

2004
VOLUME 2



UNSW

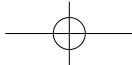
'As we build on our distinctive qualities and expertise, UNSW will gain greater depth and stature.'

PROFESSOR MARK WAINWRIGHT, AM
Vice-Chancellor and President

ANNUAL REPORT

THE UNIVERSITY OF NEW SOUTH WALES





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Sydney NSW 2053 Australia

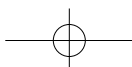
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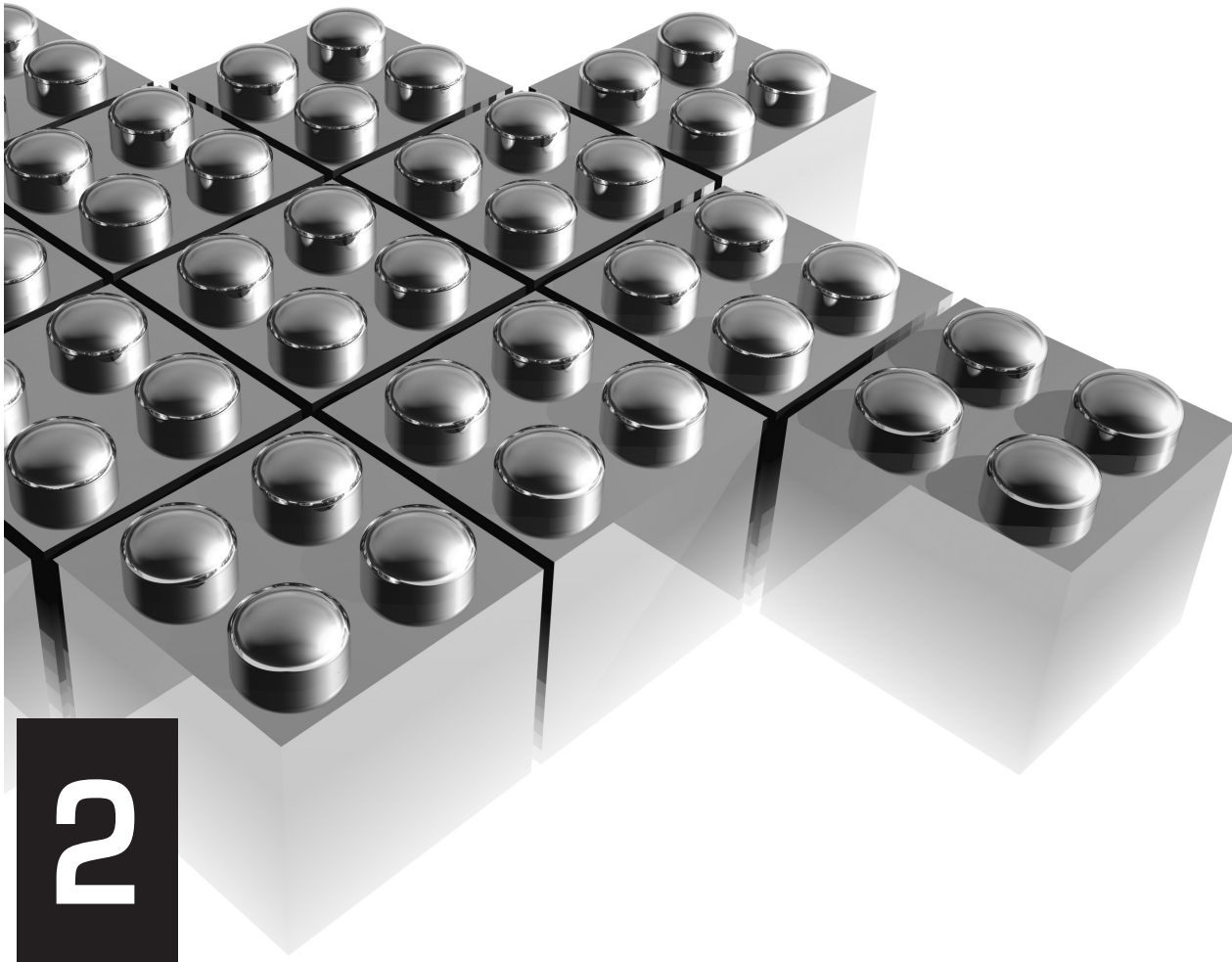
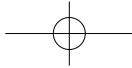
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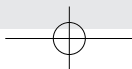
**UNSW 2004
ANNUAL REPORT**

VOLUME

2004 FINANCIAL STATEMENTS

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2004
ANNUAL
REPORT**FINANCE**UNSW
ANNUAL
REPORT**Financial Report**

The Financial Report for the year ended 31 December 2004 has been prepared in accordance with Section 41B of the Public Finance and Audit Act 1983 and the *Guidelines for the Preparation of Annual Financial Reports for the 2004 Reporting Period by Australian Higher Education Institutions* issued by the Department of Education Science and Training (DEST). The New South Wales Auditor General has furnished an audit opinion on the Report in terms of Section 41C(1B) and 1(C) of that Act. Both the Report and the opinion are shown on pages 13–14 of this Annual Report.

The consolidated financial report has been prepared for the University and its controlled entities on an accrual basis in accordance with the policies disclosed in the Report.

Consolidated results for 2004

The consolidated operating result for the year ended 31 December 2004 was a loss of \$10.0M (\$16.6M surplus in 2003).

Significant and prior period items contributing to the operating loss of \$10.0M in 2004 were:

- During 2004, the Commonwealth changed the timing of payments of operating grants under the Higher Education Funding Act 1988 (HEFA) to universities. The impact on the University's and consolidated 2004 results was a \$21.3M reduction in operating revenues and operating result;
- The writedown from \$17.4M to nil of the fair value of University owned land that is used by affiliated residential colleges and Commonwealth activities and is subject to long term leases. The impact on the University's and consolidated 2004 results was a \$6.0M increase in operating expenses, \$17.4M reduction in land valuation and \$11.4M reduction in the asset revaluation reserve;
- A \$5.6M increase in revenue representing HECS student contributions received during the period 1996 to 2002 which were correctly recognised as income in advance, but not transferred to revenue in subsequent years;

- A \$11.9M increase in expenses and provisions following an actuarial valuation of the University's liability for long service leave; and
- Settlement of a dispute arising from UNSW's participation in the Cooperative Research Centre for Eye Research and Technology (CRCERT). The impact on the 2004 results were a \$6.1M debt write off and \$2.2M reduction in revenue with a corresponding \$2.2M increase in non-current liabilities. UNSW has a continuing entitlement to a percentage of royalties that are paid to CRCERT. Because UNSW is not able to quantify the value of its share of the royalty payments, this has been disclosed as a contingent asset.

Table 1 shows the break up of the consolidated operating results for the last four years in terms of movements in University cash and non-cash assets, and assets of controlled entities.

TABLE 1 CONSOLIDATED OPERATING RESULT – Consolidated columns

Consolidated Operating Result \$M		2004	2003	2002	2001
		\$M	\$M	\$M	\$M
Operating Revenue (i)		866.4	838.5	834.9	763.3
Operating Expenditure (i)		(857.7)	(821.2)	(782.1)	(718.8)
		(9.3)	17.3	52.8	44.4
Outside equity and tax		(0.6)	(0.7)	0.8	0.2
Operating Result		(10.0)	16.6	53.6	44.7
<i>Represented by</i>					
Changes in the University's:					
Unrestricted funds (ii)		(56.3)	19.6	18.4	30.8
Restricted funds (iii)		44.0	(2.0)	0.4	5.4
Prepaid and unexpended grants		(23.2)	3.8	1.4	1.0
UNSW Fund balances (ii)		(35.6)	21.4	20.2	37.1
UNSW Property, plant and equip (iv)		11.9	(4.7)	22.5	(8.5)
Operating results of controlled entities		13.7	(0.0)	11.0	16.1
Operating Result		(10.0)	16.6	53.6	44.7
(i)	excludes deferred superannuation	(0.9)	43.4	63.8	84.2
(ii)	excludes transfer from/(to) reserves		10.7	9.8	
(iii)	includes research, endowment and beneficial funds				
(iv)	excludes changes in the asset revaluation reserve				

The results for each of the entities within the UNSW group are summarised in Table 2.

TABLE 2 2004 RESULTS OF ENTITIES IN THE UNSW GROUP

	Revenue	Expenses	Operating result after tax(i)	Retained surplus/(loss)(i)
	\$'000	\$'000	\$'000	\$'000
University	755,608	779,239	(23,631)	929,808
Deferred employee benefits for superannuation	(907)	(907)	–	–
	754,701	778,332	(23,631)	929,808
AGSM Ltd	42,537	40,664	1,248	10,381
UNSW International House Ltd	1,891	1,430	461	3,425
UNSW Press Ltd	11,711	11,685	26	1,134
Unisearch Ltd	15,643	15,335	308	7,231
NewSouth Global Ltd	64,274	58,820	5,458	16,540
UNSW Foundation Ltd as trustee for the UNSW Foundation	10,007	2,717	7,290	37,235
UNSW Foundation Ltd as trustee for the Minerals Industry/ UNSW Education Trust	738	141	597	5,402
Acyte Biotech Pty Ltd	741	829	(57)	(13)
HepatoCell Pty Ltd	28	62	(23)	(23)
Qucor Pty Ltd	121	540	(419)	(472)
Inter-group eliminations	(36,904)	(35,734)	(1,235)	(11,494)
	865,488	874,821	(9,977)	999,154

(i) Excludes outside equity interests in operating result, \$0.648M, and retained surplus, \$5.225M.

During the year Reserves increased by \$20.3M due to:

- \$11.8M net increase in property, plant and equipment arising from revaluations;
- \$11.4M decrease due to the write down in the fair value of University owned land that is used by affiliated residential colleges and Commonwealth activities and is subject to long term leases;
- \$20.2M increase in the market value of long term investments, ie unrealised gains; and
- \$0.3M in net transfers to retained surplus.

By the end of 2004, UNSW's liability for New South Wales State emerging cost superannuation schemes had decreased to \$351.7M, a \$0.9M decrease on the previous year. Movements in the liability over the last five years have been:

	2004 \$'000	2003 \$'000	2002 \$'000	2001 \$'000	2000 \$'000
Liability at 31 December	351,677	352,584	309,210	245,434	161,273
Change in liability from previous year	(907)	43,374	63,776	84,161	(57,834)

Under the accounting treatment that is required to be adopted, the increment in the liability in 2004 equally decreases University and Consolidated revenues and expenses by \$0.9M (increase of \$43.4M in 2003). On the Statement of Financial Position, the University's liability for New South Wales State emerging cost superannuation schemes is included in the Provision for Staff Superannuation and is offset by recognising the Government as a debtor in Receivables. In order to avoid misleading comparisons between years, throughout the analysis and commentary that follows, *Deferred Government Superannuation Contributions* and *Deferred Employee Benefits for State Superannuation* have been excluded from revenue and expenses.

After excluding *Deferred Government Superannuation Contributions*, revenue increased by \$27.9M, or 3.3 per cent, over the year from \$838.5M to \$866.4M, due to the following movements:

	increase/(decrease)
Investment income	\$13.4M
Consultancy and contract research	\$10.0M
Other revenue	\$11.7M
Other fees and charges	\$5.6M
Donations, bequests, scholarships and prizes	\$2.0M
HECS and Commonwealth loan programs	(\$0.2M)
Prior period error	(\$2.8M)
Commonwealth Government financial assistance	(\$2.9M)
Fees for courses	(\$8.9M)

Due largely to the changes in payment arrangements, as a percentage of total revenue Commonwealth Government financial assistance decreased from 38.8 per cent in 2003 to 37.3 per cent in 2004. When taken together with HECS, Commonwealth loan programs and New South Wales governments the percentage is 49.2 per cent in 2004, compared to 51.2 per cent in 2003.

After excluding *Deferred Employee Benefits for State Superannuation*, expenses rose by \$54.5M over the previous year, or 6.6 per cent. Movements were:

	increase/(decrease)
Employee benefits (excluding provisions for deferred employee benefits)	\$21.8M
Provisions for deferred employee benefits	\$10.9M
Write down of land impaired by long term leases (prior period error)	\$6.0M
Bad and doubtful debts	\$5.6M
Depreciation and amortisation	\$4.2M
Scholarships and awards	\$3.1M
Consumables, overheads, other, travel, etc	\$1.8M
Contract services	\$1.1M

Net cash from operating activities, investment activities and Government increased by \$69.8M, compared with a \$30.3M increase in the previous year. Payments for Property, Plant and Equipment in 2004 were \$83.0M, compared to \$56.8M in 2003.

Assets have increased by \$2.3M and liabilities have decreased by \$13.9M, with the result that by the end of 2004 net assets had increased by \$11.6M or 1.0 per cent. Changes in assets and liabilities included:

Assets:

Overall cash and investments increased by \$16.2M, which included \$20.2M in unrealised gains in long term investments;

The value of land and buildings, net of depreciation, increased by \$19.4M, which included a net increase of \$8.5M due to revaluations and a \$17.4M decrease due to the write down of land impaired by long term leases. The value of plant and equipment, net of depreciation, decreased by \$8.1M;

Deferred Government Superannuation Contributions decreased by \$22.4M, due primarily to UNSW receiving a payment from the Commonwealth for the unfunded superannuation liabilities of staff at the University College, ADFA. Other receivables increased by \$2.3M and other assets (including inventories) decreased by \$9.71M;

Liabilities:

Provisions for long service leave, annual leave, workers compensation and Professorial Superannuation increased by \$13.2M. Provisions for Deferred Employee Benefits for State Superannuation decreased by \$0.9M;

Accrued expenses and sundry creditors decreased by \$0.6M and \$2.3M, respectively; and,

Income in advance decreased by \$29.7M and other liabilities increased by \$6.4M.

University (only) results for 2004

The University's 2004 Budget was approved by the Council of the University on 15 December 2003. The 2005 Budget was approved by Council on 22 November 2004. Tables 3, 4 and 5 compare the actual results for the University (excluding controlled entities) with the estimated statement of financial performance, statement of financial position and statement of cash flows as shown in UNSW Budgets.

TABLE 3 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2004 (University)

2003 Actual \$'000		2004 Actual \$'000	2004 Budget \$'000	2005 Budget \$'000
205,445	Commonwealth financial assistance			
37,901	HEFA	191,967	210,344	208,025
46,362	HEFA and ARC research	40,256	40,586	42,815
7,787	Other Commonwealth grants	50,804	49,008	50,348
81,050	NSW Government financial assistance	8,150	5,794	5,934
14,316	Higher Education Contribution Scheme	76,629	82,179	80,685
209,502	Commonwealth student loan programs	18,507	17,034	16,124
74,024	Fees and charges (i)	204,634	219,426	231,633
34,850	Consultancy and contract research (incl Commonwealth)	86,302	76,041	77,347
8,353	Other revenue	46,756	48,848	46,610
<u>19,701</u>	Prior period error	5,607	–	–
739,291	Investment Income	25,996	15,060	21,825
<u>43,374</u>	Deferred Gov't superannuation contributions	755,608	764,320	781,346
782,665	Revenue from ordinary activities	754,701	764,320	781,346
409,807	Employee benefits	442,539	409,588	449,636
48,355	Depreciation and amortization	51,374	47,556	52,374
16,838	Buildings, grounds, insurance and software	20,015	21,280	22,389
37,842	Scholarships and awards	40,847	37,338	37,390
56,692	Contract services	60,369	54,888	52,075
23,624	Travel and entertainment	25,616	23,919	25,571
110,830	Consumables and other expenses	105,320	118,816	115,686
7,099	Student fee discounts	9,848	7,000	7,213
3,742	Bad and doubtful debts	9,341	335	5,067
7,837	Write down of investment – unlisted companies	4,624	–	–
–	Write down of buildings	3,332	–	–
–	Write down of land (prior period error)	6,014	–	–
–	Strategic and contingent expenditure	–	25,300	–
722,666		779,239	746,020	767,401
<u>43,374</u>	Deferred employee benefits for superannuation	(907)	–	–
766,040	Expenses from ordinary activities	778,332	746,020	767,401
16,625	Net operating result	(23,631)	18,300	13,945
926,134	Retained surplus at 1 January	953,439	953,439(ii)	929,808(ii)
<u>10,680</u>	Transfer from/(to) Reserves	–	–	–
953,439	Retained surplus at 31 December (incl statutory funds)	929,808	971,739(ii)	943,753(ii)

(i) Includes \$24.3M (\$24.2M in 2003) in recoveries of costs paid on behalf of associated and external organisations.

(ii) Adjusted to reflect the actual balance at the end of 2004.

The operating result for 2004 was \$36.6M less than budget.

