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Real education. Real skills. Real jobs.

Report objectives

As the principal medium through which Kangan Institute communicates its accountability to parliament, government and stakeholders, this annual report forms part of the Institute's planning process.

The annual report fulfils the reporting requirements of Kangan Institute to The Hon. Peter Hall, MLC, Minister for Higher Education and Skills and Minister responsible for the Teaching Profession.

This report provides a summary of the Institute's operations and achievements during 2012.

This annual report also describes the Institute's performance in the key priority areas identified in Kangan Institute's 2012-2018 strategic plan.

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Introduction

The responsible Minister during 2012 was The Hon. Peter Hall, MLC, Minister for Higher Education and Skills and Minister responsible for the Teaching Profession.

Mission

We provide education and services that help enterprises grow, communities prosper and individuals realise their full potential.

Values

- Continuous improvement
- Customer value
- Built-in quality
- Elimination of waste
- Respect for people
- Working together
- Integrity
- Accountability

Vision

By 2018 we will be:

- a Lean enterprise
- providing world class teaching, learning and assessment
- creating value superior to the competition

Objectives, strategies and directions

Kangan Institute's strategic plan aligns the organisation to:

- Improving the participation and outcomes of our customers, with a focus on widening access and diversity and being a key Indigenous education provider.
- Growing our market share in target markets and being self-reliant through strategic reinvestment of profits into staff, capital and equipment.
- Evolving our processes to develop effective customer-focused and integrated knowledge management systems so that we are first choice through professional service experience and a leader in learner-centred services, products and technologies.
- Being a first choice employer, with an emphasis on Lean thinking and practise in how we work whilst leading in our approach to environmental sustainability and social responsibility.

Our story

With a history which stretches back to 1925, Kangan Batman Institute of TAFE (trading as Kangan Institute) combines extensive experience in the vocational education and training sector with a fresh look for the future.

Established in 1997 following the amalgamation of John Batman Institute of TAFE (formerly Batman Automotive College) and Kangan Institute of TAFE (formerly Broadmeadows College of TAFE), Kangan Institute features a range of specialist training facilities and capabilities which reflect these historical links including the award-winning Automotive Centre of Excellence, the Aviation Industry Training Centre and the Centre of Fashion set in Melbourne's fashion and retail heart.

From hats to hammers and plastics to planes, we attract more than 40,000 enrolments each year and are a major training provider for the automotive, aviation, building, horticulture and health industries as well as Indigenous education.

As one of the state's largest providers of traineeship and apprenticeship training, we have strong relationships with many businesses and are a popular choice for students seeking industry-relevant training in a wide range of disciplines.

We maintain close partnerships with industry and enterprise to continually drive course development and customised training.

Kangan Institute contributes to and supports many communities. Our community engagement program provides links with a range of charities and non-profit groups, matching staff donations and encouraging positive community involvement at all levels of the organisation. You can read about our community activities on page 32.

Specialist facilities

We deliver training and educational programs across Australia and globally via e-learning options and international partnerships while maintaining a strong face-to-face element between staff, industry representatives and students.

Locally, we deliver training to students at six specialist campuses in and around metro and northern Melbourne. Our campuses are located in:

- Broadmeadows
- Richmond
- Melbourne city
- Docklands
- Essendon
- Moonee Ponds

Our Institute also manages two business arms – VETASSESS and eWorks – bringing an added dimension to the organisational structure of Kangan Institute while providing valuable non-government funding from fee-for-service products.

Training delivery

With more than 300 qualifications and a wide range of short courses, Kangan Institute's training covers everything from automotive and aviation through to business and fashion.

Our training centres include:

- Automotive Centre of Excellence
- Aviation, Engineering and Security
- Built and Natural Environments
- Centre for Business
- Centre for Community Wellbeing
- Centre for Competitive Operations
- Centre for Health and Nursing
- Centre for Youth
- Centre for Corrections Education
- Centre of Fashion
- Hospitality and Tourism
- Indigenous Education Centre
- Information Communication Technology
- Language Studies

'As we enter a more competitive environment ahead, it's imperative that we find new opportunities to grow, improve our products and customise our services to meet the ever-evolving needs of our learners and clients.'

President's welcome



On behalf of the Kangan Institute Board I proudly present our strategic and financial achievements in the 2012 annual report.

Significant adjustments to State Government funding policies have made it a challenging year for public TAFEs across Victoria and have stimulated a series of reforms at the very core of Kangan Institute's business.

This report highlights our operations during 2012 and showcases our areas of transformation, growth and achievement in line with our commitment to helping individuals, enterprises and communities succeed.

Of particular significance was our introduction of new, state-of-the-art training facilities at our Broadmeadows, Docklands and Richmond campuses, ensuring that we stayed one step ahead of modern learning needs. These include stage two of the Automotive Centre of Excellence, a specialist centre for solar panel installation training, a dedicated Textile and Fashion Hub for industry participants as well as new hairdressing and beauty facilities completing the Centre of Fashion's spectrum of fashion and retail training.

Over the past twelve months we also launched new strategies to step up our engagement with key target groups. TAFE and industry, for instance, have always had a mutually beneficial, symbiotic relationship and the year saw the strengthening of our partnerships with important industry partners such as Metro Trains, Qantas and Toyota through training, assessment and Skills Recognition initiatives.

We also sought new ways to help young learners through our innovative NEXT STEP service for youth and a revamped student engagement system that ensures learners receive the individualised support they need for the success of their studies. Enhancing our delivery of apprenticeships and

traineeships were also a top priority for the Institute with a range of activities such as information sessions and trade and employment days organised to benefit current and prospective apprentices as well as employers.

Our initiatives saw some real results over the year, with Kangan Institute featuring prominently in the 2012 Victorian Training Awards in the Best Industry Collaboration and Apprentice of the Year categories.

It's important to highlight that many Lean initiatives also took place over the year to streamline internal processes and improve on the quality of our products and services. In line with our commitment as a leading Lean educational institute, these initiatives improved processes across a range of areas including Skills Recognition assessments and Australian apprenticeship delivery, enhancing the experience and outcomes of our customers.

As we enter a more competitive environment ahead, it's imperative that we find new opportunities to grow, improve our products and customise our services to meet the ever-evolving needs of our learners and clients.

One of our key focuses for 2013 will be the further development of industry specialisation precincts providing highly targeted training in line with industry needs. This means targeted investment into our training equipment and facilities, more intuitive responses to skill shortage areas and an increased capacity to deliver the products and services sought after by industry.

Our teaching methods are also set to evolve in line with our strategies and modern learning needs. Throughout the year we've made good progress in implementing a blended learning framework across all training areas within the Institute. By combining a mix of face-to-face training with online self-learning, blended learning provides students with greater independence and flexibility over their learning process – this breakthrough approach is set to continue into 2013 and beyond.

With many exciting things planned for the year ahead, we look forward to cementing Kangan Institute's reputation as an outstanding public provider within this new market environment and to continuing our vital role in delivering real education, real skills and real jobs for enterprises, communities and individuals.

I would like to take this opportunity to thank all our industry partners, government and community stakeholders and students for your continued support.

I would also like to extend my thanks to each and every staff member for their individual and collective contributions over the past year. Their commitment to excellence, particularly through the challenging and difficult period of transition within new market conditions, has made a real difference to our journey and to the learning experience of our students.

Thank you to my fellow Board members for their continued support, dedication and guidance throughout the year. In particular, I would like to acknowledge the contributions from outgoing Board member Sarangi Senanayake and extend a warm welcome to our new member Faisal Ali.

Finally, on behalf of the Board, I wish to express my sincere thanks to our CEO Ray Griffiths who has recently announced his retirement in 2013. His great support and commitment over the past eight years have ensured that we continued to excel even during one of the most challenging periods of change for the Victorian VET sector.

The Board and the Institute are backed by a committed senior management team and a talented, capable staff body across teaching and support areas. I thank you all for your contributions throughout 2012 and look forward to our continued success in 2013.



Michael Brown

Kangan Institute Board President

'Kangan Institute retained its focus on growing market share across our target markets along with a strategic reinvestment of profits into staff, facilities, equipment and educational quality.'

CEO's review



2012 was a year of transition and challenge for Victorian TAFEs, with major changes to government funding policies and the training market compelling public training providers to re-think business strategies, re-focus on the customer and find leaner ways to achieve better results.

Kangan Institute has adapted positively to the changes, with a series of organisational and operational reforms within our core business to enable us to continue helping enterprises grow, communities prosper and individuals reach their full potential. Whilst acknowledging the regrettable loss of a significant number of programs and staff, it is also important to highlight that we have continued to diversify and are well placed for resuming growth in other important areas.

In 2012 we achieved an operational profit of \$8.6 million, and with more than 30,000 student enrolments over the year, we directly helped tens of thousands of individuals achieve their goals whilst contributing to the growth and competitiveness of hundreds of businesses. We also helped a large number of domestic and international community groups through our Institute and staff volunteer initiatives which contributed over \$100,000 to selected causes.

Customers at the forefront

Our customers are at the very centre of our business and one of our biggest priorities for the year was to improve participation and outcomes whilst enhancing access and diversity within Melbourne's north western corridor and beyond.

The introduction of our NEXT STEP youth service in July was an important step in this direction. The service enhances access to education by offering 15 to 19 year olds support and advice on training options and pathways. More than 100 new students enrolled with Kangan Institute through this service which also inspired the streamlining of our system of pathways, VET in Schools delivery and centralisation of all our youth-related student services.

During the year we also announced our involvement in Hume Multiversity, a program initiated by Hume City Council in partnership with Deakin University and Victoria University to create a system of tertiary pathways for local learners from foundational studies at Kangan Institute right through to undergraduate degrees delivered at satellite sites in Hume, Craigieburn and Sunbury.

A new student engagement system was also launched during the year, providing students with a complete orientation to Kangan Institute services as well as an online literacy and numeracy assessment to help staff identify learners who may require additional support.

2012 was a big year for refining our delivery methods to better meet the needs of the modern customer. Blended learning was a huge part of our transformation and over 50% of units now have an online presence. This initiative was supplemented with the introduction of a new digital learning platform for students and teachers to store and share learning resources.

We also took advantage of new ways to engage and re-engage local Indigenous students whilst promoting Indigenous cultural awareness through initiatives headed by our dedicated Indigenous Education Centre. We are, to date, one of Victoria's largest Indigenous Cultural Awareness Training providers and have delivered the program to hundreds of workers across the state this year.

We've celebrated fantastic student outcomes over the year, with numerous student award wins including automotive apprentice Sevag Parseghian's Apprentice of the Year title at the Victorian Training Awards, horticulture student Michael Barette's Gold Award at the Melbourne International Flower and Garden Show, fashion student Katie Doan's Highly Commended Garment prize at the Hamilton Sheepvention Awards and tourism student Jessy Martin's win of the 2012 Developing Tourism Leaders Hospitality Award.

A well-sustained financial growth

Kangan Institute retained its focus on growing market share across our target markets along with a strategic reinvestment of profits into staff, facilities, equipment and educational quality. Numerous successful projects have seen diversification of our revenue streams and many departments – particularly VETASSESS – witnessed growth in student numbers.

Several new training facilities were opened in 2012, including stage two of the Automotive Centre of Excellence (ACE) at Docklands, a solar training centre at Broadmeadows campus, hairdressing and beauty training facilities and a Textile and

Fashion Hub at Richmond campus. The latter was developed with the Council of Textile and Fashion Industries of Australia (TFIA) and AusIndustry – a partnership acknowledged as Best Industry Collaboration at the Victorian Training Awards.

Our financial growth is intrinsically linked with industry partnerships and many exciting training links were forged during the course of the year.

Our partnerships with Qantas, Toyota and Metro Trains Melbourne, for instance, soared to new heights with the delivery of Skills Recognition assessment, tailored programs and short courses involving over 500 participants in total. We also built new links with partners such as Fulham Correctional Centre for the delivery of a range of accredited programs, taking big steps to strengthen our reach across various markets.

Lean at the heart of our processes

The current Victorian TAFE reforms have reinforced the importance of our Lean journey as we continue to drive out waste and establish efficient processes to make quality fundamental to our products and services.

As one of the first educational enterprises in Australia to make Lean processes an integral part of our long term strategy, our Lean practice is beginning to differentiate us from the competition and we've steadily contributed to the success of individuals and enterprises through flexible and responsive vocationally-oriented learning.

Our Lean priorities for 2012 continued this legacy with a rejuvenated focus on streamlining and standardising processes. Some process improvements projects undertaken include Australian apprenticeships, Skills Recognition and asset maintenance.

Visual management board visits continue to play a big role on our Lean journey, with members of the executive team visiting different departmental boards for three half days a week to review operational activities and discuss new approaches to challenges.

The continuing alignment of purpose, processes and people across the organisation is the key to the resilience and long term sustainability of Kangan Institute in the face of whatever market environment we face in future.

Staff engagement

Our staff survey results for the year yielded a response rate of 61% which is a strong percentage to draw statistically sound conclusions for guiding strategies that sustain our positive improvement efforts.

At an organisation-wide level, our results show that 53% of our employees are fully engaged. While slightly down from last year, this is well above the Australian (public and private sector) average of 40% and the education sector average of 34%, meaning that we are on track to meeting our strategic goal of being a first choice employer. This is an extraordinary result in the midst of a tumultuous period of rapid change.

Thanks to the Board, management and staff

I'd like to take this opportunity to thank the Kangan Institute Board, management and dedicated staff for their leadership, support, adaptability and hard work.

The distributed leadership of our managers, assistant managers and senior educators combined with the understanding and dedication of staff has supported us through a tough transition into a new VET market environment and is invaluable as we continue to meet our future challenges.

The strong leadership of our Board of Directors was also a key factor to the success of our organisation and their strategic direction continues to deliver outstanding results.

Most significantly, Kangan Institute's achievements in 2012 is a direct result of our committed team of teaching and support staff who have adapted positively to an entirely new market policy environment and continue to provide tremendous value to our learners and commercial clients. I'd like to acknowledge and thank my colleagues at Kangan Institute for their outstanding contributions through the year's challenges.

Whilst I have been privileged to serve as CEO for the past eight years, I will be retiring in early 2013 and leaving Kangan Institute with a strong management team, a transition process well in hand, a revised strategic plan and many competitive advantages.

I am confident that the Institute is in a strong position to move forward, embrace new government policy and deliver our promise of real education, real skills and real jobs.



Ray Griffiths

CEO

Our year

Attestation on compliance with Australian and New Zealand Risk Management Standard



Kangan Institute
Financial Report for the Year Ended 31 December 2012

Attestation on compliance with the Australian/New Zealand Risk Management Standard by the Chief Finance and Accounting Officer

I, Richard Turnbull, certify that Kangan Institute has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The audit committee verifies this assurance and that the risk profile of Kangan Institute has been critically reviewed within the last 12 months.

A handwritten signature in black ink, appearing to read 'R. Turnbull'.

Richard Turnbull – Chief Finance and Accounting Officer

Date: 13th March 2013
Broadmeadows

Performance Statement for 2012



Kangan Institute Performance Statement for 2012

In our opinion, the accompanying Statement of Performance of Kangan Institute, in respect of the 2012 financial year, is presented fairly in accordance with the Financial Management Act 1994.

The Statement outlines the performance indicators as determined by the responsible Minister, pre-determined targets and the actual results for the year against these indicators, and an explanation of any significant variance between the actual results and performance targets.

As at the date of signing, we are not aware of any circumstance which would render any particulars in the Statement to be misleading or inaccurate.

A handwritten signature in black ink, appearing to read 'M. Brown'.

Michael Brown
Chairperson of the Board

Date: 13th March 2013

Achievement of 2012 Key Performance Targets

Key Performance Indicator	Target	2012 Achievement	2011 Achievement	Note
Strategic alignment				
Participation of 15-24 year olds		13,200	11,729	1
Participation of 25-64 year olds		19,054	15,693	2
Training outcomes				
Module load completion rate	82.5%	82.0%	79.0%	3
Student satisfaction (graduate)	90.0	90.2	89.8	4
Financial management				
Total cost (excluding depreciation) per Student Contact Hour (SCH)	\$12.52	\$10.89	\$11.23	5
Working capital ratio (excluding non current LSL Provision)	2.0 : 1.0 Ratio	1.7 : 1.0 Ratio	1.45 : 1.0 Ratio	6
Net operating margin (excluding Government capital contributions)	6.5 %	6.8%	6.2%	7
Commercial revenue	40.4%	37.0%	31.3%	8
Organisational management				
Earnings per EFT staff	\$148,620	\$153,107	\$142,819	9
Student Contact Hours (SCH)	7,476,700	7,904,029	7,116,910	10
Environment				
Change in energy consumption	-4.5%			11
Electricity		+9.9%	+5%	
Greenpower		+91.5%	+44%	
Natural gas		-34.2%	+5%	

Notes:

- The number of students aged 15-24 increased by 12.5% from 2011.
- The number of students aged 25-64 increased by 21.4% from 2011.
- An improvement in the module load completion rate of 3.0% points was achieved from 2011.
- Student satisfaction is provided from the NCVER report and is based on how important an attribute is, compared to how well the Institute performs. (It is not a percentage.) Kangan Institute has one of the highest rates of student satisfaction in Victoria.
- Through economies of scale, Kangan Institute was able to reduce costs per student contact hour below the budgeted cost. The achievement of this key performance target has contributed to the continuing attainment of sound operating surpluses.
- Due to Kangan Institute's increased investment in our new Docklands campus and unbudgeted expenditure incurred on restructuring and redundancies (due to Government announced reductions in student subsidies), this ratio is below the forecast but continues to show a strong financial position as at the end of 2012.
- Kangan Institute achieved an increased operating margin in 2012 while maintaining its level of expenditure on strategic and building projects (the operating margin calculation excludes capital funding and expenses).
- The government contributed a sizeable amount of funding towards the new Docklands campus in 2011 which made the percentage of commercial revenue to total revenue for that year appear relatively smaller than usual. The increase in the 2012 percentage reflects both a lower total revenue amount without any building funding and also a 4.7% increase in actual commercial revenue.
- Kangan Institute regards revenue per staff member as very important to the organisation's profitability and will continue to take strong initiatives to achieve further improvements. During 2012, an increase of 7.3% was achieved.
- While student enrolments increased by 18.4% over 2011, the average length of courses that they enrolled in decreased by 6.2%. An 11.1% increase in the number of student contact hours delivered was achieved.
- Overall energy consumption was expected to be reduced with the closure of Coburg and Moreland campuses at the end of 2011 and an investment of \$1.3M in electricity saving measures. While a substantial reduction in natural gas usage was obtained, the electricity usage increased.

Business and financial performance 2012

2012 was the second full year of the government's Skills Reform policy of funding which

- removed the capping of the number of students that TAFEs can teach;
- increased payments from students;
- removed government funding for students with similar or higher levels of qualifications; and
- no longer funded TAFEs for enrolled subjects but paid for delivered subjects.

The stated aim of the Skills Reform policy is to have more Victorians gain qualifications and part of the policy is to increase competition between TAFEs and private education training companies.

In October 2011, TAFEs were advised that there would be a 25% reduction in the difference between the government subsidised rates for TAFEs and the rates for commercial training organisations. Kangan Institute was able to reduce building maintenance and campus costs to accommodate this reduction in government funding.

In the May 2012 State budget, the funding rates were varied for all courses and some were reduced significantly. These reduced funding rates were to apply to all new students from the start of July.

Those 52 courses that had severely reduced funding and became unviable to continue teaching were barred from further enrolments for the remainder of 2012. These included courses in the personal services industry, sport and recreation, hospitality, information technology, language studies (Auslan) and Indigenous education.

Given the uncertainty of the number of students that Kangan Institute would have as a result of the funding changes and increased competition, there was less confidence that the financial operating performance for 2012 would be as successful as previous years. In order to make 2012 and future years as successful as possible, management of Kangan Institute maintained a high advertising and marketing budget. More focus was given to providing our customers with training tailored to suit their requirements. Improvements were made to enrolment procedures and increased focus was put on customer service and increasing student satisfaction.

The management and staff of Kangan Institute were able to make 2012 another successful year.

- An operational profit of \$8.6 million was achieved (after paying \$3.1 million towards strategic learning projects and a further \$3.3 million in redundancy payments).
- Having paid \$5.3 million during 2012 towards the new Docklands campus building, a healthy working capital ratio of 170% was maintained.
- The number of training hours delivered to students increased by 6.3% from 2011.
- \$48 million of commercial activity was achieved (an increase of 5%).
- The Institute was able to make expenditure savings.

Effects of State Government funding reductions

The initial effects of the funding reductions were assessed as mainly affecting 2013 operational performance with an expected reduction of \$25M of government funding, 52 courses to be made unviable (with more courses possibly becoming unviable if the number of students reduces) and a need to reduce staffing levels by 175 staff. The government made other funding reductions to building maintenance, equipment purchases, student assistance and staff training.

During the second half of 2012, measures were introduced to ensure that Kangan Institute continued to be viable in 2013 and future years. Over 100 staff were made redundant and a further 75 staff did not have their employment contracts renewed. Operating budgets were cut in all areas of the Institute, including student service areas, campus costs, marketing, financial services, libraries, security and administration.

Measures were implemented to increase efficiency in the remaining teaching areas and to maintain the earnings from commercial clients. Further improvements were made in the processes for enrolling students and more emphasis put into retaining existing students. In-depth analysis of existing teaching and administrative processes were initiated and new management reports were devised. Some new courses will be introduced in 2013 that will meet training needs of the community and also assist in offsetting the funding reductions.

As the government expected that the fees that students pay would increase and as concession funding for diploma students was removed, the Institute undertook an assessment of how much student fees would need to increase for 2013.

The work undertaken in 2012 by Kangan Institute management should see the Institute continuing to be a viable organisation while it provides vocational education that assists individuals to realise their career potential and further trains staff in industries.

Business plan objectives

The key business objectives of the 2012 business plan were:

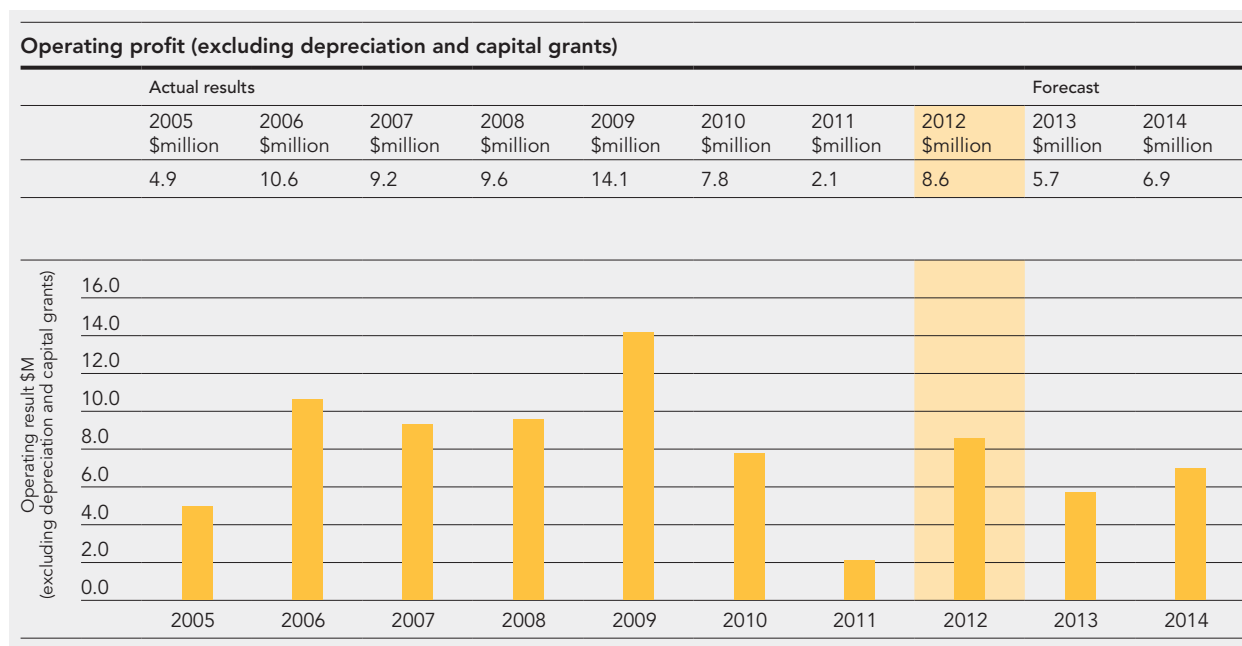
- Adapt to the new government policy 'Skilling Victoria' which allows for removal of limitations on the number of students, changes in the fee structures and also introduces much more competition with private training providers.
- To ensure that all activities are profitable so as not to divert funds from improving student outcomes and amenities.
- To budget for a minimum of 6.5% operational profit each year.
- To reduce economic reliance on government funding by expanding the Institute's earnings from other funding sources such as fee-for-service enterprise activities and international students.
- To obtain sufficient operating surpluses to enable investment in facilities for the students and better learning resources.
- To maintain a healthy working capital ratio.
- To deliver the targeted number of student contact hours to ensure financial budgets are met.
- To maintain a sound balance sheet.

Profitability

The Institute’s objective is to achieve a minimum of 6.5% operational profit per annum. To achieve this we use a range of modern business practices including:

- departmental activity-based budgeting and expenditure controls
- business intelligence software applications for the monitoring of financial performance and profitability
- strict application of sound costing and pricing techniques
- activity-based accrual accounting
- twice-yearly budget financial reviews with departments
- monthly analysis of financial performance by a performance review committee
- managerial accountability for the achievement of delivery and financial targets

The following graph shows profitability for the last eight years, with forecasts for the next two years.

