

# **INSEARCH (Shanghai) Limited**

Jing AN 310000400256739

## **Financial statements for the year ended 31 December 2014**

**INSEARCH (Shanghai) Limited** Jing An 310000400256739  
**Financial statements - 31 December 2014**

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**Financial statements - 31 December 2014**

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This financial statements cover INSEARCH (Shanghai) Limited as an individual entity. The financial statements are presented in the Australian currency.

INSEARCH (Shanghai) Limited is a foreign enterprise limited by shares, incorporated and domiciled in People's Republic of China. Its registered office and principal place of business is:

INSEARCH (Shanghai) Limited  
Suite 3107, United Plaza  
1468 Nanjing Road West, Jing'an District  
Shanghai, China.

**INSEARCH (Shanghai) Limited**  
**Statement of comprehensive income**  
**For the year ended 31 December 2014**

	Notes	2014 \$	2013 \$
<b>Revenue from continuing operations</b>	3	<b>745,164</b>	602,837
Other income	4	<b>22,453</b>	16,322
Employee benefits expense		<b>(217,746)</b>	(156,111)
Travel expenses		<b>(122,146)</b>	(86,730)
Rental expenses		<b>(152,564)</b>	(130,098)
Communications		<b>(24,651)</b>	(29,292)
Printing & Stationery		<b>(6,126)</b>	(6,188)
Depreciation expense	5	<b>(25,004)</b>	(33,487)
Other expenses	5	<b>(252,743)</b>	(144,462)
<b>(Deficit)/surplus before income tax</b>		<b>(33,363)</b>	32,791
Income tax expense	6	<b>(125)</b>	(1,579)
<b>(Deficit)/surplus for the year</b>		<b>(33,488)</b>	31,212
<b>Other comprehensive income</b>			
Currency translation differences arising during the year	13	<b>55,330</b>	33,454
<b>Other comprehensive income for the year, net of tax</b>		<b>55,330</b>	33,454
<b>Total comprehensive income for the year</b>		<b>21,842</b>	64,666

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

**INSEARCH (Shanghai) Limited**  
**Statement of financial position**  
**As at 31 December 2014**

	Notes	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	299,510	269,616
Trade and other receivables	8	4,927	4,596
<b>Total current assets</b>		<u>304,437</u>	<u>274,212</u>
<b>Non-current assets</b>			
Other assets	10	41,945	37,090
Property, plant and equipment	9	21,260	39,777
<b>Total non-current assets</b>		<u>63,205</u>	<u>76,867</u>
<b>Total assets</b>		<u>367,642</u>	<u>351,079</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	48,751	54,030
<b>Total current liabilities</b>		<u>48,751</u>	<u>54,030</u>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>		<u>-</u>	<u>-</u>
<b>Total liabilities</b>		<u>48,751</u>	<u>54,030</u>
<b>Net assets</b>		<u>318,891</u>	<u>297,049</u>
<b>EQUITY</b>			
Contributed equity	12	941,737	941,737
Reserves	13(a)	(323,189)	(378,519)
Accumulated funds	13(b)	(299,657)	(266,169)
<b>Total equity</b>		<u>318,891</u>	<u>297,049</u>

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

**INSEARCH (Shanghai) Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2014**

	Contributed equity \$	Reserves \$	Accumulated funds \$	Total equity \$
<b>Balance at 1 January 2013</b>	941,737	(411,973)	(297,381)	232,383
Surplus/(deficit) for the year	-	-	31,212	31,212
Other comprehensive income	-	33,454	-	33,454
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>33,454</b>	<b>31,212</b>	<b>64,666</b>
<b>Balance at 31 December 2013</b>	<b>941,737</b>	<b>(378,519)</b>	<b>(266,169)</b>	<b>297,049</b>
<b>Balance at 1 January 2014</b>	941,737	(378,519)	(266,169)	297,049
Surplus/(deficit) for the year	-	-	(33,488)	(33,488)
Other comprehensive income	-	55,330	-	55,330
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>55,330</b>	<b>(33,488)</b>	<b>21,842</b>
<b>Balance at 31 December 2014</b>	<b>941,737</b>	<b>(323,189)</b>	<b>(299,657)</b>	<b>318,891</b>