Significant and prior period unbudgeted items that contributed to the University's under performance compared to budget of which most have been commented upon earlier in the report, were:

- A \$21.3M decrease in Commonwealth financial assistance due to changes in the payment arrangements implemented by the Commonwealth Government in 2004;
- A \$5.6M increase in revenue for HECS student contributions received during the period 1996 to 2002, which is shown as a prior period error;
- Increases of \$11.8M and \$4.1M for provisions for long service leave and employers superannuation, respectively;
- Write downs of \$6.0M for land, \$3.3M for buildings and \$4.6M for investments in unlisted companies; and
- A \$6.1M debt write off and \$2.2M reduction in other revenue following settlement of a dispute arising from UNSW's participation in a Cooperative Research Centre.

At the end of 2004 net assets were \$13.6M less than budget.

A significant item that contributed to total assets being \$7.9M less than budget was the \$17.4m write down in the fair value of University owned land that is used by affiliated residential colleges and commonwealth activities and is subject to long term leases. At \$626.4 actual total liabilities exceeded the budget by \$22.4M. Just over 25.0 per cent of this increase, \$5.7M, is due to increase in provisions for deferred employee entitlements, of which \$3.2M is for provisions for Deferred Employee Benefits for State Superannuation

TABLE 4 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2004 (University)

2003 Actual \$'000		2004 Actual \$'000	2004 Budget \$'000	2005 Budget \$'000
442,718	Cash and investments	464,126	350,364	366,142(i)
71,608	Receivables and other	58,731	73,500	73,703
637	Inventories	629	902	1,229
908,411	Property, plant and equipment	920,809	1,004,976	988,561(i)
<u>350,026</u>	Deferred Gov't superannuation contributions	327,618	350,026	327,618(i)
1,773,400	Total assets	1,771,913	1,779,768	1,757,956
	Commonwealth grants received in advance			
21,265	Accounts payable	20,645	28,080	5,309
	Provisions			
357,151	State superannuation	360,320	357,151	333,445(i)
126,584	Other	134,670	131,354	142,153(i)
<u>119,303</u>	Others	110,791	87,408	104,481
624,303	Total liabilities	626,426	603,993	585,388
1,149,097	Net assets	1,145,487	1,175,775	1,172,568
953,439	Retained surplus	929,808	971,739	943,753(i)
	Reserves:			
186,043	Asset revaluation	186,516	186,043	186,516(i)
<u>9,615</u>	Investment revaluation	29,163	17,993	42,299(i)
1,149,097	Total equity	1,145,487	1,175,775	1,172,568

(i) Adjusted to reflect the actual balance at the end of 2004.

The net cash from operating and investing was \$45.9M above budget. Payments for property, plant and equipment in 2004 were \$65.2M less than the budget estimate.

TABLE 5 STATEMENT OF CASH FLOW FOR YEAR ENDED 31 DECEMBER 2004 – (University)

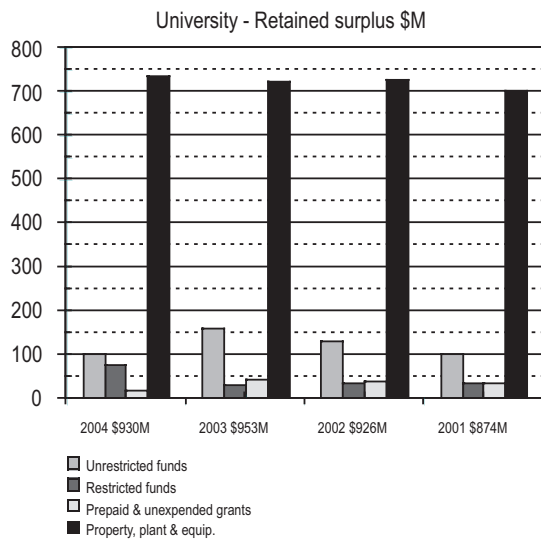
2003 Actual \$'000		2004 Actual \$'000	2004 Budget \$'000	2005 Budget \$'000
Cash flows from operating activities				
Inflows:				
306,443	Commonwealth Government financial assistance	327,334	299,938	301,187
7,787	NSW Government and Statutory Authorities	8,150	5,794	5,934
100,353	Higher Education Contribution Scheme	93,523	82,179	80,685
280,001	Other operating revenue	289,044	361,350	371,715
10,772	Interest	24,917	15,060	21,825
Outflows:				
(593,131)	Operating expenses	(665,952)	(696,671)	(733,893)
112,225	Net cash inflow (outflow) from operating activities	77,016	67,650	47,453
Cash flows from investing activities				
Inflows				
18,545	Proceeds from Sale of Property, Plant and Equipment	2,755	–	15,000
Outflows:				
(55,708)	Payments for Purchase of Property, Plant and Equipment	(78,894)	(144,121)	(135,126)
(37,163)		(76,139)	(144,121)	(120,126)
(38,626)	Net cash flows on investments	76,956	8,378	–
(75,789)	Net cash inflow (outflow) from investing activities	817	(135,743)	(120,126)
36,436	Net increase/(decrease) in cash held	77,833	(68,093)	(72,673)
181,700	Cash at the beginning of the year	218,136	218,136	184,636(i)
	Reclassification of cash at the beginning of the year	(111,333)		
218,136	Cash at the end of the year	184,636	150,043	111,963(i)

(i) Adjusted to reflect cash at the end of 2004.

Retained surplus of the University

The University's retained surplus (ie excluding controlled entities) decreased by \$23.6M over the year from \$953.4M to \$929.8M, see Table 6. While property, plant and equipment (after excluding revaluations) increased by \$11.9M, fund balances (cash assets) decreased by \$35.5M. The decrease in fund balances was comprised of: a \$23.2M decrease in Commonwealth grants in advance or unexpended, due to changes in the payment arrangements implemented by the Commonwealth Government in 2004; a \$44.0M increase in restricted funds; and a \$56.3M decrease in unrestricted funds.

TABLE 6 RETAINED SURPLUS – *University columns*



	2004 \$M	2003 \$M	2002 \$M	2001 \$M
Unrestricted funds	103.0	159.3	129.0	101.6
Restricted funds (i)	74.8	30.8	32.8	32.4
Prepaid and unexpended grants	17.7	40.9	37.2	35.8
Fund balances	195.5	231.0	199.0	169.8
Property, plant & equipment (ii)	734.3	722.4	727.1	704.6
Retained surplus	929.8	953.4	926.1	874.4

(i) includes research, endowment and beneficial funds. Does not include endowment and beneficial funds held by UNSW in trusts which under accounting standards are included in 'other liabilities' on the statement of financial position.

(ii) excludes asset revaluation reserve 186.5 186.0 105.5 211.6

Investment Management and Performance

The University's investment activities are regulated by the University of New South Wales Act 1989.

During 2004 the University's investments were divided between the following three investment Pools:

- Pool L, a long-term investment fund with an investment horizon of more than two years managed by seven external fund managers;
- Pool S, the University's short-term working capital with an investment horizon of less than two years managed internally by UNSW's Investment Services; and
- Pool P, investments in special projects and property (generally residential) managed internally by UNSW's Investment Services.

In accordance with the Annual Reports (Statutory Bodies) regulations the performance of Pools L and S are measured in Table 7 against Treasury Corporation Facilities. It is not appropriate for Pool P's performance to be measured in this way as it is a project fund and its investment criteria and horizon differ markedly from any of the Treasury Corporation facilities.

TABLE 7 INVESTMENT PERFORMANCE – *University columns*

Fund Manager	Return ⁽ⁱ⁾ for 12 months to 31/12/2004 Per cent	(ii) Treasury Corporation Facility Performance for 12 months to 31/12/2004 Per cent	Return ⁽ⁱ⁾ for 12 months to 31/12/2003 Per cent	(ii) Treasury Corporation Facility Performance for 12 months to 31/12/2003 Per cent
Pool L External	16.48	15.15	13.40	6.07
Pool S UNSW	6.69	5.56	5.96	4.83

(i) The returns in Table 7 reflect the change in market value of investments between the beginning and end of the year and therefore include unrealised capital gains and losses.

(ii) For the Pool L comparison with the Treasury Corporation facility performance, a weighted average of the performances of the medium and long term facilities is employed to reflect the strategic asset allocation of Pool L.

In contrast to the previous year, in 2004 bond returns were substantially better than cash returns, as there was a modest fall in bond yields. The Australian share market was very strong, with the accumulation index for the largest 300 stocks rising by 27.9 per cent during the year, the largest rise in a calendar year since 1993. International shares also did well in contrast to 2003, given that markets were strong and the Australian dollar appreciated only mildly against the US dollar. In this environment UNSW's investments again performed well, both in an absolute and relative sense.

Pool L returned 16.48 per cent after all fees which was 1.33 per cent better than the composite benchmark Treasury Corporation facility. The main contributions to this high return and level of out-performance came from UNSW's international equities, which were 50 per cent hedged against currency movements, as well as the value added by the University's external managers.

Pool S returned 6.69 per cent after all fees, which was 1.13 per cent better than the cash facility offered by Treasury Corporation.

Table 8 shows realised and unrealised investment income for 2004 and 2003.

TABLE 8 INVESTMENT INCOME – *University columns*

	2004 \$'000	2003 \$'000	Variation \$'000
Short to Medium-Term Fund	11,172	10,823	349
Long Term Investment Fund	19,921	16,693	3,228
Unlisted companies	1,527	(518)	2,045
	32,620	26,998	5,622
Investment income attributable to CRC's trusts and external organisations	(6,624)	(7,297)	673
Investment income included in Operating Revenue	25,996	19,701	6,295
Custodial Fees and Investment Management Fees	(720)	(717)	(3)
Movement in investment revaluation reserve	19,548	8,901	10,647
Total	44,824	27,885	16,939

Major University Assets

Note 20 of the financial statements, shows by asset class the value of the University's property, plant and equipment at 31 December 2004. During 2004 the University acquired the following major assets (other than buildings and land holdings):

TABLE 9 DESCRIPTION OF EQUIPMENT

	Purchase Price \$
FEI Nova Nanolab electron microscope	1,942,732
Sirion FESEM microscope	645,242
FEI Quanta 200 ESEM-EDAX electron microscope	475,766
FACS Aria high speed cell sorter	435,000
1000 servo controlled universal testing machine	394,469
Laser Doppler Anemometry	370,000
Nanoscope Scanning Probe microscope system	288,010
FT/NIR/IR Spectrometer	252,450
Roth & Rau AK400 PECVD system	226,733
High performance computational cluster	202,325
VEVO 660 Ultrasound micro imaging	200,000
Twin chamber system for low pressure chemical vapour deposition	198,323
Piezo-elec non-contact printer	193,382
Chemical Engineering teaching laboratory equipment	178,289
Gas Chromatography Mass Spectrometer	148,539
Olympus Fluoview F300 confocal system	146,000
Infrared Laser Station	144,386
Varian Cary UV-VIS-NIR Spectrophotometer	138,638
CNC lathe NL-2000MC/500	133,400
Specialised degassing facility	115,940
Olympus Biosystems 1X81 inverted microscope	115,000
Total purchases over \$100,000	6,944,624

University Account Payment Performance

TABLE 10

	March \$'000	June \$'000	Sept \$'000	Dec \$'000
2003				
Current (ie within due date)	2,577	1,649	1,990	157
Less than 30 days overdue	901	3,338	615	6,636
Between 30 and 60 days overdue	46	230	559	1,900
Between 60 and 90 days overdue	70	34	219	253
More than 90 days overdue	5	19	19	116
	3,599	5,270	3,402	9,062
2004				
Current (ie within due date)	2,785	1,965	2,047	491
Less than 30 days overdue	1,074	1,677	361	2,598
Between 30 and 60 days overdue	3,772	99	75	601
Between 60 and 90 days overdue	70	3	77	168
More than 90 days overdue	828	2,070	545	121
	8,529	5,814	3,105	3,979

No interest was paid due to late payments during 2003 and 2004.

TABLE 11 SUPPLIER INVOICES PAID ON TIME WITHIN EACH QUARTER

	Total accounts paid on time			Total amount paid
	Target per cent	Actual per cent	\$	
2003				
January – March	70	70	37,294	104,752
April – June	70	70	33,408	100,866
July – September	70	62	26,547	110,679
October – December	70	62	49,959	133,353
2004				
January – March	70	67	38,971	115,539
April – June	70	68	43,010	111,841
July – September	70	67	46,157	124,202
October – December	70	67	57,537	143,163

Notes

- No interest has been charged for any late payments.
- Actual per cent of accounts paid on time is based on the number of transactions processed. However, when expressed in monetary terms, the per cent of accounts paid on time differs because of a large dramatic effect of a small number of transactions that may have been delayed for various reasons.
- The reimbursements to employees and students have payment terms of an immediate nature. Claims are submitted to Accounts Payable after they have been incurred. The invoice date used is the date the claim is prepared rather than the receipt date of the claim which does not accurately represent payment performance.
- Where payment terms are exceeded by UNSW, generally this is due to either goods not received, payment delayed due to goods not received in a satisfactory condition or invoices not received from suppliers in a timely manner.

Consultants

Under Schedule 1 of the Annual Reports (Statutory Bodies) regulation UNSW's Annual Report is not required to contain information on consultants. For this voluntary disclosure to be consistent with similar information provided by other Statutory Bodies, UNSW has applied the definition of a consultant as outlined in the *Guidelines for the engagement and use of consultants* issued by the Public Employment Office.

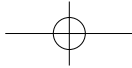
For individual consultancies costing less than \$30,000 the University paid during 2004 a total of \$63,630 to five consultancies. Consultancies costing more than \$30,000 were as follows:

<i>Name of consultant</i>	<i>Area of consultancy</i>	<i>\$</i>
CRI Project Management Pty Ltd	Property development	464,804

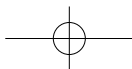
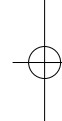
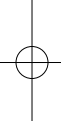
Significant items raised by the New South Wales Auditor-General in Management Letter

The following information summarises major issues raised by the New South Wales Auditor-General in the Management Letter for the year ended 31 December 2003 and the actions undertaken by University management.

<i>Area of Identified Deficiency</i>	<i>Action</i>
1. Bank reconciliation	The University has reviewed and substantially redesigned the bank reconciliation methodology. Responsibility for the bank reconciliation has been transferred to a newly formed reconciliation and compliance team.
2. Bank reconciliation process	Errors and reconciling items are identified in the period they occur, investigated and cleared on a timely basis. Bank reconciliations are reviewed and signed off by the senior management in Finance, including the CFO.
3. Cash receipts/debtors batch processing	Processing of batches is actioned one batch at a time, rather than all batches being done as part of an overnight process. System changes have introduced additional validation during data entry. The Accounts Receivable supervisor reviews the posting error correction screen daily, and notifies appropriate staff if an error is detected. New receipting software has been implemented.
4. Preparation of financial report	Some year end processes were undertaken earlier than in previous years. The review by senior management in Finance, internal and external audit was undertaken prior to submission of the 2004 Financial Report to the Minister and AONSW on 11 February 2004.
5. Year-end journal processing	All year end journals for \$500,000 or greater were reviewed by senior management in Finance. Staff who have access to online journal processing have been reminded of the necessity to fully complete the journal input forms. Sample reviews are carried out to assess completeness.
6. Accounting policies and procedures	Accounting policies have or are being reviewed and updated.
7. Grant refunds	The University has amended its processes and support systems for the refunding of research grant monies.
8. Risk management	By the end of 2004 the University has substantially completed a program of work to develop a risk management policy, a risk management plan, a risk register, and a business continuity plan, using a combination of inhouse and external consultancy resources. The University is committed to implementing and maintaining the processes that will be established by these plans to identify, assess, manage, monitor and report on risk exposures on a systemic basis.



**2004
FINANCIAL
REPORT**





GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

UNIVERSITY OF NEW SOUTH WALES

To Members of the New South Wales Parliament

Qualified Audit Opinion

In my opinion, except for the effects of such adjustments, if any, as might have been required at 31 December 2003 had the limitation discussed in the qualification paragraph not existed, the financial report of the University of New South Wales:

- 1) presents fairly the University of New South Wales' and the consolidated entity's financial position as at 31 December 2004; and financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- 2) complies with:
 - i) section 41B of the *Public Finance and Audit Act 1983* (the Act), and
 - ii) the Financial Statement Guidelines for Australian Higher Education Providers for the 2004 Reporting Period, issued by the Australian Government Department of Education, Science and Training.