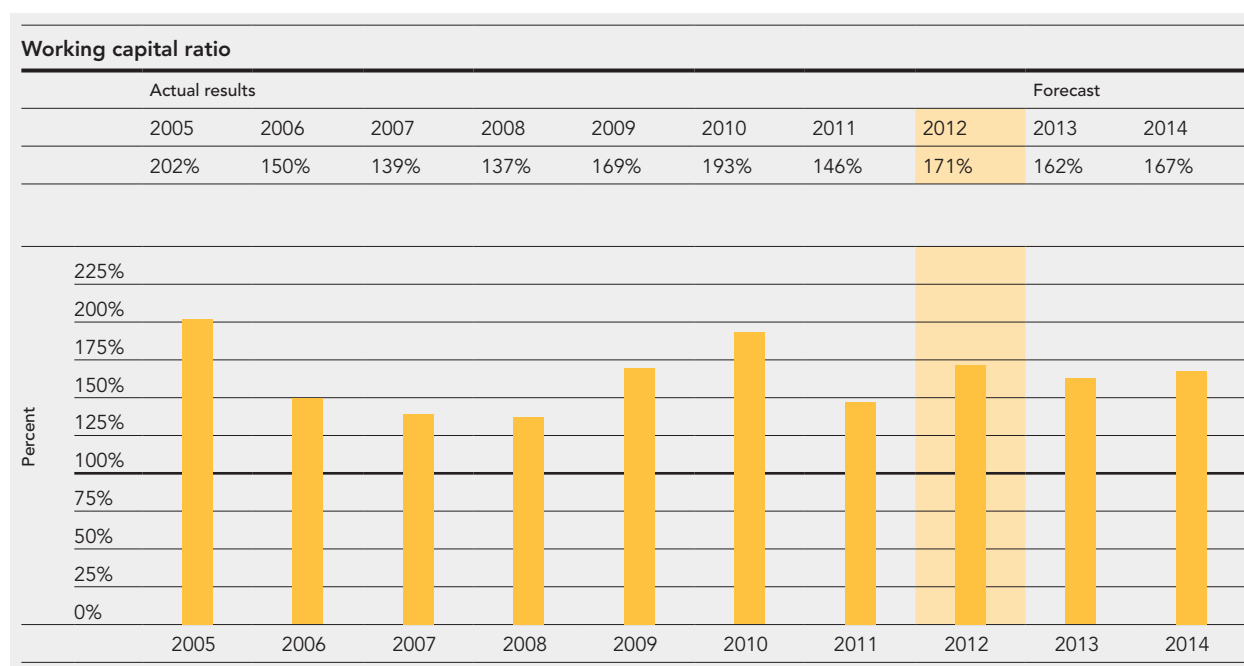


Working capital ratio

A major objective is to maintain sufficient levels of funds and a sound financial position. The expected working capital levels, shown in the table below, indicate that sufficient funding is available to complete currently planned building activities and strategic initiatives but additional funding will be required to undertake further development of the Docklands campus or to undertake the construction of a new health training building.

The working capital ratio for 2012 was initially forecast to be higher than the 171% that was achieved but over \$3 million was spent during the year on redundancy costs in order to make the Institute viable in future years. Further small reductions in the working capital ratio are forecast for the next two years due to reductions in government funding.

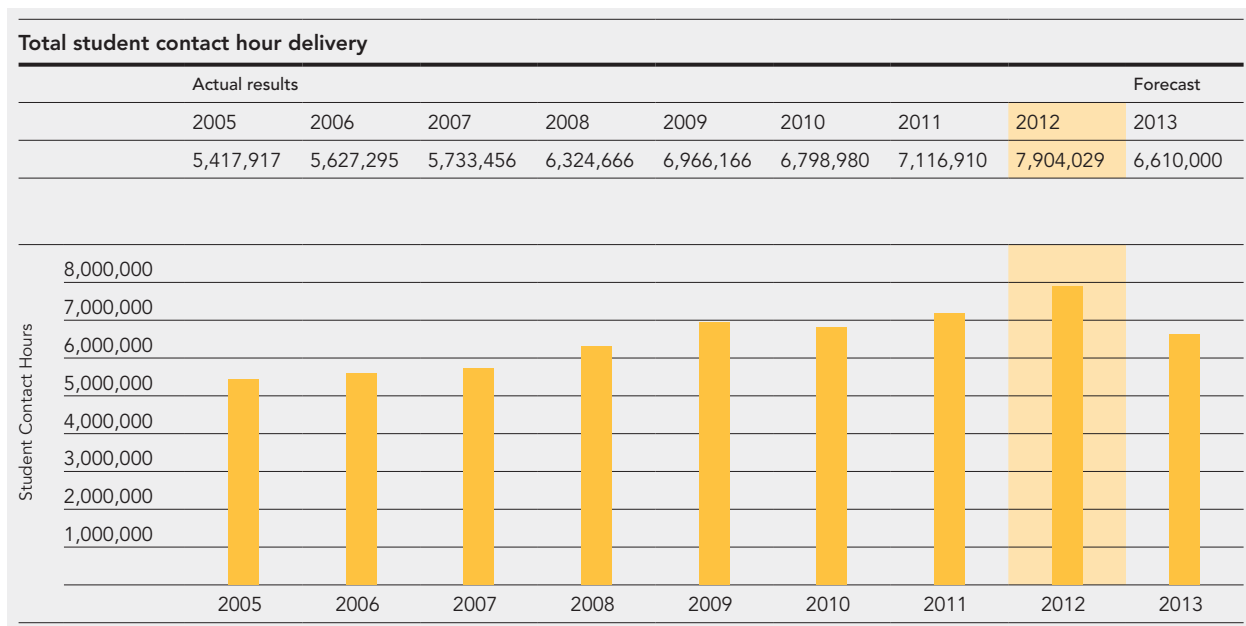
The following graph shows the working capital ratio for the last eight years, with forecasts for the next two years.



Student contact hour delivery

The demand for training courses in the north-west corridor of Melbourne was not able to be met prior to 2011 as government funding was capped. With the removal of this limit, training hours increased by 4.7% in 2011 and by a further 11.1% in 2012. While it is difficult to plan for future demand, a reduction of 16.4% is forecast for 2013 due to the reduced rates of funding causing over 50 courses to be disbanded and a reluctance of students to pay the necessitated higher student fees.

The following graph shows the student contact hour delivery for the last eight years, with forecasts for the next year.



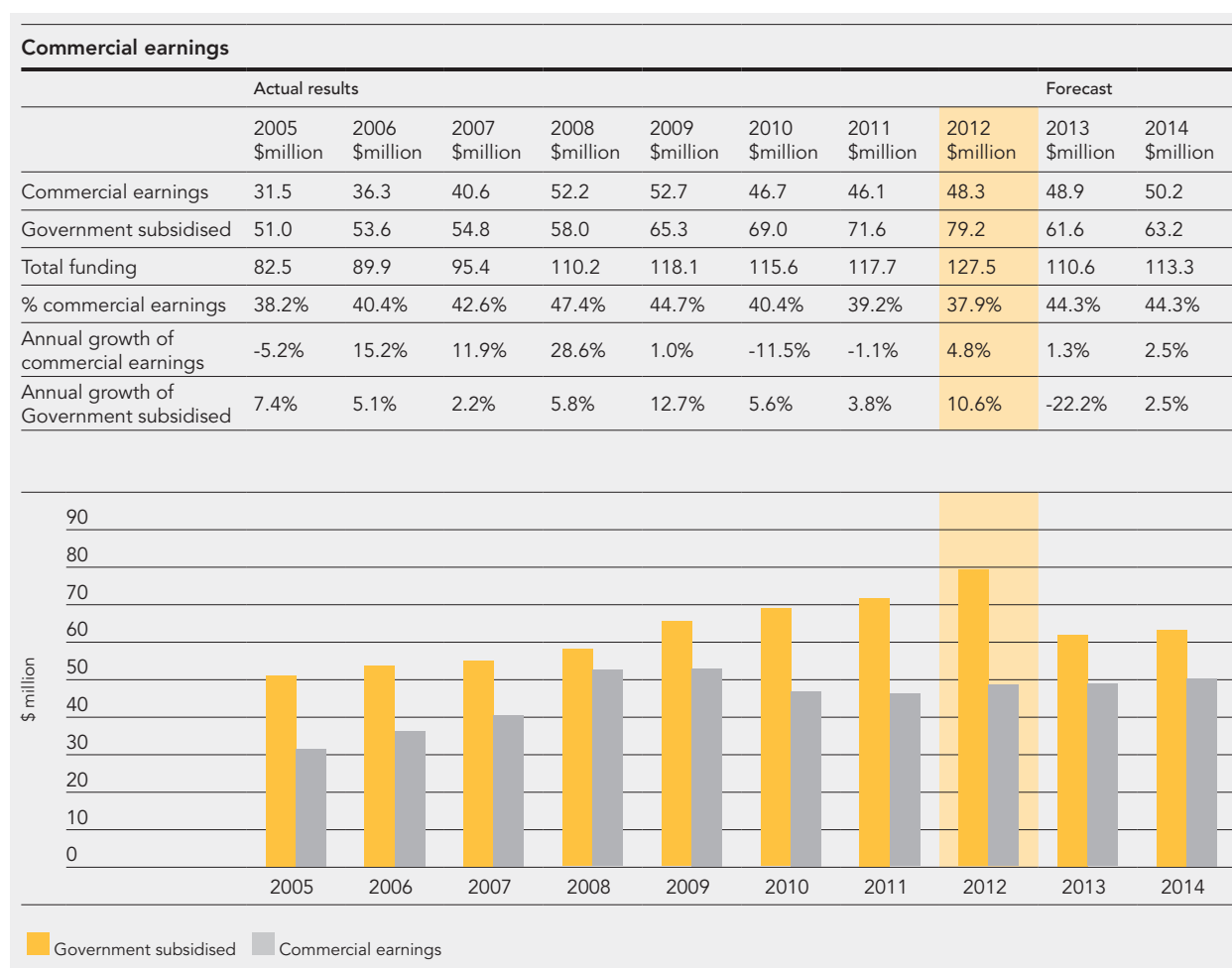
Commercial earnings

Commercial earnings are an important component of the services offered by Kangan Institute.

Kangan Institute aims to increase its level of commercial earnings over the next two years and strategies to increase fee-for-service income include:

- building stronger relationships with industry, schools and the community
- market analysis of earning opportunities, analysis of the profitability of market segments and training capacity assessments
- strengthening the commercial culture with a greater focus on activity profitability
- increasing international students and international assessment activities
- managerial accountabilities for achievement of commercial earning targets
- targeting of increased overseas business activity
- assisting departments to reduce the corporate infrastructure charge attributable to commercial activities to enable them to become more commercially cost competitive

The following graph shows the proportion of revenue achieved from commercial earnings over the last eight years, with forecasts for the next two years.



Growth in net assets

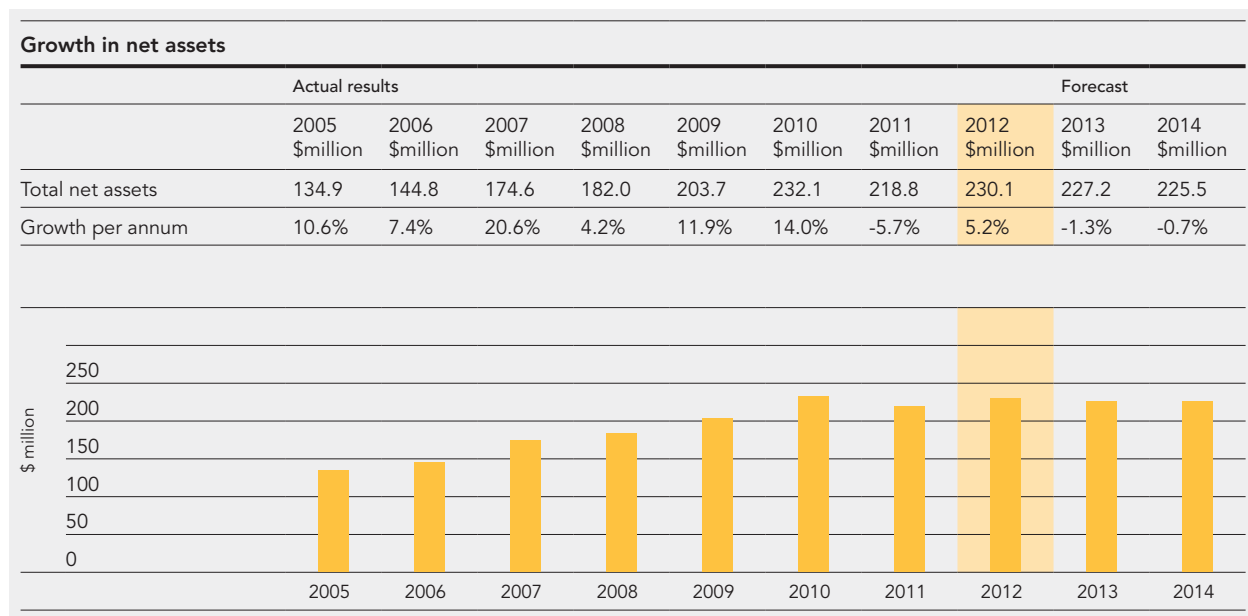
The value of the Institute’s net assets has increased from \$134.9 million in 2005 to \$230.1 million in 2012 (71% increase over seven years).

Stage two of the Docklands campus was completed in 2011 and teaching in the new facility commenced in early 2012. While the majority of stage two was being funded by the Victorian government and the proposed sale of two existing campuses, the Institute will contribute up to \$25 million from retained earnings to this project. The decision on whether to proceed with stage three will be evaluated during 2013 however the Institute could have higher priorities.

Coburg campus and Moreland campus were closed during 2011 and the value of net assets reduced accordingly. The Gwynne Street site at the Richmond campus was closed during 2012 and the Cremorne Street site at Richmond campus is currently having a \$5.6M restructure and upgrade (the \$5.6M cost is being funded solely from the Institute’s profits).

A proposal has been submitted to the Government to build a \$60M health education facility at the Institute’s Broadmeadows campus and if funded in the State budget, Kangan Institute will contribute the proceeds from the sale of the Moreland campus.

The following graph shows growth in net assets over the last eight years, with forecasts for the next two years.



Our organisation

Social commitments and ethics

Kangan Institute is committed to:

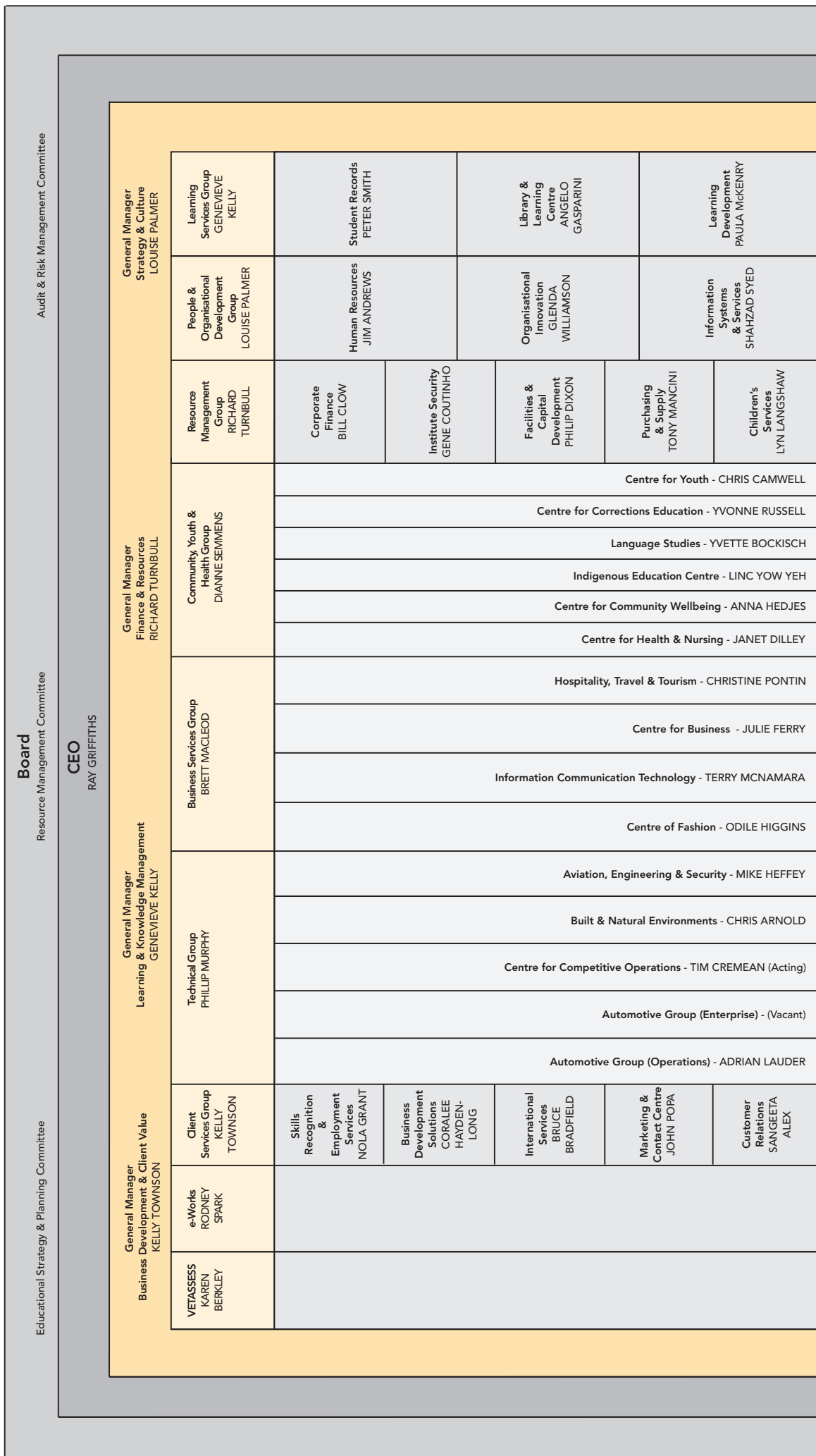
- conducting business as a responsible corporate member of society
- giving proper regard to health, safety and the environment in conducting business
- observing the laws and respecting the social and cultural environments of the countries in which it operates
- being politically impartial as an agency of the Victorian government (Kangan Institute does not fund or participate in any political party or political objective other than strictly implementing government policy related to its operations)

Kangan Institute has strict policies for Board members and executives in relations to conflict of interest, while the Code of Conduct defines standards of behaviour and professional conduct for staff.

Corporate governance

Kangan Institute is governed by a Board of independent industry and community representatives who ensure our business is conducted in the best interests of the Institute's individuals, enterprises, industries and communities. The Board is ultimately responsible to the Victorian government for the governance and management of Kangan Institute.

Day-to-day management of Kangan Institute is delegated by the Board through the CEO to the executive team, middle managers and staff. Reporting directly to the Board, the CEO is accountable for directing the Institute's operations for the achievement of strategic, operational and contractual objectives. The executive team's primary focus is strategic leadership and business development.



General Manager Cross-Institute Responsibility
 General Manager Group Responsibility

Executive Team

The role of the executive team is to:

- provide leadership across the organisation
- manage the implementation and budgets for key organisational strategic initiatives
- focus on the overall business development of Kangan Institute
- develop strategies and business plans
- implement the Board and government policy directions
- develop and manage accountability frameworks for middle managers
- determine policy development and resource allocations in accordance with the Board's directions
- manage the Code of Conduct

The executive officers of VETASSESS and eWorks, which are separate business units, report directly to the CEO Ray Griffiths.



Chief Executive Officer

Kelly Townson

General Manager

Group responsibility: Client Services

Institute responsibility: Business Development and Client Value

Karen Berkley

General Manager

VETASSESS

Genevieve Kelly

General Manager

Group responsibility: Learning Services

Institute responsibility: Learning and Knowledge Management

Brett MacLeod

General Manager

Group Responsibility: Business Services

Phillip Murphy

General Manager

Group responsibility: Technical Group

Louise Palmer

General Manager

Group responsibility: People and Organisational Development

Institute responsibility: Strategy and Culture

Dianne Semmens

General Manager

Group responsibility: Community, Youth and Health

Rodney Spark

General Manager

eWorks

Richard Turnbull

General Manager

Group responsibility: Resource Management

Institute responsibility: Finance and Resources

The Board

The functions of the Board are:

- a) to oversee and govern the Institute efficiently and effectively and to prepare periodic strategic and operational business plans for the institute.
- b) to provide the population of the area served by the Institute with efficient and effective technical and further education programs and services responsive to the needs of industry, students and the general community.
- c) to provide the population of the area served by the Institute with efficient and effective adult, community and further education programs and services which are responsive to the needs of the community and to consult with the relevant regional councils about the provision of these programs and services.
- d) to offer and conduct a course of study leading to the conferral of a higher education award in accordance with the Education and Training Reform Act 2006.
- e) to confer a higher education award in accordance with this Act.
- f) to make adequate arrangements for persons and groups which have not had or do not have adequate access to technical and further education programs and services.
- g) to carry out any other function conferred on the Board by or under this Act or any Order made under section 3.1.12.

Without limiting the generality of subsection (1), the Board may carry out all or any of the following functions:

- a) provide facilities or services for study, research or education.
- b) undertake research, development, education, training delivery or other services on a commercial basis for other organisations.
- c) aid or engage in the development or promotion of Institute research or the application or use of the results of that research.
- d) prepare, publish or distribute or license the use of literary or artistic work, audio or audio-visual material or computer software.
- e) seek or encourage gifts to the Institute or for Institute purposes.
- f) promote or assist drama, music or the visual arts.

Committees

The Board has established an active committee structure that capitalises on the skills and experiences of individual members.

The committees assist the Board in meeting its constitutional duties to manage the Institute through the application of sound corporate governance practice.

The sub-committees of the Board are the:

- Executive Committee
- Audit and Risk Management Committee
- Educational Strategy and Planning Committee
- Resource Management Committee

Committee operation and membership

The Board committee structure is subject to annual review. All committees are required to have clear objectives which are consistent with the Board's corporate governance objectives.

Rather than being management-driven, the committees are led by the Board with:

- the chairperson being a non-staff/student Board member.
- the majority of members and attendees at any meeting being members of Board.
- a member of the executive team acting as CEO.
- the President of Board being an ex-officio member of all committees.
- the CEO being an ex-officio member of all committees other than the Audit and Risk Management Committee.

Committee Functions

Executive Committee

This committee meets when necessary to:

- oversee the Performance Assessment Systems applying to TAFE executive level staff.
- make appropriate arrangements to ensure the Institute CEO's performance is assessed.
- oversee the Institute's approach to enterprise bargaining.
- represent the Institute Board of Directors in the selection of new Board members.
- act on behalf of the Institute Board of Directors at any time.
- act as a reference point for the Board and CEO in emergencies or potential high-risk situations.
- together with the CEO or nominee/s, represent the Institute at political delegations.

Audit and Risk Management Committee

This committee monitors and oversees financial performance and the financial reporting process, including the annual financial statements.

In accordance with the requirement in Direction 4.2, procedure (e) to review and recommend the financial statements prior to finalisation and submission, where appropriate the Committee:

- reviews the current areas of greatest financial risk and how these are being managed in the Institute.
- reviews significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.

Scope of work, performance and independence of internal audits

The committee:

- reviews and approves the internal audit plan, its scope and progress and any significant changes to it, including any difficulties or restrictions on scope of activities, or significant disagreements with management.
- confers with the external auditor regarding the standard or work of internal audit staff and assess the health of relationship between external and internal audit teams and whether this leads to inefficiencies in the Institute's assurance activities.
- reviews the effectiveness of the internal audit function and ensure that it has appropriate standing within the Institute.
- meets separately with the head of internal audit to discuss any matters that the committee or the internal auditor believe should be discussed privately.
- ensures significant findings and recommendations made by the internal auditors are received, discussed with a course of action agreed and implemented on a timely basis.
- reviews the proposed internal audit plan for the coming year, ensures that it covers key risks and that there is appropriate coordination with the external auditor.
- ensures that the annual work plan of internal audit includes an analysis of the effectiveness of the Institute's risk management, internal compliance and control system.
- monitors and oversees any mechanisms in place whereby internal audit assesses and reports on its own performance.
- confirms the appointment, promotion or dismissal of the head of internal audit.

Scope of work, independence and performance of the external auditor

The committee:

- reviews the external auditors' proposed audit scope and audit approach, including materiality, for the current year in light of the Institute's circumstances and changes in regulatory and other requirements.
- regularly reviews with the external auditor any audit problems or difficulties the auditor encountered in the normal course of audit work including any restriction on audit scope or access to information.
- ensures significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- ensures management responds promptly to recommendations made by the external auditors.
- discusses with the external auditor the quality of accounting policies applied in the company's financial reporting.
- meets separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Operation and implementation of the risk management framework

The committee:

- reviews the Institute's policy for the oversight and management of business risks.
- oversees the establishment and implementation of the Institute's risk management system.
- ensures that the committee has identified, reviewed and regularly updated the profile of the principal strategic, operational and financial risks to which it is exposed and assessed the appropriateness of the steps management has taken to manage these risks.
- reviews trends on the Institute's risk profile, reports on specific risks and the status of the risk management process.
- monitors performance of management in implementing risk management responses and internal control rectification activities and ensure that there are appropriate systems for identifying and monitoring risks in place and that these are operating as intended.
- ensures that the Institute provides access and reasonable assistance to persons conducting audits for organisations (including VRQA) with whom the Institute has contractual obligations. The Institute will also ensure that reasonable assistance is provided by its subcontractors where required.

Matters of accountability and internal control affecting the operations of the Institute

The committee:

- ensures any internal control recommendations made by the internal and external auditors and approved by the committee have been implemented by management i.e. track all agreed action points from audit.
- evaluates the process the Institute has in place for assessing the effectiveness and efficiency and continuously improving internal controls, particularly those related to areas of significant risk e.g. fraud, code of ethics etc.
- assesses whether management has appropriate controls in place for unusual types of transactions and/or any particular transactions that may carry more than an acceptable degree of risk.
- reviews and signs off on the accounting policies of the agencies.
- reviews the process for monitoring compliance with laws and regulations pertaining to the Human Resource Policies and Procedures Manual and Code of Financial Practice.
- reviews the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- obtains regular updates from management and the Institute's legal counsel regarding compliance matters that may have a material impact on the Institute's reputation or financial statements.
- makes appropriate enquiries to satisfy itself that all regulatory compliance matters related to the business of the Institute, have been considered in the preparation of the financial statements.
- reviews the findings and recommendations of any examinations by regulatory agencies.

Note: full details are contained in the Charter of the Audit and Risk Management Committee.

