

Annual Report 2018

Insearch Limited | insearch.edu.au



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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

Emeritus Vice-Chancellor R D Milbourne AO
Professor A Brungs
Ms J N Anderson
Mr P Bennett
Ms A M Dwyer
Professor P C Earley
Mr G A Freeland
Mr A Murphy
Mr I Watt

Directors

Emeritus Vice-Chancellor R D Milbourne AO
Ms J N Anderson
Mr P Bennett
Ms A M Dwyer
Professor P C Earley
Mr G A Freeland
Mr A Murphy
Mr I Watt

Chair's Letter



In 2018, Insearch sent a higher number of quality students on to further study at the University of Technology Sydney (UTS) than in 2017 and, in partnership with the UTS International Office, we made good progress with our diversification strategy.

Our donation to UTS was \$17M, comprising of \$7M plus the second of three annual payments of \$10M to support the development of the new UTS Building 2.

Our overall results were nevertheless below expectation as we dealt with a slowing in demand for overseas education opportunities from Australia's key international student market, China. This signalled a need to continue with our diversification strategy, while protecting our position in China.

On average, Insearch students continue to perform at the University at least as well as direct entry students. In recent years, Insearch has focused on further improving the student experience, including through ongoing development of our teaching methodologies and investment in the latest technology and classroom configurations. This ensures that our students are as well prepared as possible for the transition to university studies and for their longer-term life and career goals.

We have continued to invest in our campus with our newest building at 609 Harris St opening for teaching in 2019, featuring flexible classroom spaces, collaboration tools and student breakout areas that will enable our students to get the very best out of their studies. It will also allow our teachers to continue to embrace new teaching and learning methodologies and tools under the framework of the Insearch Model of Learning and Teaching, which aligns with the UTS learning futures methodology.

Due to the sale of our current main campus building in Haymarket, Insearch will be relocating to another building nearby in 2021. This will be the largest project we have ever undertaken and will be an opportunity to reimagine how our staff work together as well as providing even more scope to explore new teaching technologies, classroom layouts and non-teaching student facilities. It will be an exciting and busy time for our entire organisation over the coming two to three years.

During this project, and in all our other major areas of focus, we will continue to work closely with our colleagues at UTS, as we move towards even greater collaboration and alignment of our strategic goals and activities, following the launch of the UTS 2027 strategy in late 2018.

In the middle of the year, the Board said farewell to Professor Mary Spongberg, then Dean of the UTS Faculty of Arts and Social Sciences, after a four-year term as a Director; and Mr John Chalmers, Director of the UTS Marketing and Communications Unit, who had been a Director of the Board since January 2018. Many thanks to Mary and John for their contributions to the activities and discussions of the Board as well as their collaboration with Insearch through their UTS roles. In their place, we welcomed new Board Directors, Professor Chris Earley, Dean of the UTS Business School and Mr Iain Watt, the new UTS Deputy Vice-Chancellor (International).

Thank you to everyone on the Board and its committees, the management and staff of Insearch, and our friends and colleagues across UTS for another year of hard work and wonderful collaboration. We now look forward to working together on the many exciting projects and activities rolling out in 2019.

A handwritten signature in black ink that reads "Ross Milbourne". The signature is written in a cursive, flowing style.

Emeritus Vice-Chancellor Ross Milbourne AO
Insearch Limited

Managing Director's Review



Within the context of slowing growth from China and the domestic market, I am proud of the many achievements of the senior leadership team and staff of Insearch in 2018, which place us in good stead for sustainable growth.

We achieved high growth in numbers of new students from India, Vietnam and several other markets and we delivered a range of important projects and system improvements designed to enhance the experience of our students, the way we work and our alignment with the goals and activities of UTS.

This included the design and fitout of our new building at 609 Harris St, opening in 2019; a suite of ICT systems and tools aiming to make our work more seamless, efficient and collaborative as well as enabling our people to work anywhere in the world; rollout of leadership capabilities across the organisation; and a host of joint activities with UTS such as alumni events, roadshows, working groups and promotional campaigns.

Following the success of the initial three-year program of English language scholarships for Former North Korean college students, we signed a new Memorandum of Understanding with the South Korean Ministry of Unification and the Department of Foreign Affairs and Trade in November 2018 to extend the program through to 2021, including an increase in the number of students per year from five to seven in the second and third years.

Our focus in 2019 will continue to be on diversifying our student population, expanding our transnational delivery of programs, improving learning and the student experience, and investing in people and infrastructure.

We will work closely with our colleagues at UTS on each of these goals, supported by the development of joint plans and strategies.

A large body of work undertaken in 2018 to implement a new learning management system will be completed early in 2019, providing new opportunities to utilise innovative and collaborative teaching methodologies in our classrooms. We are also redeveloping our English Curriculum, for launch early in 2020, and working closely with our academic colleagues at UTS on a joint approach to enhancing English language proficiency levels within the University.

The groundwork was established for the official launch of a new academic partnership in Sri Lanka around mid-2019, the first time Insearch will have a branded presence in-country.

A major project from 2019 will be the transition to our new main campus in 2021, which intersects with people and culture, learning and teaching, and technology.

Supporting both this office relocation and our overall business goals is the launch of our new People Strategy, which aims to strengthen our organisational capability; develop smart, connected ways of working; and foster effective collaboration among staff and with UTS and our global partners.

Thank you to our UTS colleagues, our Board and its committees, our valued partners and our staff around the world for their efforts throughout 2018. I look forward to working closely with all of you as we enter an exciting phase for Insearch in 2019 and beyond.

A handwritten signature in black ink, appearing to read 'Alex Murphy', with a stylized flourish at the end.

Alex Murphy
Insearch Limited

About UTS Insearch

A proud history

For over 30 years Insearch has successfully built an internationally recognised brand associated with premium higher education pathways for students. Backed by a reputation for achieving quality outcomes for students, a strong collaboration with UTS, and building strong relationships with international partners, we have a history of success in a growing and increasingly competitive global education sector.

Our core strengths are our people, our learning and teaching methodologies, our brand and our reputation for quality, all of which support the student experience.

Students at UTS Insearch

Around 5,000 students from 75 different countries study at UTS Insearch in Sydney each year with the largest cohorts from China, the Sub-Continent, Indonesia, Vietnam and Australia. We have around 3,000 new academic enrolments and more than 2,000 new English language enrolments each year.

Courses and Programs

Our role is to help students get into their preferred degree program at UTS, so we offer international and Australian students a broad range of English and academic programs to support their journey to UTS.

Academic English

UTS Insearch is one of the top English language providers in Australia, with more than 25 years' experience in delivering quality English language programs to international students.

We offer a range of English programs to suit all levels including General English, Academic English and English for Academic Research. Our English programs prepare students for tertiary study by developing their reading, writing, listening and speaking skills to the prescribed IELTS (International English Language Testing System) levels required.

UTS Foundation Studies

UTS Foundation Studies has been designed to meet the needs of international students who have successfully completed the equivalent of year 11 in the Australian school system and, therefore, require additional tuition to obtain entry to an Australian University. The program enables students to develop a broad knowledge and skill set and is a direct pathway to a UTS undergraduate degree program or Insearch diploma.

Diploma programs

Insearch diplomas are recommended for students who have not attained the academic entry requirements required to go directly into a UTS undergraduate program. Students who successfully complete an Insearch diploma and achieve the required GPA are guaranteed entry into a UTS degree and, in most cases, receive a full year of credit for their program.

We currently offer diplomas in Business, Communication, Design and Architecture, Information Technology, Science and Engineering.

Global Offices

Our presence internationally has grown over recent years and we now have offices located in:

- Sydney, Australia (Head Office)
- Shanghai, China
- Beijing, China
- New Delhi, India
- Ho Chi Minh City, Vietnam

Offshore partnerships

To offer more students access to our high quality English and academic courses we have formed partnerships with a select group of international education providers to deliver our programs in-country. Each year over 6,000 students study English and/or diplomas at one of our partner colleges.

These partnerships help us to deepen our engagement with countries in the region.

Insearch English courses are delivered in the following countries:

China

- Sydney Institute of Language and Commerce (SILC) in association with the University of Technology Sydney (UTS) and Shanghai University
- EIC Academy, part of Education International Cooperation (EIC) Group

Vietnam

- The Australian Centre for Education and Training (ACET) in partnership with IDP, Ho Chi Minh City and Hanoi

Indonesia

- UTS Insearch Gramedia (UG) in partnership with Kompas Gramedia

South Korea

- IEN Institute, part of International Education Network Inc. (IEN)

Myanmar

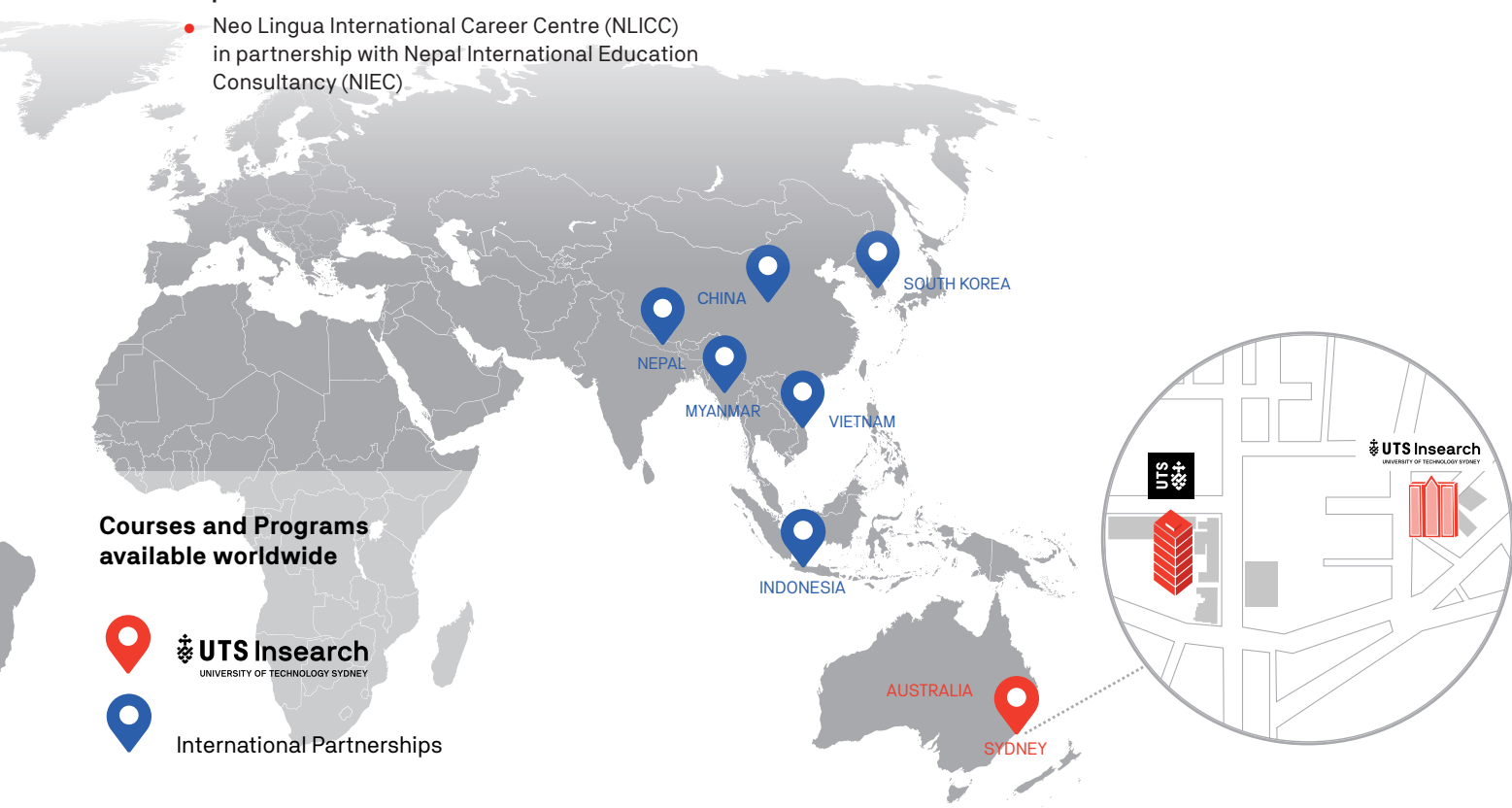
- AEC English Centre in partnership with Australian Visa and Student Services (AVSS)

Nepal

- Neo Lingua International Career Centre (NLICC) in partnership with Nepal International Education Consultancy (NIEC)

Insearch Diploma programs are offered in:

- **Shanghai** through Sydney Institute of Language and Commerce (SILC) – Diploma of Business
- **Jakarta** through UniSadhuGuna International College (UIC) in partnership with UniSadhuGuna International Education (UIE) – Diploma of Business and Diploma of Engineering
- **Seoul** through IEN Institute, part of International Education Network Inc. (IEN) – Diploma of Business and Diploma of Information Technology



Courses and Programs available worldwide




UTS Insearch at a glance

UTS GLOBAL RANKINGS




1 in Australia*
#10 in the World*
Top 200 in the World**

More than
2,700



new students to UTS in 2018

UTS Insearch student performance at UTS




85%


overall subject pass rate***

More than
30,000

alumni around the world



600
STAFF



in 4 countries

80%



student satisfaction rate****

30+
years



of quality teaching

6,000+
OFFSHORE



student enrolments

AROUND
5,000
STUDENTS




from 75 countries studying
in Sydney each year

18,200 sqm



campus footprint
next door to UTS

* for universities under 50 years of age in the QS World University Rankings® Top 50 under 50, 2019
** universities in the QS World University Rankings® 2019
*** 2017 data (latest available): domestic students 82.6%, international students 85.3%
**** QILT Student Experience Survey 2018



“Knowing how proud my parents are of my achievement is the greatest feeling! I've since invested my prize into a life long dream of mine – to become a Lab Scientist and work in medical research.”

Amshuma Rayamajhi

From Gulmi, Nepal

Diploma of Science student

UTS Insearch Outstanding Graduate Prize winner

UTS Insearch to UTS Pathways Scholarship recipient

UTS Galuwa experience



Galuwa means 'to climb' in Gadigal language and informs the intention behind what UTS wants Aboriginal and Torres Strait Islander high school students to do at UTS.