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

Qualification

As disclosed in Note 10, the University recognised \$8.353 million in 2003 as revenue and cash to adjust a prior period error. At that time the University was unable to identify the cause or nature of the error and accordingly, I was unable to obtain all the information and explanations I required to form an opinion on that transaction. During 2004 the University identified the cause and nature of \$3.663 million of the error, and confirmed this was appropriately treated by the 2003 transaction. It has, however, been unable to confirm the cause and nature of the balance of the error of \$4.690 million.

The Council's Role

The financial report is the responsibility of the Council. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows and the accompanying notes for the University of New South Wales and the consolidated entity. The consolidated entity comprises the University of New South Wales and the entities it controlled at the year's end, or during the financial year.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

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

- evaluated the accounting policies and significant accounting estimates used by the Council in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that members of the Council had failed in their reporting obligations.

My opinion does not provide assurance:

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

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



R J Sendt
Auditor-General

SYDNEY
18 April 2005

STATEMENT BY MEMBERS OF COUNCIL

Pursuant to Section 41C (1B) and 1(C) of the *Public Finance and Audit Act 1983* (as amended) we state that:

1. The financial report exhibits a true and fair view of the financial position and transactions of the University at 31 December 2004; and,
2. The financial report for the year ended 31 December 2004 has been prepared in accordance with:
 - (a) the provisions of the *Public Finance and Audit Act 1983* and the Commonwealth Department of Education, Science and Training's *Financial Statement Guidelines for Australian Higher Education Providers for the 2004 Reporting Period*; and,
 - (b) Australian Accounting Standards, Consensus views of the Urgent Issues Group and other mandatory professional reporting requirements.

As required by the *Financial Statement Guidelines for Australian Higher Education Providers for the 2004 Reporting Period* issued by the Commonwealth Department of Education, Science and Training, we also certify that to the best of our knowledge and belief that the amount of Commonwealth financial assistance expended by the University during the year ended 31 December 2004 was for the purposes for which it was provided.

Signed in accordance with a resolution of Council.



Dr John Yu
Chancellor



Professor Mark Wainwright
Vice-Chancellor and President

Statement of Financial Performance for the year ended 31 December 2004

	Notes	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities					
Commonwealth Government financial assistance					
Commonwealth Government grants	3	322,805	325,746	322,805	325,746
Higher Education Contribution Scheme					
Student contributions		20,451	18,705	20,451	18,705
Commonwealth payments	3	56,178	62,345	56,178	62,345
Commonwealth loan programs	3	18,507	14,316	18,507	14,316
State and Local Government financial assistance	4	8,150	8,338	8,150	7,787
Fees and charges	5	297,530	300,814	204,634	209,502
Investment income	6	39,415	26,028	25,996	19,701
Royalties, trademarks and licences	7	2,241	1,391	-	-
Consultancy and contract research	8	48,236	38,217	46,524	37,986
Other revenue	9	47,275	34,255	46,756	34,850
Prior period error	10a	5,607	8,353	5,607	8,353
Revenue from ordinary activities before deferred items		866,395	838,508	755,608	739,291
Deferred Government superannuation contribution	29	(907)	43,374	(907)	43,374
Total revenue from ordinary activities		865,488	881,882	754,701	782,665
Expenses from ordinary activities					
Employee benefits and on costs	11	493,421	460,751	442,539	409,807
Depreciation and amortisation	12	54,991	50,752	51,374	48,355
Repairs and maintenance	13	14,072	12,498	12,352	11,225
Bad and doubtful debts	19.2	9,548	3,950	9,341	3,742
Other expenses	14	297,682	293,235	257,619	249,537
Prior Period Error	10b	6,014	-	6,014	-
Expenses from ordinary activities before deferred items		875,728	821,186	779,239	722,666
Employee benefits for state superannuation	29	(907)	43,374	(907)	43,374
Total expenses from ordinary activities		874,821	864,560	778,332	766,040
Operating result from ordinary activities income tax expense		(9,333)	17,322	(23,631)	16,625
Income tax expense	16	(4)	113	-	-
Operating result from ordinary activities after related income tax expense		(9,329)	17,209	(23,631)	16,625
Net operating result		(9,329)	17,209	(23,631)	16,625
Net operating result attributable to outside equity interest		(648)	(633)	-	-
Net operating result attributable to parent entity	26(c)	(9,977)	16,576	(23,631)	16,625
Net increase/(decrease) in asset revaluation reserve	26(b)	20,633	100,279	20,021	100,126
Total revenues, expenses and valuation adjustments attributable to the parent entity recognised directly in equity		20,633	100,279	20,021	100,126
Total changes in equity attributable to the parent entity other than those resulting from transactions with owners as owners		10,656	116,855	(3,610)	116,751

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 31 December 2004

	Notes	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets					
Cash assets	18	29,830	51,504	11,651	31,036
Receivables	19.1	103,905	104,853	90,686	97,764
Inventories		2,029	1,996	629	637
Other financial assets	20	148,461	202,493	138,835	156,784
Other non financial assets	22	15,875	24,236	16,408	24,447
Total current assets		300,100	385,082	258,209	310,668
Non-Current Assets					
Receivables	19.1	279,131	298,229	279,131	298,229
Other financial assets	20	313,304	221,387	313,640	254,898
Property, plant and equipment	21.1	927,531	916,251	920,809	908,411
Other non financial assets	22	4,476	5,847	124	1,194
Total non-current assets		1,524,442	1,441,714	1,513,704	1,462,732
Total Assets		1,824,542	1,826,796	1,771,913	1,773,400
Current Liabilities					
Payables	23	26,777	29,723	20,645	21,265
Provisions	24	108,984	100,067	105,103	96,910
Other	25	60,685	85,341	71,931	90,923
Total current liabilities		196,446	215,131	197,679	209,098
Non-Current Liabilities					
Provisions	24	391,189	387,752	389,887	386,825
Other	25	2,213	817	38,860	28,380
Total non-current liabilities		393,402	388,569	428,747	415,205
Total Liabilities		589,848	603,700	626,426	624,303
Net Assets		1,234,694	1,223,096	1,145,487	1,149,097
Equity					
Parent entity interest					
Statutory funds	20	98,021	68,293	152,359	116,313
Reserves	26	230,235	210,051	215,679	195,658
Retained surplus	26	901,133	940,469	777,449	837,126
Outside equity interest					
Reserves	27	80	1	-	-
Retained surplus	27	5,225	4,282	-	-
Total Equity		1,234,694	1,223,096	1,145,487	1,149,097

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the Year Ended 31 December 2004

	Notes	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash flows from operating activities					
Commonwealth Government					
Teaching and learning	35.1	117,927	122,849	117,927	122,849
HECS and other loan programs	35.2	73,072	81,648	73,072	81,648
Scholarships	35.3	9,161	8,566	9,161	8,566
DEST research	35.4	76,484	82,596	76,484	82,596
ARC grant – Discovery	35.5	18,794	17,283	18,794	17,283
ARC grant – Linkages	35.6	14,386	12,052	14,386	12,052
Other Commonwealth		90,582	63,097	90,582	63,097
State Government		8,150	8,338	8,150	7,787
HECS – Student payments		20,451	18,705	20,451	18,705
Receipts from student fees and other customers		379,626	369,028	289,044	267,224
Dividends received		20,463	12,777	19,225	12,777
Interest received		17,973	16,798	5,692	14,170
Payments to suppliers		(290,485)	(261,043)	(232,800)	(199,646)
Payments to employees		(482,921)	(449,155)	(433,152)	(393,485)
Income taxes paid		4	(113)	–	–
Net cash inflow (outflow) from operating activities	34	73,667	103,426	77,016	115,623
Cash flows from investing activities					
Payments for property, plant and equipment	21.2	(82,954)	(56,820)	(78,894)	(55,708)
Payments for investments		(70,848)	(848,906)	(67,363)	(856,161)
Proceeds from sale of property, plant and equipment	15	5,591	18,549	2,755	18,545
Proceeds from sale of investments		144,319	817,535	144,319	817,535
Net cash inflow (outflow) from investing activities		(3,892)	(69,642)	817	(75,789)
Net increase (decrease) in cash held		69,775	30,305	77,833	36,436
Cash at the beginning of the year		253,997	223,692	218,136	181,700
Restatement of cash at the beginning of the year (i)		(111,333)	–	(111,333)	–
Restated cash at beginning of the year		142,664	223,692	106,803	181,700
Cash at the end of the year;					
Cash at bank and on hand	18	29,830	51,504	11,651	31,036
Current other financial assets		182,609	202,493	172,985	187,100
Cash at the end of the year	18	212,439	253,997	184,636	218,136

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

(i) Cash at the beginning of the year has been restated due a change in the definition of cash equivalents applied to the Statement of Cash Flows (see Note 1(i)).

Notes to the Financial Report for the year ended 31 December 2004

NOTE TITLE

- 1 Significant accounting policies
- 2 Disaggregation information for the consolidated entity
- 3 Commonwealth Government financial assistance including HECS and other Commonwealth loan programs
- 4 State and Local Government financial assistance
- 5 Fees and charges
- 6 Investment income
- 7 Royalties, trademarks and licenses
- 8 Consultancy and contract research
- 9 Other revenue
- 10 Prior period error
- 11 Employee benefits and on costs
- 12 Depreciation and amortisation
- 13 Repairs and maintenance
- 14 Other expenses
- 15 Disposal of property, plant and equipment
- 16 Income tax
- 17 Remuneration of auditors
- 18 Cash assets
- 19.1 Receivables
- 19.2 Provision for doubtful debts
- 20 Other financial assets
- 21.1 Property, plant and equipment
- 21.2 Property, plant and equipment – summary of movement by class
- 22 Other non-financial assets
- 23 Payables – current
- 24 Provisions
- 25 Other liabilities
- 26 Reserves and retained surplus
- 27 Outside equity interests
- 28 Commitments for expenditure
- 29 Superannuation plans (University only)
- 30 Responsible persons and executives
- 31 Contingent assets and liabilities
- 32 Controlled entities
- 33 Financial instruments
- 34 Reconciliation of operating result from ordinary activities after income tax to net cash inflow from operating activities
- 35.1 Acquittal of Commonwealth Government financial assistance – Teaching and Learning
- 35.2 Acquittal of Commonwealth Government financial assistance – HECS and other Commonwealth Loan Programs
- 35.3 Acquittal of Commonwealth Government financial assistance – Scholarships
- 35.4 Acquittal of Commonwealth Government financial assistance – DEST Research
- 35.5 Acquittal of Commonwealth Government financial assistance – Australian Research Council Discovery
- 35.6 Acquittal of Commonwealth Government financial assistance – Australian Research Council Linkages
- 36 Subsequent events

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

1 Significant accounting policies

The significant policies that have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report prepared in accordance with the requirements of the *Public Finance and Audit Act 1983* and regulations, and the *Financial Statement Guidelines for Australian Higher Education Providers for the 2004 Reporting Period*, issued by the Department of Education Science and Training (DEST) and is drawn up in accordance with applicable Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is prepared on an accrual basis and the policies adopted, except where otherwise stated, are consistent with those of the previous year. The measurement base applied is historical cost accounting except to the extent that investments are valued at market value and certain non-current assets have been revalued as disclosed elsewhere in the notes. Market/existing use values of assets (except investments) and liabilities, where they differ significantly from the historical cost basis, are shown separately in the notes.

Variations to comparative figures may occur due to rounding. Comparative information where necessary, is reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Where additional information is provided due to changes in disclosure requirements, comparative figures may not be available.

(b) Financial effects of changes to Commonwealth payment arrangements for 2005 grant year.

Background

Payment to universities in respect of programs under the *Higher Education Funding Act 1988* (HEFA), are made on the second and last Thursdays of each month. In the recent past, the first payment in respect of a grant year (equalling 8 per cent of the total recurrent funding for that year) had been made at the end of December of the previous year. In accordance with accounting standards, this funding was recorded as revenue in the year of receipt.

Funding for most programs under HEFA ends on 31 December 2004 while most new programs under the Higher Education Support Act 2003 (HESA) commence on 1 January 2005. Continuing the current practice of making the first payment in December 2004 for the 2005 grant year would mean that Commonwealth payments would be made in respect of programs that are yet to commence and that these payments are treated by the majority of universities as revenue for 2004. This has considerable accountability implications for the Australian Government Department of Education, Science and Training (DEST) in administering and accounting for the program payments.

Higher Education Providers (HEPs), even those within the same state, do not treat the early payment uniformly and the payment is treated in at least three different ways – as revenue when it is received, as an advance (a liability) and part as revenue and the other as liability. Such varied treatment creates a lack of transparency and distorts both the Commonwealth funding and the HEPs' financial year results.

DEST has announced changes to payment arrangements whereby all recurrent payments in respect of a grant year will be made in that year. For the 2005 grant year, the first payment will be made in January 2005 instead of December 2004.

The changes to payment arrangements means that from the 2005 reporting period, the financial statements of all HEPs will reflect the Commonwealth financial assistance in respect of a grant year.

Financial Effects for 2004

Changes to payment arrangements mean that those HEPs that reported the whole or part of the 8% first payment in respect of the 2004 grant year as revenue in 2003 will have the effect of understating the Commonwealth funding for the 2004 grant year in their 2004 Statement of Financial Performance.

To identify the impact of the changed arrangements, grants provided for 2004 activities but recognised as 2003 revenue should be adjusted by incorporating the amount received in December 2003 as revenue for the 2004 reporting period. The effect of this is shown below:

Notes	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from operating activities	865,488	881,882	754,701	782,665
Add grants received in prior year for current year's activities:				
Commonwealth Government financial assistance	16,318	16,293	16,318	16,293
HECS – Commonwealth payment	5,021	4,915	5,021	4,915
Commonwealth loan programs	–	–	–	–
	21,339	21,208	21,339	21,208
Less grants received in current year for next year's activities:				
Commonwealth Government financial assistance	–	16,318	–	16,318
HECS – Commonwealth payment	–	5,021	–	5,021
Commonwealth loan programs	–	–	–	–
	–	21,339	–	21,339
Total restated revenue from operating activities	886,827	881,751	776,040	782,534
Restated operating result	12,010	17,078	(2,292)	16,494
Less reported operating result	(9,329)	17,209	(23,631)	16,625
Financial effect on operating result	21,339	(131)	21,339	(131)

The Commonwealth will use the restated figures in all DEST publications, including the Finance 2004 publication, to ensure consistent treatment across all HEPs.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the University of New South Wales ("parent entity") as at 31 December 2004 and the results of all controlled entities for the year then ended. UNSW and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated Statement of Financial Performance and Statement of Financial Position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Statement of Financial Performance from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed, unless an exemption from consolidating part year results has been issued by the New South Wales Treasurer.

The accounting policies adopted in preparing the financial report are consistently applied by entities in the consolidated entity except as otherwise indicated.

Separate financial reports are also prepared by the University's controlled entities and are audited by the Auditor General of New South Wales.

(d) Income Tax

The University is exempt from income tax under Commonwealth income taxation legislation. Within the consolidated entity however, there are entities that are not exempt from this legislation. For these entities, the consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense for the period is based on the profit from ordinary activities adjusted for any permanent differences between taxable and accounting income.

Timing differences which arise due to different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are recognised as either a provision for deferred income tax, or as a future income tax benefit, at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits, including tax losses, are not recognised unless realisation of the benefit is virtually certain.

The recognition of income tax benefits is based on the assumption that adverse changes will not occur in income taxation legislation and the consolidated entity will derive sufficient future assessable income so the benefits may be realised and comply with the conditions of deductibility imposed by the law.

(e) Revenue Recognition

Operating Revenue

Financial assistance provided by the Government under the Higher Education Funding Act is recognised in the year in which it is received (see 1(a) for further information).

Grant revenue not received under the Higher Education Funding Act is recognised in the year to which the Grant applies.

The Postgraduate Education Loans Scheme (PELS) provides an interest-free loan facility, with income contingent repayment arrangements similar to the Higher Education Contribution Scheme (HECS), for eligible students enrolled in fee paying postgraduate non-research courses.

PELS enables eligible students to obtain a loan from the Commonwealth Government to pay all or part of their tuition fees incurred from 1 January 2002 onwards. *Section 98G of the Act* allows the Commonwealth to make advance payments to institutions. Under the PELS payment arrangements, the Commonwealth makes two payments per year to universities following the receipt of a 'claim for payment', which itemises the universities' expected costs for PELS for each of the two specified periods.

Student fees

Student fees are recognised as debtors following the census date for each session. The full value of student fees payable are recognised as revenue, with any fee waivers or discounts being recognised as an expense within the Statement of Financial Performance.

Sale of goods and services

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the supply of products to entities outside the consolidated entity. Sales revenue is recognised when the control and title of goods passes to the customer.

Fees and charges for services

Revenue from services rendered is recognised in the period in which the service is provided, having regard to the stage of completion of the service.