Educational Strategy and Planning Committee

This committee is required to meet at least four times annually to:

- monitor implementation of the Institute Strategic Plan including:
 - progress on achievement of strategic objectives and corrective actions required;
 - strategic implications of any significant movements in key performance targets.
- monitor and provide advice to the Board on Institute strategic developments and initiatives.
- provide the Board with advice on educational planning and strategy development, including:
 - significant external factors and trends (international, national, state and local) which may impact the strategic development of the Institute;
 - government policy developments on vocational education and training;
 - developments in the key market/industry areas impacting on vocational education and training;
 - contemporary educational issues;
 - the Institute's implementation and management of the Australian Quality Training Framework (AQTF);
 - receiving minutes of meetings and as required, ad hoc reports on strategic issues impacting educational quality from Institute Board of Studies.

Resource Management Committee

This committee is required to meet at least five times annually to:

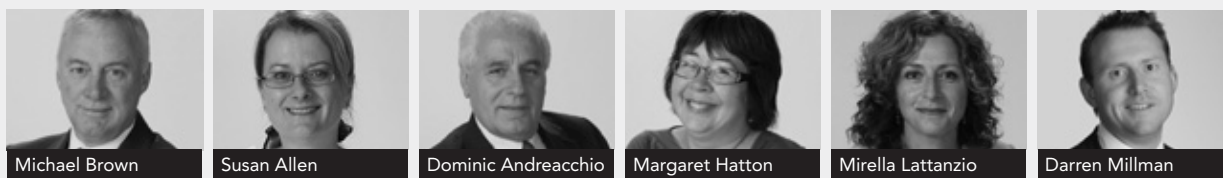
- ensure that the Institute's financial systems are appropriately managed and that the strategic and operational aspects of financial planning, management, record keeping and financial reporting enhance the consistency, accuracy and reliability of the Institute.
- ensure compliance with the responsibilities and related reporting requirements arising from the Performance Agreement.
- monitor Institute investments to ensure maximum financial benefit to the Institute.
- ensure that additional campuses and new building funding submissions are in line with the Institute strategic plan.
- ensure that the Institute campus facilities are developed and maintained to an appropriate standard. This includes the construction stages of all new buildings.
- ensure that the Institute infrastructure is adequate to support growth and development and provide timely advice on the financial impact of recommendations from other Board Committees.
- ensure that legal contracts, insurances and other contractual arrangements are consistent with legal requirements and relevant government policies.
- facilitate corporate sponsorships and actively seek such sponsorships.
- examine major contracts (in excess of \$250,000) and recommend to the Board where delegations are appropriate.
- examine trends in Institute entrepreneurial activity to ensure efficiency in the utilisation of resources and consistency with the strategic plan.
- critically examine the Institute's community service obligations, particularly in the light of Institute financial targets.

Board and committee memberships

The following table sets out the names of Kangan Institute's Board members, their committee memberships and the number of meetings attended during 2012.

Board and committee memberships					
Board member	Type of appointment	Board meetings	Educational strategy and planning meetings	Resource management meetings	Audit and risk management meetings
*Faisal Ali	Student representative	6/6		3/4	
Susan Allen	Co-opted member	5/7			3/5
Dominic Andreacchio	Co-opted member	5/7	2/4		
Michael Brown	Ministerial (Industry)	6/7 (Chair)	4/4	4/5	5/5
Ray Griffiths	Ex-officio member	7/7	4/4	5/5	5/5
Margaret Hatton	Co-opted member	5/7		5/5 (Chair)	2/5
Mirella Lattanzio	Ministerial (Industry)	6/7		4/5	
Darren Millman	Ministerial (General)	5/7			5/5 (Chair)
Helen Murphy	Ministerial (Industry)	5/7	1/4		
Andrew Priest	Staff representative	7/7	2/4	5/5	
+Sarangi Senanayake	Student representative	1/1		1/1	
Linsey Siede	Ministerial (General)	6/7			3/5
Robyn Stewart	Ministerial (Industry)	1/7		1/5	
Stelvio Vido	Ministerial (Industry)	5/7	3/4		
Jaqueline Wilson	Ministerial (General)	5/7	4/4 (Chair)		

* Faisal Ali's term commenced on 1st April 2012.
+ Sarangi Senanayake's term expired on 31st March 2012.



Board members

Michael Brown President

Bachelor of Business (Manufacturing)

Michael is currently working with Pacific National and previously held the position of general manager, heavy maintenance and training at Qantas Australia. His key areas of expertise include the aviation industry, operations management, regulatory compliance, industrial relations, facility contract management, Lean and Six Sigma.

Susan Allen

MBA, BSc (OHS), Diploma of Business (Frontline Management), Diploma of Occupational Health and Safety, Diploma of Applied Science (Dental Therapy), Member of Australian Institute of Company Directors, Registered Safety Practitioner and Chartered Professional Member Safety Institute of Australia

Susan is the director of public sector and community services at WorkSafe Victoria. Her key areas of expertise include occupational health and safety, workplace inspection, health, dentistry and human resources.

Dominic Andreacchio

MBM, Post Graduate Degree in Business Human Resources Management, Graduate Diploma in Personnel Management and Associate Fellow AHR

Dominic is the general manager, human resources of Australian Air Express, and has an extensive background in human resource management. He has broad industry experience in air-freight and transport, as well as the food manufacturing and steel manufacturing industries, and the banking, and building and construction sectors. Dominic's key areas of expertise include human resources, employment law, OHS, organisational change management, strategic planning and performance management and mediation.

Margaret Hatton

Bachelor of Commerce, Bachelor of Applied Science, FCPA and GAICD

Margaret is the state finance manager of the emerging business unit at Life Without Barriers. Her key areas of expertise include manufacturing (steelmaking and automotive parts), banking and accounting.

Mirella Lattanzio

Barrister and solicitor of the Supreme Court of Victoria, with Bachelor of Law, Bachelor of Arts, Certificate IV in Workplace Assessment and Training

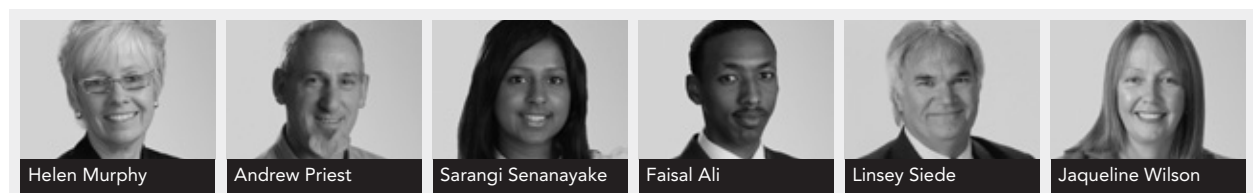
Mirella has practiced law since 1991 and is currently the principal solicitor with the Proceeds of Crime Directorate, Office of Public Prosecutions. She has teaching experience within the TAFE and university sectors.

Mirella's key areas of expertise include legal, management, education, training and government.

Darren Millman

Chartered accountant – Institute of Chartered Accountants of Australia, with Bachelor of Business (Accounting), Graduate Diploma of Applied Corporate Governance – Chartered Secretaries of Australia

Darren has held a number of accounting and management positions with several companies and has industry experience in mining, construction and working with government bodies. Darren currently holds the position of general manager of finance and company secretary at Ivanhoe Australia Limited, a Top 200 publicly traded company.



Board members

Helen Murphy

Director – Environmental Sustainability, VicRoads, with Bachelor of Science, Master of Science (Environmental Engineering), Graduate Diploma in Occupational Hygiene, Doctor of Philosophy

Helen has 30 years of experience in the private and public sectors predominantly in the energy and manufacturing industries, specialising in environmental sustainability and greenhouse. She also brings experience in risk management, sessional teaching and course development at tertiary level to her role and was formerly on the Board of East Gippsland Institute of TAFE.

Andrew Priest

Diploma of Vocational Education and Training Practices, Certificate IV in Workplace Training and Assessment, Certificate IV in Small Business Management, Certificate III in Horticulture, Certificate III in Automotive (Light Vehicles) and currently undertaking a Diploma of Management

With a wide range of external skills and experience across a number of industry areas, Andrew is currently employed as program leader for the horticulture program within the Built and Natural Environment department. He is an active member of the Kangan Institute Environmental Committee as well as the Environmental Champion's Steering Committee at Hume City Council.

Sarangi Senanayake

Currently undertaking a Bachelor of Commerce (Accounting) after recently graduating from the Advanced Diploma of Accounting at Kangan Institute

As an international student, Sarangi is highly involved in multicultural community events and festivals through the Hume City Council. Sarangi is currently working as a Net.Help administrative assistant via the Hume Volunteer Gateway Program.

Faisal Ali

Currently undertaking an Advanced Diploma of Human Resources Management and an Advanced Diploma of Frontline Management

Faisal is currently undertaking a Bachelor of Applied Management at University of Ballarat in addition to his studies at Kangan Institute.

Faisal supports a number of projects as a volunteer including the Melbourne Airport Customer Care Program and Hume City Council youth projects.

Linsey Siede

Director, Likatibro Consulting, with a Bachelor of Mechanical Engineering (Distinction), FSAE

Linsey has over 30 years' experience in the global automotive and machine tool industries, living and working in Australia, Singapore and the USA. He is currently the director of the Automotive Supplier Excellence Australia (ASEA) program. He is also a non-executive director of Frigrite Pty Ltd and MIGfast Pty Ltd, and an advisor to the Thailand Board of Investment. His areas of expertise are business management, strategic planning, marketing and communications, manufacturing and lean enterprise, and export market development.

Jaqueline Wilson

General Manager, Corporate Services, MCHS Ltd, with Masters of Business Administration, Masters of Professional Ethics, Graduate Diploma in Applied Corporate Governance, ACIS, GAICD, FAIM

Jacqueline has extensive experience in the areas of governance, compliance, risk, strategy, and shared services gained across sectors, including health, IT and manufacturing, in both executive and non-executive director roles.



Robyn Stewart



Stelvio Vido

Board members

Robyn Stewart

Principal of Robyn Stewart & Associates (commercial property and business consultants), valuer, land economist, real estate agent, with a Diploma of Business (Property) and fellow member of the Australian Institute of Company Directors

Robyn has expertise in asset management, facilities management, property and infrastructure development, corporate real estate strategy and valuations. Her extensive experience also includes corporate business practices, board governance, strategic planning and risk management.

Robyn sits on a number of other Boards and is currently chairman of Archicentre Limited, director of Queen Victoria Market Pty Ltd, director of Melbourne Wholesale Fish Markets Pty Ltd, director of Gippsland Ports and director of the Confederation of Australian Motor Sport Limited.

Stelvio Vido

Bachelor of Commerce, Bachelor of Laws and Master of Business Administration

Stelvio is the executive general manager, strategic and support services, Royal District Nursing Service. He has skills and experience in general management covering all functional responsibilities, strategic planning, people and resources management, negotiation, problem solving, representation and advocacy, project management and employee relations.

Summary of performance and activities

The Board and its sub-committees' activities and major achievements in 2012 include monitoring and advising on the development of the:

- 2013-2020 Kangan Institute strategic plan
- 2013 Kangan Institute business plan
- 2013 transition plan
- 2013 e-Works business plan
- 2013 VETASSESS business plan
- 2013 risk management plan
- marketing plan
- community profile
- workforce plan

The Board also conducted reviews of:

- draft financial accounts and performance statement for 2011
- closing report for the financial year ending 31 December 2011
- e-Works
- contestable business strategies
- general government purchasing cards and tax compliance
- student graduation and certification systems and processes
- student assessment and skills recognition (or recognition of prior learning)
- occupational health and safety
- data management
- data security

The Board also undertook oversight of:

- planned reserves expenditures and transfers 2012
- introduction of the national quality framework – children's services
- tendering and procurement process for McCrae Street, Docklands
- allocations for strategic plan reserve
- negotiation of teaching staff enterprise bargaining agreement
- operations and expenditure on India project
- reconciliation and reimbursement of purchases and youth compact pipeline
- tendering and procurement of compliance of essential safety measures services
- tendering and procurement of Automotive Centre of Excellence (ACE) stage two evaporative cooling system
- review of the Institute's student management system
- the Institute's master plan
- continued consolidation and refurbishment of Richmond campus' automotive facilities for ACE stage two
- the Institute's public tender process
- negotiations on the development of further stages of the ACE
- monitoring the Institute's strategic plan and building maintenance reserve
- monitoring of VETASSESS' projects reserve
- progress of capital projects
- progress of international projects
- the Institute's compliance with the Victorian Government Risk Management Framework.
- the Institute's compliance with the Australian Quality Training Framework
- community liaison projects
- corporate sponsorship
- the Institute's major innovation projects
- staff and student satisfaction surveys
- financial management framework compliance
- performance funding agreement negotiations and final approval
- follow-up of internal audit findings

- development of the 2013 internal audit plan
- youth plan
- community liaison plan
- teaching and learning plan
- monitor and approve Institute staff overseas travel
- monitor and approve the application of the Institute seal
- election of President for 2013, Michael Brown
- the Institute's insurance analysis and review

Board rights and education

Board members have the right to access Board documents, indemnity coverage and reimbursement of out-of-pocket expenses while undertaking activities on behalf of the Institute Board.

The CEO regularly briefs the Board members on major issues impacting on Institute operations and strategic planning issues. Board members also receive sponsored attendance at strategic planning conferences and development activities.

Training undertaken

During 2012, Board members participated in the following training and development activities related to their role as Board members:

- 2012 Victorian TAFE Association Conference

Board code of conduct

The Kangan Institute Board operates under a comprehensive Code of Conduct which includes directions and responsibilities on:

- performance monitoring and reporting
- structure and human resources
- assets and physical resources

Board directors have specific responsibilities under the Code of Conduct.

Strategic direction

Our strategic priorities

Kangan Institute's 2012-2018 strategic plan focuses on being adaptive to new VET market conditions whilst making a real contribution through the transformational role of vocational education and training and our own corporate environmental and social commitments.

By 2018 we aspire to be:

- a Lean enterprise
- providing world class teaching, learning and assessment
- creating value superior to the competition

Our strategic focus governs all of Kangan Institute's activities through key performance targets and measurable outcomes. It is reviewed and measured regularly for progress and milestones.

1. Our customers

- Widen access and diversity
- Improve participation and outcomes
- Key Indigenous education provider

Learning for Life

Kangan Institute has adopted, in line with our strategic objectives, an organisation-wide approach to providing high value teaching and learning. Learners and teachers are at the core of our business and Learning for Life at Kangan Institute expresses a Lean value stream in terms of the promise we make to teachers and learners on their learning journey.

Many of our key educational and community achievements flow from the strategy, including the NEXT STEP initiative and student engagement system.

Helping youth take the NEXT STEP

NEXT STEP is a free and friendly youth service for 15 to 19 year olds looking for advice on pathway options, career planning and referrals to relevant services. This service was implemented in early 2012 to assist young people and their families to choose the right learning opportunities to suit their circumstances. More than 300 young people have accessed the service in just nine months and over half have progressed into studies at Kangan Institute.

It is vital that young people remain in training and have opportunities to progress to employment. As part of our youth strategy every campus has a Centre for Youth transition facilitator to support 15 to 19 year olds to stay on track and develop pathways from study to work. One measure of the strategy's initial success is a 12.5% increase in 15 to 24 year old student enrolments from 11,729 in 2011 to 13,200 in 2012.

New student engagement system

Vocational education and training is not a 'one size fits all' approach at Kangan Institute. All new students receive a complete induction and orientation to Kangan Institute and an individual training plan is developed for each student to ensure they understand where their chosen field of study may lead, what literacy and learning skills are needed and how they can get any existing skills recognised.

An online literacy and numeracy assessment provides immediate feedback in relation to the skill level of each student and allows staff to identify learners who require additional support. Students also learn to use our learning management system, My Kangan, which provides access to online learning content from any location.

Hume Multiversity initiative

In 2012 Kangan Institute announced its collaboration with Hume City Council, Deakin University and Victoria University in the first-ever Hume Multiversity project to help local students access further education opportunities. The initiative will be rolled out in 2013 with the Institute working with Deakin University to deliver the 'Deakin At Your Doorstep' program and collaborating with Victoria University to continue offering guaranteed pathways for Kangan Institute students into higher education bachelor degrees.

Key Indigenous education provider

The year saw some great outcomes for local Indigenous students with 11 Indigenous trainees successfully placed in Hume and 60% continuing into paid employment. As one of Victoria's leading providers of Indigenous Cultural Awareness Training, we took big steps to enhance our program's reach with training delivered to hundreds of workers across Victoria.

Kangan Institute was recognised as a finalist for the 2012 VAEAI Wurreker Awards – TAFE VET Provider category. Three students from Kangan Institute's Indigenous Education Centre (IEC) were recognised at the Hume/Whittlesea LLEN VET Awards, with another student emerging as a finalist in the 2012 Ricci Marks Award for Indigenous Community in Victoria. Amongst the Institute's dedicated teaching staff, IEC teacher Brian Martin was recognised as a finalist in the Victorian Training Awards Teacher/Trainer of the Year category.

2. Our financials

- Growth in market share in target markets
- Self-reliance through strategic reinvestment of profits into staff, capital and equipment

New training facilities

With the opening of new, state-of-the-art facilities across our campuses in 2012, we were in a better position than ever to meet the ever-evolving needs of the modern learner.

In February we officially opened stage two of the award-winning Automotive Centre of Excellence (ACE) at Docklands in a move to consolidate all our automotive training under the one roof whilst providing industry with access to technology, customised training and event spaces.

The opening of the Textile and Fashion Hub and new hairdressing and beauty facilities further established Kangan Institute's Centre of Fashion in Richmond as a 'one-stop-shop' providing students with a holistic understanding of the interrelationship between fashion, textiles, retail, business, hair and beauty. Created in collaboration with the Textile and Fashion Industries of Australia (TFIA) and AusIndustry, the Textile and Fashion Hub serves as a central location for industry to train, network, collaborate and access modern equipment, and has attracted over 1,000 industry participants over the year.

With the world focused on clean energy and environmental sustainability, Kangan Institute opened a solar training facility in Broadmeadows campus in October to deliver modern, up-to-date training on solar installation within Melbourne's north west corridor.

Building on industry collaborations

2012 was a big year for enhancing industry collaborations and building new partnerships, with the Institute recognised for Best Industry Collaboration at the Victorian Training Awards as well as receiving an honourable mention at the national B-HERT awards for its partnership with the TFIA.

Kangan Institute clinched a five-year contract to deliver VET programs at Fulham Correctional Centre in furniture making, general construction, engineering, automotive and horticulture, with learners provided with an opportunity to work in production industry utilising their vocational skills.

A new partnership with Toyota was forged involving the training of automotive manufacturing team leaders across Australia. The Institute's focus on Lean principles within its training units, which was in line with Toyota's reputation as the archetypical Lean organisation, was a key factor in the successful tender.

We strengthened our relationships with long-term partners such as Qantas and Metro Trains with the delivery of tailored programs, short courses and Skills Recognition assessments. Both initiatives helped more than 500 individuals achieve qualifications in management, business, transport and logistics, aviation and engineering. Our collaborations laid the foundation for improvements to Skills Recognition delivery, with streamlined delivery models and kits now developed for a range of industry areas.

We also worked closely with recruitment agencies such as Blue Tongue Recruitment to address critical skills shortages. A fast-track 11-week training program was developed to enable existing tradespeople to attain a commercial vehicle qualification necessary to progress into a mining career.

Apprenticeships and traineeships

Identified as a 2012-2015 key priority, the apprenticeship and traineeship strategy focused on four themes: support, growth, relationships and pathways into trades. Numerous projects were launched to improve systems and processes and streamline apprenticeships, resulting in a better quality product and experience for our apprentices, employers and staff.

In 2012 the Institute saw greater participation, retention and completion of apprenticeships. Pre-apprentices and VCAL students had an opportunity to engage with our GTO partners and explore various trade employment opportunities at Transition to Employment events in Broadmeadows and Docklands campuses. Innovative, customised apprenticeship delivery models were also developed for commercial clients including the automotive department's accelerated program delivered to approximately 50 WPC apprentices employed at Nissan and Chrysler. This model has attracted the attention of numerous automotive companies nationally.

3. Our business processes

- First choice through professional service experience
- Leading in learner-centred services, products and technologies
- Effective customer-focused and integrated knowledge management systems

Taking customer service to the next level

Success in the current VET market depends on the provision of exceptional service that meets the needs of our customers.

Over 2012 Kangan Institute rolled out new customer service commitments to internal service groups, with an intention to implement across the organisation in 2013. The five core commitments are accessibility and responsiveness; building respectful relationships; cost competitive and sustainable services; building of a culture of collaborative service delivery; and recognising and valuing exceptional performance. These focus on building the quality of our products and services, developing greater organisational responsiveness to customer needs, enhancing Kangan Institute's customer centric delivery and building on our competitive edge.

We also directly improved the experience of our customers through a reorganisation of department functions to streamline customer contact points and service standards. The Institute's call centre was aligned with the customer service team to centralise and deliver standard servicing whilst enabling cross-skilling and up-skilling.

Access to comprehensive student services is important to our students and numerous initiatives were launched to increase awareness. This includes activities to promote physical and mental health support and a new podcast detailing all available student services.

Blended learning – anytime, anywhere

In 2012 we moved progressively towards the implementation of an all-encompassing blended learning model to underpin our training delivery.

Blended learning involves using a range of methods for delivering training, rather than just the traditional face-to-face classroom. By carefully selecting and using a range of easily available educational technologies and taking advantage of the rich resources available on the web, teachers are able to provide an enriched, accessible and positive learning environment.

During the year our blended learning leaders supported over 90% of teaching staff through an introduction to online learning and the use of our learning management system. Over 50% of units now have an online presence and the development work in this space will continue as we seek to achieve full implementation of online availability of content by the end of 2013.

Streamlined client management system

Our commitment to continuously improving products and services is closely linked to our ability to obtain timely feedback from our clients. An automated process of disseminating

client surveys was developed to replace the manual process of reconciling reports and consolidating feedback. The new system ensures that feedback is sent directly to relevant managers for their immediate review.

A new, intuitive client classification system was also developed to facilitate the process of managing relationships, planning new initiatives, assessing collaboration outcomes and determining strategic priorities.

4. Our people

- First choice employer
- Lean thinking and practise in how we work
- Leading in approach to environmental sustainability and social responsibility

Staff engagement

Kangan Institute's strategic intent to become a Lean and vibrant professional services educational organisation underpins our commitment to adding value to the workplace experiences of our employees.

In keeping with our focus on respect for people, the Institute has, for over four years, conducted an annual survey of staff to gauge the extent that our employees are emotionally and intellectually 'connected' to their job and the organisation.

This year 61% of staff participated in the confidential and independent Right Management survey, providing responses across 90 statements in the four domains of commitment, satisfaction, pride and advocacy. Results revealed that 53% of staff remain 'fully engaged', an outcome which continues to be well above the Australian (public and private sector) average of 40% and the education sector average of 34%. Staff responses also provide an insight into their engagement experiences which is important in guiding the development and implementation of Institute strategies to sustain positive practices and deliver opportunities for improvement.

Staff recognition and service awards

During the year the Institute continued the practice of recognising the contributions of staff through its Milestone Achiever and Institute Awards.

Milestone Achiever Awards honour and celebrate experienced employees for their dedication and commitment to the mission and vision of the Institute. In 2012 we recognised the following staff who have given 20 and 25 years of service to the Institute:

20 years of service - Melissa Anderson, Robert Carlson, Raymond Morrison, Luke Perry, Wendy Stewart, Bruno Tonon, Frances Toscano and Wayne Walter.

25 years of service - Moretta Anthony, Gary Atherton, Joe Borg, Frank Brown, Renus Burke, Brendon Couch, John Holmes, Adrian Lauder, Neil Robbins, Andrew Robson and Lyndon Wales.

The annual Institute Awards recognise staff who have made an outstanding contribution to advancing the Institute's strategic priorities. The 2012 award recipients were:

- Learner Support Excellence – Genna Hughes and Julie McClimont
- Innovative Business Product – Bilal Deniz and Rahul Sharma
- Industry Collaboration – John Ferraro, Mary Burns and Ray Perl
- Leadership in Quality – Lynette Stanyer
- Skills for Sustainability – Kenneth Neven
- Process Improvement –Christine Brown
- Innovative Blended Learning Solutions – Luke Doherty
- Individual Contribution to OHS – Joe Borg
- Community Engagement – Esmerelda Elnazak and Michael Swinbourn
- Teacher of the Year – Channing Coad
- Professional Staff Member of the Year – Diane Lajos

Lean thinking and practices

Central to our journey to becoming a Lean organisation is the embedding of Lean thinking and practise in the way we work. Across the Institute all teams continued to build capability in the application of the Lean tools of visual management, 5S, kaizen and problem solving. Gemba walks were embraced as part of standardised work of the executive team and the Lean Leadership program continued to be rolled out to middle and first-line management.

The year focused on a series of strategic cross-functional improvement projects aimed at promoting 'learning by doing' and streamlining and standardising processes to eliminate waste and deliver customer value. These projects addressed key processes for:

- Recruitment to appointment
- Assets maintenance
- Schools priority #1
- Australian apprenticeships
- Skills Recognition

Youth Foyer

Working alongside the Victorian Government, Brotherhood of St Laurence and Hanover Welfare Services, Kangan Institute has committed its Broadmeadows site in the Youth Foyer initiative which provides homeless youth with accommodation and access to training and job-skilling. The \$10.4 million centre – first for Victoria – will be opened in 2013.

Community engagement

A key component of Kangan Institute's triple bottom line accountability and strategic priorities is to be a socially responsible organisation that connects meaningfully with its communities beyond its core business. This fits in with our staff's personal and professional goals, with a recurring theme from staff engagement surveys being a strong sense of pride our employees have in the community-based work and social justice values of the Institute.

Community engagement projects and activities are undertaken annually and coordinated by the executive sponsor – the general manager of the Community, Youth and Health Group. The community engagement network group serves as the cross-Institute, staff collective responsible for the deployment of the community engagement strategy and providing the link between staff, students, local citizens, businesses and groups through its volunteer working groups.

