accumulated amortisation and impairment | - | (5,517) | - | (5,517) |
| Net book amount | - | 1,622 | 3,334 | 4,956 |

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

## 13. NON-CURRENT ASSETS - INTANGIBLE ASSETS (cont)

| | PATENTS, TRADEMARKS & COURSE CURRICULUM $000 | COMPUTER SOFTWARE $000 | CAPITAL WORK-IN-PROGRESS $000 | TOTAL $000 |
|---|---|---|---|---|
| PARENT ENTITY | | | | |
| **AT 1 JANUARY 2011** | | | | |
| Cost | 73 | 5,367 | - | 5,440 |
| Accumulated amortisation and impairment | (73) | (4,003) | - | (4,076) |
| Net book amount | - | 1,364 | - | 1,364 |
| **YEAR ENDED 31 DECEMBER 2011** | | | | |
| Opening net book amount | - | 1,364 | - | 1,364 |
| Additions | - | 1,438 | - | 1,438 |
| Amortisation charge | - | (849) | - | (849) |
| Closing net book amount | - | 1,953 | - | 1,953 |
| **AT 31 DECEMBER 2011** | | | | |
| Cost | - | 6,805 | - | 6,805 |
| Accumulated amortisation and impairment | - | (4,852) | - | (4,852) |
| Net book amount | - | 1,953 | - | 1,953 |
| **YEAR ENDED 31 DECEMBER 2012** | | | | |
| Opening net book amount | - | 1,953 | - | 1,953 |
| Additions | - | 788 | 625 | 1,413 |
| Disposals | - | (9) | - | (9) |
| Transfers from plant and equipment | - | - | 2,709 | 2,709 |
| Amortisation charge | - | (1,110) | - | (1,110) |
| Closing net book amount | - | 1,622 | 3,334 | 4,956 |
| **AT 31 DECEMBER 2012** | | | | |
| Cost | - | 7,139 | 3,334 | 10,473 |
| Accumulated amortisation and impairment | - | (5,517) | - | (5,517) |
| Net book amount | - | 1,622 | 3,334 | 4,956 |

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| **14. NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS** | | | | |
| Other | 31 | 133 | - | 102 |
| Interest in joint venture partnerships | - | - | 81 | 80 |
| INSEARCH (Shanghai) Limited | - | - | 232 | 211 |
| **TOTAL OTHER NON-CURRENT ASSETS** | 31 | 133 | 313 | 393 |
| **15. CURRENT LIABILITIES - BORROWINGS** | | | | |
| Lease Liabilities [note 28] | 305 | 244 | 305 | 244 |
| **TOTAL LEASE LIABILITIES** | 305 | 244 | 305 | 244 |
| **16. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES** | | | | |
| Trade and other payables | 1,081 | 758 | 1,079 | 759 |
| University of Technology, Sydney | 223 | 356 | 223 | 356 |
| Other creditors | 251 | 3 | 242 | (10) |
| **TOTAL TRADE AND OTHER PAYABLES** | 1,555 | 1,117 | 1,544 | 1,105 |
| **17. CURRENT LIABILITIES - PROVISIONS** | | | | |
| Employee benefits - annual leave | 1,147 | 1,176 | 1,147 | 1,175 |
| Employee benefits - long service leave | 860 | 793 | 860 | 792 |
| Make good [note 20] | - | 237 | - | 237 |
| Lease incentives | 20 | 137 | 20 | 137 |
| **TOTAL CURRENT PROVISIONS** | 2,027 | 2,343 | 2,027 | 2,341 |
| **18. CURRENT LIABILITIES - OTHER CURRENT LIABILITIES** | | | | |
| Student fees received in advance | 2,131 | 1,910 | 2,131 | 1,910 |
| Accrued expenses | 3,028 | 3,081 | 3,028 | 3,081 |
| Prepaid course fees | 11,349 | 7,810 | 11,349 | 7,810 |
| Other | 1,067 | 888 | 1,066 | 886 |
| **TOTAL OTHER CURRENT LIABILITIES** | 17,575 | 13,689 | 17,574 | 13,687 |
| **19. NON-CURRENT LIABILITIES - BORROWINGS (SECURED)** | | | | |
| Lease liabilities [note 28] | 161 | 312 | 161 | 312 |
| **TOTAL NON-CURRENT LIABILITIES - BORROWINGS** | 161 | 312 | 161 | 312 |

The Group lease computer equipment with a carrying amount of $493,977 under finance leases expiring within three years. Under the terms of the leases, the Group has the option to acquire the leased assets on expiry of the leases by paying the difference amount between the value of the goods financed under the relevant lease schedule and the present value of the lease instalments.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| **20. NON-CURRENT LIABILITIES - PROVISIONS** | | | | |
| Employee benefits - long service leave | 638 | 688 | 638 | 688 |
| Make good | 1,071 | 1,016 | 1,071 | 1,016 |
| Lease incentives | 46 | 66 | 46 | 66 |
| **TOTAL NON-CURRENT PROVISIONS** | 1,755 | 1,770 | 1,755 | 1,770 |

[a] MAKE GOOD PROVISION

The provision for make good in relation to fixtures installed at leased office space is required to be provided for under AASB 116 - 'Property, plant and equipment.' The make good obligations are expected to be settled within the next 2 to 6 financial years.