Investment income

Interest income is recognised as it accrues. Dividend income is recognised as it is received.

Proceeds of sale of property, plant and equipment

The gross proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

Other revenue

Represents miscellaneous income and other grant income not derived from core business.

(f) Trusts and Other Liabilities

Revenue and expenses in respect of Trusts, Cooperative Research Centres and investments held on behalf of associated entities are recognised under Other Liabilities. Funds held and invested on behalf of controlled entities are recognised as Other Liabilities in the Statement of Financial Position of the parent entity (UNSW) and are eliminated on consolidation.

(g) Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates at balance date. Exchange gains and losses, whether realised or unrealised, are brought to account in determining the operating result from ordinary activities as they arise.

Exchange gains and losses and costs arising on forward foreign exchange contracts entered into as hedges of specific commitments are deferred and included in the determination of the amounts at which the transactions are brought to account. All exchange gains and losses and costs relating to other hedge transactions are brought to account in the Statement of Financial Performance in the same period as the exchange differences on the items covered by the hedge transactions.

(h) Receivables***Sundry and student debtors***

Sundry and student debtors are carried at amounts receivable, with sundry debtors settled within 30 days and student debtors settled in accordance with the credit terms published in the University of New South Wales calendar. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Provision for doubtful debts

The provision for doubtful debts is assessed based on aged sundry debtors and past experience of the enrolment status of private and sponsored students.

(i) Financial assets

Market values of fixed interest financial assets are calculated by the application of the relevant valuation formulae. Unit Trusts are valued by reference to Redemption Unit Prices. Ordinary shares in Listed Companies are valued by reference to closing sale prices.

Financial assets other than shares in unlisted companies that form part of the University financial assets portfolio are revalued every year at 31 December. All realised and unrealised income on short-term financial assets is recognised in the Statement of Financial Performance. Unrealised income on long-term investments is brought to account through the Financial Assets Revaluation Reserve.

Investments in unlisted companies are carried at the lower of cost or recoverable amount. These amounts are assessed every year at balance date.

Long-term investments are investments that have a maturity date in excess of one year or where the University intends to hold the investments for more than one year.

For the purposes of the Statement of Cash Flows, cash and cash equivalents means cash on hand and highly liquid investments maturing in less than 90 days, which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

Biosignal Pty Ltd

During 2004 Biosignal Pty Limited was taken over by Biosignal Limited (formerly known as CTI Communications Limited). To finalise the takeover, all of the shareholders of Biosignal Pty Limited agreed to sell 100 per cent of their holdings in Biosignal Pty Limited to Biosignal Limited in exchange for various securities in Biosignal Limited. In exchange for their holdings the University and Unisearch received the following:

	University	Unisearch	Consolidated
Ordinary shares	6,300,000	10,254,125	16,554,125
Options	2,520,000	4,101,650	6,621,650
Performance shares (classes A, B and C)	2,100,000	3,654,125	5,754,125

The value of ordinary shares and options has been brought to account at cost, based on the value at which these were issued under a Rights Issue by Biosignal Limited.

The ordinary shares and options are recorded at cost, \$4.013M Consolidated and \$1.527M University, in the Financial Report at 31 December 2004, as detailed in the offer prospectus at the time of the takeover by Biosignal Limited. The performance shares have been recognised at nil value because their value is dependant on the future performance of the company.

As at 31 December 2004, the ordinary shares and options are held in escrow for sale for up to two years. A portion of the ordinary shares will be released from escrow in April 2005 as part of a voluntary agreement entered into at the time of acquisition. The remainder, escrowed under ASX Listing Rules, will be released from escrow in April 2006. All escrow positions will be released immediately should a takeover offer be made for the company.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

(k) Property, plant and equipment***Acquisitions***

Assets with a useful life of more than 12 months and a cost of acquisition in excess of \$5,000 are capitalised at cost. Cost is the purchase price plus costs associated with installation where assets are purchased, or all planning and construction costs associated

with constructed assets. Costs incurred on plant and equipment which do not meet the criteria for capitalisation and are not a component of a complex asset, are expensed as incurred.

The cost of constructed buildings, plant and equipment includes the cost of materials, direct labour and a proportion of overheads and other incidentals directly attributable to the asset's construction.

Complex assets

Major items of plant and equipment comprising a number of components that have different useful lives are accounted for as separate assets. The components may be replaced during the useful life of the complex asset.

Subsequent additional costs

Costs incurred on property, plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Where these costs represent separate components of a complex asset they are accounted for as separate assets and are separately depreciated over their useful lives.

Carrying value

Land, Infrastructure assets, Buildings, Works of Art and Rare Books are recognised at fair value. Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where the market selling price is not available, the asset's fair value is measured at the replacement cost of the asset's remaining future economic benefits.

Buildings, Infrastructure assets, Residential Property held for teaching, research and other University purposes are valued at written down replacement cost.

Land (zoned for educational special purposes), and Other Residential Property and Student Accommodation assets are valued at current market value.

All other assets that have relatively short useful lives, including the following, are measured at cost that equates to fair value:

- Computer Equipment,
- Computer Software,
- Motor Vehicles,
- Office Equipment,
- Other Equipment, and
- Library Holdings (other than rare books).

Assets acquired since valuation are valued at cost.

Revaluations

Building, Land and Infrastructure assets, Works of Art, and the rare book component of Library Holdings are revalued every five years, or more frequently if considered necessary, to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at balance date.

Student Accommodation and Residential Property and their associated infrastructure assets are valued as at 31 December each year.

Valuations

1997 valuations: In accordance with the University's asset policy, Egan National Valuers (NSW) Pty Ltd valued the animal breeding facility at Little Bay, as at 9 April 1997, on the basis that it is being held for limited continued use and the service potential would not be replaced if the University were deprived of it.

2000 valuations: McWilliams and Associates Pty Ltd valued Works of Art as at December 2000. Land assets and approximately one-third of the building and associated infrastructure assets were valued as at 31 December 2000 by the New South Wales State Valuation Office.

2003 valuations: Egan National Valuers (NSW) valued a portion of Student Accommodation and Residential Property as at 31 December 2003. The remainder of this asset class and Building and Land assets were valued by HP Consultants Pty Ltd as at 31 December 2003. Neil Boness, Rare Book and Special Collections Librarian, University of Sydney undertook valuation of the University's rare and valuable book collection in 2003.

2004 valuations: Egan National Valuers (NSW) valued a portion of Student Accommodation and Residential Property as at

31 December 2004. The remainder of this asset class and Building and Land assets were valued by HP Consultants Pty Ltd as at 31 December 2004.

Disposal of assets

The gain or loss on disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is included in the results in the year of disposal.

Depreciation

Property, Plant and Equipment, including Buildings but excluding Freehold Land, Student Accommodation and Residential Property, Works of Art and Rare Books are depreciated / amortised, on a straight line basis, over the estimated useful life of the asset. Additions are depreciated from the date of acquisition.

Depreciation expense is based on the capital cost of items and is calculated, on the straight line basis, at the following rates per annum:

	<i>Controlled Entities</i>	<i>University</i>
Buildings	2%	useful life
Computer Equipment	20% to 33%	33.3%
NewSouth Solutions Software	–	20%
Motor Vehicles	20% to 30%	12%*
Office Equipment	10%	20%
Other Equipment	10%	10%
Library Holdings	20%	20%

* In previous reporting periods the depreciation rate was 6 per cent.

(l) Non-financial assets

Patents are amortised over their economic life, usually 20 years.

(m) Operating leases

The University leases certain property and equipment by way of operating leases. Payments for these leases, whereby the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are charged to the Statement of Financial Performance in the periods in which they are incurred.

(n) Employee entitlements

Annual Leave

Provision is made for the University's liability for annual leave arising from services rendered by employees to balance date. Annual leave benefits are measured at the amounts 'expected to be paid' when the liability is settled, plus related on-costs. The full liability for annual leave is recognised as a current liability within the Statement of Financial Position.

Long Service Leave

The University commissioned KPMG Actuaries, Sydney, to perform an actuarial valuation of its liability for long service leave as at 31 December 2004.

Staff Superannuation

The University contributes to the following superannuation schemes:

(i) Schemes managed by the State Authorities Superannuation Trustee Corporation (STC)

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

The STC Actuary completed the assessment of the Gross Superannuation Liabilities for the schemes for the year ended 31 December 2004.

During 2004, UNSW reached an agreement with the Commonwealth Government regarding unfunded superannuation

liabilities in respect of staff at the University College ADFA. Settlement was received in December 2004 upon which the obligation of meeting the current and future liabilities for these staff transferred from the Commonwealth Government to UNSW.

The 2004 assessment of SASS, SANCS and SSS is based on the full requirements of AAS25 – Financial Reporting by Superannuation Plans. AAS25 requires that a “market determined risk adjusted discount rate” be applied as the valuation interest rate in the calculation of the value of accrued benefits.

In order to satisfy the AAS25 requirements, the assumptions of the New South Wales Government Actuary were as follows:

	2004/05	2005/06	2006/07 and thereafter
	%	%	%
Rate of investment return	7.0	7.0	7.0
Rate of salary increase*	4.0	4.0	4.0
Rate of increase in CPI	2.5	2.5	2.5

* A promotional scale applies.

(ii) The University of New South Wales Professorial Superannuation Non-Contributory Scheme.

The accumulated liability, based on a formula provided by the actuary, at 31 December 2004, is \$27,635,000 (\$26,875,000 in 2003), and is fully provided for.

The assumptions were as follows:	Year 1	Year 2	Year 3	Year 4	Year 5 onwards
	%	%	%	%	%
Liabilities for current members until pensions commence:					
Investment earnings (Net of income tax)	8.0	8.0	8.0	8.0	8.0
General salary inflation	5.0	5.0	5.0	5.0	5.0
Liabilities for current members after pensions commence and for current pensioners:					
Investment earnings (Net of income tax)	9.0	9.0	9.0	9.0	9.0
Pension indexation	5.0	5.0	5.0	5.0	5.0

(iii) UniSuper

The University also contributes to UniSuper (formerly Superannuation Scheme for Australian Universities (SSAU) for academic staff appointed since 1 March 1988 and all other staff from 1 July 1991. UniSuper is a fully funded scheme.

On 30 June 2004, Towers Perrin completed the latest actuarial assessment as at 31 December 2004. The University is not liable for any deficiency in assets of the scheme.

The following figures only relate to members who are in the Defined Benefit Plan as at 30 June 2004.

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Net market value of UniSuper Assets	157,924	118,648	157,924	118,648
UniSuper accrued benefits	140,310	112,508	140,310	112,508
Excess/(deficiency) of assets	17,614	6,140	17,614	6,140

(iv) Other Superannuation Schemes

The University and its controlled entities also contribute to the following superannuation schemes, which are fully funded.

- Commonwealth Superannuation Scheme
- University of New South Wales Special Purposes Superannuation Scheme (a Scheme restricted to short-term staff employed on special purpose funds).

Workers' Compensation

The University has been granted a license under Division 5 of Part 7 of the Workers' Compensation Act, 1987. In accordance with the license the University has the following bank guarantees:

- \$5,070,000 with ANZ Banking Group in favour of WorkCover New South Wales; and,
- \$768,000 with ANZ Banking Group in favour of ACT WorkCover.

Workers' compensation matters are managed through two funds, one to record the University's workers' compensation activities in New South Wales (known as the NSW Fund) and one to record the University's workers' compensation activities in the Australian Capital Territory (known as the ACT Fund).

As a self-insurer, the University sets a notional annual premium, which is charged on in-service salaries. Costs of workers' compensation claims, claims administration expenses and actuarially assessed increases/decreases in the provision for outstanding claims liability are met from the notional premium. The University contributes to the WorkCover authorities for its general fund, dust and diseases fund, insurers guarantee fund, and disaster insurance premiums.

It is also a requirement of the licence that the University maintain a provision for each fund in respect of outstanding claims liability as at 31 December each year.

(o) Financial Instruments

Financial Instruments are defined as any contract that gives rise to both a financial asset of the University and a financial liability or equity instrument of another entity. For the University these include cash, receivables, accrued income, sundry advances, payments in advance, loans to members of staff, investment interest receivable, investments, sundry creditors, prepaid income, Commonwealth grants received in advance, employee entitlements and other liabilities.

In accordance with AAS33 Presentation and Disclosure of Financial Instruments, information is disclosed in respect of the interest rate risk and credit risk of financial instruments (note 33). All such amounts are carried in the accounts at net fair value unless otherwise stated. The specific accounting policy for each class of financial instrument is stated hereunder.

Classes of instruments recorded at cost comprise:

- Cash
- Term deposits
- Receivables
- Accrued income
- Sundry advances
- Payments in advance
- Interest receivable on financial assets
- Commonwealth financial assistance paid in advance
- Sundry creditors
- Prepaid income
- Other liabilities

Classes of instruments recorded at market value comprise:

- Government and semi-government securities
- Listed shares
- Other securities
- Liquids (Bank Bills, Floating Rate Notes, NCDs, etc)

Cash

- Cash is cash at bank.

Sundry debtors, sundry creditors and payments in advance

- Sundry debtors, carried at amount due, are generally settled within 30 days from date of invoice. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.
- Sundry creditors, including accruals not yet billed, are recognised when the University becomes obliged to make future payments as a result of a purchase of goods or services. Sundry creditors are generally settled within 30 days of date of receipt of invoice.

- Payments in advance are recognised when payments are made for goods and services to be delivered after the balance date.

Accrued and prepaid income

- At balance date, the University recognised over-expended and under-expended balances for all contractual agreements with external organisations (other than for Commonwealth Government grants) as accrued and prepaid income respectively.

Financial assets

- The University has brought its financial assets to account at market value, except shares in unlisted companies as detailed in note 20.

(p) Cooperative research

The University is involved in cooperative research through a number of ventures. Contributions in cash and in-kind are expensed and included in the Statement of Financial Performance. The University's percentage of interest (share of contribution) is not included in the Statement of Financial Position.

(q) Goods and Services Tax

Revenues, expenses, property, plant, and equipment are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or the expense.

Receivables and payables are stated with GST included.

The net GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) Responsible persons and executives

For the University, responsible persons are members of the University Council.

For controlled entities, responsible persons are the directors of those entities.

For the University, executives are the Vice-Chancellor and any person in a senior line position reporting to the Vice-Chancellor whose remuneration for the year ended 31 December 2004 was \$100,000 or more.

For controlled entities, executives are the Chief Executive Officers of those entities and any person in a senior line position reporting to the Chief Executive Officer whose remuneration for the year ended 31 December 2004 was \$100,000 or more.

(s) Medical malpractice insurance

Under a letter of agreement between the New South Wales Department of Health and the Universities of Newcastle, New South Wales and Sydney, clinical academic staff of the Universities are indemnified whilst working in the public health system. The letter of agreement requires universities to meet the first \$255,000 for each and every claim up to a maximum of \$1.02M in one year, and is effective until 30 June 2005.

The University does not have commercial insurance coverage for medical malpractice for its students.

(t) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the year ending 31 December 2005.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained surplus as at 1 January 2004.

In collaboration with two other New South Wales universities, UNSW selected an accounting firm to assist it with assessing the

impacts of IFRS and implementation of IFRS. UNSW's implementation consisted of six phases, resulting in a prioritised assessment of the impacts of IFRS on UNSW and its controlled entities' accounting policies and financial statement disclosures, and also a project action plan identifying the tasks required to fully prepare UNSW for IFRS.

UNSW formed a project team, which provided progress reports to UNSW's Audit Committee on 29 September 2004 and 15 November 2004. The final report produced by the accounting firm engaged by UNSW was received on 24 December 2004 and UNSW is still analysing certain choices IFRS provides to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following (references to new AASB standards below are to the Australian equivalents to IFRS issued in July 2004):

(i) First Time Adoption of IFRS Property, Plant and Equipment

AASB116 Property, Plant and Equipment

AASB1 First Time Adoption of IFRS

IFRS allows for each class of property, plant and equipment to be carried at either:

- cost less accumulated depreciation (on transition, UNSW can elect to measure an item of property, plant and equipment at fair value and use that fair value as its deemed cost from that date); or
- revalued amount less any subsequent accumulated depreciation.

As a not-for-profit entity, UNSW must maintain its revaluation reserve on a class of asset basis, if the revalued amount option is used.

An exercise is being undertaken to assess the respective advantages and disadvantages of the choices available on first time adoption. At this stage, the University has not determined the basis it will adopt.