2012 community engagement initiatives

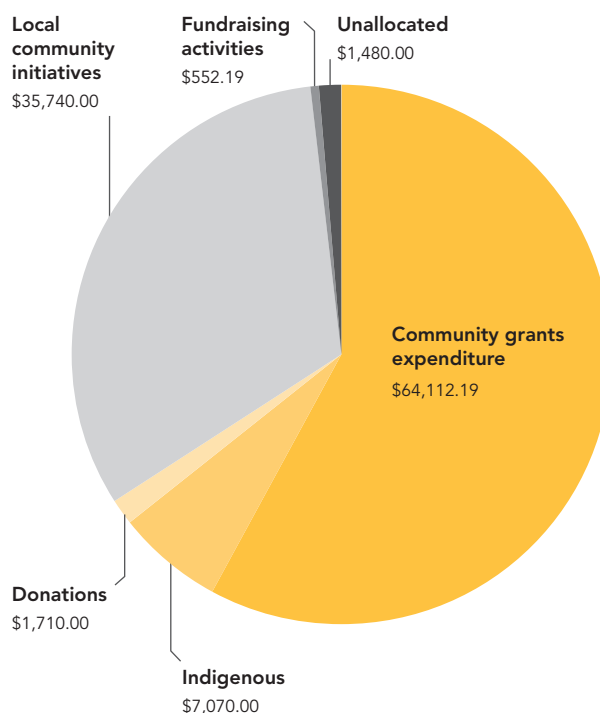
The Institute committed \$107,152 to community engagement in 2012, approximately 0.1% of overall Institute revenue. The supported projects and activities are aligned with the general category priorities and weightings that Kangan Institute staff identified in the community engagement review conducted in 2011.

Activities included:

- Community grants – Matched fundraising efforts and supported small community-based projects that promote social inclusion and educational opportunity.
- Community initiative – White Ribbon campaign (no to violence against women) organised in partnership with the Hume City Council.
- Youth focus – New Learning4life education and pathways scholarships, Youth Foyer steering committee and Seed employment project.
- Indigenous community focus – Indigenous employment promotions, Sorry day, Reconciliation lunch and Womin-jeka coop resource donations.
- International projects – Supported the Bahay Tuluyan centre with housing, education sponsorship and peer education for street kids of manila.
- Just-in-time support – Mobilised as required for unanticipated community support activities including natural disasters and activities from other fund raising partners.

Ex-gratia payments

The total expenditure for 2012 amounted to \$108,632.19.



Kangan Institute's revised community engagement strategies has enabled us to further develop and continue to forge stronger alliances within our local communities, the Indigenous community and the wider national and international communities.

Our community engagement strategy has self-evident merit and provides a point of difference in a contestable market. It encapsulates the mission of the Institute which is to help enterprises grow, communities prosper and individuals reach their full potential.

Community partners

We'd like to thank and acknowledge all of our industry and community partners, in particular:

- Essendon Rotary Club – Bahay Tuluyan project
- Hume City Council – White Ribbon campaign
- Moonee Valley Council – Seed project
- Brotherhood of St Laurence and Hanover Welfare Services – Youth Foyer project

We'd also like to acknowledge the staff who actively participated through working groups, attendance, donations and salary sacrifice, and have given their time and skills to support the community engagement strategy. Particular recognition goes to the Community Engagement Network Group made up of Ana Calabrese, Katia De Fazio, Rudi Pavani, Maria Celano, Julie Ferry, Janet Dilley, Nola Grant, Ken Neven, Tammy Wojik, Stephanie Yap, Mariska Thynne, Bev Williams, Samantha Barter and Dianne Semmens.

VETASSESS

VETASSESS is a leading international provider of assessment services and products. As an assessment-only registered training organisation, VETASSESS has an extensive scope of registration that covers more than 70 Australian qualifications.

Skills Recognition – General Occupations (SRGO)

SRGO undertakes pre-migration skill assessments for applicants who nominate an occupation in a managerial, professional, technical, clerical and administrative or community and personal service worker classification.

Key developments in 2012 were:

- 24% increase in applications for Skills Assessments compared to 2011.
- Department of Immigration and Citizenship (DIAC) policy changes implemented on 1st July 2012 were of significance for VETASSESS general occupations including:
 - Skill Select, a new visa application process under which applicants for the skilled migration program must submit an Expression of Interest to the DIAC and be invited to apply for a visa subject to quotas set for their nominated occupation.
 - a new Consolidated Skilled Occupation List (CSOL) which resulted in the addition of 113 general professional occupations for which VETASSESS was designated as the Skills Assessing Authority. These additional occupations may be nominated for employer or state sponsorship.
 - the addition of 12 VETASSESS occupations which may be nominated for the Regional Sponsored Migration Scheme (RSMS).
- In May 2011, SRGO introduced an advisory service to provide applicants with written replies to questions about the application process and assessment criteria relevant to their particular qualifications and employment history. The fee payable for this service provides a discount on one subsequent application for a formal assessment. VETASSESS received positive feedback about this service and use of the service by applicants and agents has steadily increased. In 2012, the number of enquiries received each month by the advisory service was almost twice as much as in 2011.

Qualifications verification

VETASSESS administers a Chinese qualification verification service under an agreement between VETASSESS and two educational authorities in the People's Republic of China – the China Academic Degrees and Graduate Education Development Centre and the China Higher Education Student Information and Career Centre.

VETASSESS received more applications for verification in 2012 than in 2011. From May 2012, the Corporate Online system came into operation which was developed by VETASSESS for its corporate clients and provides efficient and accurate verifications of qualifications from the People's Republic of China.

Skills Recognition – international

VETASSESS undertakes trade skill assessments for individuals wishing to migrate to Australia under the Offshore Skills Assessment Program and for the temporary worker (subclass 457 visa) program. In 2013, our Deed with Trades Recognition Australia was extended to include optional assessments and the United States, Canada and Poland were added to the existing 15 countries in which we assess.

The number of applicants for the 457 visa program increased by 63% in 2012 compared to 2011 and there was a slight increase in applications for the Offshore Skills Assessment Program. This increase in both programs was due to skill shortages in the resource industries in Western Australia. It is anticipated that the demand for skilled workers in particular trades, including electricians, lines workers, welders and automotive mechanics will grow in 2013 to fill vacancies in Western Australia, Northern Territory and Queensland. Skills Recognition International has established two assessment venues in Texas, USA and is currently establishing venues in Ireland, where increasing numbers of skilled tradesperson are being recruited to migrate to Australia.

Skills Recognition – national

The decrease in Victorian funding for certain qualifications resulted in a decrease in the number of applications in Victoria for this competency assessment service in 2012. This was compensated by an increase in fee-for-service competency assessments in other states. 2012 saw a 30% increase in applications for the national competency service overall.

Other areas of business activity for VETASSESS during 2012 include:

- validation for early childhood teachers who are seeking classification
- testing, examination and assessment services for a range of clients to support their recruitment, employment or student enrolment processes
- NSW VET in Schools online TAE recognition of prior learning service
- publishing
- assessitnow.com, an online assessment system to which RTOs subscribe

eWorks

eWorks is a leading exponent of e-learning solutions and educational technology training. Operating as an independently managed business arm of Kangan Institute, eWorks works closely with government, training providers and employers to build world-class training through e-learning.

eWorks delivers the products and skills for all aspects of e-learning from quality standards-based content to a delivery platform that integrates all the latest teaching and learning technologies. The products and services of eWorks are continually under review to ensure they match the pace of change in industry and technology and can be grouped into four areas: e-learning content, e-delivery platform (Training VC), training and consultancy.

2012 performance

eWorks delivered the State Training System’s e-learning support service in accordance with the standards and expectations prescribed in the 2012 performance and funding agreement with the Higher Education and Skills Group. This included the use of Training VC by over 150 training organisations to deliver government funded training programs and the staging of conVerge, the training system’s annual e-learning conference which attracted over 300 participants in 2012.

In addition, eWorks represented Victoria’s interests at a national level to ensure all relevant national action provided concrete benefits and outcomes for Victorian VET providers and practitioners.

During the year eWorks was successful in winning federal government funding to manage the following initiatives as part of the National VET E-learning Strategy:

- New generation technologies
- Broadband content services
- E-portfolios to support learner pathways

Other national activities included the sale and distribution of national Toolbox products which was transferred to eWorks following the 2011 closure of TVET Australia.

eWorks was also successful in receiving federal government funds to research and trial a new e-service initiative to further expand VET teacher access to e-learning materials. The service will provide tools for content discovery, content creation and managing local collections – all within a social networking environment. Work commenced in 2012 and the first phase of this initiative will be launched in the first half of 2013 under the banner of the VET Commons.

TAFE institutions and other large training organisations are currently under pressure to reduce their substantial capital infrastructure and look to more flexible and cost-effective delivery models. In this context, the functions, features and costs of Training VC were reviewed in 2012 to ensure the service continues to develop and grow in accordance with the needs of training providers.

The resulting Training VC Roadmap guarantees high quality technology at low cost because of the efficiencies and economies of scale derived from Training VC’s shared services business model. The new services and pricing model were announced in November 2012 and will be implemented from the start of 2013. Similar product reviews commenced in the second half of 2012 for content, training and consultancy and their respective product Roadmaps will complement the Training VC Roadmap as part of a 2013 marketing campaign to increase eWorks’ state and national commercial client base.

Environmental performance

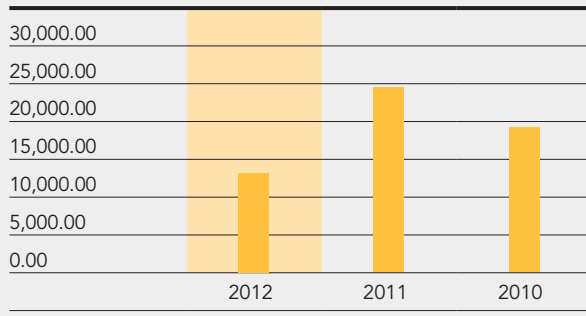
At Kangan Institute, we are committed to being an innovative provider of quality education, training and services whilst contributing to an environmentally sustainable future.

We ensure that staff and students work together to reduce the Institute’s environmental impacts, develop pro-active responses to environmental best practices and achieve innovative solutions in line with our strategic objective to be a leader in our approach to environmental sustainability.

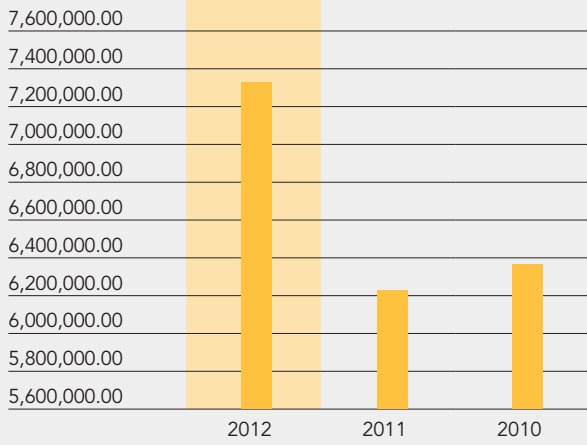
The following energy performance contract initiatives were implemented during 2012:

- All hot water boiling units were fitted with a mechanical time clock.
- A range of pole car park and external security lights have been substituted for more energy efficient alternatives without diminished light output.
- Air conditioning units were optimised for best performance via the BMS (Building Management System).
- To further optimise heating and cooling power consumption, HVAC systems have been zoned and operated via push button.
- Lighting at a range of office, classroom and public spaces were changed to energy efficient lights. These consist of LED and electronic ballasted fluorescent types which are controlled via sonic or infrared sensors.

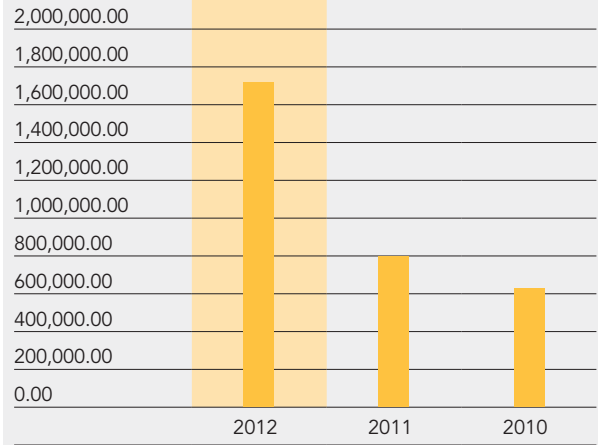
Natural gas consumption (total Gj)



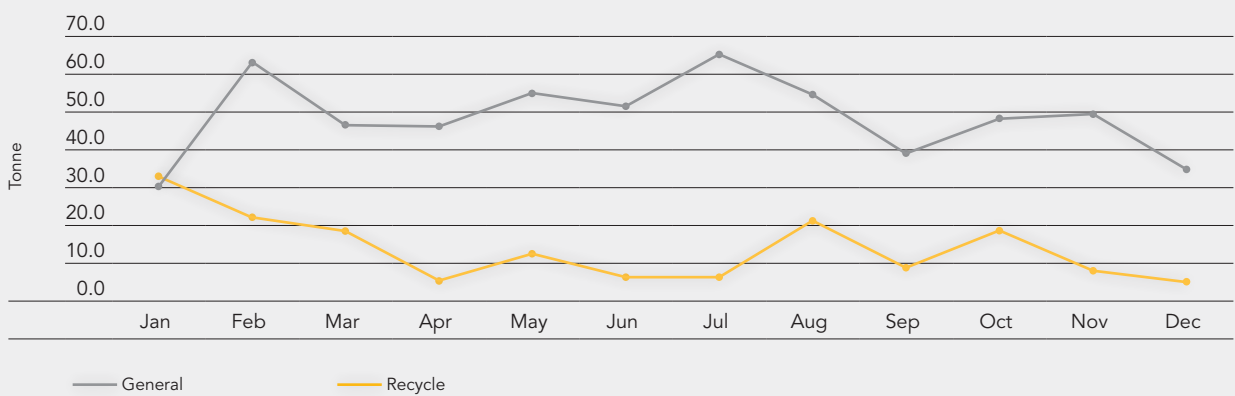
Electricity consumption (total kWh)



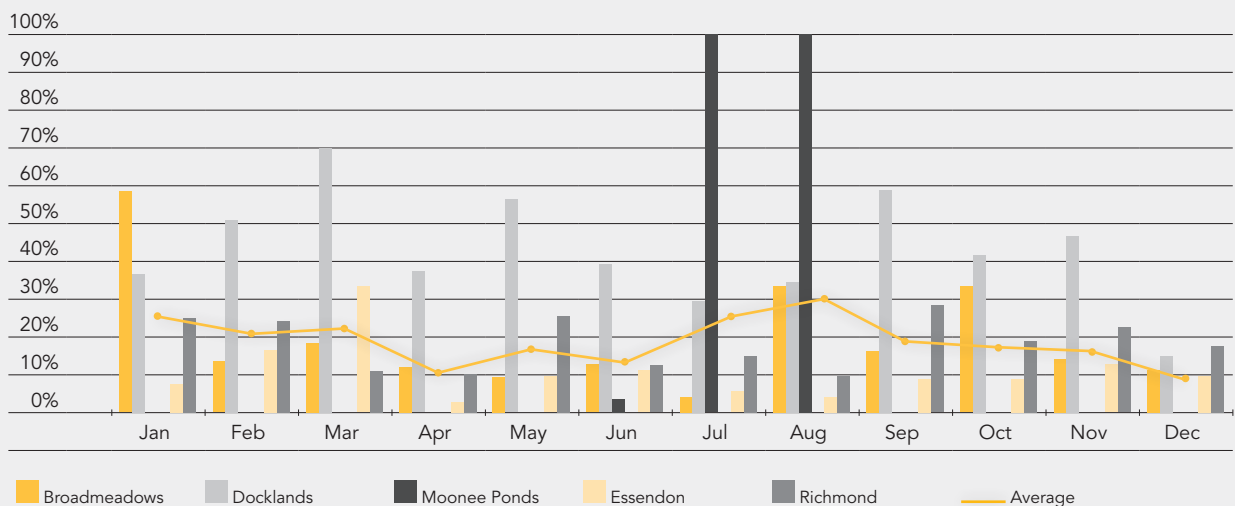
Total GreenPower consumption



General waste in comparison to recycling for 2012



Percentage of recycling in 2012 (by campus)



Compliance information

Maintenance and capital works

Kangan Institute places high emphasis on the provision and maintenance of high quality buildings and facilities that:

- meet regulatory requirements
- meet occupational health and safety standards
- incorporate sound environmental features, and
- meet customer expectations.

Kangan Institute ensures that all construction works are fully documented and detailed to meet statutory building and planning requirements. Kangan Institute ensures that plans for works are lodged with the relevant council for advice on local council provisions.

Kangan Institute requires building practitioners including architects, consultant engineers and construction contractors to show evidence of registration, certificates of currency for relevant insurance policies and WorkCover.

All such contractors engaged by the Institute during 2012 maintained their registered status throughout the period of engagement.

The Institute maintains a comprehensive database of contractors, contracts and engagements. Buildings Condition Audits are conducted regularly and as required by ministerial guidelines.

All maintenance contracts were reviewed during 2012 with Expressions of Interest and Requests for Tender called – all contracts will be renegotiated and implemented in early 2013 for application for the next three to five years.

Compliance with the Building Act 1993

Through the Victorian Department of Education, Kangan Institute was granted an exemption from the requirement that all buildings should conform to the Building Act 1993 by July 2000. The exemption relates to buildings located at the Coburg and Richmond campuses.

Service/maintenance contracts have been maintained for the mandatory management and maintenance of all plant and equipment and Essential Safety Measures. Through these contracts all Institute facilities are fully compliant with the Building Code of Australia and Essential Safety Measures requirements.

The Coburg campus was vacated and closed early in 2012 with all activity transferred to the ACE. The Richmond Gwynne Street campus will be vacated with activities consolidated on the Cremorne Street site in March 2013. The Gwynne Street site was sold during the year with settlement due 1st April 2013.

Capital development priorities

The following building projects were either completed or planned in 2012:

- ACE Stage Two
The building achieved the completion of the maintenance liability period on 2nd December 2012 with all defects and adjustments attended to.
- The planned consolidation of training programs from the Richmond Gwynne Street site to the Cremorne Street site has continued during the year with the planned accommodation for a new library and open learning commons, customer service centre, visual merchandising training, hair and beauty and massage training as well as the relocated activity of sheet-metal and automotive engineering. This project is funded through Institute reserves of \$5.8M with a completion in two stages – December 2012 and March 2013.
- A site on the Broadmeadows campus has been identified and prepared to support the Victorian State Government's aim to establish a Youth Foyer facility (a 40 bed accommodation and training facility for "at risk" youths). Work is expected to commence in December 2012 with completion by December 2013, supported by a \$10M budget through the Department of Human Services.
- Consideration has been given to the consolidation of further activities onto the Broadmeadows, Richmond, Essendon and Docklands sites from Moonee Ponds, Flinders Lane, East Melbourne and St Kilda Road. This opportunity will be investigated further in 2013.


Capital development plans

Funding submissions were updated and forwarded to the Higher Education and Skills Group for consideration. The submissions relate to the following projects:

- Health Education and Business Programs Building – a project involving a building on the Broadmeadows campus of 11,000 square metres over 4 levels with a budget of \$58.2M – this project is expected to be resubmitted to the Budget Expenditure Review Committee of government in May 2013.
- Refurbishment and expansion of Building J on the Broadmeadows campus to accommodate Built and Natural Environment (subject to aviation training relocating off site) – an anticipated project budget of \$15M.

Details of 2012 compulsory non-academic fees and charges

Details of 2012 non-academic student fees and charges levied in accordance with the Ministerial Directions on Fees and Charges and reported pursuant to Section 121 of the Tertiary Education Act 1993.

Details of 2012 compulsory non-academic fees and charges		
	2012	2011
	\$	\$
Student fees and charges income		
Service and amenities fees	779,537	665,417
Tuition fees	4,602,172	3,750,129
Total income	5,381,709	4,415,546
Expenditure		
Service and amenities fees		
Salaries and on costs	379,648	238,676
Consumables, promotional activities and general	77,885	64,281
Travel and vehicles	16,181	17,713
Printing, photocopying and communications	37,334	55,244
Recreation	70,253	89,413
Catering	73,306	97,842
Furniture and equipment - Less \$5000	44,435	17,603
Repairs and maintenance	80,520	84,635
Total	779,562	665,407
Tuition fees		
Institute management, administration and support expenditures		
Total	4,602,172	3,750,129
Total expenditure	5,381,734	4,415,536
Certification:		
I certify that the information contained in this statement has been extracted from the accounting records of the Institutes and that expenditure of funds is in accordance with the Ministerial Direction on Fees and Charges.		
Signed		
		
Richard Turnbull Chief Financial Officer		
13th March 2013		

Consultancies 2012

Kangan Institute engages consultants and legal practitioners for services for which the Institute does not have the required specialist skills. Total costs incurred during 2012 were as follows:

Consultancy costs \$349,507

Legal advice \$172,116

The Institute engaged the following consultants during 2012:

Consultancies over \$10,000			
Consultant	Project	Expenditure for 2012	Future commitments
Interact Australia	Indigenous employment program	\$116,427	\$0
Coffey Projects	Docklands campus project services	\$64,688	\$0
Paul Morgan	Richmond campus redevelopment	\$56,775	\$0
Gray Puksand	Docklands campus project services	\$40,002	\$0
Nexa Group	Customer service and campus development	\$22,836	\$0
Pitcher Partners	Student management system review	\$19,615	\$0
Donald Cant Watts Corke	Docklands campus project services	\$15,164	\$0
Cloud Solutions	System centre cloud configuration	\$14,000	\$0
Consultancies under \$10,000			
Nil			

Industrial relations

On 20th September 2012, the Australian Education Union (AEU) and National Tertiary Education Union (NTEA) took industrial action. It was a 24 hour State-wide stop-work and rally by the Unions to protest against State Government Budget cuts to TAFE. 97 Kangan Institute staff participated.

Kangan Institute PACCT Staff Enterprise Agreement 2011 was approved by the State Government and then by Fair Work Australia. The new agreement was operative from 21st September 2012.

Freedom of Information

Kangan Institute is subject to the provisions of the Freedom of Information Act 1982 (including amendments of 3 August 2007). The Act gives a right of access (subject to exemptions and exceptions) to information held in a documentary form by the Institute.

It is Institute policy to facilitate, subject to privacy and confidentiality provisions, access to information without recourse to the provisions of the Act.

Requests for information under the Freedom of Information Act 1982 should be addressed to:

Richard Turnbull
Freedom of Information Officer
Kangan Institute
Private Bag 299
SOMERTON VIC 3062
Phone: + 61 3 9279 2550
Fax: + 61 3 9279 2692
Email: rturnbull@kangan.edu.au

The Institute received two requests for information under the Act in 2012.

Information available on request

Consistent with the requirements of the Financial Management Act 1994, Kangan Institute has prepared material on the following items, details of which are available on request:

- statement regarding declarations of pecuniary interest
- details of shares held beneficially by senior officers
- publications and where they can be obtained
- major promotional and marketing activities
- changes in prices, fees, charges, rates and levies
- details of major external reviews
- major research and development activities
- overseas visits undertaken
- major committees sponsored by the Institute
- industrial relations issues and details of time lost through industrial accidents and disputes

Richard Turnbull
Kangan Institute
Private Bag 299
SOMERTON VIC 3062
Phone: + 61 3 9279 2550
Fax: + 61 3 9279 2692
Email: rturnbull@kangan.edu.au

International operations

Kangan Institute's international operations continued to face challenges in 2012 with a decline in student numbers experienced in both VET and ELICOS sectors in Australia and, in particular, Victoria (enrolments: -14% VET and -2.1% ELICOS, October 2011/12, AEI October 2012).

Kangan Institute is implementing strategies within a declining onshore student market to increase our onshore market share and further develop our offshore market opportunities. This has included exploring new and developing markets such as Indonesia and the Middle East.

Students studying under Australian Development Scholarships, Endeavour scholarships and BECAS scholarships continued to broaden our student nationality mix. We also maintained and expanded our partnerships and projects in China, with the delivery of teacher training projects both in China and in Australia. New models for delivery of Australian qualifications

in China continued with the commencement of new offshore delivery in Chongqing and pathway arrangements confirmed for Liaoning Financial Vocational College and Zhongshan Polytechnic.

In partnership with IEA TAFE in Papua New Guinea, we continued the delivery of various qualifications with the intention of increasing our work in the Pacific region. In July, we successfully delivered an AusAID funded Australian Leadership Fellowship program for Papua New Guinea.

Kangan Institute continued to attract considerable interest from international delegations, particularly from China and South East Asia. The main areas of interest are our specialisations in automotive, aviation and vocational teacher training.

Offshore activity focused on expanding current relationships and programs with existing partners, introducing existing successful models and programs to new markets as well as exploring and developing new models for new markets. This included the delivery of welding training and assessment in Korea in collaboration with a long standing student recruitment partner.

In 2012, Kangan Institute continued to explore and develop business opportunities by capitalising on our strengths in the areas of automotive, aviation, e-learning, skills assessment, design and the development of learning resources and teacher training. This included the delivery of specialist automotive programs for the Australian Malaysian Institute and customer service training for ANZ in India. Building on previous experience in the Laos we commenced a three year program for automotive resource development and training delivery for Boart Longyear.

Financial

Onshore activity: \$5,416,319

Offshore activity: \$7,201,987

Total international fee-for-service income: \$12,618,306

Note: this includes income from offshore skill assessments with VETASSESS (read more on page 33).

Offshore

Students

China

The increased competition in China, combined with increasingly challenging financial restraints, has resulted in Kangan Institute's development of new models for delivery including increased mapping of Chinese qualifications against Australian qualifications and the minimisation of delivery by Australian teachers where possible.

Declining enrolments with our long term partner, Nantong Textiles Vocational College (NTVTC), have necessitated incorporating blended learning in our program delivery and the phasing out of unpopular course offerings. The accounting program at Nanjing Communications Institute is currently under review with no enrolments taken in 2012.

A new program for the delivery of accounting with Chongqing Vocational Institute of Engineering commenced in 2012 and has received good enrolments and excellent feedback from students.

Pathway programs for accounting, events and business management were established with Liaoning Financial Vocational College and Zhongshan Polytechnic in 2012.

Papua New Guinea

Teaching, accounting, hospitality, information technology and business training have been delivered to students through our continued partnership with IEA TAFE in Papua New Guinea. The program was expanded in 2012 to include the Graduate Certificate in Information Technology Sustainability.

Kuwait

Kangan Institute continued to deliver the Diploma of Aircraft Maintenance Engineering (Mechanical) through the Australian College of Kuwait (ACK).

Organisations

China

Teacher training programs were delivered to Yubei Vocational College in Chongqing and Wuhan Polytechnic. These highly successful programs conducted in China and Australia have resulted in further training projects scheduled for early 2013.