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

**INSEARCH (Shanghai) Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2014**

	2014	2013
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	760,552	671,534
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(781,255)</u>	<u>(664,438)</u>
	(20,703)	7,096
Interest received	1,879	1,696
Income taxes	<u>(125)</u>	<u>(1,579)</u>
<b>Net cash (outflow) inflow from operating activities</b>	21 <u>(18,949)</u>	7,213
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	9 <u>(4,724)</u>	-
<b>Net cash (outflow) inflow from investing activities</b>	<u>(4,724)</u>	-
<b>Net cash inflow from financing activities</b>		
	<u>-</u>	<u>-</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		
	(23,673)	7,213
Cash and cash equivalents at the beginning of the year	269,616	238,159
Effects of exchange rate changes on cash and cash equivalents	53,567	24,244
<b>Cash and cash equivalents at end of year</b>	7 <u>299,510</u>	<u>269,616</u>

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

## **1 Company profile**

INSEARCH (Shanghai) Limited was formed in the Peoples Republic of China in 2001 and is the wholly owned entity of INSEARCH Limited, which is incorporated and domiciled in Australia.

The company provides consulting, marketing support and other services to INSEARCH Limited

## **2 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, interpretations, other authoritative pronouncements of the Australian Accounting Standards Board [AASB] and the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*. Where there are inconsistencies between the above requirements, the legislative provisions have prevailed. INSEARCH (Shanghai) Limited is a not for profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the directors on 18 March 2015.

#### *(i) Statement of Compliance*

The company'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 & Audit Act 1983* and *Public Finance and Audit Regulation 2010* have been used to prepare the company's financial statements.

#### *(ii) Historical cost convention*

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

#### *(iii) Critical accounting estimates*

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates.

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) Foreign currency translation**

#### *(i) Functional and presentation currency*

Items included in the financial statements of the company 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 (Shanghai) Limited's presentation currency, however its functional currency is Chinese Yuan. The average of opening and closing year-end exchanges rates were used for this presentation purposes.



## **2 Summary of significant accounting policies (continued)**

### **(b) Foreign currency translation (continued)**

#### *(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 statement of comprehensive income, except when they are deferred in equity as part of the net investment in a foreign operation.

### **(c) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

#### *(i) Other fees and charges*

Fees are recognised as revenue when services are provided.

#### *(ii) Other income*

Other income includes sale of non-current assets, foreign exchange gain or loss and net gain or loss on disposal of non-current assets. Sale of non-current assets are recognised on an accrual basis.

### **(d) Expense recognition**

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

### **(e) Income tax**

The income tax rate of the entity in 2014 ratified by the taxation administration in the People's Republic of China is 10% (2013: 20%), net of local government economic incentive tax exemption of 15% (2013: 5%).

Business income tax payable for the 2014 and 2013 financial year shall be subject to the liquidation amount of responsible tax administrations.

### **(f) 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.

### **(g) Impairment of assets**

All material assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable and at each reporting date.

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 they are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets [cash generating units]. Non financial assets other than goodwill [if any] that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Assets have been identified within the company as being impaired.

### **(h) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash at bank and fixed term deposits with financial institutions.

Cash at bank is interest bearing with an interest rate of 0.35% (2013: 0.35%)

## **2 Summary of significant accounting policies (continued)**

### **(i) Trade and other receivables**

Trade 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 collectability 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. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company 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 trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

### **(j) Property, plant and equipment**

#### *(i) Acquisitions*

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

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

#### *(ii) Depreciation*

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over its expected useful life. The estimated useful lives, residual values and depreciation method of assets are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. The expected useful lives of all asset groups are 5 years.

#### *(iii) Disposal*

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

### **(k) Leases**

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

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

## **2 Summary of significant accounting policies (continued)**

### **(l) Trade and other payables**

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

### **(m) Provisions**

The provisions of the company are recognised when the company 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 reporting date.

### **(n) 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) Social Insurance*

This amount represents social insurance provided for in compliance with Chinese *Labour Contract Law 2007*.

#### *(iii) Housing Superannuation*

Housing superannuation is provided for in compliance with Chinese *Labour Contract Law 2007*.

### **(o) Financial instruments**

Financial instruments generate financial assets or liabilities for INSEARCH (Shanghai) Limited. These include cash and cash equivalents, receivables, payables and other financial assets and liabilities. Note 20 discloses the risks and management of those risks of the financial instruments.

### **(p) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods and have not yet been applied in the financial statements. The company's assessment of the impact of these new standards and interpretations is set out below.

#### *(i) AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 Financial Instruments (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2018)*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. When adopted, the standard will affect in particular the company 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. In the current reporting period, the company had no such gains in other comprehensive income.