(ii) Other Financial Assets (current and non-current investments)

AASB 132 Financial Instruments: Disclosure and Presentation

AASB 139 Financial Instruments: Recognition and Measurement

Each financial instrument held by UNSW must be classified at transition date into one of four categories and measured as follows:

- 1 Held for Trading – Measured at fair value with movements recognised through the Statement of Financial Performance.
- 2 Held to Maturity – Measured at amortised cost with movements recognised through the Statement of Financial Performance.
- 3 Loans and Receivables – Measured at amortised cost with movements recognised through the Statement of Financial Performance.
- 4 Available for Sale – Measured at fair value with movements recognised through the Investment Revaluation Reserve.

Initial indications are that the current investment Pool S (short to medium term) would be classified as held for trading (1 above), whereas Pool L would be classified as available for sale (4 above). This would not result in a change in accounting treatment.

Pool P investments (unlisted companies and intellectual property), which do not have a quoted market price in an active market, would be disclosed at cost and be subject to annual impairment tests identified within AASB136 Impairment of Assets.

(iii) Impairment

AASB136 Impairment of Assets

UNSW will be required to review the depreciation methods and residual values of assets on an annual basis. Impairment reviews will be required when an asset's recoverable value is considered to be impaired. As a minimum, the following factors must be considered;

- Has the asset's market value declined significantly more than expected?
- Have any significant technological, market, legal or economic changes taken place?
- Have market interest rates increased during the period and are they likely to affect the discount rate used in calculating the asset's value in use and therefore decrease the recoverable amount?
- Is there any evidence of obsolescence or physical damage?
- Have any significant changes occurred in the period, including the asset becoming idle, plans to discontinue use or restructure the operation, etc?

An impairment charge will be required where the recoverable amount is less than the asset's carrying value, with recoverable amount for UNSW being the higher of fair value less costs to sell and depreciated replacement cost.

(iv) Intangibles

AASB138 Intangible Assets

Research activity expenditure must be charged to the Statement of Financial Performance. Development expenditure must be capitalised if it meets certain criteria;

- Technical feasibility
- Intention to complete
- Ability to use / sell
- Future economic benefit
- Adequate technical and financial resources available
- Ability to measure expenditure on development project

Patents currently held by a controlled entity must be measured at cost, and cannot be revalued due to the absence of an active market. Patents must be amortised appropriately if management deem them to have a finite life. If they are deemed to have an infinite life, annual impairment tests are required.

Goodwill currently included within the financial statements of a controlled entity cannot continue to be amortised, but must be subject to annual impairment review. On transition, the controlled entity has the option to write off any goodwill held through accumulated funds, ie upon restatement of the opening IFRS balance sheet.

(v) Superannuation

AASB119 Employee Benefits

At present UNSW does not disclose any assets or liabilities of the Unisuper pension scheme due, it being a defined contribution scheme as opposed to a defined benefit scheme. As such, there can be no further call on the employers contributing, should the scheme be unable to meet its obligations.

Discussions are being held between DEST, the Auditor General and the AASB regarding the current multi-employer exemption for the Unisuper scheme. UNSW is monitoring the progress of these discussions to identify any changes required.

Superannuation discount rate

AASB119 will require superannuation post-employment liabilities to be discounted using either;

- a) the market yields on high quality corporate bonds, or
- b) where there is no deep market in such bonds, the market yields on government bonds.

This will result in a change in discounting methodology, as previously these liabilities were discounted using an estimated long-term rate of return on the Pooled Fund's asset allocation.

(vi) Subordinated Loan between UNSW and a controlled entity.

AASB132 Financial Instruments: Disclosure and Presentation

AASB139 Financial Instruments: Recognition and Measurement

In July 1999, UNSW agreed to provide a \$10M interest free loan to support the activities of a controlled entity. UNSW has treated this as an investment eliminated on consolidation, and this treatment will not change under IFRS. The controlled entity has treated this loan as equity, also eliminated on consolidation. Due to the loan conditions detailing the requirement for the controlled entity to pay a return to UNSW upon reporting an audited profit, this will be classed as a liability in the financial statements of the controlled entity from 1 January 2005. The controlled entity then has the option of carrying the liability at amortised cost or fair value.

2 Disaggregation information for the consolidated entity

Industry	Revenue		Results(i)		Assets	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Higher education	838,024	852,443	(11,767)	19,029	1,803,131	1,800,482
Consultancy – Unisearch Ltd Group	15,772	14,818	1,876	(1,881)	17,755	22,655
Publishing – UNSW Press Ltd	11,691	14,631	562	61	3,656	3,659
Total	865,488	881,882	(9,329)	17,209	1,824,542	1,826,796

Geographical	Revenue		Results(i)		Assets	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australia	864,109	876,643	(9,668)	17,501	1,824,187	1,823,660
Asia	1,379	5,239	339	(292)	355	3,136
Total	865,488	881,882	(9,329)	17,209	1,824,542	1,826,796

(i) Net operating results before outside equity interests and transfers to and from reserves.

3 Commonwealth Government financial assistance including HECS and other Commonwealth loan programs

	Notes	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
a) DEST – Teaching and learning	35.1				
Operating grant (i) (ii)		113,880	122,044	113,880	122,044
Teaching hospitals (ii)		759	805	759	805
Capital development pool		844	–	844	–
Total DEST – Teaching and learning		115,483	122,849	115,483	122,849
b) HECS and other Commonwealth loan programs	35.2				
HECS – Commonwealth payments (ii)		56,178	62,345	56,178	62,345
PELS		17,405	14,025	17,405	14,025
BOTPLS		1,102	291	1,102	291
Total HECS and other Commonwealth loan programs		74,685	76,661	74,685	76,661
c) Scholarships	35.3				
Australian postgraduate awards – post 2002 funding		6,169	2,596	6,169	2,596
Australian postgraduate awards – pre 2002 funding		1,007	4,409	1,007	4,409
International postgraduate research scholarships		1,518	1,561	1,518	1,561
Commonwealth Education Costs Scholarships		132	–	132	–
Commonwealth Accommodation Scholarships		336	–	336	–
Total Scholarships		9,162	8,566	9,162	8,566
d) DEST – Research	35.4				
Institutional grants scheme (ii)		22,557	25,414	22,557	25,414
Research training scheme (ii)		38,284	41,689	38,284	41,689
Systemic infrastructure initiative (ii)		1,932	1,913	1,932	1,913
Research infrastructure block grants (ii)		13,711	13,580	13,711	13,580
Total DEST – Research		76,484	82,596	76,484	82,596
Total DEST		275,814	290,672	275,814	290,672
e) Australian Research Council					
(i) Discovery	35.5				
Project		16,466	15,183	16,466	15,183
Research fellowships		634	950	634	950
Federation fellowships		1,383	1,140	1,383	1,140
Indigenous researchers development		10	10	10	10
Total discovery		18,493	17,283	18,493	17,283
(ii) Linkages	35.6				
Infrastructure		2,118	965	2,118	965
International		283	344	283	344
Projects		6,130	5,411	6,130	5,411
Centres		4,070	5,332	4,070	5,332
Total linkages		12,601	12,052	12,601	12,052
Total Australian Research Council		31,094	29,335	31,094	29,335

(i) Operating grant includes superannuation program and workplace reform program.

(ii) The 2004 grants were affected by the change to Commonwealth payment arrangement as detailed in note 1(b).

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
f) Other Commonwealth Government financial assistance				
Other Commonwealth Government – Research				
Human services, health and aged care	30,058	30,208	30,058	30,208
Employment and training	5,661	3,013	5,661	3,013
Environment, sports and territories	115	626	115	626
Social security	261	535	261	535
Communication, information, technology, arts	2,507	367	2,507	367
Other	1,176	1,289	1,176	1,289
Total other Commonwealth Government – Research	39,778	36,038	39,778	36,038
Other Commonwealth Government – other				
Department of Defence	38,046	36,110	38,046	36,110
Australian Taxation Office	2,384	2,550	2,384	2,550
AUSAID	10,374	7,702	10,374	7,702
Total other Commonwealth Government – Other	50,804	46,362	50,804	46,362
Total other Commonwealth Government financial assistance	90,582	82,400	90,582	82,400
Total Commonwealth Government financial assistance	397,490	402,407	397,490	402,407
Reconciliation				
Commonwealth Government grants	322,805	325,746	322,805	325,746
HECS – Commonwealth payments	56,178	62,345	56,178	62,345
Commonwealth loan programs [PELS + BOTPLS]	18,507	14,316	18,507	14,316
Total Commonwealth Government financial assistance	397,490	402,407	397,490	402,407

4 State and Local Government financial assistance

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Research financial assistance	8,113	8,338	8,113	7,787
Other financial assistance	37	–	37	–
Total State and Local Government financial assistance	8,150	8,338	8,150	7,787

5 Fees and charges

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Course fees and charges				
Fee-paying overseas students	144,093	151,819	116,365	118,634
Continuing education	14,158	15,235	3,950	4,661
Fee-paying domestic postgraduate students	31,494	31,020	11,682	13,735
Fee-paying domestic undergraduate students	7,137	6,716	7,137	6,716
Fee-paying domestic non-award students	5,076	6,035	4,741	4,977
Total course fees and charges	201,958	210,825	143,875	148,723
Other fees and charges				
Other consultancy fees	9,893	8,981	–	–
Charges for student accommodation	11,434	12,472	7,037	8,085
Educational measurement and testing	21,864	22,694	3,388	5,606
International aid projects management	1,643	1,691	–	–
Late fees	157	109	157	109
Library fees	270	157	270	271
Non-library fines	–	30	–	30
Parking fees	1,088	1,210	1,088	1,210
Photocopying	1,242	1,045	1,223	1,158
Publication sales	1,517	1,839	1,240	1,574
Rental charges	4,932	2,447	4,890	3,230
Miscellaneous sales	16,914	17,250	5,349	5,232
Other services	17,020	16,387	11,859	10,091
Cost recoveries (i)	7,598	3,677	24,258	24,183
Total other fees and charges	95,572	89,989	60,759	60,779
Total	297,530	300,814	204,634	209,502

(i) The University recovers costs paid on behalf of controlled entities, associated organisations and external entities.

6 Investment income

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Interest	12,499	13,359	9,863	10,823
Dividends	20,463	12,777	19,225	12,777
Net gains on sales of investments	7,079	3,479	3,532	3,398
	40,041	29,615	32,620	26,998
Income attributable to CRCs, trusts and external organisations	(626)	(3,587)	(6,624)	(7,297)
Investment income included in revenue from ordinary activities activities	39,415	26,028	25,996	19,701

7 Royalties, trademarks and licenses

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Royalties	962	576	–	–
Licence fees	678	672	–	–
Other	601	143	–	–
Total	2,241	1,391	–	–

8 Consultancy and contract research

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Commonwealth organisations and business enterprises	3,147	1,544	2,276	1,197
Local government	97	339	52	339
Donations and bequests for research:				
– Unisearch Ltd Group	–	–	1,433	426
– Other	3,074	199	3,074	2,611
Non-Commonwealth research financial assistance	1,982	2,582	1,982	2,582
Australian industry	11,597	9,528	9,877	9,234
Overseas organisations	18,349	18,920	17,840	18,564
Other organisations	9,990	5,105	9,990	3,033
Total	48,236	38,217	46,524	37,986

9 Other revenue

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Donations and bequests	12,870	7,762	7,902	4,506
Scholarships and prizes	5,626	8,711	8,373	9,483
Contract revenue (other than consultancy and contract research)	60	206	–	–
Miscellaneous income (i)	19,357	5,710	21,119	9,001
Net foreign exchange gain	134	–	134	–
Other external grant income	8,028	11,029	8,028	11,023
Refund from ATO franking credit	1,200	837	1,200	837
Total	47,275	34,255	46,756	34,850

(i) Includes \$7.3M for the surrender of the Little Bay Conference Centre licence.

10 Prior period errors

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(a) Revenue				
HECS - student contributions (i)	5,607	–	5,607	–
Unreconciled amount (ii)	–	8,353	–	8,353
Total	5,607	8,353	5,607	8,353
(b) Expenses				
Write down of land subject to long-term leases (iii)	6,014	–	6,014	–
Total	6,014	–	6,014	–

- (i) The adjustment to revenues of \$5.607M represents HECS student contributions received between 1996 and 2002 which were initially recognised as income in advance, but not transferred to revenue in subsequent years.
- (ii) In 2003, the University identified an unreconciled amount, whereby the balance of cash at bank was \$8.353M more than the balance recorded in the general ledger. At the time, investigations by the University indicated that the error related to a prior period, but did not identify its cause or nature. In the 2003 Financial Report, the University recognised \$8.353M as revenue and cash to adjust the unreconciled amount. Subsequent investigations by the University during 2004 identified the cause and nature of \$3.663M of the prior period error. No further adjustments are required as this had already been dealt with in the adjustment made in 2003.
- (iii) The adjustment represents a writedown from \$17.385M to nil of the fair value of University owned land that is used by affiliated residential colleges and Commonwealth activities and is subject to long term leases. \$6.014M was the amount recognised by the University in 1991 through retained surplus, while the balance of \$11.371M is the amount arising from subsequent revaluations of this land and recognised in the asset revaluation reserve, see note 26 (b).

11 Employee benefits and on costs

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Academic (i)				
Salaries	187,354	170,557	177,572	160,489
Contributions to superannuation and pension schemes:				
Emerging cost	6,390	5,815	6,390	5,815
Funded	16,213	14,455	15,056	13,195
Payroll tax	12,329	10,667	11,678	9,998
Workers' compensation	(280)	930	(425)	930
Long service leave expense	11,745	7,551	11,530	7,365
Annual leave	1,152	1,286	1,027	1,293
Salary service charge	29	22	–	–
Total academic	234,932	211,283	222,828	199,085
Non-academic (ii)				
Salaries	194,049	184,759	160,983	154,053
Contributions to superannuation and pension schemes:				
Deferred employee benefits for superannuation	–	517	–	–
Emerging cost	5,177	3,193	5,177	3,193
Funded	26,733	26,729	23,845	23,679
Payroll tax	13,745	11,844	11,883	9,607
Workers' compensation	60	809	(189)	809
Long service leave expense	7,970	9,876	7,908	9,335
Annual leave	10,338	10,447	10,104	10,046
Salary service charge	341	1,017	–	–
Other expenses	76	277	–	–
Total non-academic	258,489	249,468	219,711	210,722
Total academic and non academic employee benefits and on costs	493,421	460,751	442,539	409,807

- (i) Academic staff are paid under the Academic Staff Enterprise Agreement and include teaching staff, sessional teaching staff, guest lecturers, and academic research staff.
- (ii) Non-academic staff are paid under the University of New South Wales General Staff Enterprise Agreement and include general and administrative staff, professional and technical staff, examination supervisors and casual general staff.

12 Depreciation and amortisation

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Depreciation				
Buildings	26,694	23,785	25,969	22,953
Computer equipment	4,415	4,136	3,654	3,970
Motor vehicles	66	348	11	296
Computer software	5,931	7,554	5,838	7,456
Other equipment	8,588	7,671	8,125	7,801
Library holdings	7,916	6,008	7,777	5,879
Total depreciation	53,610	49,502	51,374	48,355
Amortisation				
Patents	1,381	1,250	–	–
Total amortisation	1,381	1,250	–	–
Total depreciation and amortisation	54,991	50,752	51,374	48,355

13 Repairs and maintenance

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Maintenance service contracts	2,219	1,253	1,927	1,253
Maintenance buildings and grounds	8,909	7,236	8,219	7,114
Maintenance furniture, machinery and equipment	1,981	1,777	1,845	1,707
Maintenance other	963	2,232	361	1,151
Total repairs and maintenance	14,072	12,498	12,352	11,225

14 Other expenses

	Notes	Consolidated		University	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Scholarships and awards		40,931	37,862	40,847	37,842
Non-capitalised equipment		17,176	22,404	16,881	21,999
Advertising, marketing and promotional expenses		7,035	4,255	3,765	3,292
Audit fee	17	560	430	412	273
Catering expenses		3,440	2,443	1,151	225
Commission to agents		2,015	1,668	–	–
Computer software		2,909	2,858	2,863	2,826
Consumables		39,789	55,383	40,851	48,694
Contract services (including consultants)		73,591	72,485	60,369	56,692
Cost of books sold		8,009	5,041	–	–
Energy and utilities		6,451	4,583	5,764	4,258
Fringe Benefits Tax (FBT)		1,655	1,317	1,383	1,236
Fees and charges		6,121	2,752	5,382	2,068
Freight and carriage		1,812	968	755	650
Hire and rental		5,819	7,194	3,769	4,061
Insurance		4,882	2,787	4,800	2,787
Inventors and collaborators		752	823	–	–
Licence		–	336	–	–
Motor vehicle expenses		1,058	771	959	668
Net foreign exchange loss		147	840	–	–
Operating lease rental expenses		4,771	3,475	4,336	2,856
Overheads – postage and telephones		7,531	9,260	6,707	6,850
Loss from sale of property, plant and equipment Residential	15	2,240	4,220	2,255	4,220
Student fee discounts and waivers		9,848	7,099	9,848	7,099
Travel and entertainment		29,106	26,721	25,616	23,624
Writedown on investments – unlisted companies	20	4,772	7,837	4,624	7,837
Writedown on buildings		3,332	–	3,332	–
PELS contribution to AGSM		–	–	7,779	5,750
Contribution to AGSM		–	–	2,076	2,466
Other (i)		7,403	6,293	1,095	1,264
Total		297,682	293,235	257,619	249,537

(i) Other consolidated expenses include administrative costs of the controlled entities of \$3.628M, livestock costs \$0.990M, rental payments \$0.905M, course material \$0.913M and management fees \$0.296M.