The Galuwa Experience program has been created to offer young Indigenous high school students the opportunity to engage in UTS Faculty-specific, interactive workshops that will help them to discover what university study at UTS is all about. Workshops include hands-on interactive activities, site visits with industry partners, cultural activities, team-building activities and information about career paths and choices.

In 2018, Insearch hosted two different Galuwa experiences: a Faculty-specific session for Engineering and IT students and another for a group of students from the Northern Territory.

UTS Galuwa FEIT Visit

In July 2018, 30 Aboriginal and Torres Strait Islander high school students visited Insearch as part of the week-long UTS Galuwa Engineering and IT Experience. The students enjoyed a workshop, led by the Insearch Program Manager, Engineering and IT

that introduced the students to our Engineering and IT Diplomas and potential careers in each industry.

One student from this program is commencing a Diploma of Engineering with Insearch in 2019.

UTS Galuwa Northern Territories

In November 2018, the Insearch Dean of Studies, Education Program Managers, and Head of Learning Support had an exciting opportunity to work with the students and teachers from the Galuwa program to encourage Indigenous high school students from the Northern Territory to consider UTS as an appealing higher education destination.

An introduction to Insearch was followed by various interactive activities including a Yarning Circle, Banana Math and a creative and collaborative drawing endeavour, which all demonstrated the supportive and fun learning activities that are a hallmark of the Insearch approach to learning and teaching. Feedback from the group indicates that the students really enjoyed their time at Insearch, as did the Education team who worked with them at the session.

Four students from this program are commencing studies at UTS in 2019.



Humanitarian scholarship program

The UTS Humanitarian Scholarship was established to support undergraduate study for students holding Asylum Seeker Bridging Visas or Temporary Protection Visas as a result of their arrival in Australia as asylum seekers.

UTS provides scholarships in each of the eight UTS Faculties to asylum seekers unable to access Commonwealth Supported Places or loan schemes.

In partnership with UTS, Insearch offers a full scholarship (including additional funding for study resources) to support students in this cohort who have not met the UTS ATAR admission requirement.

In 2018, 16 students - from birth countries Uganda, Iran, Myanmar, Afghanistan, Nigeria, Iraq and Kenya, with some currently stateless - were granted Humanitarian scholarships at Insearch.

Ten of the 16 students completed their Insearch diploma and UTS Foundation Studies courses in semester three 2018. They achieved excellent results ranging from credit to high distinction.

An alumnus of the Insearch Humanitarian Scholarship, currently studying at UTS, is involved in the Insearch peer mentoring program and student-to-student experience program, which assist students with the transition to UTS.

We hope to engage more Insearch Humanitarian Scholarship student alumni to our Education peer programs and engagement programs to assist future students in this cohort.



Delivering a new, personalised, global face

“You now look like part of the UTS family.”

George Zhang,
UTS Insearch alumni and
former student ambassador

In a rapidly changing digital landscape, education providers' websites are a strategic and essential part of their global footprint to share information about their organisation and programs with current and potential students, channel partners, prospective staff and other stakeholders.

In August 2018, UTS Insearch completed the second phase of an 18-month, \$850,000 website redevelopment, redesign and optimisation project to replace and future-proof our web presence, align with the UTS rebranding program and improve the user experience.

A major cultural change for the project was to drive collaboration across the organisation to review, develop and manage new content, moving from a single-owner model to a hybrid management model. It involved decentralising responsibilities for the website across a range of departments and embedding a structured, accountable governance model.

The technology changes were significant, with the site designed specifically for mobile users (the majority of its young target audience) and a new Content Management System deployed to allow for a powerful, personalised unique web experience for the different markets. The application of UTS Insearch's new Project Lifecycle Methodology also contributed to the project being delivered \$390,000 under its original budget.



“A considerable part of the website project involved considering how we did our work and how it can be improved. The new hybrid management model allowed the relevant Marketing and ICT teams to focus on improving things such as Google search rankings and bringing further technological improvements to the platform.”

Jonathan Puno,
UTS Insearch Senior Web Support Analyst

The project reduced 400 old webpages to just 122 at time of launch and reduced 200 PDF attachments on the site to 150. The time users spend on the site has increased by 66% and it has become a highly useful tool for prospective students and channel partners. Mobile use has also grown by more than 240% with desktop access up by 26%.

The scale and speed of the project were critical to ensuring new, optimised online material was fully available during peak student recruitment times. The new UTS brand and tone of voice are consistently reflected throughout.

Enhancements to optimisation, personalisation of content and searchability has continued through several additional updates, with the website dynamically changing to reflect country-relevant material in Chinese/Mandarin, Vietnamese, Bahasa, Spanish, Portuguese or Korean, depending on the viewer's location.

“Loving the new web designs – less corporate. It's also much easier to navigate.”

Brett Hausfeld,
UTS Insearch alumni and
former student ambassador



The Insearch Limited Board.
Professor Chris Earley
not pictured.

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 (Cth)*.

Directors

The names of Directors in office during the year and at the date of this report (refer to Note 20) are:

| | Date of Appointment |
|--|---------------------|
| Emeritus Vice-Chancellor R D Milbourne AO | 1 March 2016 |
| Ms J N Anderson | 28 November 2017 |
| Mr P Bennett | 25 May 2011 |
| Mr J P Chalmers <i>(Retired 16 July 2018)</i> | 13 January 2018 |
| Ms A M Dwyer | 2 March 2015 |
| Prof P C Earley | 1 July 2018 |
| Mr G A Freeland | 28 March 2017 |
| Mr A Murphy | 3 September 2007 |
| Prof W R Purcell <i>(Retired 12 January 2018)</i> | 21 May 2009 |
| Prof M Spongberg <i>(Retired 30 June 2018)</i> | 1 July 2014 |
| Mr I Watt | 17 July 2018 |

Company Secretary

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

Mr N L Patrick
(appointed 21 October 2010)

Principal activities

The activities of the company during the financial year ended 31 December 2018 were the provision of English language, foundation and academic courses that are designed as pathways to university studies.

Review and results of operations

In addition to the Chair's Letter on page 2, Insearch Limited also reported a surplus of \$10.9m, before the payment of a donation to the University of Technology Sydney of \$17.2m.

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' Report (continued)

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 in Note 20 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 \$9,558 (2017: \$6,718) per sections 300 (1)(g), 300(8) and 300(9) of the *Corporations Act 2001 (Cth)*.

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

Emeritus Vice-Chancellor Ross Milbourne AO,
BCom, MCom (UNSW), PhD (Calif), FASSA, FAICD
Non-Executive Director
Chair of the Board

Emeritus Vice-Chancellor Milbourne became Chair of the Insearch Limited Board on 1 March 2016.

He was appointed Vice-Chancellor of the University of Technology Sydney (UTS) in 2002. During 12 years in the role, he led a major development of the University's physical campus and infrastructure, and the advancement of its national and international profile and reputation.

This followed a number of leadership roles in Australian universities since 1997: Deputy Vice-Chancellor (Research), University of Adelaide (1997-2000); Pro Vice-Chancellor (Research), University of New South Wales (2000-2001); Deputy Vice-Chancellor (Academic), University of Technology Sydney (2001-2002).

Other previous notable appointments include Reserve Bank of Australia Senior Fellow in Economic Policy, Visiting Professor to the London School of Economics, Board member of Universities Australia, member and Chair of the Australian Research Council (ARC) Social Sciences Panel and Research Grants Committee, and Fellow of the Academy of Social Sciences in Australia (FASSA).

Emeritus Vice-Chancellor Milbourne is internationally recognised as an economist and researcher. He has been appointed by the Australian Government to major policy-oriented committees and reviews. He received the Centenary Medal in 2001 for service to Australian society through economics and university administration. In 2015, he was made an Officer of the Order of Australia (AO) for his distinguished service to higher education.

Emeritus Vice-Chancellor Milbourne holds a Master of Commerce from the University of New South Wales. He completed his PhD at the University of California, Berkeley, under the supervision of Nobel laureate George Akerlof. He is a Fellow of the Australian Institute of Company Directors.

Ms Nell Anderson,

BSc (Hons), GradDipAdmin, GAICD

Non-Executive Director

Chair of the Remuneration and Nominations Committee
- from January 2018

Ms Anderson has over 30 years of executive experience in strategy, marketing, sales and business development in the pharmaceuticals and tourism sectors. She spent a significant part of that time working in the Asia Pacific region.

Ms Anderson is currently Chair of Ascham School and a non-executive director with Campbell Page and MedicAlert Foundation.

Ms Anderson holds an Honours (Class I) Degree in Science from the University of Sydney, a Graduate Diploma in Administration from UTS and is a Graduate Member of the Australian Institute of Company Directors.

Mr Peter Bennett,

BEC, DipEd (Monash), MBA (Melb), FCPA, GAICD, SA Fin

Non-Executive Director

Member of the Audit and Risk Committee

Member of the Remuneration and Nominations Committee

Mr Bennett has 30 years' experience in accounting and finance including holding senior executive positions in the finance industry and the consumer goods industry in the Asia Pacific region.

He is also a member of the UTS Council and a Board member of Campbell Page.

Mr Bennett completed a Bachelor of Economics and a Diploma of Education at Monash University, and a Master of Business Administration at the University of Melbourne. He is a fellow of CPA Australia, a Graduate Member of the Australian Institute of Company Directors and Senior Associate of FINSIA.

Ms Anne Dwyer,

BBus (CSU), MAICD

Non-Executive Director

Member of the Audit and Risk Committee

Member of the Remuneration and Nominations Committee

Ms Dwyer has been the Deputy Vice-Chancellor and Vice-President (Corporate Services) at UTS since 2004. She joined UTS in 1999 as Director of the Information Technology Division. Her current responsibilities include Human Resources, Information Technology, Student Administration, Marketing and Communication, Governance Support and Legal Services.

Ms Dwyer held several financial and administrative management roles at Ansett Air Freight before moving into information technology. Prior to joining UTS, she was the Director of IT for Arthur Andersen's Australian and New Zealand operations.

Ms Dwyer completed a Bachelor of Business at Charles Sturt University and is a Member of the Australian Institute of Company Directors.

Directors' Report (continued)

Professor Chris Earley,

Doctor of Philosophy (Psychology)

Non-Executive Director – from July 2018

Professor Chris Earley has over 25 years of teaching and research experience at top business schools around the globe and over 12 years of administrative experience as a dean across three continents. He has been Dean of UTS Business School since November 2017 after serving as the Dean of the Tasmanian School of Business and Economics.

Previously, he was the James Brooke Henderson Chair of Management at Krannert School of Management at Purdue University. Before arriving at Purdue, he was Dean and Auran J. Fox Chair in Business at the University of Connecticut as well as the Dean and Cycle and Carriage Chair at the Business School at the National University of Singapore.

Professor Earley has held chairs at London Business School and the Kelley School of Business at Indiana University. He also held professorships at Sasin Institute of Business Administration in Thailand, Hong Kong University of Science and Technology, the University of Minnesota and the Graduate School of the University of California, Irvine, among others.

Mr Guy Freeland,

BCom, CA, GAICD

Non-Executive Director

Chair of the Audit and Risk Committee

Mr Freeland has held senior executive positions in the construction, information technology, industrial products and non-profit sectors for more than two decades. Working predominantly for large global companies, including a period under private equity ownership, he has extensive experience in finance and business systems, financial control and risk management, and development of strategic and business operational plans. Prior to this, Mr Freeland spent ten years with PwC in its audit and corporate services groups.

Mr Freeland is an Advisory Board member for a privately-owned services company, a non-executive director of Leap NGO and a Finance, Audit and Risk Committee member for Habitat for Humanity.

Mr Freeland holds a Bachelor of Commerce from the University of New South Wales, has been a Chartered Accountant for more than 35 years and is a Graduate Member of the Australian Institute of Company Directors.

Mr Alex Murphy,

BA (Hons), MAICD

Managing Director

Mr Murphy has been with UTS Insearch for close to 30 years, having worked in education and marketing roles, and from late 2007, in the role of Managing Director.

His background is in linguistics, philosophy and Indonesian and Malayan Studies. He has a keen interest in people, intercultural communication, ethics and the role of education in expanding opportunities for individuals and society in general.

During his time with Insearch, he has focussed on working with the fantastic staff to expand and diversify the student population, extend delivery of Insearch courses transnationally through partnerships and invest in improving learning and the student experience, which has led to better outcomes for Insearch students and higher percentages of students articulating from Insearch to UTS.

Sponsorships and scholarship initiatives have also grown; they include humanitarian scholarships, the UTS Indigenous Strategy and the Insearch South East Aboriginal Arts Initiative.

He looks forward to the next phase of development for Insearch, which includes investment in people development, further improvement to the quality and innovation of learning and teaching, transitioning to a new main campus in 2021 and working more closely and innovatively with UTS. The Insearch Diversity and Inclusion program will be further developed and include greater commitment to our engagement with First Australians, which will be underpinned by a Reconciliation Action Plan (RAP).

Mr Murphy is a Director of Insearch Education International Pty Limited and Insearch (Shanghai) Limited.

He has been a member of The Ethics Centre since 1997 and is a Member of the Australian Institute of Company Directors.

Mr Iain Watt,

BSc (ANU)

Non-Executive Director – from July 2018

Mr Watt joined UTS in June 2018 as Deputy Vice-Chancellor and Vice-President (International) and is responsible for envisioning and driving the implementation of UTS's next stage of internationalisation.

Mr Watt is a Director of Insearch (Shanghai) Limited.

Prior to joining UTS, he was Pro Vice-Chancellor, International at the University of Western Australia (UWA), a role he held for five years. Preceding his tenure at UWA, he was Director of International Operations and Student Recruitment at the Australian National University (ANU). Mr Watt has extensive international experience and a record of significant and successful leadership in international education. In five years at the ANU he led international and domestic student recruitment and admissions and was responsible for international strategic alliances and partnerships.

Directors' Report (continued)

Mr Watt also spent eight years with the Australian Embassy in Beijing. While at the Embassy he held positions of Counsellor (Education) for four years and later, Minister-Counsellor (Education). In both positions he was the Australian Government's senior education representative in China. Mr Watt also lived and worked for six years in Taipei and is fluent in Mandarin.

Mr Watt holds a Bachelor of Science degree (in mathematics and statistics) from the ANU and also undertook his postgraduate studies in Chinese language, economy and culture at the ANU.