[b] MOVEMENTS IN PROVISIONS

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

| | CONSOLIDATED | PARENT ENTITY |
|---|---|---|
| | 2012 $000 | 2012 $000 |
| CURRENT AND NON-CURRENT | | |
| Carrying amount at start of year | 1,253 | 1,253 |
| Charged/(credited) to the profit or loss | 59 | 59 |
| Make good expenses charged against provision | (241) | (241) |
| **CARRYING AMOUNT AT END OF YEAR** | 1,071 | 1,071 |

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| **21. RESERVES AND RETAINED SURPLUS** | | | | |
| [a] RESERVES | | | | |
| Foreign currency translation reserve | (1,401) | (1,275) | - | - |
| MOVEMENTS | | | | |
| Foreign currency translation reserve | | | | |
| Balance 1 January | (1,275) | (1,638) | - | - |
| Adjustment to prior year | - | - | - | - |
| Currency translation differences arising during the year | (126) | 363 | - | - |
| **BALANCE 31 DECEMBER** | (1,401) | (1,275) | - | - |
| [b] RETAINED SURPLUS | | | | |
| Movements in retained earnings were as follows: | | | | |
| Balance 1 January | 39,246 | 38,597 | 35,611 | 32,142 |
| Net surplus for the year | 1,098 | 649 | 2,654 | 3,469 |
| **BALANCE 31 DECEMBER** | 40,344 | 39,246 | 38,265 | 35,611 |

## 22. KEY MANAGEMENT PERSONNEL DISCLOSURES

[a] DIRECTORS

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

*i) Chairman - non-executive*
M Williams

*ii) Executive Directors*
A Murphy

*iii) Non Executive Directors*
D Hill
J Hutchison [AM]
P Woods
W Purcell
B Milthorpe
P Bennett

[b] KEY MANAGEMENT PERSONNEL COMPENSATION

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Short-term employee benefits | 537,475 | 505,832 | 537,475 | 505,832 |
| Post-employment benefits | 36,110 | 34,444 | 36,110 | 34,444 |
| | 573,585 | 540,276 | 573,585 | 540,276 |

## 23. RELATED PARTY TRANSACTIONS

[a] PARENT ENTITIES
The parent entity in the wholly owned group is INSEARCH Limited. The controlling entity of INSEARCH Limited is the University of Technology, Sydney.

[b] SUBSIDIARIES
Interests in subsidiaries are set out in note 24.

[c] TRANSACTIONS WITH RELATED PARTIES
The following transactions occurred with related parties:

- Donation to the University of Technology, Sydney $1,097,500 (2011: $5,000,000)
- Sales of Services and Fees to the University of Technology, Sydney $4,193,423 (2011: $6,249,287)
- Services rendered by the University of Technology, Sydney to INSEARCH Limited $3,288,131 (2011: $3,518,484)
- Consulting service income between INSEARCH [Shanghai] Limited and INSEARCH Limited $563,494 (2011: $441,288)
- Consulting service expense between INSEARCH Limited and INSEARCH [Shanghai] Limited $563,494 (2011: $441,288)

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

[d] OUTSTANDING BALANCES ARISING FROM SALES/PURCHASES OF GOODS AND SERVICES

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Current receivables (sales of goods and services) | | | | |
| INSEARCH (Shanghai) Limited | - | - | 95,291 | 111,494 |
| Non-current receivables (loans) | | | | |
| INSEARCH Education International | - | - | - | 1,935 |

## 24. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 2(b).

| | COUNTRY OF INCORPORATION | CLASS OF SHARES | EQUITY HOLDING | |
|---|---|---|---|---|
| | | | 2012 % | 2011 % |
| INSEARCH (Shanghai) Limited | China | Ordinary | 100 | 100 |
| INSEARCH Education | United Kingdom | Ordinary | 100 | 100 |
| INSEARCH Education International Pty Limited | Australia | Ordinary | 100 | 100 |

## 25. INTERESTS IN JOINT VENTURES

[a] JOINT VENTURE PARTNERSHIP

The company has joint ventures in Vietnam, for which investments are accounted for using the equity method per AASB131 Interests in Joint Ventures.