## **2 Summary of significant accounting policies (continued)**

### **(p) New accounting standards and interpretations (continued)**

- (i) *AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 Financial Instruments (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2018)*  
(continued)

There will be no impact on the company'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 company has not yet decided when to adopt AASB 9.

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

### **(q) Comparative information**

Comparative information 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.

### 3 Revenue

	2014 \$	2013 \$
<b>From continuing operations</b>		
Other fees and charges	<u>743,285</u>	<u>601,141</u>
	<b>743,285</b>	<b>601,141</b>
Interest income	<u>1,879</u>	<u>1,696</u>
	<b>1,879</b>	<b>1,696</b>
	<u><b>745,164</b></u>	<u><b>602,837</b></u>

### 4 Other income

	2014 \$	2013 \$
Net foreign exchange gain	<u>22,453</u>	<u>16,322</u>

### 5 Expenses

	2014 \$	2013 \$
<b>Surplus before income tax includes the following specific expenses:</b>		
<i>Other expenses</i>		
Promotion	57,969	726
Staff wellbeing	144,678	106,478
Accounting & audit fees	2,286	2,020
Insurance	14,286	12,564
Service & business tax	25,576	18,944
Others	7,948	3,730
Total other expenses	<u>252,743</u>	<u>144,462</u>
<i>Depreciation</i>		
Fixtures and fittings	17,757	27,151
Plant and equipment	1,238	1,026
Computer equipment	6,009	5,310
Total depreciation	<u>25,004</u>	<u>33,487</u>

## 6 Income tax expense

### (a) Income tax expense

	2014 \$	2013 \$
Current tax	<u>125</u>	<u>1,579</u>

### (b) Reconciliation of income tax expense to prima facie tax payable

	2014 \$	2013 \$
Surplus from continuing operations before income tax expense	<u>(33,363)</u>	32,791
Tax at the PRC tax rate of 10% (2013: 20%)	<u>(3,336)</u>	6,558
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	<u>3,461</u>	<u>(4,979)</u>
Income tax expense	<u>125</u>	<u>1,579</u>

## 7 Current assets - Cash and cash equivalents

	2014 \$	2013 \$
Cash at bank and on hand	<u>299,510</u>	<u>269,616</u>

## 8 Current assets - Trade and other receivables

	2014 \$	2013 \$
Prepayments	<u>4,927</u>	<u>4,596</u>

**9 Non-current assets - Property, plant and equipment**

	<b>Plant and equipment \$</b>	<b>Total \$</b>
<b>At 1 January 2013</b>		
Cost	123,024	123,024
Accumulated depreciation	(58,970)	(58,970)
Net book amount	64,054	64,054
<b>Year ended 31 December 2013</b>		
Opening net book amount	64,054	64,054
Exchange differences	9,210	9,210
Depreciation charge	(33,487)	(33,487)
Closing net book amount	39,777	39,777
<b>At 31 December 2013</b>		
Cost	146,972	146,972
Accumulated depreciation	(107,195)	(107,195)
Net book amount	39,777	39,777
<b>Year ended 31 December 2014</b>		
Opening net book amount	39,777	39,777
Exchange differences	1,763	1,763
Additions	4,724	4,724
Depreciation charge	(25,004)	(25,004)
Closing net book amount	21,260	21,260
<b>At 31 December 2014</b>		
Cost	161,197	161,197
Accumulated depreciation	(139,937)	(139,937)
Net book amount	21,260	21,260

**10 Non-current assets - Other assets**

	<b>2014 \$</b>	<b>2013 \$</b>
Security and accommodation deposits	41,945	37,090

**11 Current liabilities - Trade and other payables**

	2014	2013
	\$	\$
Related party payables	40,684	46,122
Other payables	8,067	7,908
	48,751	54,030

**12 Contributed equity**

**Share capital**

	2014	2013
	\$	\$
Fully paid	941,737	941,737

**13 Reserves and accumulated funds**

**(a) Reserves**

	2014	2013
	\$	\$
Foreign currency translation reserve	(323,189)	(378,519)

**Movements:**

*Foreign currency translation reserve*

Balance 1 January	(378,519)	(411,973)
Currency translation differences arising during the financial year	55,330	33,454
Balance 31 December	(323,189)	(378,519)

**(b) Accumulated funds**

Movements in retained earnings were as follows:

	2014	2013
	\$	\$
Balance 1 January	(266,169)	(297,381)
Net (deficit)/surplus for the year	(33,488)	31,212
Balance 31 December	(299,657)	(266,169)



## 14 Key management personnel disclosures

### (a) Directors

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

A Murphy  
J Gruetzner  
W Purcell  
N Patrick  
P Harris

Remuneration of key management personnel was borne by the ultimate parent entity.