Mr John Chalmers,

BA

Non-Executive Director – January 2018 to July 2018

Mr Chalmers has been the Director, Marketing and Communications at UTS since September 2016.

He has 20 years of international media, marketing, communications and content experience and is responsible for the strategic direction of the marketing and communications functions at UTS, driving innovative strategy, concepts and content across all platforms and developing the University brand.

Before working for UTS, Mr Chalmers led marketing and communications at media intelligence company, Isentia, which spans 18 offices around the Asia Pacific specialising in media monitoring and analysis, and comprises the globally awarded King Content, Brandtology and Two Social businesses. He was previously a magazine editor and journalist for Men's Health magazine and at the New York Post.

Mr Chalmers attended Adelaide University where he completed a Bachelor of Arts in history and politics.

Professor William (Bill) Purcell, BCom (Hons), Dip Jap St, PhD ***Chair of the Remuneration and Nominations Committee – to January 2018***

Non-Executive Director – to January 2018

Professor Purcell was Deputy Vice-Chancellor and Vice-President (International & Advancement) at UTS until mid-2019. He was previously Deputy Vice-Chancellor (International) at the University of Newcastle.

Professor Purcell has been a Director of Sydney Educational Broadcasting Ltd, UTS Global Ltd, UTS Beijing Ltd, a Trustee of the Mitsui Education Foundation and a Board member of the Art Gallery of New South Wales VisAsia Board and Study Overseas Foundation.

Professor Purcell's other corporate Board positions have included: Chairman and CEO of UON Singapore Pte Ltd, IDP Education Australia Ltd and AHIEA Ltd. Professor Purcell has also served as a consultant and advisor to business and government across Australia and Asia in the area of business internationalisation and joint venturing. Professor Purcell's academic specialisation includes Asian business and management systems, international joint venturing, and subsidiary location decision-making and start-up.

Professor Mary Spongberg,

BA (Hons), PhD, GAICD

Non-Executive Director – to June 2018

Professor Spongberg was Dean of the Faculty of Arts and Social Sciences at UTS until January 2019.

She was previously a Professor of Modern History and Associate Dean of Research in the Faculty of Arts at Macquarie University. Prior to joining Macquarie, Professor Spongberg was a National Health and Medical Research Centre post-doctoral fellow in Women's Studies at the University of Sydney.

Professor Spongberg has taught Australian History, European History and Women's Studies at Macquarie University and the University of Sydney.

Professor Spongberg completed her PhD at the University of Sydney. She is a Graduate Member of the Australian Institute of Company Directors and a Board member of the Australasian Council of Deans of Arts, Social Sciences and Humanities (DASSH).

Information on Company Secretary

Mr Nathan Patrick,

BBus, GradDipACG, FCA, FGIA, FCIS, FAICD

Chief Financial Officer and Company Secretary

Mr Patrick was appointed Chief Financial Officer (CFO) and Company Secretary of Insearch Limited in 2010.

As CFO/Company Secretary he is responsible for UTS Insearch's Finance and Governance activities. The Governance portfolio includes the Program Management Office (PMO), campus planning, risk management, compliance (including liaising with regulators), offshore legal entities, legal and Company Secretariat.

During the previous 30 years, he held senior financial, management and governance positions in the professional services, manufacturing and construction industries in Australia and Asia.

His career includes 15 years in diverse roles in 'Big 4' accounting firms and five years as the Chief Operating Officer of a law firm.

He is on the management committee of the NSW Federation of Community Language Schools. He is also a member of the Audit and Risk Committee of the Australian Orthopaedic Association, and of the Corporate and Legal Issues Committee of The Governance Institute of Australia.

Mr Patrick is a Fellow of the following organisations: Chartered Accountants Australia and New Zealand; The Governance Institute of Australia; The Australian Institute of Company Directors; and, the UK Institute of Chartered Secretaries and Administrators.

Directors' Report (continued)

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 2018, and the numbers of meetings attended by each Director were:

| Director | Insearch Board Meetings (7) | | Audit and Risk Committee Meetings (4) | | Remuneration and Nominations Committee Meetings (3) | | Academic Board Meetings (4) | |
|-------------------|-----------------------------|-----------------|---------------------------------------|-----------------|---|-----------------|-----------------------------|-----------------|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Ross Milbourne AO | 7 | 7 | - | 4 | - | - | - | - |
| Peter Bennett | 7 | 6 | 4 | 3 | 3 | 3 | - | 1 |
| Anne Dwyer | 7 | 7 | 4 | 4 | 3 | 3 | - | - |
| Guy Freeland | 7 | 7 | 4 | 4 | - | - | - | 1 |
| Iain Watt | 3 | 3 | - | 2 | - | - | - | - |
| Alex Murphy | 7 | 7 | - | 4 | - | 2 | - | 4 |
| Chris Earley | 4 | 3 | - | 2 | - | - | - | - |
| Mary Spongberg | 3 | 3 | - | 1 | - | - | - | - |
| Nell Anderson | 7 | 6 | - | 2 | 3 | 3 | - | 1 |
| John Chalmers | 4 | 4 | - | 1 | - | - | - | - |

Note:

- Directors have an open invitation to attend any Audit and Risk Committee and Academic Board meeting.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* is set out on page 70 of this report.

For and on behalf of the Directors signed at Sydney this 21 March 2019.



Emeritus Vice-Chancellor
R D Milbourne AO
Director



Mr A Murphy
Director

Corporate Governance Statement

At Insearch Limited (Insearch), the Board of Directors is committed to the highest standards 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 Corporate Governance Council 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. This Corporate Governance Statement (Statement) sets out how Insearch applies the eight CGPR principles and the corporate governance requirements of the *Higher Education Standards Framework (Threshold Standards) 2015* (HES Framework). A 'principle 9' has been added to this Statement to disclose information on how Insearch applies the academic governance requirements of the HES Framework.

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 Accreditation Scheme Limited (NEAS) accredited.

Insearch assists and promotes the University of Technology Sydney (UTS) and carries out the objectives set out in the Insearch Constitution, including to:

- provide pathways for entry to UTS; and
- 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 statements are included in the UTS annual report;
- Insearch provides quarterly reports to the UTS Commercial Activities Committee, which reports to the UTS Council;
- UTS has four appointed representatives on the Insearch Board of Directors; and
- the UTS Provost and Senior Vice-President oversees the academic and commercial relationship between UTS and Insearch.

Principle 1: Lay solid foundations for management and oversight

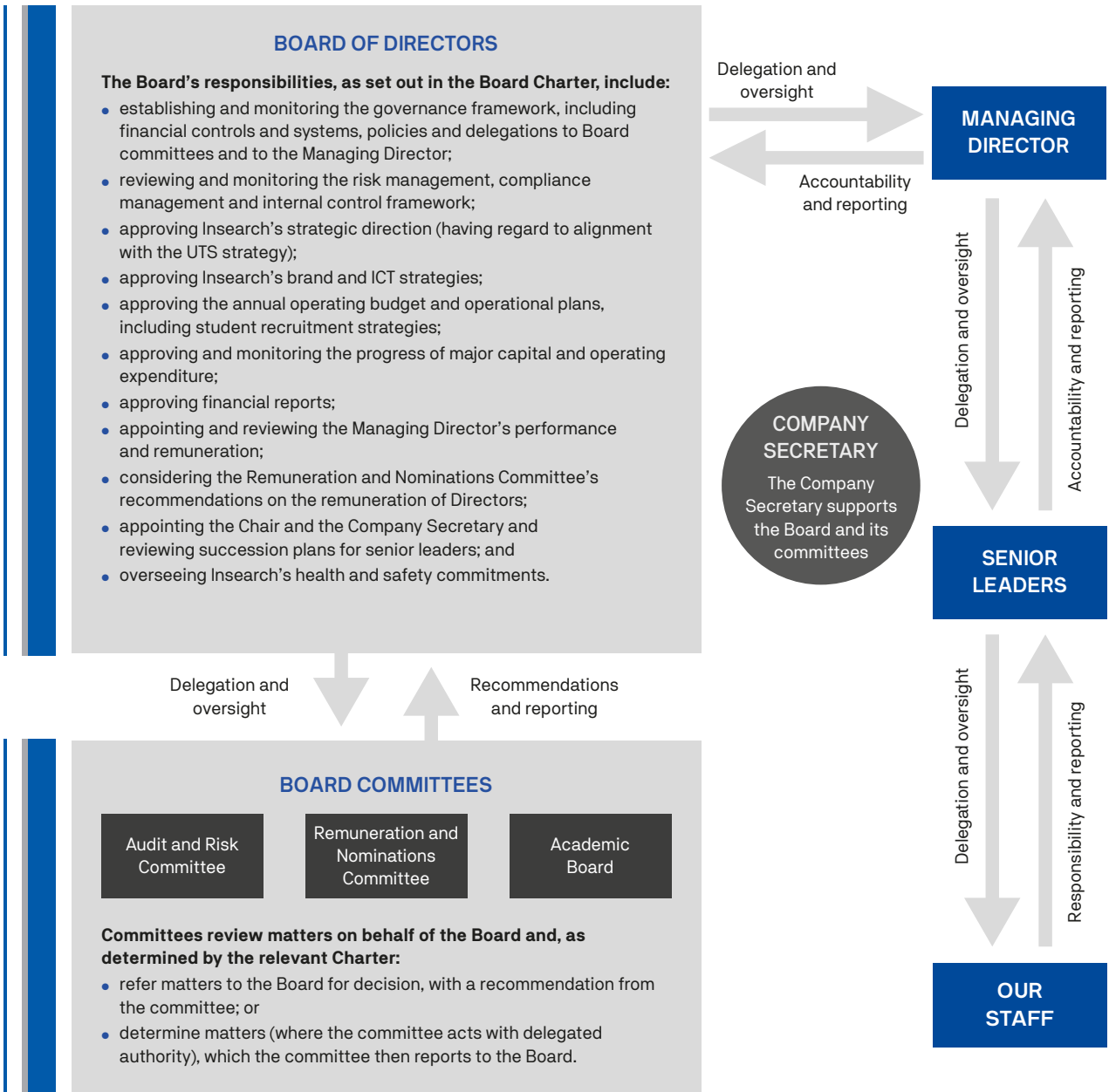
Role and composition of the Board

The Board's responsibilities are set out in the Board Charter. The Board is responsible for providing leadership and setting strategic direction and has the authority to determine all matters relating to the policies, practices, management and operations of Insearch. For the purposes of the HES Framework, the Board is the formally constituted governing body which is accountable for all of Insearch's operations in or from Australia, including accountability for the award of higher education qualifications and for continuing to meet the requirement of the HES Framework.

The Board holds regular meetings and is expected to meet at least six times per calendar year and as may otherwise be required to deal with urgent matters that arise between the scheduled meetings.

Corporate Governance Statement

(continued)



Corporate Governance Statement

(continued)

Senior leaders

The Board delegates authority to the Managing Director and the other senior leaders to carry out the objectives of Insearch in compliance with Insearch's stated values, delegated limits of authority and Board-approved policies. Senior leaders are responsible for implementing the strategic objectives and operating within the risk appetite set by the Board and for the day-to-day running of Insearch.

Appointment of Directors

UTS nominates four Non-Executive Directors for appointment to the Board. Prior to the appointment of other candidates for directorship, the Remuneration and Nominations Committee (RNC) conducts appropriate due diligence before final interviews by the Board. Given the qualifications and experience of the UTS nominees and the due diligence conducted by the RNC in regard to other candidates for directorship, the members of the Board are considered to be fit and proper persons (as required by the HES Framework).

Currently all Directors of the Board are ordinarily resident in Australia (noting that the HES Framework requires at least two Directors to be ordinarily resident in Australia).

Company Secretary

The Company Secretary, Nathan Patrick, is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board. This includes advising the Board and its committees on governance matters, coordinating Board business and providing a point of reference for dealings between the Board and senior leaders. Further information about the Company Secretary is available in the Directors' Report.

Diversity and inclusion

Insearch's staff and student bodies reflect the diversity of contemporary, multiethnic Australia. With a long-held commitment to diversity, Insearch knows that different opinions, viewpoints, experiences and backgrounds create more robust and inspired work and study environments that deliver better outcomes for all. Insearch encourages this diversity, celebrating it as our greatest asset.

Insearch's most recent report to the Workplace Gender Equality Agency (WGEA), current to 31 March 2018, contained the following gender diversity data:

| | Total number of directors/staff | Number of female directors/staff | % of female staff |
|---------------------------------------|---------------------------------|----------------------------------|-------------------|
| Insearch Board (including MD) | 8 | 3 | 38% |
| Senior Leadership Team (excluding MD) | 6 | 3 | 50% |
| Managers | 30 | 18 | 60% |
| Non-Managers | 642 | 369 | 57% |

Since the WGEA report was lodged, a female Director has retired and been replaced with a male Director. As at the date of this Statement, the percentage of female Directors on the Insearch Board is 25%.