15 Disposal of property, plant and equipment

	Notes	Consolidated		University	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Proceeds from sale of property, plant and equipment		(5,591)	(18,549)	(2,755)	(18,545)
Carrying amount of assets sold	21.2	7,831	22,769	5,010	22,765
Net loss on sale of assets		2,240	4,220	2,255	4,220

16 Income tax

	Consolidated	
	2004	2003
	\$'000	\$'000
Income tax expense		
The income tax expense for the year differs from the amount calculated on the net operating result. The differences are reconciled as:		
Operating result from ordinary activities before income tax expense	(9,333)	17,322
Income tax calculated @ 30% (2003 30%)	(2,800)	5,197
Net exempt income / non - deductible expenditure	2,628	(5,085)
Non-recognition of FITB/DITL not virtually certain	(1)	1
Recoupment of prior year tax losses not previously recognised	169	-
Income tax related to ordinary activities	(4)	113

17 Remuneration of auditors

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Assurance services				
Auditing the financial report	540	393	399	253
Other audit services	20	37	13	20
Total remuneration for assurance services	560	430	412	273
Total remuneration of auditors	560	430	412	273

18 Cash assets

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	29,830	51,504	11,651	31,036
Total cash assets	29,830	51,504	11,651	31,036

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

Balances as above	29,830	51,504	11,651	31,036
add other cash equivalent assets	182,609	202,493	172,985	187,100
Balance per statement of cash flows	212,439	253,997	184,636	218,136

19.1 Receivables

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Sundry debtors	54,131	43,960	40,528	36,771
Student debtors	13,920	19,163	13,920	19,163
Short term deposits	–	255	–	–
Provision for doubtful debts (see note 19.2)	(12,633)	(10,329)	(12,249)	(9,974)
Deferred income – government contributions for superannuation	48,487	51,804	48,487	51,804
Total current receivables	103,905	104,853	90,686	97,764
Non-current				
Deferred income – government contributions for superannuation	279,131	298,222	279,131	298,222
Loans to members of staff	–	7	–	7
Total non current receivables	279,131	298,229	279,131	298,229
Total receivables	383,036	403,082	369,817	395,993

19.2 Provision for doubtful debts

Opening balance	10,329	8,226	9,974	6,352
Bad debts written off	(7,244)	(1,847)	(7,066)	(120)
Contribution from operations	9,548	3,950	9,341	3,742
Closing balance	12,633	10,329	12,249	9,974

20 Other financial assets

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Other fixed interest securities	33,274	125,228	33,274	125,228
Term deposits	48,331	18,398	44,705	5,173
Liquids (bank bills, floating rate notes, NCDs, etc)	66,856	58,867	60,856	26,383
Total current other financial assets	148,461	202,493	138,835	156,784
Non-current (i)				
Unlisted companies (ii)	1,762	4,151	11,924	14,314
Unlisted trusts:				
Domestic equities	126,350	87,589	122,114	86,206
Domestic fixed interest	34,423	32,120	30,265	27,235
International equities	66,997	57,557	66,587	57,557
Unincorporated venture investment	1,022	700	–	–
Liquids (bank bills, floating rate notes, NCDs, etc)	82,750	39,270	82,750	69,586
Total non-current investments	313,304	221,387	313,640	254,898
Total other financial assets	461,765	423,880	452,475	411,682
Restricted other financial assets (iv)				
Beneficial funds	6,158	–	6,158	–
Endowment funds	28,520	22,075	28,520	22,075
Unspent research grants	56,096	39,495	52,771	39,495
Cash deposits from controlled entities	–	–	57,663	48,020
Cash deposits from associated entities	7,247	6,723	7,247	6,723
Total restricted other financial assets	98,021	68,293	152,359	116,313
Unrestricted other financial assets				
Remaining assets	363,744	355,587	300,116	295,369
Total unrestricted other financial assets	363,744	355,587	300,116	295,369
Total other financial assets	461,765	423,880	452,475	411,682

(i) As a result of the revaluation of other financial assets, a net increment of \$19.548M (\$8.901M in 2003) has been transferred to the University's investment revaluation reserve (\$20.160M on consolidation) – see note 26(b).

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(ii) The consolidated entity and the University have investments in the following companies and ventures:				
Pacific Solar Pty Ltd – UNSW valuation as at 31 December 2004	119	119	119	119
Infotelco Pty Ltd (iii) – UNSW valuation as at 31 December 2004	–	11	–	11
Smart Internet Technology CRC Pty Ltd (iii) – UNSW valuation as at 31 December 2004	1	1	1	1
Unisearch Ltd (subordinated loan) – At Cost	–	–	10,000	10,000
IDP Education Australia Ltd – At Cost	10	10	10	10
AARnet Pty Ltd – At Cost	1	1	1	1
NSG (Thailand) Limited – At Cost	88	88	–	–
B.Tech Avn Ltd – At Cost	22	22	22	22
UNSW Press Ltd (loan) – At Cost	–	–	250	250
U21 Equity Ltd (iii) – UNSW valuation as at 31 December 2004	1,321	3,899	1,320	3,899
PT UniResources Pasada International – UNSW valuation as at 31 December 2004	200	–	200	–
Acyte, Qucor and Hepatocell – At Cost	–	–	1	1
Total	1,762	4,151	11,924	14,314

(iii) The total writedown in the carrying values in unlisted companies, \$4.772M (\$7.837M 2003), has been charged as expenses in the year – see note 14.

(iv) Restricted financial assets are assets that have limitations restricting the freedom of use of the asset by UNSW. These assets are represented by Statutory Funds within equity in the Statement of financial Position.

21.1 Property, plant and equipment

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Land and Buildings				
Land				
Valuation – 2003	–	234,010	–	234,010
Valuation – 2004	231,965	–	231,965	–
	231,965	234,010	231,965	234,010
Buildings				
Cost	9,647	35,766	2,543	32,118
Valuation – 1997	1,350	1,350	1,350	1,350
Valuation – 2003	–	1,071,806	–	1,071,806
Valuation – 2004	1,165,114	–	1,165,114	–
Less accumulated depreciation	(745,836)	(656,623)	(741,422)	(654,369)
	430,275	452,299	427,585	450,905
Buildings under construction (work in progress)				
Construction costs	39,173	8,538	39,148	8,498
	39,173	8,538	39,148	8,498
Student accommodation and residential property				
Valuation – 2003	–	126,158	–	126,158
Valuation – 2004	138,973	–	138,973	–
	138,973	126,158	138,973	126,158
Total land and buildings	840,386	821,005	837,671	819,571
Computer equipment				
Computer equipment at cost	28,445	24,707	25,615	23,097
Less accumulated depreciation	(22,600)	(19,351)	(21,055)	(18,431)
	5,845	5,356	4,560	4,666
Computer software – NewSouth Solutions				
Computer software at cost	37,069	37,440	37,034	37,034
Less accumulated depreciation	(35,312)	(29,789)	(35,308)	(29,470)
	1,757	7,651	1,726	7,564
Motor vehicles				
Motor vehicles at cost	5,239	6,312	4,778	5,883
Less accumulated depreciation	(1,293)	(1,663)	(1,059)	(1,433)
	3,946	4,649	3,719	4,450
Other equipment				
Other equipment at cost	104,637	97,952	100,300	89,872
Less accumulated depreciation	(54,640)	(51,164)	(52,033)	(47,726)
	49,997	46,788	48,267	42,146
Works of art				
Works of art at cost	–	40	–	–
Valuation – 2000	3,108	3,153	3,068	3,153
	3,108	3,193	3,068	3,153
Library holdings				
Cost	77,115	74,319	74,423	71,712
Valuation 2003	10,034	10,034	10,034	10,034
Less accumulated depreciation	(64,657)	(56,742)	(62,659)	(54,883)
	22,492	27,611	21,798	26,863
Total property, plant and equipment	927,531	916,251	920,809	908,411

21.2 Property, plant and equipment – Movement in assets, summarised by class

	Freehold Land	Buildings	Buildings under construction	Student accommodation & residential property	Computer equipment	Computer software New South Solutions	Motor vehicles	Other equipment	Works of art	Library holdings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Total \$'000	\$'000	\$'000	\$'000
Consolidated											
Carrying amount at 1 January 2004	234,010	452,299	8,538	126,158	5,356	7,651	4,649	46,788	3,193	27,611	916,251
Additions	–	2,021	46,129	8,832	5,440	63	1,170	16,380	117	2,802	82,954
Transfer from buildings under construction	–	14,545	–	–	–	–	–	–	–	–	14,545
Transfer to buildings	–	–	(14,545)	–	–	–	–	–	–	–	(14,545)
Disposals	–	(1,085)	–	–	(536)	(26)	(1,517)	(4,460)	(202)	(5)	(7,831)
Revaluation increments (decrements) (i)	15,340	(10,811)	–	3,983	–	–	–	–	–	–	8,512
Writedown of land subject to long term lease (ii)	(17,385)	–	–	–	–	–	–	–	–	–	(17,385)
Depreciation / amortisation charge	–	(26,694)	–	–	(4,415)	(5,931)	(66)	(8,588)	–	(7,916)	(53,610)
Other	–	–	(949)	–	–	–	(290)	(123)	–	–	(1,362)
Carrying amount at 31 December 2004	231,965	430,275	39,173	138,973	5,845	1,757	3,946	49,997	3,108	22,492	927,531
University											
Carrying amount at 1 January 2004	234,010	450,905	8,498	126,158	4,666	7,564	4,450	42,146	3,153	26,863	908,411
Additions	–	–	46,144	8,832	4,059	–	1,036	15,991	117	2,715	78,894
Transfer from buildings under construction	–	14,545	–	–	–	–	–	–	–	–	14,545
Transfer to buildings	–	–	(14,545)	–	–	–	–	–	–	–	(14,545)
Disposals	–	(1,085)	–	–	(511)	–	(1,466)	(1,745)	(202)	(3)	(5,012)
Revaluation increments (decrements)	15,340	(10,811)	–	3,983	–	–	–	–	–	–	8,512
Writedown of land subject to long term lease (ii)	(17,385)	–	–	–	–	–	–	–	–	–	(17,385)
Depreciation / amortisation charge	–	(25,969)	–	–	(3,654)	(5,838)	(11)	(8,125)	–	(7,777)	(51,374)
Other	–	–	(949)	–	–	–	(290)	–	–	–	(1,239)
Carrying amount at 31 December 2004	231,965	427,585	39,148	138,973	4,560	1,726	3,719	48,267	3,068	21,798	920,809

(i)As a result of the \$10.811M total buildings revaluation decrement, the asset revaluation reserve has been reduced to \$7.479M (see Note 26a), and \$3.332M has been charged to expenses (see Note 14).

(ii)As a result of the \$17.385M writedown of land subject to long term lease, the asset revaluation reserve has been reduced by \$11.371M (see Note 26a) and \$6.014M has been charged to expenses as a prior period error (see Note 10b).

22 Other non-financial assets

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Sundry advances	1,074	1,221	1,073	1,206
Accrued income	1,709	16,023	3,784	17,519
Payments in advance	11,892	6,771	10,351	5,601
Investment interest receivable	1,200	221	1,200	121
Total current other non-financial assets	15,875	24,236	16,408	24,447
Non-current				
Patents (i)	4,257	4,515	–	–
Other	219	1,332	124	1,194
Total non-current other non-financial assets	4,476	5,847	124	1,194
Total other non-financial assets	20,351	30,083	16,532	25,641
(i) Patents (ii)				
Opening balance	4,515	3,844	–	–
Patent costs capitalised	1,123	1,253	–	–
Patents written off/down	(1,381)	(582)	–	–
Closing balance	4,257	4,515	–	–

(ii) Patents are amortised over their economic life, usually 20 years.

23 Payables – current

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Sundry creditors	9,884	12,216	7,862	10,015
Accrued expenses other	16,463	16,765	12,783	11,250
Accrued expenses payroll	430	742	–	–
Total payables – current	26,777	29,723	20,645	21,265

24 Provisions

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Provision for annual leave	27,245	27,577	25,198	25,639
Provision for staff superannuation	67,470	57,092	67,274	57,088
Provision other	1,614	104	800	–
Provision for long service leave	12,237	12,808	11,413	11,697
Provision for workers' compensation	418	2,486	418	2,486
Total current provisions	108,984	100,067	105,103	96,910
Non-current				
Provision for staff superannuation	320,662	326,938	320,681	326,938
Provision for long service leave	67,865	57,764	66,544	56,837
Provision for workers' compensation	2,662	3,050	2,662	3,050
Total non-current provisions	391,189	387,752	389,887	386,825
Total provisions	500,173	487,819	494,990	483,735
Employee numbers				
Full-time equivalent academic	1,890	2,001	1,846	1,830
Full-time equivalent non-academic	3,052	3,011	2,693	2,656
Full-time equivalent casual	864	823	809	804
Average number of employees during the year	5,806	5,835	5,348	5,290
Movement in Provisions:				
Provision for annual leave				
Opening balance of provision	27,577	27,134	25,639	25,334
Add contributions from operations	11,490	11,733	11,131	11,339
Less payments during year	(11,822)	(11,290)	(11,572)	(11,034)
Closing balance of provision	27,245	27,577	25,198	25,639
Provision for staff superannuation				
Opening balance of provision	384,030	342,267	384,026	342,267
Add contributions from operations	14,202	10,536	14,029	10,187
Less payments during year	(9,193)	(12,147)	(9,193)	(11,802)
	389,039	340,656	388,862	340,652
Plus deferred income – government contributions for superannuation	(907)	43,374	(907)	43,374
Closing balance of provision	388,132	384,030	387,955	384,026
Provision other				
Opening balance of provision	104	286	–	–
Add contributions from operations	1,614	104	800	–
Less payments during year	(104)	(286)	–	–
Closing balance of provision	1,614	104	800	–

24 Provisions (continued)

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Provision for long service leave				
Opening balance of provision	70,572	62,701	68,534	61,382
Add contributions from operations	19,715	17,427	19,438	16,700
Less payments during year	(10,185)	(9,556)	(10,015)	(9,548)
Closing balance of provision	80,102	70,572	77,957	68,534
Provision for workers' compensation (i)				
Opening balance of provision	5,536	4,285	5,536	4,285
Add contributions from operations	(1,296)	3,144	(1,296)	3,144
Less payments during year	(755)	(1,081)	(755)	(1,081)
Less operating expenses	(405)	(812)	(405)	(812)
Closing balance of provision	3,080	5,536	3,080	5,536

- (i) It is a requirement of the licence that the University maintain a provision for each fund in respect of outstanding claims liability as at 31 December each year. The following table shows the NSW and ACT funds.

