University of Technology, Sydney

AUDIT OPINION

The audits of the University and its controlled entities' financial reports for the year ended 31 December 2007 resulted in unqualified Independent Auditor's Reports.

KEY ISSUES

Corporate Governance and Risk Management Framework

Last year we recommended alignment of the risk management framework of the University and Insearch Limited to further enhance governance. During the year, Insearch Limited's Board was reconstituted to increase the University's representatives and the term of any director restricted to eight years. This initiative allowed Insearch Limited to improve its corporate governance through the addition of directors' skills.

Ku-ring-gai Campus Rezoning

The University endorsed a strategy in July 2003 to review its options for the long term use of the Ku-ring-gai Campus.

With the consent of the University Council, the preferred concept plan for the Ku-ring-gai Campus was submitted to the New South Wales Department of Planning under Part 3A of the *Environmental Protection Act 1997* (EPA Act). The submission seeks the introduction of a new site-specific land use zone to permit a wider range of uses including residential.

The University is now waiting for the Minister's decision. Indications are that a formal decision will be made in early May 2008.

PERFORMANCE INFORMATION

(Comparative performance data on all universities appears in the 'Universities Overview' section earlier in this Volume. The information shown below is based on consolidated financial statements.)

The University's current ratio (a measure of its financial liquidity) was 1.9 at 31 December 2007. This is an increase from the previous year's ratio of 1.4 and higher than the minimum level identified by the Australian Government's Department of Education, Employment and Workplace Relations (DEEWR) 'good practice' parameters.

Australian Government grants as a percentage of operating revenue increased, from 31.7 per cent in 2006 to 32.3 per cent. However, it remains lower than the State's average of 38.6 per cent, and well within the DEEWR 'good practice' parameters.

Employee benefits and on-costs as a percentage of operating revenue decreased from 57.5 per cent in 2006 to 55.1 per cent in 2007. The University's percentage is higher than the State's average of 54.3 per cent, but within DEEWR 'good practice' parameters.

Backlog Maintenance

The University's back log maintenance improved by 36 per cent, from $19.8 million in 2006 to $12.7 million in 2007. This improvement is a continuation of the efforts that began three years ago as shown below:

Year ended 31 December	Actual		
	2005 $'000	2006 $'000	2007 $'000
Backlog maintenance	24,300	19,800	*12,700*

OTHER INFORMATION

We identified some opportunities for improvement in accounting and internal control procedures and have reported them to management.

FINANCIAL INFORMATION

The consolidated financial information includes the financial reports of the University and its controlled entities.

Abridged Income Statements

Year ended 31 December	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Australian Government grants	*150,064*	135,255	*150,064*	135,255
Higher Education Contribution Scheme	*81,923*	74,960	*81,923*	74,960
Fees and charges	*157,421*	156,465	*124,863*	125,971
Other	*74,551*	59,446	*69,878*	61,451
Deferred income – superannuation	*(24,179)*	(41,131)	*(24,179)*	(41,131)
TOTAL REVENUE	*439,780*	384,995	*402,549*	356,506
Employee benefits and on-costs	*255,792*	245,089	*238,376*	230,843
Depreciation	*49,768*	42,054	*47,881*	40,311
Other	*121,275*	121,247	*106,164*	104,175
Deferred expense – superannuation	*(24,898)*	(42,402)	*(24,898)*	(42,402)
TOTAL EXPENSES	*401,937*	365,988	*367,523*	332,927
OPERATING RESULT	*37,843*	19,007	*35,026*	23,579

Higher Education Contribution Scheme (HECS) fees increased by 9.3 per cent because of the continuing impact of the 25 per cent increase in fees in 2005.

The University sold the Aarons Hotel property for a profit of $4.0 million. This contributed to the 25 per cent increase in other revenue. The University also received a $3.0 million donation from Insearch Limited.

Deferred income and deferred expenses reflect movements in the actuarially assessed liability for employees who are members of the State Government's defined benefit superannuation plans. Because the Australian Government funds these movements, they do not impact on the operating result.

Depreciation increased by 18.3 per cent, mainly due to the addition of $11.5 million capitalised from capital works in progress and depreciation on the Science Building that was capitalised late in 2006.

Abridged Balance Sheets

At 31 December	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Current assets	*138,186*	99,430	*112,365*	79,729
Non-current assets	*1,101,402*	1,044,001	*1,090,181*	1,031,767
TOTAL ASSETS	*1,239,588*	1,143,431	*1,202,546*	1,111,496
Current liabilities	*100,188*	99,772	*86,320*	88,917
Non-current liabilities	*180,576*	238,141	*178,957*	236,004
TOTAL LIABILITIES	*280,764*	337,913	*265,277*	324,921
NET ASSETS	*958,824*	805,518	*937,269*	786,575

Current assets increased mainly due to an increase of $31.7 million in managed fund investments.

Non-current assets increased by $57.4 million mainly due to:

- an increase in the value shares held in an educational company $3.2 million
- an increase in land and building values as a result of a revaluation in the current year of $113 million
- a decrease in property of $21.5 million from the sale of Aaron's Hotel
- a decrease in non-current receivables by $24.2 million relating to the adjustment to deferred government contributions for superannuation.

Non-current liabilities reduced by $57.6 million mainly due to a $32.5 million decrease in borrowings.

UNIVERSITY ACTIVITIES

The University is constituted under the *University of Technology, Sydney Act 1989.* It mainly provides and is responsible for:

- educational facilities at university standard
- courses of study or instruction across a range of fields and carrying out of research to meet the needs of the community
- the encouragement of the dissemination, advancement, development and application of knowledge informed by free inquiry, and
- the conferring of degrees, including those of Bachelor, Master and Doctor, and the awarding of diplomas, certificates and other awards.

For further information on the University, refer to www.uts.edu.au.

CONTROLLED ENTITIES

Insearch Limited

Insearch Limited operates controlled entities in China and Thailand. It has a branch in England and two joint ventures in China and Vietnam. It has also signed about 400 agency agreements worldwide to enrol students from various countries.

Year ended 31 December	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Revenue	*40,609*	33,634	*39,577*	32,818
Expenses	*38,354*	37,039	*37,960*	36,771
Profit/(loss)	*2,255*	(3,405)	*1,617*	(3,953)
Net assets (at 31 December)	*17,067*	14,961	*14,803*	13,349

Revenue increased by 20.7 per cent mainly due to an increase in the number of both international and domestic students.

Insearch Limited is a company limited by guarantee. It provides education courses in English language, business, information technology and other disciplines to Australian and international students. Insearch Limited also provides approximately 1,000 full fee paying students to the University annually. It is accredited as a higher education institution.

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
accessUTS Pty Limited	www.accessuts.uts.edu.au

OTHER BODY ASSOCIATED WITH THE UNIVERSITY

The following body associated with the University has not been reported on separately as it is not considered material by its size or the nature of its operations.

Entity Name	Website
Sydney Educational Broadcasting Limited (SEBL)	www.2ser.uts.edu.au