India

Kangan Institute successfully delivered a customised customer service program to ANZ India in Delhi in February 2012.

In 2012 we continued to deliver a vocational teacher training program in India which began in 2011 through funding by the State Government of Victoria. The program is the first of its kind delivered in India and aims to support the State Governments of Maharashtra and Karnataka to implement competency based teaching and learning methods to 425 vocational teachers currently working in industry training institutes in these states. The training was supported by a rigorous mentoring program to ensure teachers build on the knowledge and skills acquired from the training program.

Graduates from the CVET program were invited to attend a graduation ceremony in Mumbai where Minister Louise Asher and Kangan Institute CEO Ray Griffiths presented them with Certificates of Completion. Minister Asher and Kangan Institute representatives were in attendance as part of the State Government of Victoria's Super Trade Mission to India.

Lao PDR

In 2012 Kangan Institute commenced a three year project for the development of training resources and auspicing of training for the Certificate III in Automotive Technology (Diesel) for Boart Longyear, Laos.

Papua New Guinea

Kangan Institute continued its three year partnership with IEA TAFE for the delivery of Australian qualifications to local students and industry during 2012. The partnership included professional development and study tours for staff and the development of pathways for IEA students to Kangan Institute in Australia.

Onshore

Students

Inbound student enrolments experienced a 15% decrease in numbers as a result of a challenging external market influenced by the global financial downturn and onshore student visa issues widely reported in the media.

International students were hosted across 13 teaching departments, with the majority of students enrolled in automotive, nursing, aviation and business courses.

After a decline in interest in automotive programs, applications and enrolments appear to have stabilised, with nursing and fashion programs attracting strong interest.

ELICOS enrolments are typically attributed to students undertaking English training as a pathway to mainstream courses. Whilst Kangan Institute has been successful in attracting stand-alone ELICOS enrolments, pathway enrolments have declined largely due to the high Australian dollar and overall decline in the market. Many pathway students are undertaking ELICOS in their home country prior to applying into mainstream courses. IELTS preparation programs have attracted considerable enrolments and special English language classes for the wives of students from the Kingdom of Saudi Arabia (as part of the training contract with the Civil Defence Aviation Command) were also conducted.

China and Korea continue to be the leading source countries in the midst of significant decline in enrolments from India, Pakistan and Sri Lanka. Enrolments have increased from a wide range of countries including Africa, Taiwan and Bhutan.

Organisations

Kangan Institute's training contract with the Civil Defence Aviation Command from the Kingdom of Saudi Arabia commenced in late 2008, with 58 students currently completing technical training.

Kangan Institute continued to host a broad range of international delegations in 2012. The Institute hosted visitors from government, private sector and education institutes from a wide range of countries including China, Saudi Arabia, Thailand, India, Indonesia, Korea, Pakistan, Malaysia, Papua New Guinea and India.

Risk management

International activities are assessed using the Institute-wide risk assessment matrix. The international activities assessment includes risk related to individual projects, staff safety and welfare strategies. The risk assessment is updated each semester or more frequently if required and is reported regularly to the Audit and Risk Committee.

National competition policy and competitive neutrality

Kangan Institute developed a pricing policy to demonstrate how it is meeting legislative requirements and government guidelines in the determination of prices for the sale of its programs, products and services.

The policy addresses the particular requirements of:

- National competition policy
- Victorian government policies on competitive neutrality
- Ministerial directions on fees and charges
- Legislation on the introduction of the goods and services tax (GST)
- Guidelines, rulings and interpretations made by the Australian Competition and Consumer Commission (ACCC) on National Competition Policy, fair trading and the implementation of GST

Objectives, functions, powers and duties

The Kangan Batman Institute of Technical and Further Education Council was established on 8 June 1997 in accordance with Section 24 of the Vocational Education and Training Act 1990.

On 9 October 2007, the Minister for Skills and Workforce Participation authorised the revision of the Kangan Institute constitution to:

- ensure alignment with the requirements of the Education and Training Reform Act 2006
- reflect changes to Victorian government purchasing and tendering limits
- include specific amendments requested during consultation with individual TAFE institutes.

This change saw the formation of the Board and the objectives were:

- a) to establish goals for the Institute within the context of national and state policy and management frameworks
- b) to provide quality vocational education and training and adult, community and further education programs and services which:
 - promote the competitiveness of industry
 - enhance the opportunities of individuals
 - serve the needs of the general community
- c) to govern and control the Institute efficiently and effectively and to optimise the efficient use of resources
- d) to promote the competitiveness of the Institute
- e) to further develop the international training consultancy and training market of the Institute

For more information on our achievements of these aims during 2012, please refer to pages 20 to 28.

Occupational health and safety

Kangan Institute is committed to its role as an influential leader in the fields of occupational health, safety and injury management. In all its dealings with staff, students and clients the Institute strives to provide a work and study environment that is attractive, well maintained, accessible and safe.

Management is committed to continuous improvement of Kangan Institute's occupational health and safety management system by establishing and reviewing OHS objectives, targets and strategies and clearly defining OHS management responsibilities.

Resources and responsibilities will be defined so that legislative requirements, Kangan Institute's Safety Standards and OHS objectives and targets are met.

Training

Return to Work training for managers

A mandatory 3 hour training session for line managers was delivered by Kangan Institute's WorkCover insurance provider Gallagher Bassett.

The session was designed to assist managers to understand their responsibilities for the Return to Work of injured employees. The course focused on:

- assisting managers to gain a better understanding of the Accident Compensation Act and their role in the Return to Work Process
- providing useful tips to ensure a sustainable Return to Work is achieved, demonstrating the completion of a Return to Work plans and Offer of Suitable Employment

Introduction to OHS legislation for managers

A mandatory 3 hour training session for Kangan Institute general managers and managers was delivered by Kangan Institute's WorkCover insurance provider Gallagher Bassett.

The session was designed to provide general managers and managers with an overview of Victorian OHS legislation with a focus on roles and responsibilities of stakeholders in the occupational environment.

Guidance material, case studies and prosecutions were used to provide an understanding of the approach employers should be taking in managing their responsibilities under law.

Evacuation wardens

This course has equipped emergency evacuation wardens with the skills required to safely evacuate the Institute and be ready to deal with any workplace emergency.

The course includes the following: investigating the fire/alarm/incident; raising the alarm; emergencies that may require evacuation; fire fighting safety procedures; bomb threat procedures; building fire safety; fire warden identification; fire wardens procedures and responsibilities; building fire alarms and communications systems; developing evacuation plans and procedures; emergency coordination; human behaviour in emergencies and post-evacuation activities.

First aid and CPR

St John's fast-track program provided flexible learning requiring participants to complete an online theory component prior to attending a one day practical session.

Occupational health and safety representatives

Training was offered to all OHS reps in 2012. Kangan Institute is committed to ensuring all OHS reps receive the required knowledge to perform their roles.

Wellbeing

WorkHealth checks

In 2012 Kangan Institute conducted WorkSafe Victoria's WorkHealth program which aimed to improve the health and wellbeing of Kangan Institute employees and reduce the incidence of chronic disease.

The program provided Kangan Institute employees with an opportunity to have a free, 15 minute WorkHealth check and be screened for their risk of type 2 diabetes and cardiovascular disease.

Flu vaccinations

Flu vaccinations were offered to all Kangan Institute employees. Vaccinations provide a range of benefits, including:

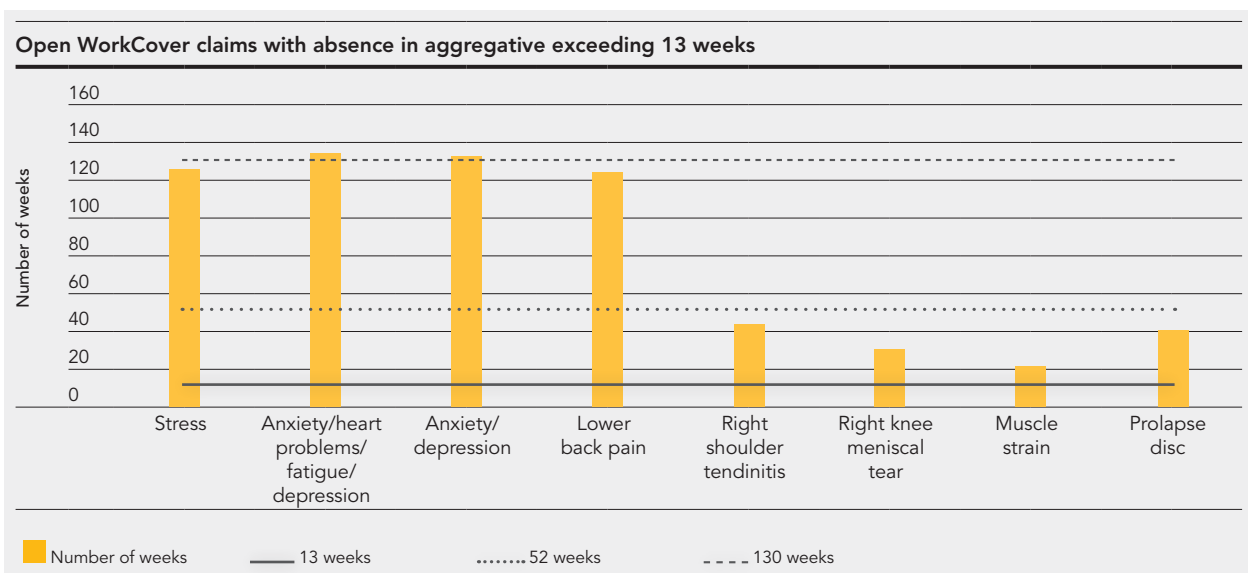
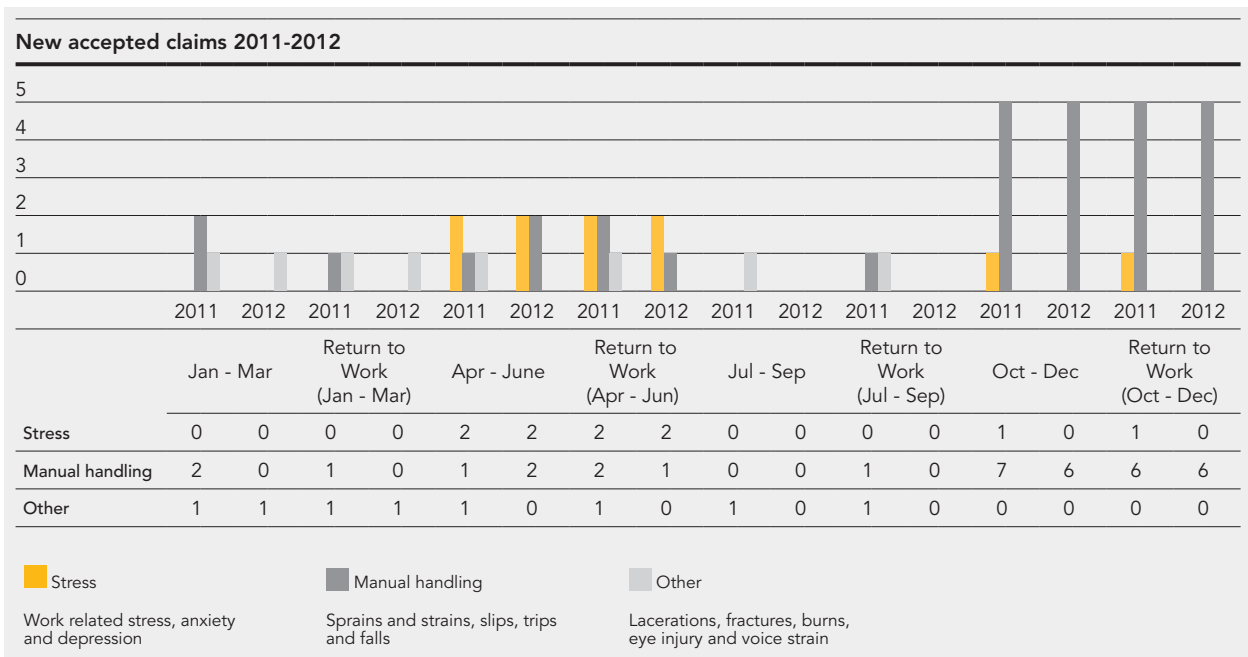
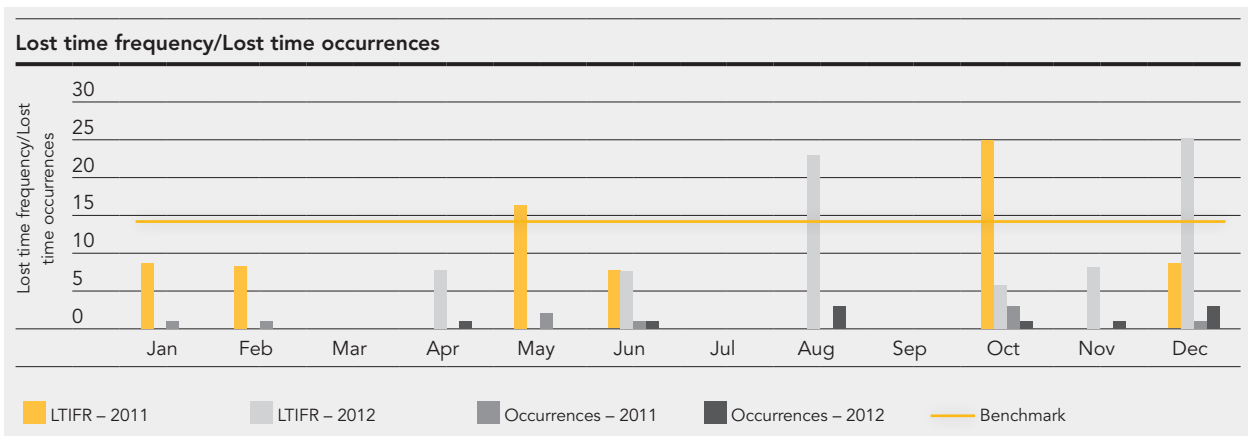
- an effective way to prevent flu infection
- allowing the body to build up its immunity to avoid infection
- providing the best chance of not catching the flu and not passing it on (reduces your chances by 70-90%)
- may also provide protection against similar strains of the flu

Incidents 2012

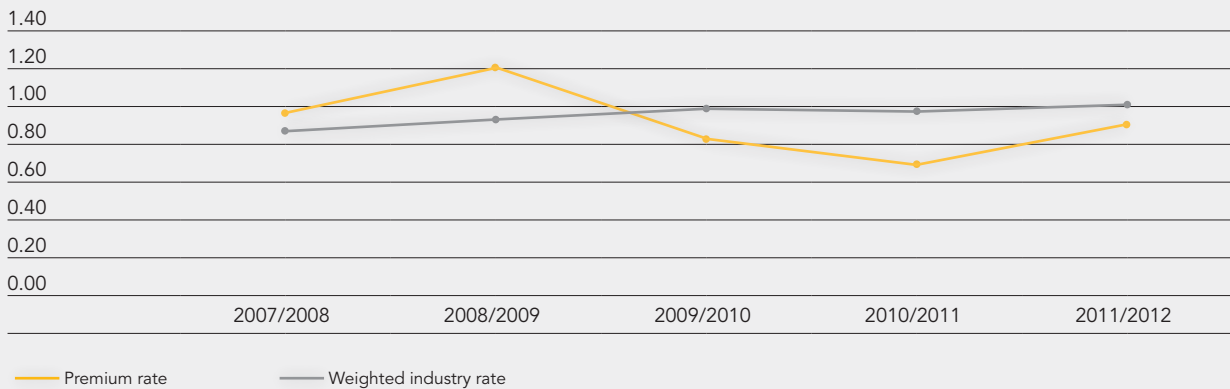
	Total incidents reported	Notifiable incidents	Students	Staff	Contractors/visitors
2010	135	6	78	55	2
2011	145	12	74	63	8
2012	134	10	82	48	4

Evacuation drills 2012

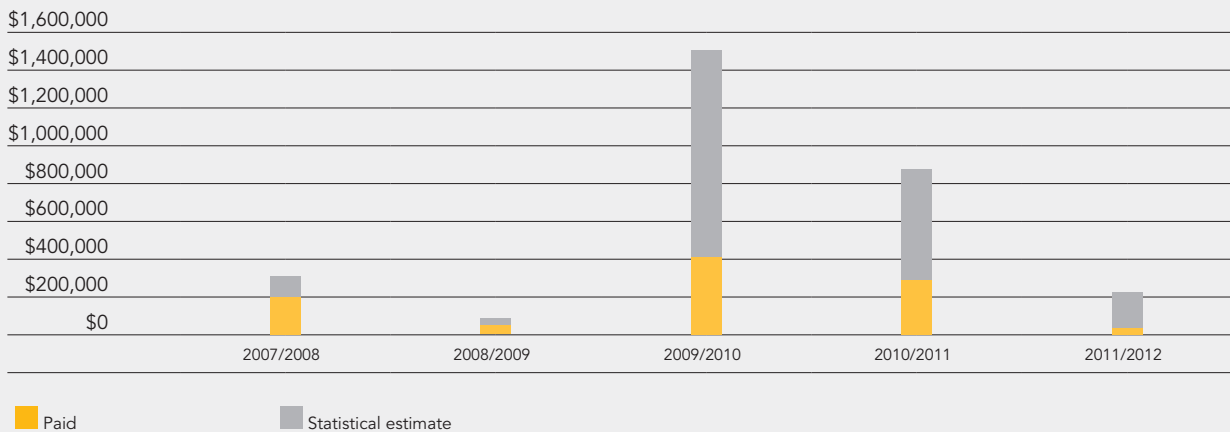
Campus	Scheduled date	Date evacuation held
Broadmeadows	18-May-12	23-May-12
	18-May-12	23-May-12
	21-Sep-12	31-Sep-12
	29-Nov-12	23-Nov-12
Essendon	18-May-12	18-May-12
	12-Oct-12	2-Nov-12
Docklands	17-May-12	17-May-12
	26-Oct-12	23-Nov-12
Richmond	17-May-12	17-May-12
	15-Nov-12	15-Nov-12



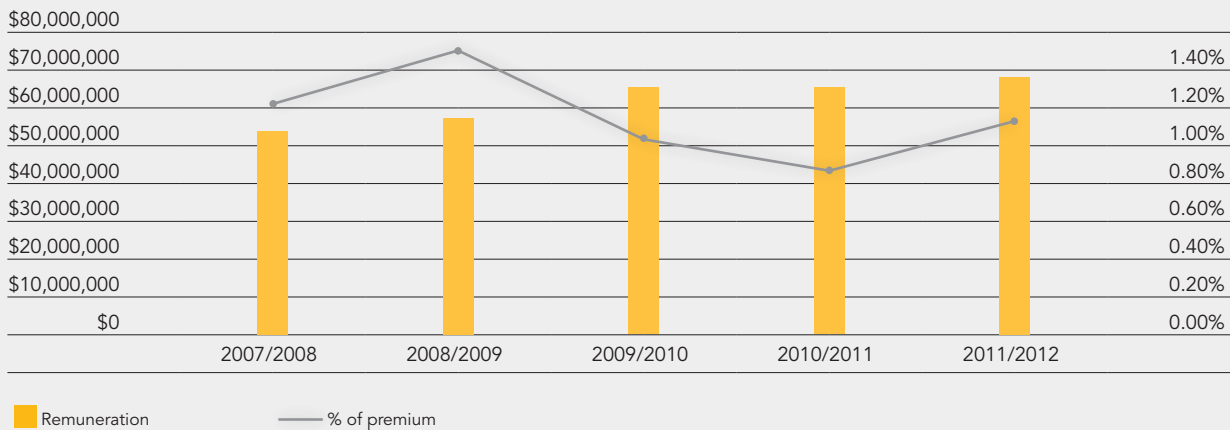
Premium rate from 2007 to present



Total impacting claims costs by policy year



Premium paid as a percentage of total remuneration



Whistleblowers' protection

The *Whistleblowers' Protection Act 2001* reflects the government's commitment to protecting people who disclose information about serious misconduct in the public sector. Kangan Institute is committed to the aims and objectives of the Act and does not tolerate improper conduct by its employees, officers or members nor the taking of reprisals against those who come forward to disclose such conduct.

The Institute's *Whistleblowers Protection Act 2001* policy can be viewed at www.kangan.edu.au/about/corporate/policies/

Procedures were developed in 2002 to deal specifically with the requirements of the Act which included the appointment of the relevant officers, provision of staff briefings and the publishing of posters and a booklet to inform all parties of the Act.

Report on disclosures during 2012

The number and types of disclosures made to the public body during 2012: Nil

The number of disclosures referred during the year by the public body to the Ombudsman for determination as to whether they are public interest disclosures: Nil

The number and types of disclosed matters referred to the public body during the year by the Ombudsman: Nil

The number and types of disclosed matters referred during the year by the public body to the Ombudsman to investigate: Nil

The number and types of investigations of disclosed matters taken over by the Ombudsman from the public body during the year: Nil

The number of requests made under Section 74 during the year to the Ombudsman to investigate disclosed matters: Nil

The number and types of disclosed matters that the public body has declined to investigate during the year: Nil

The number and types of disclosed matters that were substantiated on investigation and the action taken on completion of the investigation: Nil

Any recommendations of the Ombudsman under this Act that relate to the public body: Nil

Workforce information

Classification	Number of equivalent full time staff in 2012
Teaching	384.08
Non-teaching	367.1
Executives	10.9
Total	762.08

44 These figures are obtained from the CHRIS21 HR/Payroll system based on the first payrun in 2013. EFT is calculated for casual teaching staff based on a maximum of 21 teaching hours per week and 38 maximum hours per week for non-teaching and executive staff.

Kangan Institute's strategic intent to become a leading Lean and vibrant professional services educational institution underpins our commitment to adding value to the workplace experiences of our employees. The Institute is fully committed to equal opportunity (including equal employment opportunity) and inclusive and fair processes in all human resource management procedures. All policies and procedures and associated documentation are readily accessible for staff via the staff portal.

Organisational values and staff code of conduct

The Institute actively promotes a values-based culture that benefits the organisation, its employees and external clients. The foundation values and behaviours – respect for people, working together, integrity, accountability, continuous improvement, customer value, built-in quality and elimination of waste – provide both a guide for employee behaviour and the framework for fostering a workplace culture that promotes employee engagement and high performance.

The Institute's staff code of conduct, based on the Institute's foundation values and behaviours and the Victorian public sector model, provides guidance to all staff members on expected behaviour and professional conduct. Induction to the code of conduct is a key part of the on-boarding program for new staff. The code is readily accessible to all staff through the staff portal.

Equity and diversity training

During 2012 the Institute conducted mandatory equity and diversity training for middle and executive managers to provide a practical understanding of their role and responsibilities in promoting a workplace environment in which everyone is treated fairly and with respect and is free from discrimination, bullying, sexual harassment and victimisation. The training, conducted by a facilitator from the Victorian Equal Opportunity and Human Rights Commission, included:

- practical explanations of equal opportunity and discrimination as they apply to the Institute's workplace policies, practices and operations;
- managers' leadership responsibilities under the Victorian Equal Opportunity Act (2010), including the new 'Positive Duty' obligation;
- identification of workplace issues and inappropriate workplace behaviours (including bullying) and effective interventions or responses to prevent these becoming formal complaints; and
- actions that leaders can take to build teamwork and foster a participatory and inclusive workplace culture.

This training has been added to the standard training schedule for middle and executive managers and in 2013 will include team leaders and supervisors.

Selection on merit

The Institute's recruitment and selection processes are grounded in the application of the principles of merit and equity, relevant award and statutory requirements and best practice public sector approaches. During 2012, the Institute undertook a strategic Kaizen (improvement) activity to streamline its recruitment to appointment process.

Issue resolution

The Institute has in place a staff complaints and grievance procedure which gives focus to early intervention and informal resolution wherever practical. Based on the principles of natural justice and procedural fairness, the Institute's processes seek to achieve an effective resolution of issues that contribute to improvements in the employer-employee relationship.

The Institute has comprehensive policies and procedures addressing legislative requirements in the areas of harassment and discrimination, occupational health and safety and other areas of government policy governing employment terms and conditions.

Professional learning and development

The Institute's performance and development system (RAPID) gives particular attention to ensuring staff had access to appropriate and timely professional learning and development experiences. Teacher development and Lean leadership continued to be a strategic focus for the Institute in 2012.

Staffing Position Reprofiting

The Institute's response to the 2012/13 State Government Budget impacts on the vocational education and training sector included the conduct of a three-phase redundancy process impacting positions across teaching, support services and management. As a result of this process 111 positions were made redundant. Of these positions 18 staff carried over to the new year and will have a last day of employment in January 2013.

Financial reports

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Financial report

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and Chief Finance and Accounting Officer

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Balance sheet

Statement of changes in equity

Cash flow statement

Notes to the financial statements

The financial report was authorised for issue by the Board
Members on 13/03/2013. Kangan Institute has the power to
amend and reissue the financial report.

VAGO

Victorian Auditor-General's Office

Level 24, 95 Collins Street
Melbourne VIC 3000
Telephone 61 3 8661 3800
Facsimile 61 3 8621 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au**INDEPENDENT AUDITOR'S REPORT****To the Board Members of Kangan Batman Institute of Technical and Further Education***The Financial Report*

The accompanying financial report for the year ended 31 December 2012 of the Kangan Batman Institute of Technical and Further Education which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the President of the Board, Interim Chief Executive Officer, and Chief Finance and Accounting Officers' declaration has been audited.

The Board's Responsibility for the Financial Report

The Board Members of the Kangan Batman Institute of Technical and Further Education are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Auditing in the Public Interest

Independent Auditor's Report (continued)*Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Kangan Batman Institute of Technical and Further Education as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Kangan Batman Institute of Technical and Further Education for the year ended 31 December 2012 included both in the Kangan Batman Institute of Technical and Further Education's annual report and on the website. The Board Members of the Kangan Batman Institute of Technical and Further Education are responsible for the integrity of the Kangan Batman Institute of Technical and Further Education's website. I have not been engaged to report on the integrity of the Kangan Batman Institute of Technical and Further Education's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
21 March 2013

for Dr Peter Frost
Acting Auditor-General
2
Auditing in the Public Interest

VAGO
Victorian Auditor-General's Office

Level 26, 25 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Kangan Batman Institute of Technical and Further Education

The Statement of Performance

The accompanying statement of performance for the year ended 31 December 2012 of Kangan Batman Institute of Technical and Further Education which comprises the statement and the declaration by the Chairperson has been audited.