Australia Centres for Education and Training (ACETs) is a joint venture between INSEARCH Limited and IDP Education Australia [Vietnam] Limited to deliver general English classes in Vietnam. INSEARCH Limited has a 50% ownership interest in the ACETs and is entitled to a 40% share of its retained earnings.

| | CONSOLIDATED | |
|---|---|---|
| | 2012 $000 | 2011 $000 |
| Carrying amount of investment in partnership | 569 | 2,109 |
| SHARE OF PARTNERSHIP'S ASSETS AND LIABILITIES | | |
| Current assets | 1,059 | 2,560 |
| Non-current assets | 88 | 76 |
| TOTAL ASSETS | 1,147 | 2,636 |
| Current liabilities | 578 | 527 |
| Non-current liabilities | - | - |
| TOTAL LIABILITIES | 578 | 527 |
| NET ASSETS | 569 | 2,109 |
| SHARE OF PARTNERSHIP'S REVENUE, EXPENSES AND RESULTS | | |
| Revenues | 3,288 | 3,631 |
| Expenses | (2,193) | (2,140) |
| PROFIT BEFORE TAX | 1,095 | 1,491 |

## 26. REMUNERATION OF AUDITORS

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

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| [a] The Audit Office of New South Wales | | | | |
| (i) Audit and other assurance services | | | | |
| Audit and review of financial reports | 168,401 | 156,901 | 168,401 | 145,000 |
| **TOTAL AUDITORS' REMUNERATION** | 168,401 | 156,901 | 168,401 | 145,000 |

## 27. CONTINGENCIES

[a] CONTINGENT LIABILITIES
The Group had no contingent liabilities at 31 December 2012.

## 28. COMMITMENTS

[a] CAPITAL COMMITMENTS
Commitments for the acquisition of plant and equipment contracted for at the end of the reporting period but not recognised as liabilities, payable, with the input tax recoverable from the Australian Taxation Office.

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| Property, plant and equipment | - | 423 | - | 423 |
| Input tax recoverable from the Australian Taxation Office | - | 38 | - | 38 |

[b] LEASE COMMITMENTS
(i) Non-cancellable operating leases
Commitments for minimum lease payments in relation to non-cancellable leases are payable with the input tax recoverable from the Australian Taxation Office:

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| Within one year | 5,404 | 5,478 | 5,288 | 5,360 |
| Later than one year but not later than five years | 16,211 | 5,636 | 16,143 | 5,451 |
| Total inclusive of GST | 21,615 | 11,114 | 21,431 | 10,811 |
| Input tax recoverable from the Australian Taxation Office | 1,948 | 1,013 | 1,948 | 1,013 |

(ii) Finance leases
Commitments in relation to finance leases are payable as follows:

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| Within one year | 368 | 314 | 368 | 314 |
| Later than one year but not later than five years | 185 | 366 | 185 | 366 |
| Minimum lease payments | 553 | 680 | 553 | 680 |
| Future finance charges | (40) | (68) | (40) | (68) |
| Present value of minimum lease payments inclusive of GST | 513 | 612 | 513 | 612 |
| Input tax recoverable from the Australian Taxation Office | 47 | 56 | 47 | 56 |

[c] OTHER EXPENDITURE COMMITMENTS
Commitments for trade creditors contracted for at the end of the reporting period but not recognised as liabilities, payable with the input tax recoverable from the Australian Taxation Office.

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| Within one year | 401 | 212 | 401 | 212 |
| Later than one year but not later than five years | 181 | 188 | 181 | 188 |
| Total inclusive of GST | 582 | 400 | 582 | 400 |
| Input tax recoverable from the Australian Taxation Office | 53 | 36 | 53 | 36 |

[d] REMUNERATION COMMITMENTS
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the end of each reporting period but not recognised as liabilities, payable:

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| Within one year | 536 | 907 | 536 | 907 |
| Later than one year but not later than five years | 41 | 128 | 41 | 128 |
| | 577 | 1,035 | 577 | 1,035 |

## 29. MEMBERS' GUARANTEE

INSEARCH Limited is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, its constitution states that each member is required to contribute a maximum of $20 towards meeting its outstanding obligations. At reporting date, there were 9 members of the entity.