	University only			
	NSW Fund \$'000	ACT Fund \$'000	Total Fund 2004 \$'000	Total Fund 2003 \$'000
Opening balance of provision	5,241	295	5,536	4,285
Add contributions from operations	(1,212)	(84)	(1,296)	3,144
Less payments during year	(755)	—	(755)	(1,081)
Less operating expenses	(453)	48	(405)	(812)
Closing balance of provision	2,821	259	3,080	5,536

25 Other liabilities

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current				
Income in advance	26,767	56,474	13,459	42,138
Trusts (i)	2,276	6,119	2,256	6,112
UNSW Foundation Ltd	–	–	8,740	7,432
Controlled entities	–	–	16,346	14,712
Unisearch prepaid rent	–	–	125	125
Other	31,642	22,748	31,005	20,404
Total current other liabilities	60,685	85,341	71,931	90,923
Non-current				
Unisearch prepaid rent	–	–	2,915	3,165
UNSW Foundation Ltd	–	–	28,340	25,215
Controlled entities	–	–	5,402	–
Other	2,213	817	2,203	–
Total non-current other liabilities	2,213	817	38,860	28,380
Total other liabilities	62,898	86,158	110,791	119,303
(i) Trusts				
Opening balance	6,119	6,652	6,112	6,652
Reclassification	(4,278)	–	(4,278)	–
Investment income	167	348	167	348
Other revenue	46	17	33	10
Expenditure	222	(898)	222	(898)
Liability as at 31 December 2004	2,276	6,119	2,256	6,112
Assets and liabilities of trusts for which the University is a trustee:				
Current asset investments	2,276	6,119	2,256	6,112
Current liabilities	2,276	6,119	2,256	6,112

26 Reserves and retained surplus

	Notes	Consolidated		University	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
(a) Reserves comprise					
Asset revaluation reserves		199,374	198,901	186,516	186,043
Investment revaluation reserves		29,739	10,059	29,163	9,615
General reserves		94	950	–	–
Other reserves		1,108	141	–	–
Total reserves (i)		230,315	210,051	215,679	195,658
(b) Movements in reserves					
Asset revaluation reserves					
Balance 1 January		198,901	116,054	186,043	105,498
Adjustment			(14,857)	–	(14,857)
Revaluation of land	21.2	15,340	109,310	15,340	109,310
Revaluation of buildings	21.2	(7,479)	(40,824)	(7,479)	(40,824)
Revaluation of student accommodation and residential	21.2	3,983	29,843	3,983	29,842
Revaluation of library holdings	21.2	–	7,754	–	7,754
Writedown of land subject to long term lease	10 b	(11,371)	–	(11,371)	–
Transfer from/(to) other reserves and revaluation		–	(8,379)	–	(10,680)
Balance 31 December		199,374	198,901	186,516	186,043
Investment revaluation reserves					
Balance 1 January		10,059	1,006	9,615	714
Surplus/(loss) on revaluation of investments		20,160	9,053	19,548	8,901
Transfer to retained surplus		(480)	–	–	–
Balance 31 December		29,739	10,059	29,163	9,615
General and other reserves					
Balance 1 January		1,091	1,091	–	–
Transfer (to) retained surplus		(1,091)	–	–	–
Transfer from retained surplus		1,202	–	–	–
Balance 31 December		1,202	1,091	–	–
(c) Retained surplus – parent entity					
Retained surplus at the beginning of the year		1,008,762	983,807	953,439	926,134
Net operating result attributable to the parent entity		(9,977)	16,576	(23,631)	16,625
Transfer (to) from reserves		369	8,379	–	10,680
Retained surplus at the end of the year (ii)		999,154	1,008,762	929,808	953,439
(i) Total reserves comprise parent entity reserves of \$230.235M (\$210.051M in 2003) and outside interest in reserves of \$0.080M (NIL in 2003).					
(ii) Retained surplus at the end of the year comprises:					
Statutory funds		98,021	68,293	152,359	116,313
Retained surplus		901,133	940,469	777,449	837,126
		999,154	1,008,762	929,808	953,439

27 Outside equity interests

	Notes	Consolidated		University	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Outside equity interests in controlled entities comprise:					
Share capital		-	1	-	-
Reserves		80	-	-	-
Retained surplus	26	5,225	4,282	-	-
Total outside equity interests in controlled entities		5,305	4,283	-	-

28 Commitments for expenditure

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Expenditure commitments				
Building works	51,849	40,179	51,149	36,219
Plant and equipment	12,357	4,126	12,357	3,948
Other expenditure	6,245	1,716	6,245	1,716
Total expenditure commitments (including GST)	70,451	46,021	69,751	41,883
Payable:				
Not later than 1 year	55,661	46,021	54,961	41,883
Later than 1 year but not later than 5 years	14,790	-	14,790	-
Later than 5 years	-	-	-	-
Total (including GST)	70,451	46,021	69,751	41,883

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Operating leases (i)				
Operating leases contracted for but not capitalised in the financial statements (including GST)	39,361	42,478	2,101	1,910
Total operating leases	39,361	42,478	2,101	1,910
Payable:				
Not later than 1 year	3,457	2,063	999	913
Later than 1 year but no later than 5 years	13,860	3,728	1,102	997
Later than 5 years	22,044	36,687	-	-
Total	39,361	42,478	2,101	1,910

- (i) Mainly comprises a lease commitment on consolidation represented by a deed of agreement signed with a property developer in December 2003 for student accommodation. The term of the lease is 15 years.

29 Superannuation Plans (University only)

University of New South Wales summary of 2004 increase/(decrease) in the superannuation (asset)/liability

	NSW State Superannuation Scheme \$'000	State Authorities Superannuation Scheme \$'000	State Authorities Non- Contributory Superannuation Scheme \$'000	Professorial Superannuation Non-Contributory Scheme \$'000	2004 Total \$'000	2003 Total \$'000
Opening balance of provision	348,236	4,348	4,567	26,875	384,026	342,267
Contributions from operations	4,597	3,265	5,060	1,107	14,029	10,187
Payments during year	(4,597)	(3,265)	(984)	(347)	(9,193)	(11,802)
	348,236	4,348	8,643	27,635	388,862	340,652
Deferred income due from Commonwealth/State Governments	2,058	(2,965)	–	–	(907)	43,374
Closing balance of provision (i)	350,294	1,383	8,643	27,635	387,955	384,026
(i) Current liabilities	50,555	–	–	16,719	67,274	57,088
Non-current liabilities	299,739	1,383	8,643	10,916	320,681	326,938
	350,294	1,383	8,643	27,635	387,955	384,026

30 Remuneration of responsible persons and executives

30.1 Responsible persons

(a) List of names

University Council members	2004	2003	Controlled Entities Directors	2004	2003
Dr John Samuel Yu	✓	✓	AGSM Ltd		
Mr John Henry Pascoe	✓	✓	Ms Patty Akopiantz (to 31 December 2003)	–	✓
Professor Wyatt R Hume (ceased 30 June 2004)	✓	✓	Mr Anthony Richard Berg (from 10 May 2004)	✓	–
Professor Mark Sebastian Wainwright (from 1 July 2004)	✓	–	Professor Gavin Brown (to 31 December 2003)	–	✓
Ms Angela Mary Barrett (from 1 July 2004)	✓	–	Mr Robert Neale Cartwright (to 31 December 2003)	–	✓
Mr Nicholas Edward Carney (from 1 July 2004)	✓	–	Professor Jeremy Guy Ashcroft Davis (to 1 January 2003)	–	✓
Associate Professor John Joseph Carmody (ceased 30 June 2004)	✓	✓	Professor Kenneth John Eltis (to 31 December 2003)	–	✓
Professor Branko George Celler (from 1 July 2004)	✓	–	Mr David Harrington (to 9 May 2003)	–	✓
Professor Wai Fong Chua	✓	✓	Mr David Martin Hoare (to 2 November 2003)	–	✓
Mrs Beverley Anne Crane (ceased 30 June 2004)	✓	✓	Professor Wyatt R Hume (to 8 April 2004)	✓	✓
Professor Jeremy Guy Ashcroft Davis (ceased 30 June 2004)	✓	✓	Mr John McFarlane (to 31 December 2003)	–	✓
Professor Anthony Haynes Dooley (from 1 August 2004)	✓	–	Professor Carrick Martin (8 January 2003 to 13 October 2003)	–	✓
Mr Alan Ernest Egan (from 1 July 2004)	✓	–	Mr Robert McLean (from 13 October to 31 December 2003)	–	✓
Dr Penelope Anne FitzGerald	✓	✓	Mr James Robertson (to 1 September 2003)	–	✓
Associate Professor Raelene Frances (ceased 30 June 2004)	✓	✓	Dr John Michael Schubert (to 31 December 2003)	–	✓
Ms Catherine Mary Rossi Harris	✓	✓	Ms June Diane Sinclair (from 5 February 2004)	✓	–
Mr David Alexander Hughes (ceased 30 June 2004)	✓	✓	Mr Leo Edward Tutt (to 31 December 2003)	–	✓
Mr Geoffrey Francis Lawson	✓	✓	Sir Alfred William Tyree	✓	✓
Mr Peter Edward Mason	✓	✓	Professor Michael R Vitale (to 1 January 2003)	–	✓
Professor Kevin Malcolm McConkey (ceased 31 July 2004)	✓	✓	Professor Mark Sebastian Wainwright	✓	✓
Professor Jill McKeough (from 1 July 2004)	✓	–	Professor Jonathon West (to 31 December 2003)	–	✓
Dr Jessica Ruth Milner Davis	✓	✓	Professor Robert Wood (18 September to 31 December 2003)	–	✓
Mr Paul Pearce (from 27 May 2003)	✓	✓	Ms Carla Maria Zampatti (to 2 November 2004)	✓	✓
The Hon Mr Peter Primrose (from 8 May 2003)	✓	✓			
The Hon Ms Susan Maree Ryan	✓	✓	The University of New South Wales Foundation	2004	2003
Ms Linda Margaret Scott (ceased 30 June 2004)	✓	✓	Mr Robert Hugh Barry	✓	✓
Mr Brian Edward Suttor	✓	✓	Mr Alex Boyarsky	✓	✓
Professor Joseph Albert Wolfe (from 1 July 2004)	✓	–	Mr Michael Easson (to 13 January 2004)	✓	✓
Ms Gabrielle Cecelia Upton	✓	✓	Mr David Gonski	✓	✓
The Hon Mrs Deirdre Mary Grusovin (ceased 22 February 2003)	–	✓	Mr Maxwell James Gosling (to 30 June 2003)	–	✓
Ms Lee Rhiannon (ceased 14 April 2003)	–	✓	Mr Michael Edward Grace (to 30 June 2003)	–	✓
			Ms Kathryn Greiner (to 17 September 2003)	–	✓
			Ms Catherine Mary Rossi Harris	✓	✓
			Dr John Hirshman	✓	✓
			Professor Wyatt R Hume (to 13 April 2004)	✓	✓
			Dr Wallace King	✓	✓
			Ms Christine Margaret Liddy	✓	✓
			Dr Ronald Y C Lu	✓	✓
			Mr Robert Mansfield	✓	✓
			Mr Robert Lee Maple-Brown	✓	✓

30.1 Responsible persons (continued)

(a) List of names

The University of New South Wales Foundation			2004	2003	University of New South Wales Press Ltd			2004	2003
Mr Peter Edward Mason			✓	✓	Mr John M Beale			✓	✓
Professor John Rodney Niland (to 27 May 2004)			✓	✓	Ms Angela Bowne (from 23 August 2004)			✓	–
Mr Daniel Petre			✓	✓	Dr Anne Brewster			✓	✓
Mr Simon Poidevin			✓	✓	Ms Crystal Condous			✓	✓
Mr Julian Mark Reynolds			✓	✓	Dr Robin Derricourt			✓	✓
Mr Peter David Ritchie			✓	✓	Mr Oliver Freeman (to 22 May 2003)			–	✓
Mr Neville Roach			✓	✓	Associate Professor Jill Hunter			✓	✓
Mr Colin Francis Ryan (to 27 May 2004)			✓	✓	Professor John Edward Ingleson			✓	✓
Mr Robert Clive Sutton (to 10 June 2004)			✓	✓	Mr Bill Mackarell			✓	✓
Mr Henry Tsang (to 30 June 2003)			–	✓	Dr Robyn Williams			✓	✓
Ms Lucy Turnbull (to 18 October 2004)			✓	✓					
Sir Alfred William Tyree			✓	✓					
Professor Mark Sebastian Wainwright			✓	✓	Unisearch Group			2004	2003
Mr Albert Yue Ling Wong			✓	✓	Mr Robert Hugh Barry			✓	✓
Dr John Samuel Yu			✓	✓	Mr Edwin J Blackadder (to 31 May 2003)			–	✓
					Mr Warren Bradey			✓	✓
NewSouth Global Pty Ltd			2004	2003	Dr Alec Cameron (from 4 December 2003)			✓	✓
Mr Peter Ward Bergman (from 13 February 2003)			✓	✓	Professor Robert Clark (from 19 December 2003)			✓	✓
Dr Alec Cameron (from 28 August 2004)			✓	–	Professor Bruce Downton (to 9 December 2004)			✓	✓
Professor Wyatt R Hume (to 13 April 2004)			✓	✓	Associate Professor Andrew Dzurak (from 19 December 2003)			✓	✓
Professor John Edward Ingleson			✓	✓	Professor Christopher Joseph Dalzell Fell (to 31 August 2003)			–	✓
Ms Mara Moustafine (from 13 February 2003)			✓	✓	Professor Peter Philip Gray			✓	✓
Professor Mark Sebastian Wainwright			✓	✓	Ms Beverley Hoskinson–Green (to 17 November 2003)			–	✓
					Ms Karyn Johnson (to 15 July 2004)			✓	✓
The University of New South Wales International House Ltd			2004	2003	Dr John S Keniry (to 30 August 2003)			–	✓
Mr Taufique Ahmed			✓	✓	Professor Staffan Kjelleberg (to 1 April 2004)			✓	✓
Ms Susan Armstrong			✓	✓	Professor David Morris (from 12 July 2004)			✓	–
Professor Kenneth Buckle			✓	✓	Mr Michael Oredsson (to 1 April 2004)			✓	✓
Mr John Geoffrey Cowan			✓	✓	Mr Anthony Ritossa (from 19 August 2003)			✓	✓
Associate Professor T M Deviney (to 31 May 2004)			✓	✓	Dr Richard Sharp (from 19 December 2003)			✓	✓
Mr Donald Matthew Jenner (from 13 March 2003 to 12 March 2004)			✓	✓	Professor Peter Steinberg (to 1 April 2004)			✓	✓
Mr Chih Hung Koh (from 12 March 2004)			✓	–	Associate Professor Noelle–Anne Sunstrom			✓	✓
Professor Kevin Malcolm McConkey			✓	✓	Dr Colin Sutton (from 12 December 2003)			✓	✓
Dr Richard Morris (from 1 June 2004)			✓	–	Ms Gillian D M Turner			✓	✓
Ms Ann Maree Quinlan			✓	✓	Professor Mark Sebastian Wainwright			✓	✓
Professor Veena Sahajwalla (from 1 June 2004)			✓	–	Mr John Wolfraad (from 17 July 2003)			✓	✓
Professor Arun Kumar Sharma (to 31 May 2004)			✓	✓	Mr Su–Ming Wong (to 22 October 2003)			–	✓
Mr Ian Stevens			✓	✓					
Emeritus Professor Edward Owen Paul Thompson			✓	✓					

30.2 Remuneration of responsible persons earning \$100,000 or more

	Consolidated		University	
	2004 Number	2003 Number	2004 Number	2003 Number
\$100,000 to \$109,999	5	—	—	—
\$110,000 to \$119,999	2	3	—	—
\$120,000 to \$129,999	2	—	—	—
\$130,000 to \$139,999	1	1	1	1
\$140,000 to \$149,999	4	1	2	—
\$150,000 to \$159,999	2	—	1	—
\$160,000 to \$169,999	—	2	—	—
\$170,000 to \$179,999	2	—	—	—
\$180,000 to \$189,999	1	1	—	—
\$190,000 to \$199,999	—	2	—	2
\$200,000 to \$209,999	2	—	2	—
\$210,000 to \$219,999	—	—	—	—
\$220,000 to \$229,999	—	1	—	1
\$230,000 to \$239,999	—	—	—	—
\$240,000 to \$249,999	1	—	1	—
\$250,000 to \$259,999	1	—	—	—
\$260,000 to \$269,999	—	—	—	—
\$270,000 to \$279,999	—	1	—	—
\$280,000 to \$289,999	1	—	1	—
\$290,000 to \$299,999	—	2	—	—
\$300,000 to \$309,999	—	1	—	—
\$430,000 to \$439,999	1	—	—	—
\$450,000 to \$459,999	—	1	1	—
\$750,000 to \$759,999	—	1	—	1
\$1,090,000 to \$1,099,999	1	—	1	—
	26	17	10	5

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Aggregate remuneration of responsible persons	5,425	4,357	3,056	1,704

(a) Retirement benefit of responsible persons

During 2004, two council members retired who received entitlements totalling \$941,000, in addition to any salary paid and any superannuation benefits that have been received during the year.