The Board Members' Responsibility for the Statement of Performance

The Board Members of Kangan Batman Institute of Technical and Further Education are responsible for the preparation and fair presentation of the statement of performance in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the statement of performance based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the statement of performance is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of performance. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the statement of performance, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the statement of performance in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the overall presentation of the statement of performance.

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

Auditing is in Public Interest

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the statement of performance of the Kangan Batman Institute of Technical and Further Education in respect of the 2012 financial year presents fairly, in all material respects, in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Statement of Performance

This auditor's report relates to the statement of performance of the Kangan Batman Institute of Technical and Further Education for the year ended 31 December 2012 included both in the Kangan Batman Institute of Technical and Further Education's annual report and on the website. The Board Members of the Kangan Batman Institute of Technical and Further Education are responsible for the integrity of the Kangan Batman Institute of Technical and Further Education's website. I have not been engaged to report on the integrity of the Kangan Batman Institute of Technical and Further Education's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the statement of performance are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited statement of performance to confirm the information contained in the website version of the statement of performance.

MELBOURNE
21 March 2013


for Dr Peter Frost
Acting Auditor-General

Auditing is in Public Interest



KANGAN INSTITUTE
Financial Report for the Year Ended 31 December 2012

Declaration by President of the Board,
Chief Executive Officer
and Chief Finance and Accounting Officer

We certify that the attached financial statements for Kangan Institute has been prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions issued under that legislation, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial report, presents fairly the financial transactions during the year ended 31 December 2012 and financial position of the Institute as at 31 December 2012.

At the date of signing this financial report, we are not aware of any circumstance that would render any particulars included in the financial report to be misleading or inaccurate. There are reasonable grounds to believe that the Institute will be able to pay its debts as and when they became due and payable.

The President of the Board and the Chief Executive Officer sign this declaration as delegates of, and in accordance with a resolution of, the Board of Kangan Institute.

Michael Brown
President of the Board
Date: 13th March 2013
Broadmeadows

Richard Turnbull
Interim Chief Executive Officer
Date: 13th March 2013
Broadmeadows

Richard Turnbull
Chief Finance & Accounting Officer
Date: 13th March 2013
Broadmeadows

KANGAN INSTITUTE

COMPREHENSIVE OPERATING STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 \$ '000	2011 \$ '000
Continuing operations			
Income from transactions			
Government contributions - operating	2(a)(i)	75,330	66,824
Government contributions - capital	2(a)(ii)	2,859	24,180
Sale of goods and services	2(b)	47,091	46,143
Interest	2(c)	2,980	3,731
Other income	2(d)	2,113	2,052
Total income from transactions		130,373	142,930
Expenses from transactions			
Employee benefits	3(a)	(87,188)	(77,124)
Depreciation and amortisation	3(b),9,10	(8,637)	(7,630)
Fees and charges		(4,946)	(11,782)
Contract and other services		(3,448)	(3,676)
Other operating expenses	3(c)	(26,899)	(26,175)
Total expenses from transactions		(131,118)	(126,387)
Net result from transactions (net operating balance)		(745)	16,543
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	4(a)	(452)	(414)
Total other economic flows included in net result		(452)	(414)
Net result from continuing operations		(1,197)	16,129
Net result		(1,197)	16,129
Other economic flows-Other non-owner changes in equity			
Changes in physical asset revaluation surplus	15	12,479	(9,597)
Financial assets available-for-sale reserve:			
- Gain/(loss) taken to equity		56	85
- Transferred to profit or loss for the period			
Other			
Total other economic flows -- Other non-owner changes in equity		12,535	(9,512)
Comprehensive result		11,338	6,617

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

KANGAN INSTITUTE

BALANCE SHEET

AS AT 31 DECEMBER 2012

	Note	2012 \$ '000	2011 \$ '000
Assets			
Financial assets			
Cash and deposits	5,27	5,005	1,358
Receivables	6,27	13,816	13,282
Investments, loans and other financial assets	7	47,187	57,903
Total financial assets		66,008	72,543
Non-financial assets			
Inventories	8	367	333
Property, plant and equipment	9	194,980	181,952
Intangible assets	10	0	16
Other non-financial assets	11	1,250	1,130
Total non-financial assets		196,597	183,431
Total Assets		262,605	255,974
Liabilities			
Payables	12	14,963	20,291
Provisions	13	13,741	14,336
Other liabilities	14	2,500	2,500
Total current liabilities		31,204	37,127
Non-current liabilities			
Other liabilities	14	1,215	0
Total non-current liabilities		1,215	0
Total Liabilities		32,419	37,127
Net Assets		230,186	218,847
Equity			
Accumulated surplus/(deficit)	15	113,074	106,191
Reserves	15	75,263	70,807
Contributed capital	15	41,849	41,849
Net worth		230,186	218,847
Commitments for expenditure	17,18	5,949	8,706
Contingent assets and contingent liabilities	19	14,000	24,000

The above balance sheet should be read in conjunction with the accompanying notes.

KANGAN INSTITUTE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Equity at 1 January 2012 \$ '000	Changes due to		Equity at 31 December 2012 \$ '000
			Total Comprehensive result \$ '000	Transactions with owners in their capacity as owners \$ '000	
Accumulated surplus/(deficit)		110,660	(1,197)	-	109,463
Adjustment to beginning accumulated surplus/ (deficit) due to correction of error in prior period	1.21	(4,469)			(4,469)
Transfer		-	8,080	-	8,080
Accumulated surplus/(deficit) at the end of the year	15	106,191	6,883	-	113,074
Contributions by owners at the end of the year		41,849	0	0	41,849
Physical assets revaluation reserve		53,542	12,479	-	66,021
Financial assets available-for-sale reserve		(86)	56	-	(30)
Other reserves:					
ACE stage 2 reserve		7,699	(5,236)	-	2,464
Vetassess projects reserve		200	(200)	-	0
Software replacement reserve		1,229	620	-	1,849
Marketing reserve		-	400	-	400
Strategic project reserve		3,148	948	-	4,096
Maintenance reserve		407	(154)	-	253
Richmond campus consolidation reserve		4,668	(4,458)	-	210
	15	70,807	4,455	-	75,263
Total equity at the end of the year		218,847	11,338	-	230,186
	Note	Equity at 1 January 2011 \$ '000	Changes due to		Equity at 31 December 2011 \$ '000
			Total Comprehensive result \$ '000	Transactions with owners in their capacity as owners \$ '000	
Accumulated surplus/(deficit)		85,363	16,129	-	101,492
Transfer		(1,812)	6,511	-	4,699
Accumulated surplus/(deficit) at the end of the year	15	83,551	22,640	-	106,191
Contributions by owners at the end of the year		61,738	-	(19,889)	41,849
Physical assets revaluation reserve		63,139	-	(9,597)	53,542
Financial assets available-for-sale reserve		(171)	85	-	(86)
Other reserves:					
ACE stage 2 reserve		20,000	(12,301)	-	7,699
Vetassess projects reserve		37	163	-	200
Software replacement reserve		1,164	65	-	1,229
Marketing reserve		-	-	-	-
Strategic project reserve		2,089	1,059	-	3,148
Maintenance reserve		572	(165)	-	407
Richmond campus consolidation reserve		-	4,668	-	4,668
	15	86,830	(6,426)	(9,597)	70,807
Total equity at the end of the year		232,119	16,214	(29,486)	218,847

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

KANGAN INSTITUTE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 \$ '000	2011 \$ '000
Cash flows from operating activities			
Receipts			
Government contributions - operating	2(a)(i)	75,330	66,824
Government contributions - capital	2(a)(ii)	2,859	24,180
User fees and charges received		51,340	52,285
Goods and services tax recovered from ATO		0	2,290
Interest received		2,237	2,960
Other receipts		4,583	5,057
Total receipts		136,349	153,596
Payments			
Payments to suppliers		(45,828)	(44,315)
Payments to employees		(86,568)	(75,598)
Goods and services tax paid to the ATO		(1,456)	0
Total payments		(133,852)	(119,913)
Net cash flows from/(used in) operating activities	16	2,497	33,683
Cash flows from investing activities			
Payments for non-financial assets		(9,730)	(37,939)
Proceeds from sale of non-financial assets	9	108	39
Payments for financial assets		10,772	(488)
Net cash provided by/(used in) investing activities		1,150	(38,388)
Net increase (decrease) in cash and deposits		3,647	(4,705)
Cash and deposits at the beginning of the financial year		1,358	6,063
Cash and deposits at the end of the year	5	5,005	1,358

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

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 1 – Statement of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for Kangan Institute.

Statement of compliance

These general purpose financial statements have been prepared in accordance with the Financial Management Act 1994 (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

1.01 Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Institute.

Critical accounting estimates and judgements

In the application of AAS, judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the next year, are disclosed throughout the notes to the financial statements.

These financial statements have been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets.

Exceptions to the historical cost convention include:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- the fair value of an asset other than land is generally based on its depreciated replacement value;
- derivative financial instruments, managed investment schemes, certain debt securities, investment properties after initial recognition, which are measured at fair value through profit and loss;
- available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2012 and the comparative information presented for the year ended 31 December 2011.

The following is a summary of the material accounting policies adopted by the Institute in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

1.02 Scope and presentation of financial statements

In keeping with AASB 101 (September 2007) this complete set of financial statements includes the following changes:

- (a) the notion of:
- 'a complete set of financial statements' rather than using 'financial report';
 - 'changes in equity' rather than 'movements in equity'; and
 - 'transactions with owners in their capacity as owners' rather than 'transactions with owners'.
- (b) references to equity holders as owner.

Comprehensive operating statement

The statement of comprehensive income includes items previously included in the statement of changes in equity. Income and expenses in the comprehensive income statement are separated into either 'transactions' or 'other economic flows'.

Balance sheet

Items of assets and liabilities in the balance sheet are:

- ranked in liquidity order;
- aggregated into financial and non-financial assets;
- classified according to GFS terminology, but retain measurement and disclosure rules under existing accounting standards applicable to the Department; and

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

- current versus non-current assets and liabilities are disclosed in the notes where relevant.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the year to the closing balance at the end of the year, showing separately movements due to amounts recognised in the comprehensive result and amounts recognised in equity related to transactions with owners in their capacity as owners.

Cash flow statement

The cash flow statement classifies flows by operating, investing and financing activities in accordance with AASB 107 Cash Flow Statements.

1.03 Reporting entity

The financial statements cover Kangan Institute as an individual reporting entity. The Institute is a statutory body corporate established pursuant to an act/order made by the Victorian Government under the Education and Training Reform Act 2006 No. 24/2006 3.1.12/4.

The principal address is:

Kangan Institute
Broadmeadows campus (Main Campus)
Pearcedale Parade
Broadmeadows VIC 3047

1.04 Basis of consolidation

The financial statements include all the activities of the Institute. The controlled entity did not trade during the reporting period and the operations were not material. The name of the controlled entity is: John Batman Consultancy and Training Pty Ltd., Australian Company Number 075 726 439. The company was originally established by the former John Batman Institute of TAFE on 23 September 1996. The company has not traded to date. The Institute's shareholding, valued at cost is \$2. While the Institute has one controlled entity, the financial statements have not been consolidated as the transactions and balances of the controlled entity have no impact on the Institute's financial statements.

1.05 Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Institute and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the reporting date and the date the statements are authorised for issue where the events relate to condition which arose after the reporting date and which may have a material impact on the results of subsequent years.

1.06 Goods and Services Tax (GST)

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

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

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingent assets or liabilities are presented on a gross basis.

1.07 Income from transactions

Amounts disclosed as income are, where applicable, net of returns, allowances and duties and taxes.

Revenue is recognised for each of the Institute's major activities as follows:

Government contributions

Government contributions are recognised as revenue in the period when the Institute gains control of the contributions. Control is recognised upon receipt or notification by relevant authorities of the right to receive a contribution for the current period.

Sale of goods and services

(i) Student fees and charges

Student fees and charges revenue is recognised by reference to the percentage of services provided. Where student fees and charges revenue has been clearly received in respect of courses or programs to be delivered in the following year, any non-refundable portion of the fees is treated as revenue in the year of receipt and the balance as Revenue in Advance.

(ii) Fee for Service

Fee for service revenue is recognised by reference to the percentage completion of each contract, i.e. in the reporting period in which the services are rendered. Where fee for service revenue of a reciprocal nature has been clearly received in respect of programs or services to be delivered in the following year, such amounts are disclosed as Revenue in Advance.

(iii) Revenue from sale of goods

Revenue from sale of goods is recognised by the Institute when:

- the significant risks and rewards of ownership of the goods have transferred to the buyer;
- the Institute retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be reliably measured;

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(d) it is probable that the economic benefits associated with the transaction will flow to the Institute; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest

Interest from cash, short-term deposits and investments is brought to account on a time proportional basis taking into account interest rates applicable to the financial assets.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported as part of income from other economic flows in the net result or as unrealised gains and losses taken direct to equity, forming part of the total change in net worth in the comprehensive result.

Other income

Rental income

Rental income is recognised on a time proportional basis and is brought to account when the Institute's right to receive the rental is established.

Fair value of assets and services received free of charge or for nominal consideration

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

1.08 Expenses from transactions

Employee benefits

Expenses for employee benefits are recognised when incurred, except for contributions in respect of defined benefit plans.

Retirement benefit obligations

(i) Defined contribution plan

Contributions to defined contribution plans are expensed when they become payable.

(ii) Defined benefit plans

The amount charged to the statement of comprehensive income in respect of superannuation represents the contributions made by the Institute to the superannuation plan in respect of current services of current Institute staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

The Institute does not recognise any deferred liability in respect of the plan(s) because the Institute has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as and when they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its finance report.

Depreciation and amortisation

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is generally calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Non-current assets (with the exception of land) with a cost in excess of \$5,000 are capitalised and depreciated to write off the cost or revalued amount of each item of Property, Plant and Equipment, over its expected useful life to its estimated residual value.

All library acquisitions are brought to account and depreciated over a five year period.

Depreciation methods and rates of all non-current assets are reviewed on an annual basis. The asset's residual values and useful lives are reviewed and adjusted if appropriate on an annual basis. Depreciation and amortisation methods and rates used for each class of depreciable assets are as follows:

Class of asset	Method	2012	2011
		Rate/Rates	Rate/Rates
Buildings	Straight line	1.5% - 25%	1.5% - 25%
Plant and equipment			
Computing equipment	Straight line	33.33%	33.33%
Other plant and equipment	Straight line	4% - 33.33%	4% - 33.33%
Library collections	Straight line	20%	20%
Motor vehicles	Straight line	20% - 25%	20% - 25%
Computer software-intangibles	Straight line	33.33% - 50%	33.33% - 50%

The assets' residual values and useful lives are reviewed and adjusted if appropriate on an annual basis.

There has been no change in the methodology and rates for 2012.

Amortisation

Intangible assets with finite lives are amortised on a straight line basis over the assets useful lives. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

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Interest expense

Interest expense is recognised as expenses in the period in which they are incurred.

Interest expense includes interest on bank overdrafts and short term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

Grants and other transfers

Grants and other transfers to third parties are recognised as an expense in the reporting period in which they are paid or payable.

Other operating expenses

Supplies and services

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

Fair value of assets and services provided free of charge or for nominal consideration

Resources provided free of charge or for nominal consideration are recognised at their fair value.

1.09 Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses from revaluations, impairments, and disposals of all physical assets and intangible assets.

Disposal of non-financial assets

Any gain or loss on disposal of non-financial assets is recognised at the date control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at the time.

Assets are assessed annually for the indicators of impairment. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the comprehensive operating statement, except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that class of asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash flows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading, impairment and reversal of impairment for financial instruments at amortised cost, and disposals of financial assets.

Revaluations of financial instruments at fair value

The revaluation gain/(loss) on financial instruments at fair value excludes dividends or interest earned on financial assets, which is reported as part of income from transactions.

Impairment of financial assets

Financial assets have been assessed for impairment in accordance with Australian Accounting Standards. Bad and doubtful debts are assessed on a regular basis.

Those bad debts considered as written off by mutual consent are classified as a transaction expense. The allowance for doubtful receivables and bad debts not written off by mutual consent are adjusted as 'other economic flows'.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from reclassifications of amounts from reserves and/or accumulated surplus to net result, and from the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

1.10 Financial assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For the cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as borrowings on the balance sheet.

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Receivables

Receivables consist of:

- statutory receivables, which include predominantly amounts owing from the Victorian Government and GST input tax credits recoverable; and
- contractual receivables, which include mainly debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables.

Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment.

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

Investments and other financial assets

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting (the date on which the Institute commits to purchase or sell the asset) is adopted for financial assets that are delivered within time frames established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit and loss immediately.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Institute retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Institute has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset, or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Institute has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Institute's continuing involvement in the asset.

(i) Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Institute's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method less impairment losses. The Institute has no financial instruments under this category.

(iii) Available-for-sale financial assets

Other investments held by the Institute are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Fair value is determined in the manner described in Note 27.

1.11 Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Operating leases

Institute as lessee

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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During 2006, Kangan Institute took possession of land at the Docklands campus on a 92 year lease as a peppercorn rental of \$1 per year.

1.12 Non-Financial assets

Inventories

Inventories include goods and other property held either for sale or for distribution at no or nominal cost in the ordinary course of business operations. It includes land held for sale and excludes depreciable assets.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential.

All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

The basis used in assessing loss of service potential for inventories held-for-distribution include current replacement cost and technical or functional obsolescence.

Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Cost is assigned to land for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis.

Cost for all other inventory is measured on the basis of weighted average cost.

Inventories acquired for no cost or nominal consideration are measured at current replacement cost at the date of acquisition.

Non-current physical assets classified as held for sale, including disposal group assets

Non-financial physical assets (including disposal group assets) are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed within twelve months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

Property, plant and equipment

All non-financial physical assets, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Property

Freehold land and buildings are shown initially at cost, then subsequently at their fair value.

Crown land is measured at fair value with regard to its highest and best use after due consideration is made for any legal or constructive restrictions imposed on the land, public announcements or commitments made in relation to the intended use of the land. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply.

Where an asset is received for no or nominal consideration, the cost is the asset's fair value at the date of acquisition.

Non-financial physical assets such as national parks, other Crown land and heritage assets are measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply.

The fair value of cultural assets and collections, heritage assets and other non-financial physical assets that the State intends to preserve because of their unique historical, cultural or environmental attributes, is measured at the replacement cost of the asset less, where applicable, accumulated depreciation (calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset) and any accumulated impairment. These policies and any legislative limitations and restrictions imposed on their use and/or disposal may impact their fair value.

Plant and equipment

Plant and equipment are measured at fair value less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Institute to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Institute includes the cost of materials, direct labours, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Institute and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Certain assets are acquired under finance leases, which may form part of a service concession arrangement.

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Library collections

Library collections are measured at fair value less accumulated depreciation.

All library acquisitions are brought to account and depreciated over a five year period. If there is any indication of impairment, the assets are tested as to whether their carrying value exceeds its recoverable amount. If impairment exists, the expense is charged to the comprehensive operating statement.

Leasehold improvements

The cost of leasehold improvements is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

Restrictive nature of cultural and heritage assets, Crown land and infrastructures

Certain agencies hold cultural assets, heritage assets, Crown land and infrastructure, which are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. Consequently, there are certain limitations and restrictions imposed on their use and/or disposal.

Non-financial physical assets constructed by the Institute

The cost of non-financial physical assets constructed by the Institute includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Revaluations of non-current physical assets

Non-current physical assets measured at fair value are revalued in accordance with FRDs issued by the Minister for Finance. This revaluation process normally occurs every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Revaluation increases are credited directly to equity in the revaluation reserve, except to the extent that an increase reverses a revaluation decrease in respect of that class of property, plant and equipment, previously recognised as an expense (other economic flows) in the net result, the increase is recognised as income (other economic flows) in determining the net result.

Revaluation decreases are recognised immediately as expenses (other economic flows) in the net result, except to the extent that a credit balance exists in the revaluation reserve in respect of the same class of property, plant and equipment, they are debited to the revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and

equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation reserves are not normally transferred to accumulated funds on de-recognition of the relevant asset. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Non-current physical assets constructed by the Institute

The cost of non-current assets constructed by the Institute includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.

Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Institute.

1.13 Liabilities

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned income including deferred income from concession arrangements. Accounts payable represent liabilities for goods and services provided to the Institute prior to the end of the financial year that are unpaid, and arise when the Institute becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Provisions

Provisions are recognised when the Institute has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

Employee benefits

The calculation of employee benefits includes all relevant on-costs and are calculated as follows at reporting date.

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(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current Liability - unconditional LSL representing seven years service is disclosed as a current liability even when the Institute does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at:

- present value - component that is not expected to be settled within 12 months
- nominal value - component that is expected to be settled within 12 months

Non-current liability - Conditional LSL representing less than seven years is disclosed as a non-current liability.

There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value. Gain or loss following revaluation of the present value of non-current LSL liability due to changes in bond interest rates is recognised as an other economic flow.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Institute recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Employee benefits on-costs

Employee benefits on-costs (payroll tax, workers compensation, superannuation, annual leave and long service leave accrued while on LSL taken in service) are included in provision for employee benefits.

Performance payments

Performance payments for TAFE executive officers are based on a percentage of the annual salary package provided under the contract of employment. A liability is provided for under the term of the contracts at reporting date and paid out in the next financial year.

Retirement benefit obligations

(i) Defined contribution plan

Contributions to defined contribution plans are expensed when they become payable.

(ii) Defined benefit plans

The amount charged to the operating statement in respect of superannuation represents the contributions made by the Institute to the superannuation plan in respect of current services of current Institute staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

The Institute does not recognise any deferred liability in respect of the plan(s) because the Institute has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as and when they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its finance report.

1.14 Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value and inclusive of the GST payable.

1.15 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed in Note 19 and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of the GST receivable or payable respectively.

1.16 Equity

Contributed capital

Funding that is in the nature of contributions by the State government are treated as contributed capital when designated in accordance with UIG Interpretation 1038 Contribution by Owners Made to Wholly-Owned Public Sector Entities. Commonwealth capital funds are not affected and are treated as income.

Reserves

Asset revaluation reserve - land

This is used to record increments and decrements on the revaluation of land.

Asset revaluation reserve - buildings

This is used to record increments and decrements on the revaluation of buildings.

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VETASSESS projects reserve

The purpose of the reserve was to provide the investment for VETASSESS to capitalise on specific business opportunities for growth.

ACE stage 2 reserve

The Institute has decided to create a specific reserve for stage two of ACE development.

The purpose of the reserve is to provide the investment and funding of ACE and indicate part of accumulated surplus not available for alternative expenditure.

Available for sale investments revaluation reserve

This is used to record increments and decrements on the revaluation of available for sale investments as described in Note 7 and 27.

Software replacement reserve

The purpose of the reserve is the replacement of the financial and student management system software.

Marketing reserve

The purpose of the reserve is for the marketing and rebranding of the Institute.

Strategic project reserve

The purpose of the reserve is for strategic projects as approved by the Board.

Maintenance reserve

The purpose of the reserve is for maintenance projects as approved by the Board.

Richmond consolidation reserve

The purpose of the reserve is for refurbishment and maintenance projects as approved by the Board.

1.17 Foreign currency translations

Functional and presentation currency

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The Institute's financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the comprehensive operating statement in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the comprehensive operating statement.

1.18 Materiality

In accordance with Accounting Standard AASB 1031 'Materiality', accounting policies need only be identified in the summary of accounting policies where they are considered 'material'.

Accounting policies will be considered material if their omission, misstatement or non-disclosure has the potential, individually or collectively, to:

- (a) influence the economic decisions of users taken on the basis of the financial report; and
- (b) affect the discharge of accountability by the management or governing body of the entity.

1.19 Rounding of amounts

Amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

1.20 Comparative information

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

1.21 Changes in accounting policy/Correction of error

There were no changes in accounting policy for the financial year ending 31 December 2012. As per disclosure requirements of AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors", an adjustment to beginning accumulated surplus/(deficit) due to correction of error in prior period - return of funds arising out of training under delivery after the reconciliation of 2011 Performance agreement.

This has been accounted for retrospectively and the comparative statements for 2011 have been restated. Opening Accumulated surplus have been reduced by \$4.469m to reflect the correction of error in prior period. The effect is tabulated as follows:

	Adjusted 2011 \$'000	Previous 2011 \$'000
Operating statement		
Government contributions - operating	66,824	71,293
Balance sheet		
Receivables	13,282	14,579
Payables	20,291	17,119
Statement of changes in equity		
Adjustment to beginning accumulated surplus/ (deficit) due to correction of error	106,191	110,660

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1.22 New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2012 reporting period.

As at 31 December 2012 the following standards and interpretations (applicable to the Institute) had been issued but were not mandatory for financial year ending 31 December 2012. The Institute has not, and does not intend to, adopt these standards early.

Amending Pronouncements and Errata	Standards Affected	Outline of Amendment	Application date of standard	Impact on financial statements
AASB 9 Financial Instruments	AASB 139 Financial Instruments: Recognition and Measurement	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.	Reporting periods beginning on 1 January 2013.	Detail of impact is still being assessed
AASB 1053 Application of Tiers of Australian Accounting Standards		This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Reporting periods beginning on 1 July 2013.	The Victorian Government is currently considering the impacts of reduced disclosure requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2010 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements		These amendments introduce reduced disclosure requirements for application by certain types of entities.	Reporting periods beginning on 1 July 2013.	The amendments do not affect financial measurement or recognition and are not expected to have any impact on financial result or position.
AASB 2010 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127	This relates to the introduction of AASB 9 Financial Instruments.	Reporting periods beginning on 1 January 2013.	Detail of impact is still being assessed.
AASB 2011 2 Amendments to Australian Accounting Standards arising from the Trans Tasman Convergence Project – Reduced Disclosure Requirements	AASB 101 and AASB 1054	The objective of this amendment is to include some additional disclosure from the Trans Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (RDRs).	Reporting periods beginning on 1 January 2013.	The Victorian Government is currently considering the impacts of RDRs and has not decided if they will be implemented in the Victorian public sector.
AASB 2011 3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments	AASB 1049	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures. This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used.	Reporting periods beginning on 1 July 2012.	There will be no impact on performance measurement.