Senior leaders performance management

The RNC is responsible for:

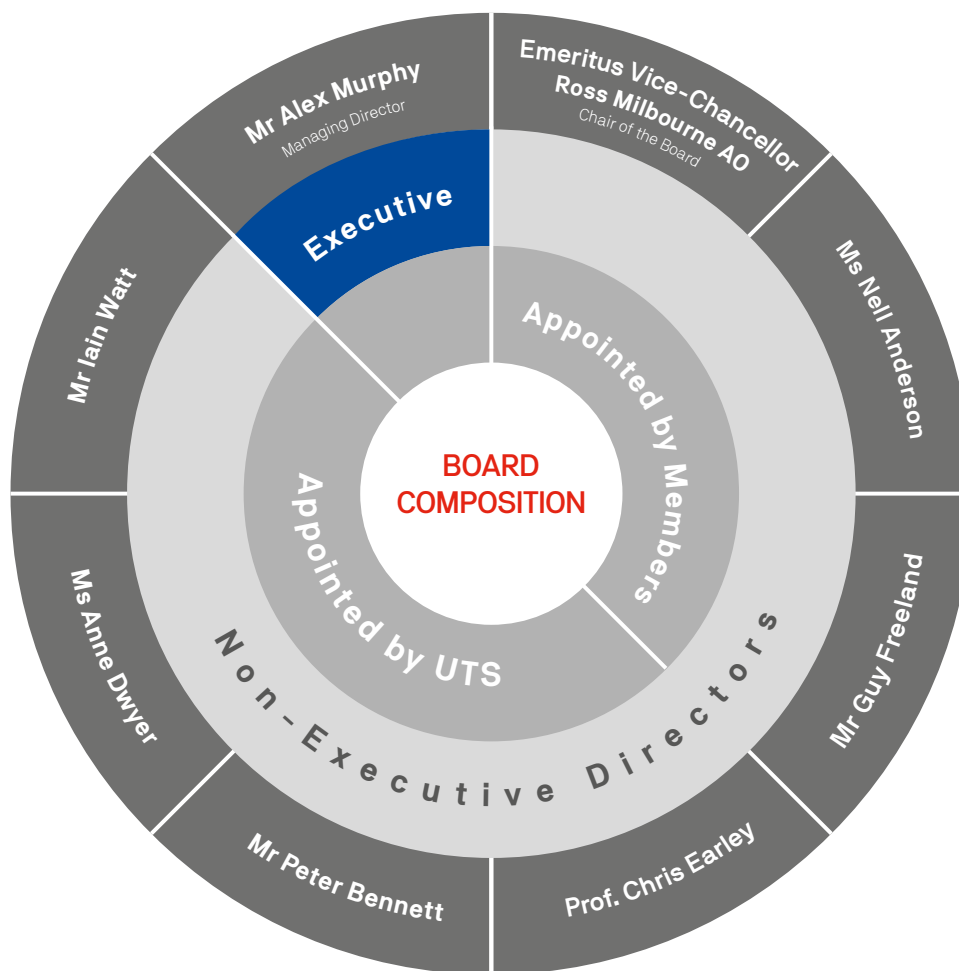
- assisting the Board in reviewing the performance of the Managing Director; and
- overseeing the performance review process for senior leaders, which is conducted by the Managing Director.

Corporate Governance Statement

(continued)

Principle 2: Structure the Board to add value

The diagram below illustrates the composition of the Board at the date of this Statement.



Insearch's Constitution provides that there will be eight Directors of which four are nominated by UTS. The remaining Directors are nominated and approved by the Members. The Board of Directors comprises seven Non-Executive Directors (including the Chair) and one Executive Director, being the Managing Director. None of the Non-Executive Directors have served on the Board for longer than 10 years; their dates of appointment are set out in the Directors' Report.

Director independence

As a controlled entity of UTS, Insearch has a material business relationship with UTS. Insearch assists and promotes UTS by providing pathway courses for undergraduate entry to UTS and making donations to UTS. UTS supplies a number of services to Insearch including library and laboratory services, for the fees set out in Note 21 (Related party transactions). Although the four Non-Executive Directors nominated by UTS are senior staff of UTS or UTS Council members, the Board considers that all of the Non-Executive Directors bring an independent judgment to bear in Board deliberations.

In accordance with Insearch's Constitution and the *Corporations Act 2001 (Cth)* (Corporations Act), Directors are required to declare to the Board the nature of any business interests they have. Except as permitted by the Corporations Act, Directors with a material personal interest in a matter being considered by the Board may not be present when the matter is being considered and may not vote on the matter.

Corporate Governance Statement

(continued)

The Non-Executive Directors meet on a regular basis without management present in a forum intended to allow for open discussion, including in relation to Board and management performance.

Chair's appointment and responsibilities

The Board selects the Chair from the Non-Executive Directors. The Chair leads the Board and is responsible for its efficient organisation and effective functioning. The Chair ensures that Directors have the opportunity to contribute to Board deliberations, regularly communicates with the Managing Director to review key issues and performance trends, and also represents Insearch in the wider community.

Board committees

To assist the Board to discharge its duties, the following committees have been established:

Audit and Risk Committee (ARC)

The ARC was established to assist the Board in safeguarding the integrity of financial reporting and the management of risk (refer to principles 4 and 7).

The ARC meets at least four times a year and receives regular reports from management. Internal and external auditors attend these meetings and have direct line of communication to the Chair of the ARC and the Chair of the Board.

Academic Board

The Academic Board offers leadership to the organisation's academic community and oversees its educational quality system. The Academic Board provides oversight of academic matters, ensures the quality of the student experience and programs of study, and fosters a spirit of free intellectual enquiry.

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

- Academic Standards Committee; and
- Learning and Teaching Committee.

The roles of these committees are set out in separate charters approved by the Academic Board. Further information about the Academic Board's role in academic governance is set out in principle 9 of this Statement.

The Chair of the Academic Board attends all Board meetings.

Remuneration and Nominations Committee (RNC)

The RNC assists the Board in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of Directors, having regard to the law and the highest standards of governance. It also assists the Board to review Board composition, performance and succession planning, which includes identifying, evaluating and recommending candidates for Board appointment. The RNC also has responsibility for oversight of the performance and remuneration of the Managing Director and review of the general levels of remuneration and reward structures of the senior leaders. The membership and further details about the RNC are set out in principle 8.

The responsibilities of the Board and its committees are set out in their respective charters approved by the Board and available at www.insearch.edu.au/about/who-we-are/board-of-directors. The Directors' Report contains details of Directors' relevant qualifications and experience, and attendance at Board and committee meetings.

Skills and diversity of the Board

The Board actively seeks to ensure that it has diversity (including gender diversity) and the appropriate mix of skills, experience and expertise to enable it to discharge its responsibilities effectively and to be well equipped to assist Insearch to navigate the range of opportunities and challenges it faces.

To assist in identifying areas of focus and maintaining this membership mix, the Board utilises a capabilities matrix which it reviews on a regular basis. The Board benefits from the combination of each Director's individual skills, experience and expertise in particular areas, as well as the varying perspectives and insights that arise from the interaction of Directors with diverse backgrounds.

Corporate Governance Statement

(continued)

The Board identified certain skills and areas of knowledge and experience as 'essential', 'important' and 'desirable'. Directors are scored on a scale of 1 (no experience) to 5 (superior experience) for each attribute. As at the date of the Statement, the Board has the following mix of skills and diversity in its membership:

| Essential skills, knowledge and experience | Percentage of maximum total score |
|---|-----------------------------------|
| Strategic thinking | 93 |
| Executive leadership | 90 |
| Business growth | 93 |
| Risk management | 88 |
| Commercial experience | 93 |
| Important skills, knowledge and experience | Percentage of maximum total score |
| International experience | 88 |
| Marketing | 73 |
| Financial performance | 85 |
| Higher education sector experience | 80 |
| Governance | 90 |
| HR and structural reviews | 80 |
| Desirable skills, knowledge and experience | Percentage of maximum total score |
| Government/public sector policy networking experience | 70 |
| Information and communication technology | 68 |
| Legal | 70 |
| Campus planning | 63 |

Directors participate in an induction program upon appointment and in ongoing professional development opportunities. During 2018, the Directors received briefings on cybersecurity, work health and safety, and the property market. This program of continuing education ensures that the Board is kept up to date with developments in the sector both locally and globally.

Access to information, independent advice and indemnification

After consultation with the Chair, Directors may seek independent professional advice in furtherance of their duties, at Insearch's expense. Directors also have access to members of senior management at any time to request relevant information.

Under Insearch's Constitution, and to the extent permitted by law, Insearch indemnifies Directors and Officers against liabilities to third parties incurred in their capacity as Officers of Insearch and against certain legal costs incurred in defending an action for such a liability.

Board and committees performance review

The Board and committees evaluate their performance on an annual basis, in a manner that is considered appropriate by the Chair of the Board or committee. An independent review is conducted on a triennial basis with the last one being undertaken in 2017. The results of an independent review are considered by the Board and the Managing Director and other senior leaders. Once action items are agreed, these are monitored at each Board meeting until fully implemented. The Board will consider the introduction of individual Director assessment prior to the next independent Board review in 2020.

Corporate Governance Statement

(continued)

Principle 3: Act ethically and responsibly

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

Code of Ethics

Insearch has a Code of Ethics, available at www.insearch.edu.au/about/who-we-are/vision,-purpose-and-ethics. The Code sets out the core values under which the organisation acts to achieve its purpose and provides a framework for individuals and teams to engage in ethical decision-making within the organisation.

The Code sets out Insearch's commitment to being an international, commercial provider of higher education and to operating with integrity, honesty, courage, compassion, respect and imagination.

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

Code of Conduct

Insearch also has a Code of Conduct which aims to set out the level of conduct required of all staff and affiliates in the performance of their work, duties and functions and the consequences of not meeting these requirements. This is communicated to every new staff member and reinforced by managers, team leaders and senior leaders on a regular basis.

Every Director, senior manager, manager and all staff of Insearch are committed to implementing the Code of Conduct and are accountable for compliance with the Code. In addition, Insearch Directors and staff re-confirm their compliance with the Code of Conduct annually.

During 2018, the Board approved a new Compliance Management Framework, setting out Insearch's commitment to maintaining a culture of integrity and compliance by:

- fulfilling its obligations under applicable laws, regulations and industry codes; and
- upholding its own organisational standards (including the Code of Ethics, Code of Conduct and other Insearch policies and procedures).

Whistleblowing

Insearch's Whistleblowing and Public Interest Disclosure policies provide an avenue for our staff to report suspected unethical, illegal or improper behaviour. Insearch has an objective, independent and confidential process for reporting and investigating suspected wrongdoing. All disclosures are treated with confidentiality and can be made anonymously.

Wellbeing of staff and students

The Board monitors the wellbeing of staff and students through engagement and satisfaction surveys, and through workplace health and safety reports, which include sections on student incidents. During 2018, Insearch engaged a dedicated Student Welfare Team Leader and improved its student support services. Further details are available at www.insearch.edu.au/student-life/student-support

Principle 4: Safeguard integrity in corporate reporting

Audit and Risk Committee (ARC)

The ARC assists the Board in relation to its oversight and review of the:

- reliability and integrity of financial information;
- internal control environment; and
- external audit, accounting and financial reporting obligations.

Corporate Governance Statement

(continued)

Before the Board approves Insearch's financial statements, they are first reviewed and endorsed by the ARC.

The ARC is comprised of Non-Executive Directors. The following ARC members served from 1 January 2018 up to the date of this Statement, unless otherwise indicated:

- Mr Guy Freeland (Chair);
- Ms Anne Dwyer;
- Mr Peter Bennett; and
- Emeritus Vice-Chancellor Ross Milbourne AO (ex officio member).

During 2018, the ARC charter was updated so that it is more closely aligned to the CGPR.

Managing Director and Chief Financial Officer Declaration

The Managing Director and Chief Financial Officer provide the Board with an annual declaration that, in their opinion:

- the financial records have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Insearch; and
- this opinion has been formed on the basis of a sound, effectively operating system of risk management and internal controls.

To support the Managing Director and Chief Financial Officer in making their annual declaration, all managers and senior leaders at Insearch are asked to complete twice yearly compliance certifications.

External audit

As a NSW public authority, Insearch's external auditor is the NSW Auditor General, who has engaged PricewaterhouseCoopers to conduct the audit field work on and from the year ending 31 December 2018.

Auditors are also appointed in offshore jurisdictions to accommodate local reporting. Where material, results of offshore operations are incorporated into the year-end consolidated audit process. The Insearch external auditors visit major offshore operations over the course of a three-year period.

Minutes of the Board and committee meetings

Minutes of meetings of the Board and committees are taken by the Company Secretary or his delegate and circulated to the Board or committee for approval.

Principle 5: Make timely and balanced disclosure

Insearch reports to its Members and stakeholders and has reporting requirements that include presenting audited financial statements at its Annual General Meeting (AGM) and lodging these statements with the Australian Charities and Not-for-profits Commission (ACNC), the Tertiary Education Quality and Standards Agency (TEQSA), the Department of Education and Training and the NSW Ombudsman. UTS incorporates the Insearch annual results into the UTS annual report.

Principle 6: Respect the rights of Members

The names of the Members of Insearch are listed on the Contents page of this Annual Report. Annual General Meetings are generally scheduled at least six months in advance and are regularly attended by all Members. Insearch communicates relevant and important information regularly to its Members by:

- circulating the annual report and full financial information;
- providing information about the last four years' annual reports and financial data at www.insearch.edu.au/au/about/publications; and
- providing access to information and updates through electronic communications, the Insearch website, media communications and access to a secure, online portal.

Corporate Governance Statement

(continued)

Principle 7: Recognise and manage risk

The Board has overall responsibility for the risk management framework including approval of Insearch’s strategic plan, risk management methodology and risk appetite. The ARC assists the Board in relation to its oversight and annual review of the risk management framework, the Insearch insurance program and compliance with applicable laws and regulations. The ARC and Board approved a new risk management framework during 2018. The membership and further details about the ARC are set out in principle 4.