## 15 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the entity:

### (a) Shanghai Tian Cheng Certified Public Accountants Co. Ltd.

	2014 \$	2013 \$
<i>Audit and other assurance services</i>		
Audit and review of financial reports	2,286	2,020
Total remuneration for audit and other services	<u>2,286</u>	<u>2,020</u>

The fee paid to the Audit Office of NSW for the audit of the financial statements for the year ended 31 December 2014 and 2013 was borne by the ultimate parent entity.

## 16 Contingencies

The company had no contingent assets or liabilities at 31 December 2014 (2013: nil).

## 17 Commitments

### (a) Lease commitments

#### (i) Non-cancellable operating leases

	2014 \$	2013 \$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	157,556	80,942
Later than one year but not later than five years	<u>244,212</u>	<u>-</u>
	<u>401,768</u>	<u>80,942</u>

**18 Related party transactions**

**(a) Parent entities**

INSEARCH (Shanghai) Limited is a controlled entity of INSEARCH Limited which is incorporated and domiciled in Australia.

**(b) Transactions with related parties**

INSEARCH (Shanghai) Limited entered into the following transactions with INSEARCH Limited:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Consulting service income	<b>743,285</b>	601,141

**(c) Outstanding balances from related parties**

The following balances are outstanding at the end of the reporting date in relation to transactions with related parties:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Payables to INSEARCH Limited	<b>40,684</b>	46,122

**19 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 or economic entity in subsequent financial years.

**20 Financial instruments**

INSEARCH (Shanghai) 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 (Shanghai) Limited does not enter into or trade in financial instruments.

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

INSEARCH (Shanghai) Limited's Board has overall responsibility for the establishment and oversight of risk management. Risk management policies are established to identify and analyse the risk limits and controls, and to monitor risks.

## 20 Financial instruments (continued)

INSEARCH (Shanghai) Limited Principal Financial Instruments:

	2014	2013
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	299,510	269,616
Other assets - non-current	41,945	37,090
	<b>341,455</b>	<b>306,706</b>
<b>Financial liabilities</b>		
Trade and other payables	48,751	54,030
	<b>48,751</b>	<b>54,030</b>

The fair value of the above financial instruments is equal to their carrying value.

### (a) 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.

Cash and cash equivalents comprise of cash on hand and bank balances. The cash at bank is bearing interest rates of 0.35% (2013: 0.35%)

### (b) Liquidity risk

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

INSEARCH (Shanghai) 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 entity through the preparation and review of monthly cash flow statements 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

All of the entity's financial liabilities are non interest bearing and are due and payable within 12 months.

### (c) Market risk

The primary area of market risk that INSEARCH (Shanghai) Limited is exposed to is foreign exchange risk.

#### (i) Foreign exchange risk

INSEARCH (Shanghai) Limited operates in the PRC and is affected by movements in exchange rates. The impact of these movements can affect both the operating surplus expressed in Australian dollars, and the carrying values of the operations on the statement of financial position of the entity.

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

**20 Financial instruments (continued)**

**(c) Market risk (continued)**

*(ii) Interest rate risk*

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

**21 Reconciliation of surplus after income tax to net cash inflow from operating activities**

	2014	2013
	\$	\$
Surplus for the year	(33,488)	31,212
Depreciation	25,004	33,487
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(5,186)	(6,792)
(Decrease) in trade and other payables	(5,279)	(50,694)
Net cash inflow from operating activities	(18,949)	7,213

**END OF AUDITED FINANCIAL STATEMENTS**

**INSEARCH (Shanghai) Limited**  
**Directors' declaration**  
**31 December 2014**

In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 18 are in accordance with the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*, including:
  - (i) complying with Accounting Standards, the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the entity's financial position as at 31 December 2014 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



A Murphy  
Director

Sydney  
18 March 2015



## INDEPENDENT AUDITOR'S REPORT

### Insearch (Shanghai) Limited

To Members of the New South Wales Parliament and Members of Insearch (Shanghai) Limited

I have audited the accompanying financial statements of Insearch (Shanghai) Limited (the Company), which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and 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.

### Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (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 preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards, the PF&A Act 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 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 about 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 an 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.

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
- that it carried out its activities effectively, efficiently and economically
- about the effectiveness of the 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 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.



Caroline Karakatsanis  
Director, Financial Audit Services

15 April 2015  
SYDNEY