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 2 - Income from transactions

	2012 \$ '000	2011 \$ '000
(a) Grants and other transfers (other than contributions by owners)		
Government financial assistance		
(i) Government contributions - operating		
Commonwealth government recurrent	49,167	26,457
State government recurrent	20,470	33,912
Commonwealth specific funded programs	156	123
Other contributions	5,537	6,332
Total government contributions - operating	75,330	66,824
(ii) Government contributions - capital		
Commonwealth capital	1,711	1,758
State capital	1,148	22,422
Total government contributions - capital	2,859	24,180
Total government financial assistance	78,189	91,004
(b) Sales of goods and services		
Student fees and charges	6,322	5,431
Rendering of services		
Fee for service - Government	9,531	14,151
Fee for service - International operations - onshore	5,416	6,923
Fee for service - International operations - offshore	7,202	5,285
Fee for service - Other	16,150	11,348
Total rendering of services	38,299	37,707
Other non-course fees and charges		
Sale of goods	2,470	3,005
Total other fees and charges		
Total revenue from sale of goods and services	47,091	46,143
(c) Interest		
Interest from financial assets not at fair value through P/L:		
Interest on bank deposits	2,980	3,731
Net interest income	2,980	3,731
(d) Other income		
Rental revenue:		
Other canteen facility		
Total rental revenue-other canteen facility	116	49
Other revenue:		
Donations and contributions	442	113
Wages recoup	605	670
Institute vehicle recoup	331	393
Childcare fees	250	245
Sundry revenue	369	582
Total other income	2,113	2,052

KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Note 3 - Expenses from transactions

	Note	2012 \$ '000	2011 \$ '000
(a) Employee expenses			
Salaries, wages, overtime and allowances		77,739	66,286
Superannuation	23	5,830	5,511
Payroll tax		3,539	3,286
Long service leave		(758)	1,161
Annual leave		163	365
Other		675	515
Total employee expenses		87,188	77,124
(b) Depreciation and amortisation			
Depreciation of non-current assets			
Buildings		5,608	5,573
Plant and equipment		2,663	1,637
Motor vehicles		130	86
Library collections		220	237
Total depreciation		8,621	7,533
Amortisation of non-current physical and intangible assets			
Software		16	97
Total depreciation and amortisation		8,637	7,630
(c) Other operating expenses			
Auditors' remuneration	22	141	126
Bad and doubtful debts	6	14	40
Communication expenses		2,004	1,900
Consumables		2,459	2,269
Cost of sale of goods including ancillary trading		1,826	1,886
Equipment (below capitalisation threshold)		5,191	5,241
Grants and subsidies		126	192
Marketing and promotional expenses		1,911	2,753
Rental / leasing charges		2,342	2,070
Building repairs and maintenance		2,694	1,632
Staff development		570	848
Travel and motor vehicle expenses		2,414	2,453
Utilities		1,279	1,069
Other expenses			
Printing and copying		1,772	1,727
Recruitment and tender advertising		94	90
Catering		283	289
Insurance		272	240
Membership dues and subscription		212	215
Entertainment expenses		187	127
Fringe benefits tax		119	106
Health and safety expenses		151	169
Student excursion and recreation		113	288
Other		725	445
Total other expenses		26,899	26,175

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 4 - Other economic flows included in net result

	Note	2012 \$ '000	2011 \$ '000
(a) Net gain/(loss) on non-financial assets			
Net gain/(loss) on disposal of physical assets	9	(452)	(14)
Impairment of non-financial assets		0	(400)
Total other gains/(losses) from other economic flows		(452)	(414)

Note 5 - Cash and deposits

	Note	2012 \$ '000	2011 \$ '000
Cash at bank and on hand	27	5,005	1,358
		5,005	1,358

(a) The above figures are reconciled to cash at the end of financial year as shown in the statement of cash flows.

(b) Cash at bank and on hand - Cash at bank is invested as funds permit at varying interest rates between 1% and 4.5%

Note 6 - Receivables

	Note	2012 \$ '000	2011 \$ '000
Current receivables	27		
Contractual			
Trade receivables		4,307	6,292
Allowance for doubtful debts		(161)	(161)
Receivables from other parties		9,516	7,112
Total contractual		13,662	13,243
Statutory			
Amounts owing from Victorian Government			
GST receivable from ATO		154	39
Total statutory		154	39
Total current receivables		13,816	13,282

The average credit period on sales of goods is 14 days. Debtors with accounts in excess of 30 days are sent a statement of account indicating a further 14 days before reference to debt collection agency. A provision has been made for estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

(a) Movement in the provision for doubtful contractual receivables are as follows:

Balance at beginning of the year		161	161
Increase in provision recognised in the net result		14	40
Reversal of provision for receivables written off during the year as uncollectible		(14)	(40)
Balance at end of the year		161	161

(b) Ageing analysis of contractual receivables

Please refer to Note 27 (iv) for the ageing analysis of contractual receivables.

(c) Nature and extent of risk arising from contractual receivables

Please refer to Note 27 for the nature and extent of credit risk arising from contractual receivables.

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 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2012

Note 7 - Investments, loans and other financial assets

	Note	2012 \$ '000	2011 \$ '000
Current investments, loans and other financial assets			
Fixed Interest bearing bills and Term Deposits		25,217	30,989
Available for sale financial assets - ANZ Capital Guaranteed Floating rate note		970	914
Total current investments, loans and other financial assets	27	26,187	31,903
Term deposits have an average maturity of 180 days and effective interest rates between 2.95% and 6.8%.			
Non-current investments, loans and other financial assets			
Term deposits		21,000	26,000
Total non-current investments, loans and other financial assets		21,000	26,000
Total investments, loans and other financial assets		47,187	57,903

- (a) Ageing analysis of investments, loans and other financial assets
 Please refer to Table (iv) in Note 27 for the ageing analysis of investments, loans and other financial assets.
- (b) Nature and extent of risk arising from investments, loans and other financial assets
 Please refer to Note 27 for the nature and extent of risks arising from investments, loans and other financial assets.

Note 8 - Inventories

	Note	2012 \$ '000	2011 \$ '000
Current			
Inventories held-for-sale:			
Trading bookshop		351	315
Food stores		16	18
Total current inventories		367	333

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 9 - Property, plant and equipment

	Note	2012 \$ '000	2011 \$ '000
Land			
At valuation at 31 December	1.12	37,880	37,846
Net land		37,880	37,846
Buildings			
At valuation at 31 December	1.12	137,321	66,201
Accumulated depreciation		0	(15,566)
At cost		0	77,724
Accumulated depreciation		0	(1,703)
Net buildings		137,321	126,656
Buildings are valued at depreciated replacement cost.			
Work in progress			
At cost		7,698	10,454
Work in progress		7,698	10,454
Plant and equipment			
Gross carrying amount		26,864	21,165
Accumulated depreciation and impairment		(15,756)	(15,059)
Net plant and equipment		11,108	6,106
Library collections			
Gross carrying amount		1,025	1,178
Accumulated depreciation		(568)	(610)
Net library collections		457	568
Motor vehicles			
Gross carrying amount		995	769
Accumulated depreciation		(479)	(447)
Net motor vehicles		516	322
Total property, plant and equipment		194,980	181,952

KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Note 9 - Property, plant and equipment (continued)

Movements in carrying amounts

Reconciliations of the carrying amounts of each class of land, buildings, plant and equipment, motor vehicles and other classes of assets at the beginning and end of the current year are set out below.

	Note	Land	Buildings	Construction in progress	Plant & Equip	Motor Vehicle	Library Collection	Total
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2012								
Carrying amount at start of year		37,846	126,656	10,454	6,106	322	568	181,952
Additions		-	3,827	7,608	8,207	343	109	20,094
Disposals		-	-	-	(540)	(20)	-	(560)
Impairment loss charged to net result		-	-	-	-	-	-	0
Revaluation increments/(decrement)		34	12,445	-	-	-	-	12,479
Transfers to Skills Victoria		-	-	-	-	-	-	0
Transfers		-	-	(10,364)	-	-	-	(10,364)
Depreciation/Amortisation expense		-	(5,608)	-	(2,663)	(130)	(220)	(8,621)
Carrying amount at end of year		37,880	137,320	7,698	11,110	515	457	194,980

	Note	Land	Buildings	Construction in progress	Plant & Equip	Motor Vehicle	Library Collection	Total
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
2011								
Carrying amount at start of year		60,457	68,948	43,696	7,501	281	602	181,485
Additions		-	302	36,613	642	180	203	37,940
Disposals		-	-	-	0	(53)	-	(53)
Impairment loss charged to net result		-	-	-	(400)	-	-	(400)
Revaluation increments/(decrement)		-	-	-	-	-	-	0
Transfers to Skills Victoria		(22,611)	(6,876)	-	-	-	-	(29,487)
Transfers		-	69,855	(69,855)	-	-	-	0
Depreciation/Amortisation expense		-	(5,573)	-	(1,637)	(86)	(237)	(7,533)
Carrying amount at end of year		37,846	126,656	10,454	6,106	322	568	181,952

Profit (loss) on sale of non-current assets

	Total
Proceeds on sale of non-current assets	108
Less written down value	(560)
Total profit/(loss) on disposal	4(a)

Valuations of land and buildings

An independent valuation of the Institute's land and buildings was performed by Egan National Valuers (VIC) to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 31 December 2012.

Note 10 - Intangible assets

	Note	2012 \$ '000	2011 \$ '000
Software at 1 January			
Cost		2,397	2,397
Accumulated amortisation and impairment		(2,397)	(2,381)
Net book amount		0	16

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 11 - Other non-financial assets

	Note	2012 \$ '000	2011 \$ '000
Current			
Prepayments		1,250	1,130
Total other asset		1,250	1,130

Note 12 - Payables

	Note	2012 \$ '000	2011 \$ '000
Current			
Contractual			
Creditors and accruals		8,815	13,016
Revenue In advance		6,148	7,275
Total current payables		14,963	20,291

Note 13 - Provisions

	Note	2012 \$ '000	2011 \$ '000
Current provisions expected to be settled within 12 months			
Employee benefits:			
Annual leave		3,711	3,566
Long service leave		1,996	1,502
Performance payments		425	425
Managers education allowance		103	85
Total current provisions expected to be settled within 12 months		6,235	5,578
Non-current provisions expected to be settled after 12 months			
Employee benefits:			
Long service leave		5,526	7,021
Total non-current provisions expected to be settled after 12 months		5,526	7,021
		11,761	12,599
Long service leave representing less than seven years of continuous service measured at present value. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.			
Employee benefits			
Long service leave		1,980	1,737
Total non-current provisions		1,980	1,737
Total provisions		13,741	14,336
Movements in provisions			
Movements in each class, other than employee provisions during the financial year are set out below:			
Balance at 1 January		14,336	12,810
Additional provisions raised during the year		7,522	8,429
Amounts used		(8,117)	(6,903)
Balance at 31 December		13,741	14,336

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 14 - Other liabilities

	Note	2012 \$ '000	2011 \$ '000
Current			
Advances Other - Float for ACE stage 2		2,500	2,500
Total current other liabilities		2,500	2,500
Non-current other liabilities			
Energy Performance contract repayment		1,215	0
Total non-current other liabilities		1,215	0
Total other liabilities		3,715	2,500

Maturity analysis of other liabilities: Refer to Note 27

Non-interest bearing and unsecured advance for ACE stage 2. Matured and settled as required.
The Energy Performance contract is non-interest bearing and unsecured and repayable over an eight year period commencing June 2014.

Note 15 - Equity

	Note	2012 \$ '000	2011 \$ '000
Contributed capital			
Balance at 1 January		41,849	61,738
Transferred to Higher Education and Skills Group		0	(19,889)
Balance at 31 December		41,849	41,849
Accumulated surplus/(deficit)			
Balance at 1 January		106,191	83,551
Net surplus for the reporting period		(1,197)	16,129
Transfer (to)/from Vetassess projects reserve		200	(163)
Transfer (to)/from ACE stage 2 reserve		5,236	12,301
Transfer (to)/from Software Replacement Reserve		(619)	(65)
Transfer (to)/from Marketing Reserve		(400)	0
Transfer (to)/from Strategic Project Reserve		(948)	(1,059)
Transfer (to)/from Maintenance Reserve		153	165
Transfer (to)/from Richmond Campus Consolidation Reserve		4,458	(4,668)
Balance at 31 December		113,074	106,191
Composition of reserves			
Asset revaluation reserve - land		38,058	38,024
Asset revaluation reserve - building		27,963	15,518
Available for sale investments revaluation reserve		(30)	(86)
Vetassess projects reserve		0	200
ACE stage 2 reserve		2,466	7,699
Software replacement reserve		1,849	1,229
Marketing reserve		400	-
Strategic project reserve		4,096	3,148
Maintenance reserve		253	407
Richmond campus consolidation reserve		210	4,668
		75,263	70,807
Total equity		230,186	218,847

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 15 - Equity (continued)

	Note	2012 \$ '000	2011 \$ '000
NOTE 15 - Movements in reserves			
Asset revaluation reserves:			
Land			
Balance at 1 January		38,024	44,839
Revaluation increment/(decrement)		34	-
Transferred to Higher Education and Skills Group		-	(6,815)
Land Balance at 31 December		38,058	38,024
Building			
Balance at 1 January		15,518	18,300
Revaluation increment/(decrement)		12,445	-
Transferred to Higher Education and Skills Group		-	(2,782)
Building Balance at 31 December		27,963	15,518
Financial assets available-for-sale reserve:			
Balance at 1 January		(86)	(171)
Revaluation increment/(decrement) on available for sale investments		56	85
Available for sale investments revaluation reserve balance as at 31 December		(30)	(86)
Other reserves:			
Vetassess projects reserve			
Balance at 1 January		200	37
Transfer (to)/from accumulated funds		(200)	163
Vetassess projects reserve balance at 31 December		0	200
ACE stage 2 reserve			
Balance at 1 January		7,699	20,000
Transfer (to)/from accumulated funds		(5,235)	(12,301)
ACE stage 2 reserve balance at 31 December		2,464	7,699
Software replacement reserve			
Balance at 1 January		1,229	1,164
Transfer (to)/from accumulated surplus/(deficit)		620	65
Software replacement reserve balance at 31 December		1,849	1,229
Marketing reserve			
Balance at 1 January		-	-
Transfer (to)/from accumulated surplus/(deficit)		400	-
Marketing reserve balance at 31 December		400	-
Strategic project reserve			
Balance at 1 January		3,148	2,089
Transfer (to)/from accumulated surplus/(deficit)		948	1,059
Marketing reserve balance at 31 December		4,096	3,148
Maintenance reserve			
Balance at 1 January		407	572
Transfer (to)/from accumulated surplus/(deficit)		(154)	(165)
Marketing reserve balance at 31 December		253	407
Richmond campus consolidation reserve			
Balance at 1 January		4,668	-
Transfer (to)/from accumulated surplus/(deficit)		(4,458)	4,668
Marketing reserve balance at 31 December		210	4,668
Balance at 31 December		75,263	70,807

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 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2012

Note 16 - Cash flow information

	Note	2012 \$ '000	2011 \$ '000
Reconciliation of operating result to net cash flows from operating activities			
Net result for the year		(1,197)	16,129
Non-cash flows in operating result			
Depreciation and amortisation of non-current assets	3(b),9,10	8,637	7,630
Impairment of non-current assets	4(a)	0	400
Net (gain) / loss on sale of non-current assets	4(a)	452	14
Change in operating assets and liabilities			
Decrease / (increase) in trade receivables		(532)	2,910
Decrease / (increase) in inventories		(34)	(20)
Decrease / (increase) in other assets		(120)	(122)
Increase / (decrease) in payables		(5,329)	5,216
Increase / (decrease) in provisions		620	1,526
Net cash flows provided by/(used in) operating activities		2,497	33,683

Note 17 - Commitments for expenditure

	Note	2012 \$ '000	2011 \$ '000
(a) Capital commitments			
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:			
Property, plant and equipment			
Payable:			
Within one year		595	1,530
Total property, plant and equipment		595	1,530
GST reclaimable on the above		(54)	(139)
Net commitments property, plant and equipment		541	1,391

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 18 - Lease commitments

	Note	2012 \$ '000	2011 \$ '000
(b) Lease commitments			
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:			
Within one year		2,378	2,440
Later than one year but not later than five years		2,586	4,150
Later than five years			
Total lease commitments		4,964	6,590
GST reclaimable on the above		(47)	(599)
Net commitments operating leases		4,917	5,991
Representing:			
Non-cancellable operating leases		4,964	6,590
Total lease commitments		4,964	6,590
(i) Operating leases			
Operating leases are effectively non-cancellable and include leases for office accommodation, computers and motor vehicles.			
(c) Other expenditure commitments			
Commitments for maintenance agreements in existence at the reporting date but not recognised as liabilities, payable:			
Within one year		390	586
Total other expenditure commitments		390	586
GST reclaimable on the above		(36)	(53)
Net commitments other expenditure commitments		354	533
The above commitments are represented by: contract cleaning and maintenance agreements		390	586

Note 19 - Contingent assets and contingent liabilities

Details and estimates of maximum amounts of contingent liabilities, classified in accordance with the party from whom the liability could arise and for which no provisions are included in the accounts, are as follows:

In respect of business undertakings: As part of the funding agreement for ACE stage 2, the Institute is liable for \$24m which is to be funded by the asset sales of Coburg campus and the and Richmond Gwynne St campus. There is a \$10m contingent asset from the planned sale of Moreland campus, which is under the control of HESG, and these funds will be allocated to the proposed \$60m Health building at Broadmeadows campus.

There were no contingent assets for 2011.

Note 20 - Economic dependency

An economic dependency exists with Higher Education and Skills Group. As a Technical and Further Education organisation, the Institute provides training on behalf of Higher Education and Skills Group. The reliance on Higher Education and Skills Group is in excess of 50% of the revenue of the Institute.

Note 21 - Subsequent events

There are no events subsequent to balance date that will have a material effect on the Institute's operations.

Note 22 - Remuneration of auditors

	Note	2012 \$ '000	2011 \$ '000
Victorian Auditor General's Office - audit of the financial statements		32	36
Remuneration of other auditors - other assurance services		109	90
		141	126

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 23 - Superannuation (refer 1.13)

Employees of the Institute are entitled to receive superannuation benefits and the Institute contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

The Institute does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial statements.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Statement of Comprehensive Income of the Institute.

The name and details of the major employee superannuation funds and contributions made by the Institute are as follows:

Note	2012 \$ '000	2011 \$ '000
Defined benefit plans:		
State Superannuation Fund of Victoria		
State Employees Retirement Benefits Scheme (contribution rate 13.3%)	18	17
Revised scheme (contribution rate 17.6%)	239	317
New scheme (contribution rate 7.4% to 10.3%)	447	528
Total defined benefit plans	704	862
Defined contribution plans:		
VicSuper Pty Ltd		
(contribution rate based on superannuation guarantee legislation at 9%)	3,618	3,423
Other superannuation schemes		
(contribution rate based on superannuation guarantee legislation at 9%)		
Hesta	112	104
Australian Superannuation	224	145
Uni Super	99	73
Macquarie	38	70
MLC Masterkey	33	22
Hostplus	89	89
AMP Life Ltd	77	61
Vision Super Pty Ltd	44	42
MTAA Superannuation	43	39
Retail Employees Superannuation Trust (REST)	77	63
Colonial First State	33	39
Cbus	41	42
Catholic Super	33	26
ESSSuper Accumulation Plan	42	35
Health Super	31	28
Care Super	31	26
TELSTRA Super Scheme	20	0
BT Super for Life	26	0
Other schemes	398	322
Total defined contribution plans	5,109	4,649
Total paid contribution for the year	5,813	5,511

As at 31 December 2012 there was no outstanding contributions payable.

State Superannuation Fund	-	-
VicSuper Pty Ltd	17	-
SERB scheme	-	-
	17	-

The unfunded superannuation liability in relation to employer sponsor defined benefit schemes has been assumed by and reflected in the financial statements of the Department of Treasury and Finance.

The Institute does not have any contributions outstanding to the above funds and there have been no loans made from the funds. The bases for contributions are determined by the various schemes.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 24 - Key management personnel disclosures

Responsible persons related disclosures

In accordance with the directions of the Minister for Finance under the Financial Management Act 1994, the following disclosures are made for the responsible Ministers and responsible Members of Council.

(i) Minister

The relevant Minister is The Hon Peter Hall MP, Minister for Higher Education and Skills. Remuneration of the Ministers is disclosed in the financial report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members interests which is completed by each member of the Parliament.

(ii) Names of responsible persons and executive officers

The names of persons who were Responsible Persons at anytime during the financial year, were:

Michael Brown (President)
Ray Griffiths (CEO)

The name of persons who were members of Institute Council during the financial year, were:

Mr Dominic Andreacchio	Mr Ray Griffiths
Ms Susan Allen	Mr Stelvio Vido
Ms Margaret Hatton	Ms Mirella Lattanzio
Mr Michael Brown	Mr Faisal Ali (term commenced 1 April 2012)
Ms Jaqueline Wilson	Mr Andrew Priest
Mr Linsey Siede	Mr Darren Millman
Ms Helen Murphy	
Ms Robyn Stewart	
Ms Sarangi Senanayake (term expired 31 March 2012)	

Remuneration of Board members	2012 \$ '000	2011 \$ '000
Remuneration received, or due and receivable from the Institute in connection with the management of the Institute, includes termination payments and bonuses paid at end of contracts.	334	310
Remuneration received, or due and receivable from the Institute in connection with the management of any related party entity.	-	-

Income Range

The number of Board members whose remuneration from the Institute was within the specified bands are as follows:

	2012 No.	2011 No.
\$0 - \$9,999	17	16
\$200,000 - \$209,999	-	-
\$210,000 - \$219,999	-	-
\$220,000 - \$229,999	-	-
\$230,000 - \$239,999	-	-
\$270,000 - \$279,999	-	1
\$280,000 - \$289,999	-	-
\$290,000 - \$299,999	-	-
\$300,000 - \$309,999	1	-
Total number of Board members	18	17
Total annualised employee equivalent (AEE)	1	1

Note: Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

Executive officers' remuneration

The number of executive officers whose total remuneration exceeded \$100,000 during the financial year are shown in their relevant income bands. The base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Total remuneration for the reporting period of executive officers included above amounted to:

	2012 \$ '000	2011 \$ '000
Base remuneration of executive officers	1,857	1,841
Total remuneration of executive officers	1,980	1,938

KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Note 24 - Key management personnel disclosures (continued)

Income range

The number of executive officers whose remuneration from the Institute was within the specified bands are as follows:

	Total remuneration		Base remuneration	
	2012 No.	2011 No.	2012 No.	2011 No.
\$0 - \$9,999	0	0	1	0
\$20,000 - \$30,000	1	0	0	0
\$70,000 - \$79,999	0	1	0	1
\$80,000 - \$89,999	1	1	1	2
\$90,000 - \$99,999	0	1	0	0
\$100,000 - 109,999	0	0	1	0
\$110,000 - \$119,999	1	0	0	0
\$120,000-\$129,999	0	0	0	0
\$130,000 - \$139,999	0	1	1	1
\$140,000 - \$149,999	1	0	0	0
\$150,000 - \$159,999	0	0	0	0
\$160,000 - \$169,999	0	0	1	1
\$170,000 - \$179,999	2	1	1	2
\$180,000 - \$189,999	0	2	0	4
\$190,000 - \$199,999	0	1	4	0
\$200,000 - \$209,999	4	3	2	1
\$210,000 - \$219,999	2	1	0	0
Total number of executives	12	12	12	12
Total annualised employee equivalent (AEE)	10.9	11.9	10.9	11.9
Total amount	\$1,980,441	\$1,937,932	\$1,856,596	\$1,841,033

Retirement benefits of responsible persons

There were no retirement benefits paid by the Institute in connection with the retirement of Responsible Persons of the Institute.

Superannuation

Superannuation is included in the total remuneration.

Loans

There were no Loans in existence at reporting date that have been made, guaranteed or secured by the Institute or any related party to Responsible Persons of the Institute or a Responsible Persons-related party of those Responsible Persons.

Shares

There were no interests in the Shares of related entities held by Responsible Persons of the Institute.

Note 25 - Related parties

There were no other transactions nor loans between the Institute and Responsible Persons and their related parties during the financial year.

Note 26 - Institute details

The registered office of the institute is:

Kangan Institute
Pearcedale Parade
Broadmeadows VIC 3047

The principal place of business is:

Broadmeadows campus (main campus)
Pearcedale Parade
Broadmeadows VIC 3047

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 27 – Financial instruments

Financial risk management

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements.

(i) Financial risk management objectives

The Institute's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Institute's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Institute by adhering to principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Institute does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Institute uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and data analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by a central treasury unit with the Finance function of the Institute under policies approved by the Board. The Treasury Unit identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements.

(ii) Financial risk exposures and management

The Institute's financial instruments consist mainly of deposits with banks, local money market instruments, short term investments, accounts receivables and payables and leases.

The main risks the Institute is exposed to through its financial instruments are market risk, foreign currency risk, price risk, funding risk, interest rate risk, credit risk and liquidity risk.

(iii) Categorisation of financial instruments

Carrying amount of financial instruments by category:

	Note	Category	2012 \$'000	2011 \$'000
Financial Assets				
Cash and deposits	5	Cash and deposits	5,005	1,358
Receivables ^(a)	6	Loans and receivables	13,662	13,243
Investments, loans and other financial assets	7	Financial assets	47,187	57,903
			65,854	72,504
Financial liabilities				
Payables	12	Payables	14,963	20,291
Other current liabilities-Advances Float for ACE stage 2	14	Other liabilities	2,500	2,500
Other non-current liabilities-Energy Performance contract repayment	14	Other liabilities	1,215	-
			18,678	22,791
Note:				
^(a) Receivables and payables disclosed here exclude statutory receivables and statutory payables.				

Market risk

The Institute in its daily operations is exposed to a number of market risks. Market risks relate to the risk that market rates and prices will change and that this will have an adverse affect on the operating result and/or net worth of the Institute. e.g. an adverse movement in interest rates or foreign currency exchange rates.

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

The Board ensures that all market risk exposure is consistent with the Institute's business strategy and within the risk tolerance of the Institute. Regular risk reports are presented to the Board.

There has been no significant change in the Institute's exposure, or its objectives, policies and processes for managing market risk or the methods used to measure this risk from the previous reporting period.