The following management committees assist with risk management responsibilities:

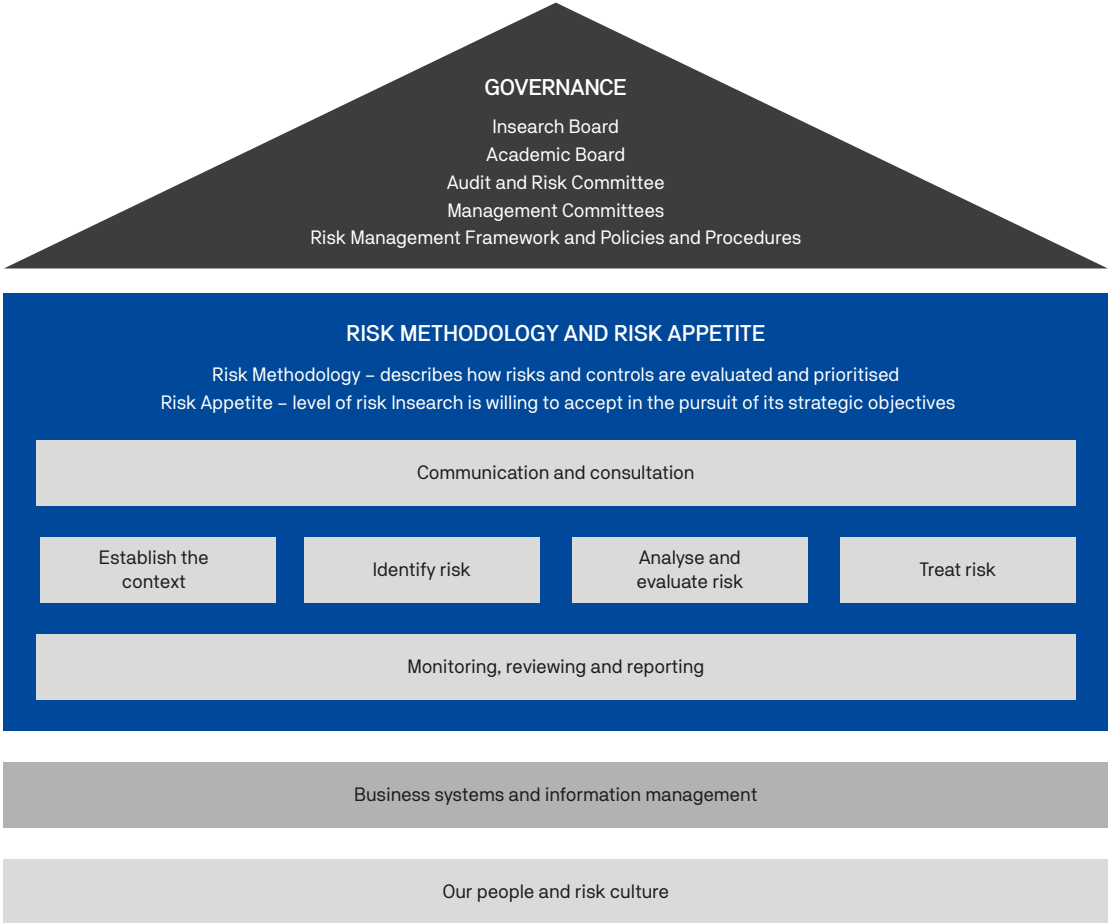
- Cyber Security Committee;
- Health and Safety Oversight Committee; and
- Crisis Management Team.

Risk Management Framework

During 2018, on the endorsement of the ARC, the Board approved a new Risk Management Framework, which incorporates the Three Lines of Defence model:

- First Line of Defence – all Managers at Insearch are primarily responsible for managing risk within their areas of responsibility;
- Second Line of Defence – the Governance department has oversight of risk management; and
- Third Line of Defence – Internal Auditors provide advice on whether Insearch’s risk management framework is appropriate, effective and adequate.

Risk Management Process



Corporate Governance Statement

(continued)

Internal audit

Insearch outsources its internal audit function. Following a tender process in 2017, on the endorsement of the ARC, the Board re-engaged EY as internal auditors for a three-year period, with the option of extending the engagement to 2022. EY performs internal audits in accordance with an annual plan, reports directly to the ARC, and has opportunities to discuss matters without management present. The ARC conducts an annual evaluation of the performance of the internal auditors.

Economic, environmental and social sustainability risks

Insearch has identified and actively manages a variety of business risks, which are documented in an Enterprise Risk Register. Economic sustainability risks that have a material residual risk rating include Campus Planning, Data Governance, Market Disruption and Technology Capability. Each risk has a risk owner, who is a senior leader. Risk owners have oversight of existing and planned risk mitigation strategies and have contingency plans in place should the risks eventuate. The Board does not consider that Insearch has any material environmental sustainability or social sustainability risks.

Principle 8: Remunerate fairly and responsibly

Remuneration and Nominations Committee (RNC)

The RNC is comprised of Non-Executive Directors (the majority of whom are appointed by UTS). The following RNC members served during the period from 1 January 2018 up to the date of this Statement, unless otherwise indicated:

- Ms Nell Anderson (Chair from 13 January 2018);
- Professor William (Bill) Purcell (Chair until his retirement on 12 January 2018);
- Ms Anne Dwyer;
- Mr Peter Bennett; and
- Emeritus Vice-Chancellor Ross Milbourne AO (ex officio member).

Remuneration of Non-Executive Directors

The RNC reviews and makes recommendations to the Board on the remuneration of Non-Executive Directors, seeking external advice as considered necessary. Changes to Non-Executive Directors' remuneration are approved by Directors' resolution and, in accordance with Insearch's Constitution, by Members' special resolution.

The remuneration of the Non-Executive Directors is fixed and they do not receive any performance-related incentives.

Remuneration of senior leaders

The RNC reviews and makes recommendations to the Board on the remuneration of the Managing Director. In making its recommendations, the RNC aims to motivate the Managing Director to pursue the long-term growth and success of Insearch, demonstrate a clear relationship between performance and remuneration, and to involve an appropriate balance between fixed and incentive remuneration. The RNC will ensure that the Managing Director's remuneration plan informs the establishment of remuneration plans for the whole of Insearch. During 2018, Insearch engaged Mercer to conduct an external benchmarking exercise on senior leaders' remuneration.

Corporate Governance Statement

(continued)

Principle 9: Academic governance

Academic governance relates to the integrity of Insearch's core education activities of learning, teaching and academic scholarship and, in particular, the structures, policies and processes which support academic standards, quality outcomes and continuous improvement. The Board delegates these academic functions to the Academic Board.

Processes and structures

The Academic Board achieves effective academic oversight of the quality of teaching and learning with the support of the Academic Standards Committee (ASC) and Learning and Teaching Committee (LTC). Insearch has a well-established and appropriate organisational structure of academic leaders, from which the members of these committees are selected.

The Academic Board is responsible for providing strategic advice to the Board on academic aspects of the Insearch strategic plan. The Chair of the Academic Board attends Board meetings and presents a standing report on the Academic Board's activities. Insearch Directors and senior leaders are invited to, and regularly attend, Academic Board meetings.

Quality

The Academic Board is responsible for approving academic policies and ensuring their coordination, implementation and review, with the support of the ASC and LTC. Delegations of academic authority are documented in the ASC and LTC Charters. The ASC and LTC provide standing reports on their activities to the Academic Board, including on the exercise of their academic delegations.

The Academic Board monitors and reviews academic performance, including through external qualitative benchmarking with other higher education providers. The LTC advises on key performance indicators appropriate to student performance. Actions are taken to improve performance where necessary.

Intellectual inquiry

The Board, through the Academic Board, is committed to ensuring that teaching staff are actively engaged in scholarship with regular professional development sessions and activities. Teaching staff can apply for financial support under the Insearch Study Assistance Scheme, Education Conference Fund and the Professional Memberships Fund. Professional staff can also access the Insearch Study Assistance Scheme for any relevant studies they wish to undertake. All staff can access Insearch's learning and development programs.

Student participation

A number of students participate in academic governance as members of the Academic Board. During 2018, Insearch adopted a Student Charter, available at www.insearch.edu.au/about/student-policies-procedures. The Student Charter sets out the ways in which students can expect to participate in the Insearch community, including through Student Advisory Groups. There is a Student Advisory Group for each education program, enabling students to raise program-specific issues with their Program Managers.

This Statement is current as at 21 February 2019, being the date of its approval by the Board.

Financial Statements

Financial statements

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These financial statements cover both the separate financial statements of Insearch Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Insearch Limited and its subsidiaries. The financial statements are presented in Australian currency.

Insearch Limited is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Insearch Limited
Level 9, 187 Thomas Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report (pages 12 to 16), which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 21 March 2019. The Directors have the power to amend and reissue the financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2018

| | Notes | Consolidated | | Parent entity | |
|--|--------|----------------|----------------|----------------|----------------|
| | | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Revenue from continuing operations | 5 | 117,694 | 115,747 | 118,403 | 116,240 |
| Other income | 6 | 788 | 384 | 788 | 384 |
| Employee benefits expenses | 7 | (49,490) | (46,944) | (48,954) | (46,567) |
| Depreciation and amortisation expense | 7 | (5,722) | (5,858) | (5,702) | (5,839) |
| Net impairment gains (losses) on financial assets | | 79 | (46) | 79 | (46) |
| Other expenses | 7 | (52,810) | (51,916) | (53,397) | (52,323) |
| Finance costs | | (91) | (77) | (91) | (77) |
| Share of net profit of associate and joint venture accounted for using the equity method | 11 | 477 | 437 | - | - |
| Operating surplus before donation | | 10,925 | 11,727 | 11,126 | 11,772 |
| Donation to University of Technology Sydney | | (17,165) | (17,172) | (17,165) | (17,172) |
| Deficit for the year attributable to Members | | (6,240) | (5,445) | (6,039) | (5,400) |
| Other comprehensive income (loss) | | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | | |
| Exchange differences on translation of foreign operations | 19 (a) | 69 | (54) | - | - |
| Other comprehensive income (loss) for the year | | 69 | (54) | - | - |
| Total comprehensive loss for the year attributable to Members | | (6,171) | (5,499) | (6,039) | (5,400) |

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

Statement of Financial Position

As at 31 December 2018

| | Notes | Consolidated | | Parent entity | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 8 | 64,250 | 74,622 | 63,535 | 74,275 |
| Trade receivables | 9 | 89 | 61 | 89 | 61 |
| Financial assets at amortised cost | 10 | 1,481 | 2,050 | 1,782 | 2,321 |
| Other assets | 14 | 5,091 | 4,754 | 5,064 | 4,748 |
| Total current assets | | 70,911 | 81,487 | 70,470 | 81,405 |
| Non-current assets | | | | | |
| Investments accounted for using the equity method | 11 | 509 | 653 | - | - |
| Property, plant and equipment | 12 | 16,349 | 15,790 | 16,276 | 15,724 |
| Intangible assets | 13 | 4,778 | 4,414 | 4,778 | 4,414 |
| Other assets | 14 | 108 | 142 | 663 | 691 |
| Total non-current assets | | 21,744 | 20,999 | 21,717 | 20,829 |
| Total assets | | 92,655 | 102,486 | 92,187 | 102,234 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 15 | 1,885 | 964 | 1,725 | 1,138 |
| Provisions | 16 | 40 | 68 | 40 | 68 |
| Employee benefit obligations | 17 | 5,144 | 4,479 | 5,144 | 4,479 |
| Other current liabilities | 18 | 30,440 | 35,076 | 30,426 | 35,076 |
| Total current liabilities | | 37,509 | 40,587 | 37,335 | 40,761 |
| Non-current liabilities | | | | | |
| Provisions | 16 | 3,078 | 3,603 | 3,078 | 3,603 |
| Employee benefit obligations | 17 | 2,663 | 2,720 | 2,663 | 2,720 |
| Total non-current liabilities | | 5,741 | 6,323 | 5,741 | 6,323 |
| Total liabilities | | 43,250 | 46,910 | 43,076 | 47,084 |
| Net assets | | 49,405 | 55,576 | 49,111 | 55,150 |
| Equity | | | | | |
| Reserves | 19(a) | (671) | (740) | - | - |
| Retained surplus | 19(b) | 50,076 | 56,316 | 49,111 | 55,150 |
| Total equity | | 49,405 | 55,576 | 49,111 | 55,150 |

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

Statement of Changes in Equity

For the year ended 31 December 2018

| | Note | Reserves | Retained surplus | Total equity |
|---|-------|----------|------------------|--------------|
| | | \$'000 | \$'000 | \$'000 |
| Consolidated | | | | |
| Balance at 1 January 2017 | | (686) | 61,761 | 61,075 |
| (Deficit) surplus for the year | 19(b) | - | (5,445) | (5,445) |
| Exchange differences on translation of foreign operations | 19(a) | (54) | - | (54) |
| Total comprehensive loss for the year | | (54) | (5,445) | (5,499) |
| Balance at 31 December 2017 | | (740) | 56,316 | 55,576 |

| | Note | Reserves | Retained surplus | Total equity |
|---|-------|----------|------------------|--------------|
| | | \$'000 | \$'000 | \$'000 |
| Consolidated | | | | |
| Balance at 1 January 2018 | | (740) | 56,316 | 55,576 |
| (Deficit) surplus for the year | 19(b) | - | (6,240) | (6,240) |
| Exchange differences on translation of foreign operations | 19(a) | 69 | - | 69 |
| Total comprehensive loss for the year | | 69 | (6,240) | (6,171) |
| Balance at 31 December 2018 | | (671) | 50,076 | 49,405 |

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

Statement of Changes in Equity (continued)

For the year ended 31 December 2018

| | Note | Reserves | Retained surplus | Total equity |
|---------------------------------------|-------|----------|------------------|--------------|
| | | \$'000 | \$'000 | \$'000 |
| Parent | | | | |
| Balance at 1 January 2017 | | - | 60,550 | 60,550 |
| (Deficit) surplus for the year | 19(b) | - | (5,400) | (5,400) |
| Total comprehensive loss for the year | | - | (5,400) | (5,400) |
| Balance at 31 December 2017 | | - | 55,150 | 55,150 |

| | Note | Reserves | Retained surplus | Total equity |
|---------------------------------------|-------|----------|------------------|--------------|
| | | \$'000 | \$'000 | \$'000 |
| Parent | | | | |
| Balance at 1 January 2018 | | - | 55,150 | 55,150 |
| (Deficit) surplus for the year | 19(b) | - | (6,039) | (6,039) |
| Total comprehensive loss for the year | | - | (6,039) | (6,039) |
| Balance at 31 December 2018 | | - | 49,111 | 49,111 |

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

Statement of Cash Flows

For the year ended 31 December 2018

| | Note | Consolidated | | Parent entity | |
|---|------|-----------------|----------------|-----------------|----------------|
| | | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Cash flows from operating activities | | | | | |
| Receipts from customers (inclusive of goods and services tax) | | 117,704 | 119,088 | 117,674 | 119,934 |
| Donation paid to the University of Technology Sydney | | (17,165) | (17,172) | (17,165) | (17,172) |
| Payment to suppliers and employees (inclusive of goods and services tax) | | (107,142) | (100,078) | (107,486) | (100,732) |
| | | (6,603) | 1,838 | (6,977) | 2,030 |
| Net interest received | | 1,607 | 1,680 | 1,606 | 1,679 |
| Joint venture partnership distribution received | | - | 1,049 | - | 1,049 |
| Input tax credit refund from Australian Taxation Office | | 1,269 | 1,150 | 1,269 | 1,150 |
| Net cash (outflow) inflow from operating activities | 27 | (3,727) | 5,717 | (4,102) | 5,908 |
| Cash flows from investing activities | | | | | |
| Payments for property, plant and equipment | | (5,073) | (3,959) | (5,049) | (3,947) |
| Payments for intangibles | | (1,638) | - | (1,638) | - |
| Loans to joint venture | | - | (60) | - | (60) |
| Proceeds from sale of property, plant and equipment | | 49 | 46 | 49 | 46 |
| Net cash (outflow) from investing activities | | (6,662) | (3,973) | (6,638) | (3,961) |
| Net cash from financing activities | | | | | |
| | | - | - | - | - |
| Net (decrease) increase in cash and cash equivalents | | (10,389) | 1,744 | (10,740) | 1,947 |
| Cash and cash equivalents at the beginning of the financial year | | 74,622 | 72,889 | 74,275 | 72,328 |
| Effects of exchange rate changes on cash and cash equivalents | | 17 | (11) | - | - |
| Cash and cash equivalents at the end of the financial year | 8 | 64,250 | 74,622 | 63,535 | 74,275 |

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

Notes to the Financial Statements

For the year ended 31 December 2018

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, Sydney, NSW 2000. The company provides education services in English language, business and other disciplines to Australian and overseas students in Australia.