# Notes to and forming part of the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

## 30. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

## 31. RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES

| | CONSOLIDATED | | PARENT ENTITY | |
|---|---|---|---|---|
| | 2012 $000 | 2011 $000 | 2012 $000 | 2011 $000 |
| **SURPLUS FOR THE YEAR** | 1,098 | 649 | 2,654 | 3,469 |
| Depreciation and amortisation | 4,149 | 2,857 | 4,118 | 2,836 |
| Provision for impairment of receivables | - | 169 | - | 9 |
| Non-cash borrowings | (68) | - | (68) | - |
| Net loss / [gain] on sale of non-current assets | 81 | 29 | 81 | (2,748) |
| Share of profits of associates and joint venture partnership | 1,450 | (307) | - | - |
| Net exchange differences | - | (16) | - | (24) |
| **CHANGE IN OPERATING ASSETS AND LIABILITIES** | | | | |
| (Increase) in trade and other receivables | (2,541) | (237) | (2,615) | (183) |
| Decrease (increase) in inventories | 92 | (52) | 92 | (52) |
| Decrease in other non-current assets | 102 | 121 | 80 | 113 |
| Increase in trade and other payables | 438 | 229 | 439 | 224 |
| (Decrease) increase in provisions | (331) | 401 | (329) | 399 |
| Increase (decrease) in other liabilities | 3,886 | (1,531) | 3,887 | (1,526) |
| Net cash inflow from operating activities | 8,356 | 2,312 | 8,339 | 2,517 |

**END OF AUDITED FINANCIAL REPORT**

# Directors' Declaration

FOR THE YEAR ENDED 31 DECEMBER 2012

In accordance with a resolution of the directors of INSEARCH Limited, the directors of the company declare that:

a. the financial statements and notes set out on pages 10 to 44 are in accordance with the Corporations Act 2001, and:

(i comply with Accounting Standards and the Public Finance and Audit Act 1983 and the Public Finance and Audit Regulation 2010, as stated in accounting policy Note 2 to the financial statements and

(ii) give a true and fair view of the financial position as at 31 December 2012 and of the performance for the year ended on that date of the consolidated group.

b. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors pursuant to section 295(5) of the Corporations Act 2001.

Signed on behalf of the Board of Directors

MACK WILLIAMS
Director

Date: 4 April 2013

ALEX MURPHY
Director

Date: 4 April 2013

# Independent Auditor's Report


## INDEPENDENT AUDITOR'S REPORT

**Insearch Limited**

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

I have audited the accompanying financial statements of Insearch Limited (the Company), which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity. The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

### Opinion

In my opinion the financial statements:

- are in accordance with the *Corporations Act 2001*, including:
  - giving a true and fair view of the Company's and consolidated entity's financial positions as at 31 December 2012 and of their performance for the year ended on that date
  - complying with Australian Accounting Standards and the Corporations Regulations 2001
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

### Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of financial statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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# Independent Auditor's Report

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Company and the consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards, the *Corporations Act 2001* and relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their roles by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Insearch Limited on 3 April 2013, would be in the same terms if provided to the directors as at the time of this auditor's report.

Sally Bond
Director, Financial Audit Services

9 April 2013
SYDNEY

# Auditor's Independence Declaration


To the Directors
Insearch Limited

**Auditor's Independence Declaration**

As auditor for the audit of the financial statements of Insearch Limited for the year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

SBond

Sally Bond
Director, Financial Audit Services

3 April 2013
SYDNEY

# Appendix

## PUBLIC INTEREST DISCLOSURE POLICY

This Public Interest Disclosure Annual Report was prepared under section 31 of the Public Interest Disclosures Act 1994 (NSW).

INSEARCH Ltd has a Public Interest Disclosure Policy (PID Policy) in place. The current policy came into effect on 28 November 2012.

INSEARCH Ltd ensures its staff members are aware of the contents of the PID Policy. It disseminated the PID Policy to all INSEARCH Ltd staff on 4 March 2013.

INSEARCH Ltd ensures that its staff members continue to be aware of the contents of the PID Policy by:

- including the PID Policy in the new staff induction pack; and
- addressing the PID Policy in the Privacy Essentials training available to INSEARCH Ltd staff through UTS

| INFORMATION REQUIRED UNDER THE PUBLIC INTEREST DISCLOSURES | JANUARY 2012 – DECEMBER 2012 |
|---|---|
| Number of public officials who made PIDs to INSEARCH Ltd | 1 |
| Number of PIDs received in total | 2 |
| Of PIDs received, number primarily about: | |
| Corrupt conduct | 1 |
| Maladministration | 1 |
| Serious and substantial waste of public money or local government money (as appropriate) | 0 |
| Government information contraventions | 0 |
| Local government pecuniary interest contraventions | 0 |
| Number of PIDs finalised by INSEARCH Ltd | 2 |

# Contacts

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INSEARCH CRICOS provider code: 00859D I UTS CRICOS provider code: 00099F 1168_0313

INSEARCH Limited is a controlled entity of and pathway provider to the University of Technology, Sydney (UTS).