30.3 Remuneration of executives earning \$100,000 or more

	Consolidated		University	
	2004 Number	2003 Number	2004 Number	2003 Number
\$100,000 to \$109,999	2	2	–	–
\$110,000 to \$119,999	2	1	–	1
\$120,000 to \$129,999	3	–	–	–
\$130,000 to \$139,999	2	–	–	–
\$140,000 to \$149,999	–	2	–	1
\$150,000 to \$159,999	3	5	–	3
\$160,000 to \$169,999	4	2	–	2
\$170,000 to \$179,999	3	–	–	–
\$180,000 to \$189,999	5	2	2	1
\$190,000 to \$199,999	4	3	3	2
\$200,000 to \$209,999	–	3	–	2
\$210,000 to \$219,999	1	1	1	1
\$220,000 to \$229,999	–	–	–	–
\$230,000 to \$239,999	2	–	1	–
\$240,000 to \$249,999	–	1	–	1
\$250,000 to \$259,999	3	–	2	–
\$260,000 to \$269,999	–	1	–	1
\$270,000 to \$279,999	1	2	1	1
\$280,000 to \$289,999	–	–	–	–
\$290,000 to \$299,999	1	2	1	2
\$300,000 to \$309,999	1	1	1	1
\$310,000 to \$319,999	1	–	1	–
\$320,000 to \$329,999	1	–	1	–
\$370,000 to \$379,999	1	–	1	–
\$410,000 to \$419,999	1	–	1	–
\$430,000 to \$439,999	1	–	1	–
\$450,000 to \$459,999	–	1	–	1
\$740,000 to \$749,999	1	–	1	–
\$750,000 to \$759,999	–	1	–	1
\$1,090,000 to \$1,099,999	1	–	1	–
	44	30	19	21

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Aggregate remuneration of executives	10,491	6,671	6,566	5,136

See Note 1(r) for definition of executive. In addition to the 19 University staff reporting directly to the Vice-Chancellor that are defined as executives, there are a further 851 academic staff earning in excess of \$100,000 (with total earnings of \$111,380,000) and 99 general staff earning in excess of \$100,000 (with total earnings of \$13,364,000) who do not report directly to the Vice-Chancellor.

(a) Retirement benefit of executives

During 2004, two council members retired who received entitlements totalling \$1,498,000, in addition to any salary paid and any superannuation benefits that have been received during the year.

31 Contingent assets and liabilities

Contingent assets:

The parent entity and consolidated entity had contingent assets at 31 December 2004 in respect of:

- (i) Under commercialisation of research agreements between the participants in the former Cooperative Research Centre for Eye Research and Technology (CRCERT), UNSW is entitled to a percentage of continuing royalty payments including those deriving from sales by CIBA Vision Corporation (optical and ophthalmic products and services). UNSW is not yet able to quantify the value of this entitlement.

Contingent liabilities:

The parent entity and consolidated entity had contingent liabilities at 31 December 2004 in respect of:

Claims

- (ii) The University has been advised of a potential issue by some members of the University of New South Wales Professorial Superannuation Scheme. The resolution of this matter is at an early stage and the financial impact, if any, has not been determined.
- (iii) Claims against the consolidated entity and the University in the normal course of activities. Based on advice received these claims are not expected to have a material effect.

Guarantees

- (iv) As at 31 December 2004 outstanding Staff Housing Scheme loan guarantees provided by the University pursuant to an agreement with the Commonwealth Bank of Australia total \$153,000 (\$188,000 in 2003).
- (v) AGSM has a bank guarantee with ANZ Banking Group in favour of Harina Company Limited for lease premises, \$694,000.
- (vi) The University has been granted a license under Division 5 of Part 7 of the Workers' Compensation Act, 1987. In accordance with the license the University has the following bank guarantees:
 - \$5,070,000 with ANZ Banking Group in favour of WorkCover New South Wales; and,
 - \$768,000 with ANZ Banking Group in favour of ACT WorkCover.

Other

- (vii) There is a potential issue in regard to the amount of research income reported in prior years' Higher Education Research Data Collections to the Department of Education, Science and Training (DEST). This information has been used by DEST to calculate grants paid to the University under the following schemes: Research Quantum; Institutional Grants Scheme; and Research Training Scheme. The financial impact of this issue, if any, has not been determined, however it is not expected to exceed \$1.7M.

33 Financial instruments

(a) UNSW's accounting policies and terms and conditions for each class of financial assets, financial liability and equity instrument are:

Sector	Accounting policies	Terms and conditions
Cash	Recorded at cost. At balance date cash is carried at nominal values and reconciled to monies on hand and independent bank statements.	Opening and closing of bank accounts is carried out under the authority of the Vice-Chancellor. Monies on deposit attract interest in accordance with arrangements with Banks.
Receivables	At balance date receivables are recognised and carried at cost. Provision for doubtful debts is made when collection of the full outstanding amounts is no longer probable. Bad debts are written off in accordance with ruling procedures. No interest is earned on debtors.	Payment terms are thirty (30) days net.
Investments	Represented by three investments pools, Short to Medium term (Pool S), Long Term (Pool L) and Unlisted Companies and Intellectual Property (Pool P). Investments in Pools S and L are recorded at market value. The value of the investments reflects decreases/increases in domestic and international markets and is stated at net fair value. Investments in Pool P are recorded at cost, market value or valuation.	Investments in Pool S are generally able to be redeemed within three business day's notice. Investments in Pool L are generally able to be redeemed at exit price within thirty business days notice. Assets of Pool S and Pool L are held in custody by National Bank Custodial services. Details of investment transactions approved by two (2) appointed attorneys are electronically encrypted via the NCS Testkey system and forwarded to the Custodian for settlement.

(b) Derivative financial instruments

The University of New South Wales and certain of its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates and to trade.

(c) Credit risk exposure

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The recognised financial assets of the consolidated entity include amounts receivable arising from unrealised gains on derivative financial instruments. For off-balance sheet financial instruments, including derivatives which are deliverable, credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and the consolidated entity is exposed to loss in the event that counterparties fail to deliver the contracted amount.

(d) Interest rate risk exposure

The consolidated entity's exposure to interest rate risk as at 31 December 2004, and the effective weighted average interest rate by maturity periods is set out in the following table.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

2004	Average Interest Rate per cent	Variable Interest Rate \$'000	Fixed Interest Rate Maturity			Non-Interest Bearing \$'000	Total
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial assets							
Cash	4.88	29,830					29,830
Receivables						55,418	55,418
Accrued income						1,709	1,709
Sundry advances						12,966	12,966
Investment interest receivable	4.88		1,200				1,200
Unlisted shares						1,762	1,762
Unlisted trusts	20.66			228,793			228,793
Other securities	7.64		33,274				33,274
Term deposits	5.63		48,331				48,331
Liquids	5.63		66,856	82,750			149,605
Other						4,476	4,476
Government contributions for superannuation						327,618	327,618
Total financial assets		29,830	149,661	311,543	–	403,949	894,983
Financial liabilities							
Sundry creditors						26,777	26,777
Employee entitlements						501,080	501,080
Other						62,898	62,898
Government contributions for superannuation						(907)	(907)
Total financial liabilities		–	–	–	–	589,848	589,848
Net financial assets/(liabilities)		29,830	149,661	311,543 (i)	–	(185,899)	305,135

(i) Fixed interest rate financial instruments shown with a maturity date of 1–5 years amounting to \$311.543M, include cash equivalents of \$32.948M maturing in less than 90 days, but to be rolled over within Pool L non-current investments for long term funding purposes.

The following table details the economic entity's exposure to interest rate risk as at the 31 December 2003:

	Average Interest Rate per cent	Variable Interest Rate \$'000	Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
2003							
Financial assets							
Cash	4.60	51,504					51,504
Receivables						53,049	53,049
Accrued income						16,023	16,023
Sundry advances						7,992	7,992
Investment interest receivable	4.80		221				221
Unlisted shares						4,151	4,151
Unlisted trusts	13.40			177,266			177,266
Other securities	5.96		125,228				125,228
Term deposits	5.96		18,398				18,398
Liquids	5.96		58,867	39,270			98,137
Other				6,554			6,554
Government contributions for superannuation						350,026	350,026
Total financial assets		51,504	202,714	223,090	-	431,241	908,549
Financial liabilities							
Sundry creditors						29,723	29,723
Employee entitlements						444,445	444,445
Other						86,158	86,158
Government contributions for superannuation						43,374	43,374
Total financial liabilities		-	-	-	-	603,700	603,700
Net financial assets/(liabilities)		51,504	202,714	223,090	-	(172,459)	304,849

34 Reconciliation of operating result from ordinary activities after income tax to net cash inflow from operating activities

Net cash provided or used by operating activities

Net Cash provided or used by operating activities is reconciled to operating results as follows:

	Notes	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Operating result from ordinary activities after related income tax		(9,329)	17,209	(23,631)	16,625
Depreciation and amortisation	12	54,991	50,752	51,374	48,355
Provision for Doubtful Debts	19.2	9,548	3,950	9,341	3,742
Write down of investments to recoverable amount	14	4,772	7,837	4,624	7,837
Write down of buildings	14	3,332	–	3,332	–
Write down of land subject to long term lease	10(b)	6,014	–	6,014	–
Write down of other property, plant, equipment & assets		1,362	–	1,239	–
Loss on disposal of property, plant & equipment	14	2,240	4,220	2,255	4,220
Student fee discounts and waivers	14	9,848	–	9,848	–
HECS – Student contributions	10a	(5,607)	–	(5,607)	–
Net foreign exchange loss / gain	9	(134)	840	(134)	–
Change in operating assets and liabilities					
(Increase)/decrease in receivables	19.1	(130)	(1,318)	6,207	(3,026)
(Increase)/decrease in accrued interest receivables	22	(979)	(40)	(1,079)	(51)
(Increase)/decrease in accrued income	22	14,314	18,134	13,735	11,780
(Increase)/decrease in inventories		(33)	281	8	101
(Increase)/decrease in sundry advances	22	147	(146)	133	(392)
(Increase)/decrease in payments in advance	22	(5,121)	426	(4,750)	917
(Increase)/decrease in deferred superannuation	29	907	(43,374)	907	(43,374)
(Increase)/decrease in other assets	22	1,371	2,288	1,070	(342)
(Increase)/decrease in loans to members of staff	19.1	7	3	7	3
Increase/(decrease) in sundry creditors & accrued expenses	23	(2,946)	(9,902)	(620)	(1,208)
Increase/(decrease) in prepaid income	25	(29,707)	(464)	(28,679)	4,474
Increase/(decrease) in other liabilities	25	6,446	1,675	20,167	15,495
Increase/(decrease) in provisions	24	12,354	51,055	11,255	50,467
Net cash inflow (outflow) from operating activities		73,667	103,426	77,016	115,623

35 Acquittal of Commonwealth Government financial assistance

35.1 Teaching and learning (University only)

	Notes	Operating Grant*		Teaching Hospitals		Capital Development Pool		Total	
		2004	2003	2004	2003	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the Programs)		116,324	122,044	759	805	844	–	117,927	122,849
Net accrual adjustments		(2,444)	(353)	–	–	–	–	(2,444)	(353)
Revenue for the period	3(a)	113,880	121,691	759	805	844	–	115,483	122,496
Surplus (deficit) from the previous year		–	–	–	–	–	–	–	–
Total revenue including accrued revenue		113,880	121,691	759	805	844	–	115,483	122,496
Less expenses including accrued expenses		(113,880)	(121,691)	(759)	(805)	(844)	–	(115,483)	(122,496)
Surplus (deficit) for the reporting period		–	–	–	–	–	–	–	–

* Includes Workplace Reform Program, superannuation contributions and equity program.

35.2 HECS and other Commonwealth Loan Programs (University only)

	Notes	HECS		PELS (Commonwealth payments only)		BOTPLS		Total	
		2004	2003	2004	2003	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the Programs)		56,178	62,345	15,792	19,012	1,102	291	73,072	81,648
Net accrual adjustments		–	(106)	1,613	(4,987)	–	–	1,613	(5,093)
Revenue for the period	3(b)	56,178	62,239	17,405	14,025	1,102	291	74,685	76,555
Surplus (deficit) from the previous year		–	–	–	–	–	–	–	–
Total revenue including accrued revenue		56,178	62,239	17,405	14,025	1,102	291	74,685	76,555
Less expenses including accrued expenses		(56,178)	(62,239)	(17,405)	(14,025)	(1,102)	(291)	(74,685)	(76,555)
Surplus (deficit) for the reporting period		–	–	–	–	–	–	–	–

35 Acquittal of Commonwealth Government financial assistance (continued)

35.3 Scholarships (University only)

	Notes	Australian Postgraduate Awards Pre-2002		Australian Postgraduate Awards Post-2002		International Postgraduate Research Scholarships		Commonwealth Education Costs Scholarships		Commonwealth Accommodation Scholarships		Total	
		2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the Programs)		1,007	2,596	6,169	4,409	1,517	1,561	132	-	336	-	9,161	8,566
Net accrual adjustments		-	-	-	-	1	-	-	-	-	-	1	-
Revenue for the period	3(c)	1,007	2,596	6,169	4,409	1,518	1,561	132	-	336	-	9,162	8,566
Surplus (deficit) from the previous year		467	669	2,670	2,156	-	-	-	-	-	-	3,137	2,825
Total revenue including accrued revenue		1,474	3,265	8,839	6,565	1,518	1,561	132	-	336	-	12,299	11,391
Less expenses including accrued expenses		(959)	(2,798)	(5,804)	(3,895)	(2,024)	(1,561)	(132)	-	(326)	-	(9,245)	(8,254)
Surplus (deficit) for the reporting period		515	467	3,035	2,670	(506)	-	-	-	10	-	3,054	3,137

35.4 DEST Research (University only)

	Notes	Institutional Grants Scheme		Research Training Scheme		Systemic Infrastructure Initiative		Research Infrastructure Block Grants		Small Grants		Total	
		2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the Programs)		22,557	25,414	38,284	41,689	1,932	1,913	13,711	13,580	-	-	76,484	82,596
Net accrual adjustments		-	74	-	(1)	-	35	-	(117)	-	-	-	(9)
Revenue for the period	3(d)	22,557	25,488	38,284	41,688	1,932	1,948	13,711	13,463	-	-	76,484	82,587
Surplus (deficit) from the previous year		-	-	-	-	1	585	3,561	2,999	3,069	3,069	6,631	6,653
Total revenue including accrued revenue		22,557	25,488	38,284	41,688	1,933	2,533	17,272	16,462	3,069	3,069	83,115	89,240
Less expenses including accrued expenses		(22,557)	(25,488)	(38,284)	(41,688)	(1,492)	(2,532)	(13,973)	(12,901)	(2,824)	-	(79,130)	(82,609)
Surplus (deficit) for the reporting period		-	-	-	-	441	1	3,299	3,561	245	3,069	3,985	6,631

35 Acquittal of Commonwealth Government financial assistance (continued)

35.5 Australian Research Council Grants (University only)

(a) Discovery

	Notes	Projects		Fellowships		Federation Fellowships		Indigenous Research Development		Total	
		2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the Programmes)		16,767	15,183	634	950	1,383	1,140	10	10	18,794	17,283
Net accrual adjustments		(301)	828	–	80	–	47	–	–	(301)	955
Revenue for the period	3(e)(i)	16,466	16,011	634	1,030	1,383	1,187	10	10	18,493	18,238
Surplus (deficit) from the previous year		5,864	4,591	1,247	1,597	407	(9)	10	–	7,528	6,179
Total revenue including accrued revenue		22,330	20,602	1,881	2,627	1,790	1,178	20	10	26,021	24,417
Less expenses including accrued expenses		(15,019)	(14,738)	(780)	(1,380)	(1,191)	(771)	(10)	–	(17,000)	(16,889)
Surplus (deficit) for the reporting period		7,311	5,864	1,101	1,247	599	407	10	10	9,021	7,528

35.6 Australian Research Council Grants (University only)

(b) Linkages

	Notes	Special research Initiatives		Infrastructure		International		Projects		Centres		Total	
		2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the Programs)		–	–	2,100	965	272	344	6,530	5,411	5,484	5,332	14,386	12,052
Net accrual adjustments		–	5	18	–	11	8	(400)	356	(1,414)	26	(1,785)	395
Revenue for the period	3(f)(ii)	–	5	2,118	965	283	352	6,130	5,767	4,070	5,358	12,601	12,447
Surplus (deficit) from the previous year		–	(5)	711	457	273	171	490	1,331	851	17	2,325	1,971
Total revenue including accrued revenue		–	–	2,829	1,422	556	523	6,620	7,098	4,921	5,375	14,926	14,418
Less expenses including accrued expenses		–	–	(983)	(711)	(375)	(250)	(6,265)	(6,608)	(5,599)	(4,524)	(13,222)	(12,093)
Surplus (deficit) for the reporting period		–	–	1,846	711	181	273	355	490	(678)	851	1,704	2,325

36 Subsequent events

On 21 January 2005, the UNSW Council approved the establishment of a research and teaching campus in Singapore. UNSW Asia will commence teaching students in 2007. The UNSW Council approved borrowing of up to S\$145M to establish the first stage of the campus. Borrowing to this limit was approved by the Executive Council of New South Wales on 12 January 2005.

END OF FINANCIAL REPORT