Insearch Limited is a controlled entity of the University of Technology Sydney. This status is a reflection of the terms of the Insearch Constitution and the structure of the Insearch Board.

The company has the wholly owned entities, Insearch Education International Pty Limited, Insearch (Shanghai) Limited and Insearch India LLP. Insearch Education International Pty Limited is a private company, incorporated in Australia and formed in 1995. Insearch (Shanghai) Limited provides consulting, marketing support and other services to Insearch Limited. Insearch (Shanghai) Limited was formed in 2001 in the People's Republic of China. Insearch India LLP is a partnership between Insearch Limited (90% owned) and Insearch Education International Pty Limited (10% owned). The entity provides consulting, marketing support and other services to Insearch Limited across the Sub-Continent region. Insearch India LLP was formed in 2018 in India.

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 Regulation 2015* and the *Corporations Act 2001 (Cth)*. 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 statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 21 March 2019.

(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 2015*, and the *Corporations Act 2001 (Cth)* have been used to prepare the subsidiaries' financial statements.

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in its annual reporting period commencing 1 January 2018:

- *AASB 9 Financial Instruments*

The Group also elected to adopt the following amendments early:

- *AASB 2018-1 Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle.*

The Group had to change its accounting policies following the adoption of *AASB 9*. However these amendments did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| Title of standard | Nature of change | Impact | Mandatory application date/Date of adoption by Group |
|-----------------------|---|--|---|
| <i>AASB 16 Leases</i> | <i>AASB 16</i> was issued in February 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. | The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in <i>AASB 16</i> . The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of \$33,950,000, see note 24. | The Group will apply the standard from its mandatory adoption date of 1 January 2019. |

AASB 15 Revenue from Contracts with customers

AASB 15 replaced *AASB 118 Revenue* and amends the principles for recognising revenue from customers. As a not-for-profit entity, the standard applies to the Group for the financial years beginning 1 January 2019. While some subsidiaries have applied this standard from 1 January 2018, the application of *AASB 15* does not have a material impact on the Group's revenue recognition policies.

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

(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 associate and 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.

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation and equity accounting

(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 2018 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 structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions receivable from associates are recognised in the parent entity statement of comprehensive income, while in the consolidated financial statements they are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(iii) Joint ventures

The interest in a joint venture is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss, and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Details relating to the joint venture are set out in Note 11. Initial investment in the joint venture in the form of a loan is recognised as a financial asset.

Profits or losses on transactions establishing the joint venture 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 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.

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement and statement 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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities using the methods outlined below.

(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 includes net gain or loss on disposal of non-current assets.

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(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.

(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

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 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 bearing with interest rates between 0.10% and 0.65% (2017: 0.10% and 0.65%). Deposits at Call are bearing a floating interest rate at 1.15% and 1.40% (2017: 1.40% and 1.55%). Fixed Term Deposits are bearing interest rates between 1.90% and 2.44% (2017: 1.82% and 2.26%).

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. 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 on trade receivables is presented as net impairment losses in the statement of comprehensive income. When a trade receivable for which an impairment loss had been recognised becomes uncollectible in a subsequent period, it is written off against the impairment account. Subsequent recoveries of amounts previously written off are credited against the net impairment losses line in the statement of comprehensive income.

(l) Investments and other financial assets

The Group has applied *AASB 9* retrospectively, as this resulted in no material differences, comparative information has not been restated.

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. As of 31 December 2018 and 31 December 2017, the Group only has financial assets to be measured at amortised cost.

(m) 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 | 3-4 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.

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

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

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.

(n) 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 two to seven years.

(ii) Curriculum and course development and validation expenses

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

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

(iii) 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 three years.

(o) 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. 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 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. 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.

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(p) 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.

(q) 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.

(r) Employee benefits

(i) Short-term obligations

Annual leave and long service leave entitlements that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised 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. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Long-term obligations

The recorded liability for provision of annual leave includes annual leave entitlements accrued but not expected to be taken within one 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 1.93% (2017: 2.00%).

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 the reporting period of 2.36% (2017: 2.63%).

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Superannuation

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

(s) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

3. Changes in accounting policies

As explained in Note 2(a) above, the group has adopted the following new or revised accounting standard this year that has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

AASB 9 Financial Instruments

AASB 9 replaces the provisions of *AASB 139* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

It was deemed unnecessary to restate 2017 comparatives as the amount is not material.

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

4. 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 operations. 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 and Risk Committee on a continuous basis.

| Consolidated | Financial assets at amortised cost \$'000 | Total \$'000 |
|---|--|-------------------------|
| Financial assets 2018 | | |
| Cash and cash equivalents | 64,250 | 64,250 |
| Trade receivables - current * | 89 | 89 |
| Other non-current assets | 108 | 108 |
| | 64,447 | 64,447 |
| 2017 | | |
| Cash and cash equivalents | 74,622 | 74,622 |
| Trade and other receivables - current * | 2,111 | 2,111 |
| Other non-current assets | 142 | 142 |
| | 76,875 | 76,875 |
| Consolidated | | |
| Financial liabilities 2018 | | |
| Trade and other payables | 1,885 | 1,885 |
| Other financial liabilities * | 30,440 | 30,440 |
| | 32,325 | 32,325 |
| 2017 | | |
| Trade and other payables | 964 | 964 |
| Other financial liabilities * | 35,076 | 35,076 |
| | 36,040 | 36,040 |

* excluding prepayments and statutory receivables/payables

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

4. Financial risk management (continued)

| Parent entity | Financial assets at amortised cost \$'000 | Total \$'000 |
|---|--|-----------------|
| Financial assets 2018 | | |
| Cash and cash equivalents | 63,535 | 63,535 |
| Trade receivables - current * | 89 | 89 |
| Other non-current assets | 663 | 663 |
| | 64,287 | 64,287 |
| 2017 | | |
| Cash and cash equivalents | 74,275 | 74,275 |
| Trade and other receivables - current * | 2,382 | 2,382 |
| Other non-current assets | 691 | 691 |
| | 77,348 | 77,348 |
| Liabilities at amortised cost \$'000 | | |
| Parent entity | | |
| Financial liabilities 2018 | | |
| Trade and other payables | 1,725 | 1,725 |
| Other financial liabilities * | 30,426 | 30,426 |
| | 32,151 | 32,151 |
| 2017 | | |
| Trade and other payables | 1,138 | 1,138 |
| Other financial liabilities * | 35,076 | 35,076 |
| | 36,214 | 36,214 |

* excluding prepayments and statutory receivables/payables

(a) Market risk

The primary areas of market risk that Insearch Limited is exposed to are foreign exchange risk and interest rate 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, Vietnam, India and Indonesia, which are 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 Group.

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

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

4. Financial risk management (continued)

(a) Market risk (continued)

The movement in exchange rates in 2018 has contributed to the Australian dollar decrease in deficit for Insearch Limited.

Sensitivity

As shown in the table below, the Group is primarily exposed to changes in RMB/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from RMB denominated financial instruments and the impact on other components of equity arises from cash and cash equivalents.

| Consolidated | Impact on surplus | | Impact on other components of equity | |
|--------------------------------------|-------------------|----------------|--------------------------------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| RMB/AUD exchange rate - increase 10% | - | - | 106 | 73 |
| RMB/AUD exchange rate - decrease 10% | - | - | (106) | (73) |
| USD/AUD exchange rate - increase 10% | - | - | (1) | (5) |
| USD/AUD exchange rate - decrease 10% | - | - | 1 | 5 |
| INR/AUD exchange rate - increase 10% | - | - | 4 | 4 |
| INR/AUD exchange rate - decrease 10% | - | - | (4) | (4) |

(ii) Interest rate risk

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

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.

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents and trade and other receivables as a result of changes in interest rates.

| Consolidated | Impact on surplus | | Impact on other components of equity | |
|---------------------------------|-------------------|----------------|--------------------------------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Interest rates - increase by 1% | 645 | 748 | - | - |
| Interest rates - decrease by 1% | (645) | (748) | - | - |

(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.

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

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

4. Financial risk management (continued)

(i) Impairment of financial assets

Trade receivables

The Group applies the *AASB 9* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of revenue over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the students to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of *AASB 9*) was determined as follows for both trade receivables.

| Consolidated and parent entity | Current (less than 90 days past due) | 90- 180 days past due | More than 180 past due | Total |
|---|--------------------------------------|-----------------------|------------------------|------------|
| 31 December 2018 | | | | |
| Expected loss rate | 6.32% | 100% | 100% | |
| Gross carrying amount – trade receivables | 95 | 11 | 1 | 107 |
| Loss allowance | 6 | 11 | 1 | 18 |
| 31 December 2017 | | | | |
| Expected loss rate | 0.00% | 100% | 100% | |
| Gross carrying amount – trade receivables | 61 | 127 | 4 | 192 |
| Loss allowance | - | 127 | 4 | 131 |

(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 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.

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

5. Revenue

| | Consolidated | | Parent entity | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Revenue from continuing operations | | | | |
| Fees | 115,995 | 114,091 | 115,995 | 114,091 |
| Interest | 1,699 | 1,656 | 1,698 | 1,655 |
| Distributions from interest in associate | - | - | 710 | 494 |
| Total revenue | 117,694 | 115,747 | 118,403 | 116,240 |

6. Other income

| | Consolidated | | Parent entity | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Net gain (loss) on disposal of non-current assets | (20) | 16 | (20) | 16 |
| Other | 808 | 368 | 808 | 368 |
| Total other income | 788 | 384 | 788 | 384 |

7. Expenses

| | Consolidated | | Parent entity | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Expenses from continuing operations | | | | |
| <i>(i) Employee benefits expenses</i> | | | | |
| Salaries and wages | 41,470 | 39,383 | 40,934 | 39,006 |
| Superannuation | 3,786 | 3,625 | 3,786 | 3,625 |
| Payroll tax | 2,506 | 2,324 | 2,506 | 2,324 |
| Other | 1,728 | 1,612 | 1,728 | 1,612 |
| Total employee benefits expenses | 49,490 | 46,944 | 48,954 | 46,567 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

7. Expenses (continued)

Expenses from continuing operations (continued)

(i) Depreciation and amortisation expense

| | Consolidated | | Parent entity | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| <i>Depreciation</i> | | | | |
| Office equipment | 397 | 400 | 392 | 395 |
| Furniture and fittings | 2,978 | 2,914 | 2,977 | 2,911 |
| Motor vehicles | 77 | 86 | 77 | 86 |
| Computer equipment | 996 | 1,169 | 982 | 1,158 |
| Total depreciation | 4,448 | 4,569 | 4,428 | 4,550 |
| <i>Amortisation</i> | | | | |
| Curriculum | 303 | 629 | 303 | 629 |
| Software | 971 | 660 | 971 | 660 |
| Total amortisation | 1,274 | 1,289 | 1,274 | 1,289 |
| Total depreciation and amortisation expense | 5,722 | 5,858 | 5,702 | 5,839 |

(iii) Other expenses

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Occupancy | 12,373 | 10,860 | 11,970 | 10,671 |
| Security | 535 | 584 | 535 | 584 |
| Communications | 710 | 579 | 639 | 519 |
| Homestay and welcome | 2,449 | 2,781 | 2,449 | 2,781 |
| Educational expenses | 4,065 | 4,373 | 4,065 | 4,373 |
| Scholarships | 619 | 583 | 619 | 583 |
| Promotion and channel partner commissions | 21,021 | 21,226 | 22,834 | 22,434 |
| Travel | 1,507 | 2,290 | 1,323 | 2,116 |
| Staff appointments | 399 | 534 | 399 | 534 |
| IT costs | 1,497 | 1,559 | 1,497 | 1,559 |
| Staff wellbeing | 380 | 232 | 37 | 457 |
| Sponsorships | 414 | 457 | 414 | 16 |
| Audit and accounting fees | 466 | 352 | 414 | 350 |
| Legal fees | 365 | 623 | 365 | 623 |
| Consultancy | 1,997 | 1,455 | 1,980 | 1,455 |
| Subscription and membership | 264 | 268 | 264 | 267 |
| Printing and stationery | 456 | 522 | 444 | 513 |
| Loss (gain) on foreign exchange | 42 | 95 | 42 | 95 |
| Impairment losses of investments | - | - | (39) | (72) |
| Other | 3,251 | 2,543 | 3,146 | 2,465 |
| Total other expenses | 52,810 | 51,916 | 53,397 | 52,323 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

8. Cash and cash equivalents

| | Consolidated | | Parent entity | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Current assets | | | | |
| Cash at bank and in hand | 5,899 | 6,351 | 5,184 | 6,004 |
| Deposits at call | 2,351 | 2,271 | 2,351 | 2,271 |
| Term deposits | 56,000 | 66,000 | 56,000 | 66,000 |
| Total cash and cash equivalents | 64,250 | 74,622 | 63,535 | 74,275 |

9. Trade receivables

| | Consolidated | | | | | |
|--------------------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non-current \$'000 | Total \$'000 | Current \$'000 | Non-current \$'000 | Total \$'000 |
| Trade receivables | 107 | - | 107 | 192 | - | 192 |
| Loss allowance (see Note 9(a)) | (18) | - | (18) | (131) | - | (131) |
| | 89 | - | 89 | 61 | - | 61 |

| | Parent entity | | | | | |
|--------------------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non-current \$'000 | Total \$'000 | Current \$'000 | Non-current \$'000 | Total \$'000 |
| Trade receivables | 107 | - | 107 | 192 | - | 192 |
| Loss allowance (see Note 9(a)) | (18) | - | (18) | (131) | - | (131) |
| | 89 | - | 89 | 61 | - | 61 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

9. Trade and other receivables (continued)

(a) Loss allowance

The current trade receivables of the Group with a nominal value of \$17,919 (2017: \$131,149) were impaired and they relate to individually impaired receivables for student tuition fees which were deemed potentially uncollectable.

Movements in the loss allowance of trade receivables that are assessed for impairment collectively are as follows:

| | Consolidated | | Parent entity | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| At 1 January | 131 | 105 | 131 | 105 |
| Increase (decrease) in loss allowance recognised in profit or loss during the year | (85) | 46 | (85) | 46 |
| Receivables written off during the year as uncollectable | (28) | (20) | (28) | (20) |
| At 31 December | 18 | 131 | 18 | 131 |

The creation and release of the loss allowance has been included in other expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

10. Financial assets at amortised cost

| | Consolidated | | | | | |
|-------------------------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non-current \$'000 | Total \$'000 | Current \$'000 | Non-current \$'000 | Total \$'000 |
| Loan to UTS Insearch Gramedia (UIG) | - | - | - | - | - | - |
| Accrued interest | 242 | - | 242 | 150 | - | 150 |
| Other receivables | 1,239 | - | 1,239 | 1,900 | - | 1,900 |
| | 1,481 | - | 1,481 | 2,050 | - | 2,050 |

| | Parent entity | | | | | |
|-------------------------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non-current \$'000 | Total \$'000 | Current \$'000 | Non-current \$'000 | Total \$'000 |
| Loan to UTS Insearch Gramedia (UIG) | 248 | - | 248 | 248 | - | 248 |
| Accrued interest | 242 | - | 242 | 150 | - | 150 |
| Other receivables | 1,292 | - | 1,292 | 1,923 | - | 1,923 |
| | 1,782 | - | 1,782 | 2,321 | - | 2,321 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

11. Investments accounted for using the equity method

| | Consolidated | | Parent entity | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Non-current assets | | | | |
| Interest in associated undertaking | 509 | 653 | - | - |
| Total investments accounted for using the equity method | 509 | 653 | - | - |
| Share of profits and losses | | | | |
| Associates | 504 | 526 | - | - |
| Joint venture | (27) | (89) | - | - |
| | 477 | 437 | - | - |

| | Consolidated | |
|--|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 |
| Carrying amount of investment in associated entity | 509 | 653 |
| Share of assets and liabilities | | |
| Current assets | 1,005 | 634 |
| Non-current assets | 57 | 61 |
| Total assets | 1,062 | 695 |
| Current liabilities | 553 | 42 |
| Non-current liabilities | - | - |
| Total liabilities | 553 | 42 |
| Net assets | 509 | 653 |
| Share of revenue and expenses | | |
| Revenues | 3,308 | 3,211 |
| Expenses | (2,831) | (2,774) |
| Net profit | 477 | 437 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

11. Investments accounted for using the equity method (continued)

(a) Associate - Australian Centre for Education and Training (ACET)

This is a business formed by Insearch Limited and IDP Education Australia (Vietnam) Limited to deliver academic English classes in Vietnam. Insearch Limited has a 50% ownership interest in ACET and is entitled to a 40% share of its retained earnings.

(b) Joint venture - UTS Insearch Gramedia (UIG)

In 2012, the company entered into a joint venture with Lembaga ELTI Gramedia Limited to deliver academic English programs in Indonesia. The name of the joint venture was changed from Lembaga ELTI Gramedia (ELTI) to UTS Insearch Gramedia (UIG) in 2016.

The company's investment in UIG was in the form of a loan amounting to \$247,521. Subsequent losses of the joint venture have been recognised as an increase of the loan balance.

As at 31 December 2018, UIG's share of cumulative losses amounting to \$370,371 (2017: \$330,902) has been offset against the loan balance of \$247,521. The excess amount of \$122,850 (2017: \$83,382) is recorded as an amount due to the joint venture. Losses inclusive of net foreign exchange gains or losses recognised in 2018 were \$39,469 (2017: \$65,829).

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

12. Property, plant and equipment

| | Office equipment \$'000 | Motor vehicles \$'000 | Furniture & fittings \$'000 | Computer equipment \$'000 | Capital work-in- progress \$'000 | Total \$'000 |
|------------------------------------|-------------------------------|-----------------------------|-----------------------------------|---------------------------------|---|-----------------|
| Consolidated | | | | | | |
| At 1 January 2017 | | | | | | |
| Cost | 2,118 | 283 | 25,482 | 6,257 | 193 | 34,333 |
| Accumulated depreciation | (719) | (150) | (11,656) | (3,668) | - | (16,193) |
| Net book amount | 1,399 | 133 | 13,826 | 2,589 | 193 | 18,140 |
| Year ended 31 December 2017 | | | | | | |
| Opening net book amount | 1,399 | 133 | 13,826 | 2,589 | 193 | 18,140 |
| Additions | - | - | - | 12 | 2,237 | 2,249 |
| Disposals | (22) | - | (1) | (7) | - | (30) |
| Transfers | 425 | 59 | 1,107 | 513 | (2,104) | - |
| Depreciation charge | (400) | (86) | (2,914) | (1,169) | - | (4,569) |
| Closing net book amount | 1,402 | 106 | 12,018 | 1,938 | 326 | 15,790 |
| At 31 December 2017 | | | | | | |
| Cost | 2,298 | 281 | 26,169 | 5,950 | 326 | 35,024 |
| Accumulated depreciation | (896) | (175) | (14,151) | (4,012) | - | (19,234) |
| Net book amount | 1,402 | 106 | 12,018 | 1,938 | 326 | 15,790 |

| | Office equipment \$'000 | Motor vehicles \$'000 | Furniture & fittings \$'000 | Computer equipment \$'000 | Capital work-in- progress \$'000 | Total \$'000 |
|------------------------------------|-------------------------------|-----------------------------|-----------------------------------|---------------------------------|---|-----------------|
| Consolidated | | | | | | |
| Year ended 31 December 2018 | | | | | | |
| Opening net book amount | 1,402 | 106 | 12,018 | 1,938 | 326 | 15,790 |
| Exchange differences | 1 | - | - | 2 | - | 3 |
| Additions | - | - | 37 | 21 | 5,015 | 5,073 |
| Disposals | - | - | (69) | - | - | (69) |
| Transfers | 75 | 132 | 555 | 720 | (1,482) | - |
| Depreciation charge | (397) | (77) | (2,978) | (996) | - | (4,448) |
| Closing net book amount | 1,081 | 161 | 9,563 | 1,685 | 3,859 | 16,349 |
| At 31 December 2018 | | | | | | |
| Cost | 2,374 | 322 | 26,310 | 6,686 | 3,859 | 39,551 |
| Accumulated depreciation | (1,293) | (161) | (16,747) | (5,001) | - | (23,202) |
| Net book amount | 1,081 | 161 | 9,563 | 1,685 | 3,859 | 16,349 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

12. Property, plant and equipment (continued)

| | Office equipment \$'000 | Motor vehicles \$'000 | Furniture & fittings \$'000 | Computer equipment \$'000 | Capital work-in- progress \$'000 | Total \$'000 |
|------------------------------------|-------------------------------|-----------------------------|-----------------------------------|---------------------------------|---|-----------------|
| Parent entity | | | | | | |
| At 1 January 2017 | | | | | | |
| Cost | 2,087 | 283 | 25,449 | 6,176 | 193 | 34,188 |
| Accumulated depreciation | (710) | (150) | (11,626) | (3,635) | - | (16,121) |
| Net book amount | 1,377 | 133 | 13,823 | 2,541 | 193 | 18,067 |
| Year ended 31 December 2017 | | | | | | |
| Opening net book amount | 1,377 | 133 | 13,823 | 2,541 | 193 | 18,067 |
| Additions | - | - | - | - | 2,237 | 2,237 |
| Disposals | (22) | - | (1) | (7) | - | (30) |
| Transfers | 425 | 59 | 1,107 | 513 | (2,104) | - |
| Depreciation charge | (395) | (86) | (2,911) | (1,158) | - | (4,550) |
| Closing net book amount | 1,385 | 106 | 12,018 | 1,889 | 326 | 15,724 |
| At 31 December 2017 | | | | | | |
| Cost | 2,274 | 281 | 26,136 | 5,890 | 326 | 34,907 |
| Accumulated depreciation | (889) | (175) | (14,118) | (4,001) | - | (19,183) |
| Net book amount | 1,385 | 106 | 12,018 | 1,889 | 326 | 15,724 |

| | Office equipment \$'000 | Motor vehicles \$'000 | Furniture & fittings \$'000 | Computer equipment \$'000 | Capital work-in- progress \$'000 | Total \$'000 |
|------------------------------------|-------------------------------|-----------------------------|-----------------------------------|---------------------------------|---|-----------------|
| Parent entity | | | | | | |
| Year ended 31 December 2018 | | | | | | |
| Opening net book amount | 1,385 | 106 | 12,018 | 1,889 | 326 | 15,724 |
| Additions | - | - | 34 | - | 5,015 | 5,049 |
| Disposals | - | - | (69) | - | - | (69) |
| Transfers | 75 | 132 | 555 | 720 | (1,482) | - |
| Depreciation charge | (392) | (77) | (2,977) | (982) | - | (4,428) |
| Closing net book amount | 1,068 | 161 | 9,561 | 1,627 | 3,859 | 16,276 |
| At 31 December 2018 | | | | | | |
| Cost | 2,349 | 322 | 26,281 | 6,603 | 3,859 | 39,414 |
| Accumulated depreciation | (1,281) | (161) | (16,720) | (4,976) | - | (23,138) |
| Net book amount | 1,068 | 161 | 9,561 | 1,627 | 3,859 | 16,276 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

13. Intangible assets

| Consolidated and parent entity | Curriculum \$'000 | Computer software \$'000 | Capital work- in-progress \$'000 | Total \$'000 |
|---|------------------------------|---|---|-------------------------|
| At 1 January 2017 | | | | |
| Cost | 3,143 | 10,141 | 733 | 14,017 |
| Accumulated amortisation and impairment | (2,093) | (8,397) | - | (10,490) |
| Net book amount | 1,050 | 1,744 | 733 | 3,527 |
| Year ended 31 December 2017 | | | | |
| Opening net book amount | 1,050 | 1,744 | 733 | 3,527 |
| Additions | - | - | 2,176 | 2,176 |
| Transfers | - | 1,122 | (1,122) | - |
| Amortisation charge | (629) | (660) | - | (1,289) |
| Closing net book amount | 421 | 2,206 | 1,787 | 4,414 |
| At 31 December 2017 | | | | |
| Cost | 3,143 | 10,917 | 1,787 | 15,847 |
| Accumulated amortisation and impairment | (2,722) | (8,711) | - | (11,433) |
| Net book amount | 421 | 2,206 | 1,787 | 4,414 |
| Year ended 31 December 2018 | | | | |
| Opening net book amount | 421 | 2,206 | 1,787 | 4,414 |
| Additions | - | - | 1,638 | 1,638 |
| Transfers | 209 | 2,511 | (2,720) | - |
| Amortisation charge | (303) | (971) | - | (1,274) |
| Closing net book amount | 327 | 3,746 | 705 | 4,778 |
| At 31 December 2018 | | | | |
| Cost | 3,352 | 13,428 | 705 | 17,485 |
| Accumulated amortisation and impairment | (3,025) | (9,682) | - | (12,707) |
| Net book amount | 327 | 3,746 | 705 | 4,778 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

14. Other assets

| | Consolidated | | | | | |
|---|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non- current \$'000 | Total \$'000 | Current \$'000 | Non- current \$'000 | Total \$'000 |
| Prepayments | 5,091 | - | 5,091 | 4,754 | - | 4,754 |
| Security deposits | - | 108 | 108 | - | 142 | 142 |
| Interest in associate and joint venture | - | - | - | - | - | - |
| Insearch (Shanghai) Limited | - | - | - | - | - | - |
| Insearch India LLP | - | - | - | - | - | - |
| | 5,091 | 108 | 5,199 | 4,754 | 142 | 4,896 |

| | Parent entity | | | | | |
|---|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non- current \$'000 | Total \$'000 | Current \$'000 | Non- current \$'000 | Total \$'000 |
| Prepayments | 5,064 | - | 5,064 | 4,748 | - | 4,748 |
| Security deposits | - | 25 | 25 | - | 94 | 94 |
| Interest in associate and joint venture | - | 81 | 81 | - | 81 | 81 |
| Insearch (Shanghai) Limited | - | 555 | 555 | - | 516 | 516 |
| Insearch India LLP | - | 2 | 2 | - | - | - |
| | 5,064 | 663 | 5,727 | 4,748 | 691 | 5,439 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

15. Trade and other payables

| | Consolidated | | | | | |
|---------------------------------|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non- current \$'000 | Total \$'000 | Current \$'000 | Non- current \$'000 | Total \$'000 |
| Trade and other payables | 1,709 | - | 1,709 | 796 | - | 796 |
| Amounts due to joint venture | 123 | - | 123 | 83 | - | 83 |
| University of Technology Sydney | 10 | - | 10 | 67 | - | 67 |
| Other creditors | 43 | - | 43 | 18 | - | 18 |
| | 1,885 | - | 1,885 | 964 | - | 964 |

| | Parent entity | | | | | |
|---------------------------------|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non- current \$'000 | Total \$'000 | Current \$'000 | Non- current \$'000 | Total \$'000 |
| Trade and other payables | 1,715 | - | 1,715 | 796 | - | 796 |
| Amounts due to joint venture | - | - | - | - | - | - |
| University of Technology Sydney | 10 | - | 10 | 67 | - | 67 |
| Other creditors | - | - | - | 275 | - | 275 |
| | 1,725 | - | 1,725 | 1,138 | - | 1,138 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

16. Provisions

| | Consolidated | | | | | |
|---------------------|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non- current \$'000 | Total \$'000 | Current \$'000 | Non- current \$'000 | Total \$'000 |
| Make good provision | - | 3,078 | 3,078 | - | 3,563 | 3,563 |
| Lease incentives | 40 | - | 40 | 68 | 40 | 108 |
| | 40 | 3,078 | 3,118 | 68 | 3,603 | 3,671 |

| | Parent entity | | | | | |
|---------------------|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non- current \$'000 | Total \$'000 | Current \$'000 | Non- current \$'000 | Total \$'000 |
| Make good provision | - | 3,078 | 3,078 | - | 3,563 | 3,563 |
| Lease incentives | 40 | - | 40 | 68 | 40 | 108 |
| | 40 | 3,078 | 3,118 | 68 | 3,603 | 3,671 |

(a) Information about individual provisions and significant estimates

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 five to nine 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 2018 | Make good \$'000 | Lease incentives \$'000 | Total \$'000 |
|--|---------------------|----------------------------|-----------------|
| Current and non-current | | | |
| Carrying amount at start of year | 3,563 | 108 | 3,671 |
| Charged (credited) to the profit or loss | (485) | (68) | (553) |
| Carrying amount at end of year | 3,078 | 40 | 3,118 |

| Parent entity 2018 | Make good \$'000 | Lease incentives \$'000 | Total \$'000 |
|--|---------------------|----------------------------|-----------------|
| Current and non-current | | | |
| Carrying amount at start of year | 3,563 | 108 | 3,671 |
| Charged (credited) to the profit or loss | (485) | (68) | (553) |
| Carrying amount at end of year | 3,078 | 40 | 3,118 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

17. Employee benefit obligations

| | Consolidated | | | | | |
|--|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non- current \$'000 | Total \$'000 | Current \$'000 | Non- current \$'000 | Total \$'000 |
| Leave obligations - annual leave (a) | 2,611 | - | 2,611 | 2,352 | - | 2,352 |
| Leave obligations - long service leave (a) | 2,533 | 2,663 | 5,196 | 2,127 | 2,720 | 4,847 |
| Total employee benefit obligations | 5,144 | 2,663 | 7,807 | 4,479 | 2,720 | 7,199 |

| | Parent entity | | | | | |
|--|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
| | 2018 | | | 2017 | | |
| | Current \$'000 | Non- current \$'000 | Total \$'000 | Current \$'000 | Non- current \$'000 | Total \$'000 |
| Leave obligations - annual leave (a) | 2,611 | - | 2,611 | 2,352 | - | 2,352 |
| Leave obligations - long service leave (a) | 2,533 | 2,663 | 5,196 | 2,127 | 2,720 | 4,847 |
| Total employee benefit obligations | 5,144 | 2,663 | 7,807 | 4,479 | 2,720 | 7,199 |

(a) Leave obligations

The leave obligations cover the Group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in Note 2(r).

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$5,144,527 (2017: \$4,478,963) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

| | Consolidated | | Parent entity | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Current annual leave obligations expected to be settled after 12 months | 542 | 408 | 542 | 408 |
| Current long service leave obligations expected to be settled after 12 months | 789 | 766 | 789 | 766 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

18. Other liabilities

| | Consolidated | | Parent entity | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Current liabilities | | | | |
| Accrued expenses | 4,438 | 5,542 | 4,424 | 5,542 |
| Prepaid course fees | 24,784 | 27,283 | 24,784 | 27,283 |
| Others | 1,218 | 2,251 | 1,218 | 2,251 |
| Total other current liabilities | 30,440 | 35,076 | 30,426 | 35,076 |

19. Reserves and retained surplus

(a) Reserves

| | Consolidated | | Parent entity | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Foreign currency translation reserve | (671) | (740) | - | - |
| Movements: | | | | |
| <i>Foreign currency translation reserve</i> | | | | |
| Balance 1 January | (740) | (686) | - | - |
| Currency translation difference arising during the year | 69 | (54) | - | - |
| Balance 31 December | (671) | (740) | - | - |

(b) Retained surplus

Movements in retained surplus were as follows:

| | Consolidated | | Parent entity | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Balance 1 January | 56,316 | 61,761 | 55,150 | 60,550 |
| (Deficit) surplus for the year | (6,240) | (5,445) | (6,039) | (5,400) |
| Balance 31 December | 50,076 | 56,316 | 49,111 | 55,150 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

20. Key management personnel disclosures

(a) Directors

The following persons were Directors of Insearch Limited during the financial year:

(i) Non-Executive Chair

R D Milbourne AO

(ii) Executive Director

A Murphy

(iii) Non-Executive Directors

P Bennett

G A Freeland

J N Anderson

A M Dwyer

J P Chalmers (interim between 12 January 2018 and 16 July 2018)

P C Earley (appointed 1 July 2018)

I Watt (appointed 17 July 2018)

W R Purcell (retired 12 January 2018)

M Spongberg (retired 30 June 2018)

(b) Other key management personnel

A Brungs

(c) Key management personnel compensation

Insearch Limited has three Directors that are staff of UTS. These Directors do not receive any remuneration in respect of their work on the Insearch Board.

| | Consolidated | | Parent entity | |
|----------------------------------|--------------|-----------|---------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Remuneration of Directors | | | | |
| \$0 to \$49,999 | 6 | 5 | 6 | 5 |
| \$50,000 to \$99,999 | 3 | 3 | 3 | 3 |
| \$100,000 to \$149,999 | 1 | 1 | 1 | 1 |
| \$150,000 to \$199,999 | - | - | - | - |
| \$200,000 to \$249,999 | - | - | - | - |
| \$250,000 to \$299,999 | - | - | - | - |
| \$300,000 to \$349,999 | - | - | - | - |
| \$350,000 to \$399,999 | - | - | - | - |
| \$400,000 to \$449,999 | - | - | - | - |
| \$450,000 to \$499,999 | - | 1 | - | 1 |
| \$500,000 + | 1 | - | 1 | - |
| | 11 | 10 | 11 | 10 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

20. Key management personnel disclosures (continued)

(c) Key management personnel compensation (continued)

| | Consolidated | | Parent entity | |
|------------------------------|--------------|------------|---------------|------------|
| | 2018 \$ | 2017 \$ | 2018 \$ | 2017 \$ |
| Short-term employee benefits | 770,784 | 724,383 | 770,784 | 724,383 |
| Post-employment benefits | 59,552 | 68,367 | 59,552 | 68,367 |
| | 830,336 | 792,750 | 830,336 | 792,750 |

21. 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 22.

(c) Transactions with related parties

The following transactions occurred with related parties:

- Donation to the University of Technology Sydney \$17,164,502 (2017: \$17,172,000), this includes \$164,502 (2017: \$171,000) in respect of UTS staff acting as Directors on the Insearch Board.
- Sales of Services and Fees to the University of Technology Sydney \$67,716 (2017: \$92,090).
- Services rendered by the University of Technology Sydney to Insearch Limited \$5,880,268 (2017: \$5,940,168).
- Consulting service income between Insearch (Shanghai) Limited and Insearch Limited \$1,477,409 (2017: \$1,318,722).
- Consulting service expense between Insearch Limited and Insearch (Shanghai) Limited \$1,477,409 (2017: \$1,318,722).
- Consulting service income between Insearch India LLP and Insearch Limited \$495,161 (2017: \$nil).
- Consulting service expense between Insearch Limited and Insearch India LLP \$495,161 (2017: \$nil).

(d) Outstanding balances arising from sales/purchases of goods and services

Aggregate amounts receivable from and payable to each class of related parties at reporting date are set out below:

| | Consolidated | | Parent entity | |
|--|--------------|------------|---------------|------------|
| | 2018 \$ | 2017 \$ | 2018 \$ | 2017 \$ |
| Current receivables (sales of goods and services) | | | | |
| Insearch (Shanghai) Limited | - | - | 20,886 | 22,705 |
| Insearch India LLP | - | - | 54,839 | - |
| Current payables (sales of goods and services) | | | | |
| Insearch (Shanghai) Limited | - | - | - | (275,368) |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

22. 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).

| Name of entity | Country of incorporation | Class of shares | Equity holding | |
|--|--------------------------|-----------------|----------------|--------|
| | | | 2018 % | 2017 % |
| Insearch (Shanghai) Limited | China | Ordinary | 100 | 100 |
| Insearch Education International Pty Limited | Australia | Ordinary | 100 | 100 |
| Insearch India LLP * | India | Ordinary | 90 | - |

* 10% of Insearch India LLP is owned by Insearch Education International Pty Limited.

23. 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:

(a) The Audit Office of New South Wales

(i) Audit and other assurance services

| | Consolidated | | Parent entity | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2018 \$ | 2017 \$ | 2018 \$ | 2017 \$ |
| Audit and review of financial reports | 102,695 | 102,195 | 102,695 | 102,195 |
| Total auditor's remuneration | 102,695 | 102,195 | 102,695 | 102,195 |

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

24. Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting year but not recognised as liabilities is as follows:

| | Consolidated | | Parent entity | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Building works | 2,400 | - | 2,400 | - |
| Input tax recoverable from the Australian Taxation Office | 218 | - | 218 | - |

(b) Lease commitments

(i) Non-cancellable operating leases

| | Consolidated | | Parent entity | |
|--|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable with the input tax recoverable from the Australian Taxation Office: | | | | |
| Within one year | 12,349 | 10,428 | 11,981 | 10,255 |
| Later than one year but not later than five years | 21,601 | 24,379 | 21,502 | 24,112 |
| Later than five years | - | 538 | - | 538 |
| | 33,950 | 35,345 | 33,483 | 34,905 |
| Input tax recoverable from the Australian Taxation Office | 3,043 | 3,171 | 3,043 | 3,171 |

25. Members' Guarantee

Insearch Limited is incorporated under the *Corporations Act 2001 (Cth)* 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 nine members of the entity.

26. Events occurring after the reporting period

No matters or circumstances have occurred subsequent to year end that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

Notes to the Financial Statements

(continued)

For the year ended 31 December 2018

27. Cash flow information

Reconciliation of deficit for the year to net cash flows from operating activities

| | Consolidated | | Parent entity | |
|---|----------------|----------------|----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Deficit for the year | (6,240) | (5,445) | (6,039) | (5,400) |
| Depreciation and amortisation | 5,722 | 5,858 | 5,702 | 5,839 |
| Non-cash adjustment on non-current assets | - | (466) | - | (466) |
| Non-cash adjustment on make good provision | (610) | - | (610) | - |
| Net loss (gain) on sale of non-current assets | 20 | (16) | 20 | (16) |
| Share of loss of joint venture | 27 | 89 | - | - |
| Share of profit of associates | (504) | (526) | - | - |
| Bad debt provisions | (85) | 131 | (85) | 131 |
| Change in operating assets and liabilities: | | | | |
| Decrease in trade receivables | 727 | 2,264 | 57 | 1,776 |
| Decrease in financial assets at amortised cost | 569 | 854 | 539 | 861 |
| (Increase) decrease in other current assets | (337) | 236 | (316) | 236 |
| Decrease (increase) in other non-current assets | 34 | (49) | 28 | (117) |
| Increase (decrease) in trade and other payables | 921 | (431) | 587 | (154) |
| (Decrease) increase in provisions | 57 | 9 | 57 | 9 |
| Increase in employee benefit obligations | 608 | 601 | 608 | 601 |
| (Decrease) increase in other liabilities | (4,636) | 2,608 | (4,650) | 2,608 |
| Net cash (outflow) inflow from operating activities | (3,727) | 5,717 | (4,102) | 5,908 |

END OF AUDITED FINANCIAL STATEMENTS

Directors' Declaration

For the year ended 31 December 2018

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 28 to 65 are in accordance with the *Corporations Act 2001 (Cth)*, and:

(i) comply with Accounting Standards and the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2015*, 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 2018 and of its 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 (Cth)*.

Signed on behalf of the Board of Directors



Emeritus Vice-Chancellor Ross Milbourne AO
Director

Date: 21 March 2019



Mr Alex Murphy
Director

Date: 21 March 2019

Independent Auditor's report



INDEPENDENT AUDITOR'S REPORT

Insearch Limited

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

Opinion

I have audited the accompanying financial report of Insearch Limited (the Company), which comprises the Statements of Comprehensive Income for the year ended 31 December 2018, the Statements of Financial Position as at 31 December 2018, the Statements of Changes in Equity and the Statements 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.

In my opinion, the financial report:

- is in accordance with the *Corporations Act 2001*, including:
 - giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2018 and its performance for the year ended on that date
 - complying with Australian Accounting Standards and the Corporations Regulations 2001
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Company and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- *Corporations Act 2001*
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles 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
- precluding the Auditor-General from providing non-audit services

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

Independent Auditor's report

(continued)

Other Information

Other information comprises the information included in the annual report of the Company and consolidated entity for the year ended 31 December 2018, other than the financial report and my Independent Auditor's Report thereon. The directors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Directors' Report.

My opinion on the financial report does not cover the other Information. Accordingly, I do not express any form of assurance conclusion on the other Information.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

Independent Auditor's report

(continued)

My opinion does not provide assurance:

- that the Company or the consolidated entity carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Caroline Karakatsanis
Director Financial Audit Services

21 March 2019
SYDNEY

Auditor's Independence Declaration



To the Directors
Insearch Limited

Auditor's Independence Declaration

As auditor for the audit of the financial report of Insearch Limited for the year ended 31 December 2018, I declare, 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
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read "C. Karakatsanis".

Caroline Karakatsanis
Director Financial Audit Services

21 March 2019
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 Limited has a Public Interest Disclosure Policy (PID Policy) in place. The current policy came into effect on 28 November 2012 and is available on the staff intranet.

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

- Including a link to the PID Policy in the weekly electronic staff newsletter once a year; and
- Including the PID Policy in the Fraud and Corruption Awareness online module undertaken by new staff.

| Information required under the Public Interest Disclosures | January 2018–December 2018 |
|---|----------------------------|
| Number of public officials who made PIDs to Insearch Limited | 0 |
| Number of PIDs received in total | 0 |
| Of PIDs received, number primarily about: | |
| Corrupt conduct | 0 |
| Maladministration | 0 |
| Serious and substantial waste | 0 |
| Government information contraventions | 0 |
| Local government pecuniary interest contraventions | 0 |
| Number of PIDs (received since 1 Jan 2012) that Insearch has finalised in this reporting period | 0 |

Copies of the 2018 subsidiary accounts, Insearch Education International and Insearch (Shanghai) Limited, can be found at www.insearch.edu.au

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