Foreign currency risk

The Institute is exposed to fluctuations in foreign currencies arising from the delivery of services in currencies other than AUD\$. This risk is managed by natural hedging where possible.

There has been no significant change in the Institute's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

Price risk

The Institute is exposed to price risk in respect of changes to the market price of investments.

There has been no significant change in the Institute's exposure, or its objectives, policies and processes for managing price risk or the methods used to measure this risk from the previous reporting period.

Interest rate risk

Interest rate risk arises from the potential for a change in interest rates to change the expected net interest earnings in the current reporting period and in future years. Similarly, interest rate risk also arises from the potential for a change in interest rates to cause a fluctuation in the fair value of the financial instruments. The objective is to manage the rate risk to achieve stable and sustainable net interest earnings in the long term. This is managed predominantly through a mixture of short term and longer term investments. Interest rate movements have not been sufficiently significant during the year to have an impact on the Institute's year end result.

The Institute's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date are set out in the financial instrument composition and maturity analysis table.

Funding risk

Funding risk is the risk of over reliance on a funding source to the extent that a change in that funding source could impact on the operating result for the current year and future years. The Institute manages funding risk by continuing to diversify and increase funding from Commercial activities, both domestically and offshore.

There has been no significant change in the Institute's exposure, or its objectives, policies and processes for managing funding risk or the methods used to measure this risk from the previous reporting period.

Concentrations of Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There are no material amounts of collateral held as security at 31 December 2012.

Credit risk is managed on a group basis and reviewed regularly by the Resource Management committee. It arises from exposures to customers as well as through certain derivative financial instruments and deposits with financial institutions.

The finance investment committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the group's strict credit policies may only purchase in cash or using recognised credit cards.

The Institute does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Institute.

The trade receivables balance at 31 December 2012 and 31 December 2011 do not include any counter parties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

Credit risk in trade receivables is managed in the following ways:

- Payment terms are 14 days from date of invoice.
- Debtors with accounts in excess of 30 days are sent a statement of account indicating a further 14 days before reference to debt collection agency.

Debtors which represent government departments or agencies are not referred to debt collection, but managed by the Institute directly with department or agency contacts.

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 27 – Financial instruments (continued)

The Institute minimises concentrations of credit risk in relation to student loans receivable by undertaking transactions with a large number of students, all located in Australia.

Credit risk in student payment plans is managed in the following ways:

- Specific conditions have been established which are applicable to all payment plans.
- All monies must relate to the attendance at the Institute including tuition fees, amenities fees and ancillary fees.
- A schedule of repayments is agreed with the student at the time of making application.
- If a payment fails to come out of a student's account due to insufficient funds a dishonour fee is charged.
- Enrolment will be reviewed and/or terminated after two rejected payments.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Institute's governing body, which has built an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity requirements. The Institute manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

There has been no significant change in the Institute's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

(ii) Summarised sensitivity analysis

31 December 2012		Interest rate risk				Other price risk			
		Rates move by:							
		1%		2%		30%		40%	
		Carrying amount (\$'000s)	Possible effect/		Possible effect/		Possible effect/		Possible effect/
Result (\$'000s)	Equity (\$'000s)		Result (\$'000s)	Equity (\$'000s)	Result (\$'000s)	Equity (\$'000s)	Result (\$'000s)	Equity (\$'000s)	
Cash and deposits - Cash at bank	5,005	+/- 50	+/- 50	+/- 100	+/- 100	-	-		
Loans and receivables - receivables	14,217	+/- 142	+/- 142	+/- 284	+/- 284	-	-		
Loans and receivables - Term deposits	11,000	+/- 110	+/- 110	+/- 220	+/- 220	-	-		
Available for sale financial assets - ANZ Capital Guaranteed Floating rate note (Issued at \$1.00/unit)	970					+/- 291	+/- 291	+/- 388	+/- 388
Other financial assets - Term deposits	21,000	+/- 210	+/- 210	+/- 420	+/- 420				
Total increase/ (decrease) in financial assets		+/- 512	+/- 512	+/- 1024	+/- 1024	+/- 291	+/- 291	+/- 388	+/- 388
31 December 2011		Interest rate risk				Other price risk			
		Rates move by:							
		1%		2%		30%		40%	
		Carrying amount (\$'000s)	Possible effect/		Possible effect/		Possible effect/		Possible effect/
Result (\$'000s)	Equity (\$'000s)		Result (\$'000s)	Equity (\$'000s)	Result (\$'000s)	Equity (\$'000s)	Result (\$'000s)	Equity (\$'000s)	
Cash and deposits - Cash at bank	1,358	+/- 14	+/- 14	+/- 27	+/- 27	-	-		
Loans and receivables - receivables	5,439	+/- 54	+/- 54	+/- 109	+/- 109	-	-		
Loans and receivables - Term deposits	25,550	+/- 256	+/- 256	+/- 511	+/- 511	-	-		
Available for sale financial assets - ANZ Capital Guaranteed Floating rate note (Issued at \$1.00/unit)	914					+/- 274	+/- 274	+/- 366	+/- 366
Other financial assets - Term deposits	26,000	+/- 260	+/- 260	+/- 520	+/- 520				
Total increase/ (decrease) in financial assets		+/- 584	+/- 584	+/- 1167	+/- 1167	+/- 274	+/- 274	+/- 366	+/- 366

KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Note 27 – Financial instruments (continued)

(iii) Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

2012	Weighted average effective rate	Floating interest rate '000	Within 1 year '000	1-5 years '000	More than 5 years '000	Non interest bearing '000	Total carrying amount per balance sheet '000
Financial assets							
Cash and deposits							
Cash and deposits-Cash at bank	2.9%	4,337	-	-	-	668	5,005
Contractual receivables							
Loans and receivables - receivables and term deposits	5.0%	-	25,217	-	-	-	25,217
Available for sale financial assets - ANZ Capital Guaranteed Floating rate note (price per unit)	\$0.96	970	-	-	-	-	970
Receivables-Debtors	-	-	-	-	-	4,146	4,146
Receivables from other parties	-	-	-	-	-	9,516	9,516
Statutory receivables							
GST receivable from ATO	-	-	-	-	-	154	154
Investment, loans and other financial assets							
Other financial assets:							-
Long term deposits	6.0%			21,000			21,000
Total financial assets		5,307	25,217	21,000	-	14,484	66,008
Financial liabilities							
Trade and other payables	-	-	-	-	-	14,963	14,963
Advances float for ACE stage 2						2,500	2,500
Energy performance contract repayment:						1,215	1,215
Total financial liabilities		-	-	-	-	18,678	18,678

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 27 – Financial instruments (continued)

(iii) Financial Instrument Composition and Maturity Analysis (continued)

2011	Weighted average effective rate	Floating interest rate '000	Within 1 year '000	1-5 years '000	More than 5 years '000	Non interest bearing '000	Total carrying amount per balance sheet '000
Financial assets							
Cash and deposits							
Cash and deposits-Cash at bank	4.4%	820	-	-	-	538	1,358
Contractual receivables							
Loans and receivables - receivables and term deposits	5.6%	-	30,989	-	-	-	30,989
Available for sale financial assets - ANZ Capital Guaranteed Floating rate note (price per unit)	\$0.914	914	-	-	-	-	914
Receivables-Debtors	-	-	-	-	-	6,131	6,131
Receivables from other parties	-	-	-	-	-	7,112	7,112
Statutory receivables							
GST receivable from ATO	-	-	-	-	-	39	39
Investment, loans and other financial assets							
Other financial assets:							-
Long term deposits	6.3%			26,000			26,000
Total financial assets		1,734	30,989	26,000	-	13,820	72,543
Financial liabilities							
Trade and other payables	-	-	-	-	-	20,291	20,291
Advances float for ACE stage 2						2,500	2,500
Energy performance contract repayment:						-	-
Total financial liabilities		-	-	-	-	22,791	22,791

KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Note 27 – Financial instruments (continued)

(iv) Ageing analysis of financial assets

2012 Financial assets	Carrying amount	Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	
Contractual receivables							
Trade receivables	4,146	3,563	422	-	-	-	161
Receivables from other parties	9,516	9,516	-	-	-	-	-
Statutory receivables							
GST receivable from ATO	154	154	-	-	-	-	-
Investments, loans and other financial assets							
Loans and receivables - receivables and term deposits (Australian Dollar).	25,217	25,217	-	-	-	-	-
Available-for-sale financial assets - ANZ Capital Guaranteed Floating rate note	970	970	-	-	-	-	-
Other Financial Assets-Term Deposits	21,000	21,000	-	-	-	-	-
Total 2012 Financial assets	61,003	60,420	422	-	-	-	161
2011 Financial assets							
	Carrying amount	Not past due and not impaired	Past due but not impaired				Impaired financial assets
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	
Contractual receivables							
Trade receivables	6,131	4,975	645	273	77	-	161
Receivables from other parties	7,112	7,112	-	-	-	-	-
Statutory receivables							
GST receivable from ATO	39	39	-	-	-	-	-
Investments, loans and other financial assets							
Loans and receivables - receivables and term deposits (Australian Dollar).	30,989	30,989	-	-	-	-	-
Available-for-sale financial assets - ANZ Capital Guaranteed Floating rate note	914	914	-	-	-	-	-
Other Financial Assets-Term Deposits	26,000	26,000	-	-	-	-	-
Total 2011 Financial assets	71,185	70,029	645	273	77	-	161

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 27 – Financial instruments (continued)

Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Institute is the current bid price.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Institute uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

Where the carrying amount exceeds the fair value of financial assets designated as available for sale, such changes in fair value are recognised directly through the equity section of the balance sheet until the investment is disposed of or is impaired.

The carrying amounts and aggregate net fair values of financial assets and liabilities at balance date are:

Financial instruments	2012		2011	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial assets				
Cash and deposits				
Cash at bank and on hand	5,005	5,005	1,358	1,358
Contractual receivables				
Trade receivables	4,146	4,146	6,131	6,131
Receivables from other parties	9,516	9,516	7,112	7,112
Statutory receivables				
GST receivable from ATO	154	154	39	39
Investments, loans and other financial assets				
Loans and receivables - receivables and term deposits (Australian Dollar).	25,217	25,217	30,989	30,989
Available-for-sale financial assets - ANZ Capital Guaranteed Floating rate note	970	970	914	914
Other Financial Assets-Term Deposits	21,000	21,000	26,000	26,000
Total financial assets	66,008	66,008	72,543	72,543
Financial liabilities				
Payables	14,963	14,963	20,291	20,291
Other current liabilities-Advances Float for ACE stage 2	2,500	2,500	2,500	2,500
Other non-current liabilities-Energy Performance contract repayment	1,215	1,215	-	-
Total financial liabilities	18,678	18,678	22,791	22,791

KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Note 27 – Financial instruments (continued)

Fair value estimation (continued)

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Fair value measurements recognised in the balance sheet are categorised into the following levels:

	2012	Level 1 Quoted Prices \$'000	Level 2 Observable Price Inputs \$'000	Level 3 Unobservable Inputs \$'000
Financial assets				
Available for sale financial assets - ANZ Capital Guaranteed Floating rate note	970	970	0	0
Total	970	970	0	0
	2011	Level 1 Quoted Prices \$'000	Level 2 Observable Price Inputs \$'000	Level 3 Unobservable Inputs \$'000
Financial assets				
Available for sale financial assets - ANZ Capital Guaranteed Floating rate note	914	914	0	0
Total	914	914	0	0

KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Note 27 – Financial instruments (continued)

Terms, conditions and accounting policies

The Institute's accounting policies, including the terms and conditions of each class of financial asset and financial liability instrument, both recognised and unrecognised at reporting date, are as follows:

Recognised financial instruments	Notes	Accounting policies	Terms and conditions
Financial assets			
Cash and deposits - cash at bank and on hand	5	Cash at bank is carried at the nominal amount.	Cash is invested as funds permit at varying interest rates between 1% and 4.5%
Receivables debtors	6	Trade debtors are carried at amortised cost less any allowance for doubtful debts. An allowance for doubtful debts is maintained to recognise that collection of the full nominal amount is no longer probable.	Credit sales are on 14 day terms
Current and non-current - Loans and receivables - Term deposits:	7	Term deposits are stated at their amortised cost on initial recognition. Interest revenue is recognised in the comprehensive operating statement when it is earned.	Loans are provided to other parties for a term ranging between 1 and 4.9 years at an effective interest rate between 2.95% and 6.8%.
Available for sale financial assets - ANZ Capital Guaranteed Floating rate note:	7	Other investments comprising debt securities are classified by the Institute as being held available-for-sale. These are carried at fair value. Changes in the fair value of such financial assets are recognised directly through the equity section of the balance sheet until the investment is disposed of or is impaired, then the cumulative gain or loss previously recognised in equity is recognised in profit or loss for the period.	ANZ Capital Guaranteed Floating rate note matures in less than six years with guaranteed return of the principal. Coupons are paid on a contingent basis depending on performance criteria.
Financial liabilities			
Payables creditors and accruals	12	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not invoiced to the Institute.	Trade liabilities are settled as required.
Other liabilities Advances other - Float for ACE stage 2	14	Non-interest bearing and unsecured advance for ACE stage 2.	Settled as required.
Energy performance contract repayment		Non-interest bearing and unsecured	Repayable over an eight year period commencing June 2014.

JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439

VAGO
Victorian Auditor-General's Office

Level 24, 55 Collins Street
Melbourne VIC 3000
Telephone 61 3 8661 7000
Facsimile 61 3 8661 7070
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Directors of John Batman Consultancy & Training Pty Ltd

The Financial Report
The accompanying financial report for the year ended 31 December 2012 of John Batman Consultancy & Training Pty Ltd which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors and Accountable Officers' declaration has been audited.

The Directors' Responsibility for the Financial Report
The Directors of John Batman Consultancy & Training Pty Ltd are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the financial reporting requirements of the Corporations Act 2001, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
As required by the Corporations Act 2001 and Audit Act 1994, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

1
Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence
The Auditor-General's independence is established by the Constitution Act 1975. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession and the Corporations Act 2001. I confirm that I have given to the Directors of the company a written independence declaration, a copy of which is included in the Directors' Report.

Opinion
In my opinion, the financial report of John Batman Consultancy & Training Pty Ltd is in accordance with the Corporations Act 2001, including:
a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its financial performance for the year ended on that date
b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Matters Relating to the Electronic Publication of the Audited Financial Report
This auditor's report relates to the financial report of John Batman Consultancy & Training Pty Ltd for the year ended 31 December 2012 included both in John Batman Consultancy & Training Pty Ltd's annual report and on the website. The Directors of John Batman Consultancy & Training Pty Ltd are responsible for the integrity of John Batman Consultancy & Training Pty Ltd's website. I have not been engaged to report on the integrity of John Batman Consultancy & Training Pty Ltd's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
21 March 2013


Dr Peter Frost
Acting Auditor-General

2
Auditing in the Public Interest

AUDITOR-GENERAL'S INDEPENDENCE DECLARATION


To the Directors, John Batman Consultancy & Training Pty Ltd

The Auditor-General's independence is established by the Constitution Act 1975. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the Audit Act 1994, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament any matters which the Auditor-General considers appropriate.

Independence Declaration
As auditor for the John Batman Consultancy & Training Pty Ltd for the year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:
(a) no contraventions of auditor independence requirements of the Corporations Act 2001 in relation to the audit
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

MELBOURNE
21 March 2013


Dr Peter Frost
Acting Auditor-General

3
Auditing in the Public Interest

JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439



JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD
ACN 075 726 439

DIRECTOR'S REPORT YEAR ENDED 31 DECEMBER 2012

The Director of the company submits the financial report of the company for the financial year ended 31 December 2012. The financial report has been prepared pursuant to the Financial Management Act 1994 and the provisions of the Corporations Act 2001.

The company was originally established by the former John Batman Institute of TAFE on 23 September 1996. The company has not traded to date.

Director

Mr Ray Griffiths is the Director of the company since 01 May 2004.

The Director had no beneficial interest in the shares of the company. Mr Griffiths is the Director of Kangan Batman Institute of TAFE, and in that capacity could exercise all shareholder rights.

Principal Activities

The company was formed to provide vocational education training and consulting services.

Trading Results

The company has not traded since its creation in 1996. Accordingly, there was no change to the net assets of \$2.

Review of Operations

There was no significant change in the company's affairs during the financial year.

Dividends

The director did not recommend and did not provide for the payment of any dividends during the reporting period.

Share Options

No options over issued shares or interests in the company, or in the parent entity have been granted during or since the end of the financial year and there were no options outstanding at the end of the date of this report.

Significant Changes in the State of Affairs

No significant changes occurred in the state of affairs of the parent entity during the year.

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Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments and Results

It is not envisaged there will be a change to the non-trading status of the company in the coming year.

Environment Regulation

There are no environmental legislations that the economic entity is required to comply with so far as it concerns the operations of the entity.

Indemnifying Officer or Auditor

The company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the cost or expenses to defend legal proceedings.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Meetings of Director

There was no Director's meetings held and attended by the Director during the period 1 January 2012 to 31 December 2012.

No board or other committees existed during the year.

Dated at Broadmeadows the 13th day of March 2013.

Signed by the Director of the company

Richard Turnbull
Interim Director



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JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD
ACN 075 726 439

DIRECTOR AND ACCOUNTABLE OFFICER'S DECLARATION

The Director of the company declares that:

1. The financial statements of John Batman Consultancy and Training Pty Ltd are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
 - (b) complying with Accounting Standards and Corporations Regulations 2001.
2. In the Director's opinion, as at the date of this declaration, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The attached financial statements of the company have been prepared in accordance with Part 7 of the Directions of the Minister for Finance under the Financial Management Act 1994, applicable Australian Accounting Standards and other mandatory professional reporting requirements.
4. The Director is not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

This declaration is made in accordance with a resolution of the Director.

Richard Turnbull
Interim Director and Accountable Officer

Date: 13th March 2013
Broadmeadows

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JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439

**Comprehensive Operating Statement
For the year ended 31 December 2012**

	Note	2012 \$	2011 \$
Continuing operations		0	0
Income from transactions		0	0
Total income from transactions		0	0
Expenses from transactions		0	0
Total expenses from transactions		0	0
Net result from transactions (net operating balance)		0	0
Other economic flows included in net result		0	0
Total other economic flows included in net result		0	0
Net result from continuing operations		0	0
Net result		0	0
Other economic flows – other non-owner changes in equity		0	0
Total other economic flows – Other non-owner changes in equity		0	0
Comprehensive result		0	0

The accompanying notes form part of these financial statements.

**Balance Sheet
As at 31 December 2012**

	Note	2012 \$	2011 \$
Assets			
Financial assets			
Receivables	5,12	2	2
Total financial assets		2	2
Non-financial assets		0	0
Total non-financial assets		0	0
Total assets		2	2
Liabilities		0	0
Total liabilities		0	0
Net assets		2	2
Equity			
Contributed capital		2	2
Total equity		2	2
Commitments for expenditure	14		
Contingent assets and contingent liabilities	15		

The accompanying notes form part of these financial statements.

JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439

Statement of Changes in Equity For the year ended 31 December 2012

	2012 \$	2011 \$
Total equity at the beginning of the year	2	2
Profit attributable to equity shareholders	0	0
Revaluation increment/(decrement)	0	0
Sub-total	2	2
Dividends paid or provided for	0	0
Total equity at the end of the year	2	2

The accompanying notes form part of these financial statements.

Cash Flow Statement For the year ended 31 December 2012

	2012 \$	2011 \$
Cash flows from operating activities		
Payments to suppliers	0	0
Net cash flows from/(used in) operating activities	0	0
Net cash provided by/(used in) investing activities	0	0
Net increase (decrease) in cash and cash equivalents	0	0
Cash and cash equivalents at the beginning of the financial year	0	0
Cash and cash equivalents at the end of the financial year	0	0

The accompanying notes form part of these financial statements.

JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Contents

Note

1. Statutory reporting requirements
2. Statement of significant accounting policies
3. Profit (loss) from ordinary activities
4. Income tax
5. Receivables - other
6. Contributed equity
7. Credit facilities
8. Director's remuneration
9. Responsible person and related parties disclosures
10. Company details
11. Financial instruments
12. Events subsequent to reporting date
13. Economic dependency
14. Commitments for expenditure
15. Contingent assets and liabilities

1. Statutory reporting requirements

John Batman Consultancy and Training Pty Ltd is a company established by Kangan Batman TAFE under the authority of the *Vocational Education and Training Act 1990*, Section 26(2). The company has not traded since its formation.

The financial report of John Batman Consultancy and Training Pty Ltd for the year ended 31 December 2011 has been prepared pursuant to the *Financial Management Act 1994* and the *Corporations Act 2001*.

2. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report is prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

John Batman Consultancy and Training Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

The accounting policies adopted are consistent with those of the previous year.

Accounting policies

Receivables

Receivables consist predominantly of debtors in relation to goods and services, accrued investment income and GST input tax recoverable. Receivables are recognised initially at fair value and subsequently measured at amortised cost using

the effective rate of interest method, less any accumulated impairment. A provision for doubtful debts is made when there is objective evidence that the debts will not be collected. Bad debts are written off when identified.

Financial assets – loans and receivables

Loans and receivables consist mainly of other receivables, including non-derivative financial assets. Non-derivative financial assets with fixed or determinable payments and not quoted in an active market, arise when the Company provides money to a debtor with no intention of selling the receivable. It is included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables – others in the balance sheet.

These are recorded at amortised cost using the effective interest method, less an allowance for any impairment of receivables.

Contributed equity

Funding that are in the nature of contributions by Kangan Institute, are treated as contributed equity.

Function currency and rounding

The functional currency of the entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Commitments and contingencies

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value. Contingent assets and liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Comparatives

When required by accounting standards or as a result of changes in accounting policy, comparative figures have been adjusted to conform to changes in presentation for the current financial year. There have been no changes to the previous year's figures.

3. Profit (loss) from ordinary activities

The company did not trade during the year.

4. Income tax

The company is exempt from income tax under Subdivision 50-B of the Income Tax Assessment Act, 1997.

5. Receivables - other

	2012	2011
Current		
Cash held by parent entity	\$2	\$2

JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

6. Contributed equity

	2012	2011
Two fully paid ordinary shares at \$1 each	\$2	\$2

7. Credit facilities

There were no credit facilities in place at either 31 December 2012 or 31 December 2011.

8. Director's remuneration

The Director received no remuneration from the company. There were no loans to the Director. The Director was not a full-time employee of the company. However, the Director received remuneration from other entities as follows.

Mr Griffiths is employed as Director of Kangan Institute. Mr Griffiths has not received any fees for services provided to the company.

Income paid or payable or otherwise made available to the Director by the parent entity, Kangan Institute, in connection with the management of affairs of the parent entity and its controlled entity:

Income range	2012	2011
\$200,000 - \$209,999	0	0
\$210,000 - \$219,999	0	0
\$220,000 - \$229,999	0	0
\$230,000 - \$239,999	0	0
\$240,000 - \$249,999	0	0
\$250,000 - \$259,999	0	0
\$260,000 - \$269,999	0	0
\$270,000 - \$279,999	1	1

9. Responsible person and related parties disclosures

The company is a proprietary company limited by shares. The shareholders are nominated by the Council of Kangan Institute. There are no other related parties.

The relevant Minister is The Hon. Peter Hall MLC, Minister for Higher Education and Skills. Remuneration of the Minister is disclosed in the financial report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members interests which is completed by each member of the Parliament.

The person responsible for the company was the Director of Kangan Institute.

Mr Ray Griffiths is the Director of the company since 01 May 2004.

There was no remuneration received, or due and receivable from the company in connection with the management of either the company or any related entity.

There were no retirement benefits paid by the company in connection with the retirement of a director during the financial year.

There were no amounts paid to a superannuation plan or other entity by the company in connection with the retirement of a director during the financial year.

There were no loans in existence at reporting date that have been made, guaranteed or secured by the company or any related party to a director of the company or a director-related party of that director.

There were no interests in the shares of related entities held by the Director of the company.

There were no other transactions between the company and Director and his related parties during the financial year.

Other related party transaction: \$2 Receivable/Cash from/held by parent entity.

10. Company details

The registered office of John Batman Consultancy and Training Pty Ltd is:

Kangan Institute
Pearcedale Parade
Broadmeadows Victoria.

11. Financial instruments

Fair value estimates

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

The carrying value less impairment provision of trade receivables is a reasonable approximation of their fair values due to the short-term nature of trade receivables.

The carrying amounts and aggregate net fair values of financial assets and liabilities at balance date are:

	Total carrying amount as per balance sheet		Net fair value	
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial assets				
Receivables - other	2	2	2	2
Total financial assets	2	2	2	2

Financial risk management objectives

The Company's activities expose it to a variety of financial risks, mainly credit risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company by adhering to principles on

JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

credit risk. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Company uses different methods to measure different types of risk to which it is exposed. These methods include ageing analysis for credit risk.

(ii) Financial risk exposures and management

The main risks the Company is exposed to through credit risk.

Credit risk

The Company's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

12. Events subsequent to reporting date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the entity, the results of those operations, or the state of affairs of the company in future financial years.

13. Economic dependency

Kangan Institute which owns all the share capital of John Batman Consultancy and Training Pty Ltd will support the entity financially to ensure that the entity can pay its debts as and when they fall due.

14. Commitments for expenditure

The company has no capital or operating commitments as at 31 December 2012 (2011, nil).

15. Contingent assets and liabilities

There were no contingent assets and liabilities for 2012 and 2011.

Disclosure index

The Institute's Annual Report is prepared in accordance with the Financial Management Act 1994 and the Directions of the Minister for Finance. This index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

Source reference	Reporting requirement	Identify relevant page(s)	Source reference	Reporting requirement	Identify relevant page(s)
(A) Report of operations			[11]	TAFE Gov. Review Summary of training undertaken by board members throughout the year, including the number and type of programs.	28
[1]	SD 4.2(g) FRD 22 The Report of Operations is to include qualitative and quantitative information on operations and be prepared on a basis consistent with the financial statements prepared pursuant to the Financial Management Act 1994. This report is to provide users with information about: <ul style="list-style-type: none"> • an institute and its activities; • operational highlights for the reporting period; • future initiatives; and • other relevant information not included in the financial statements. 	2-45	[12]	TAFE Gov. Review A summary of performance and activities of a board including a brief description of a values of a board and whether there is a code of conduct used to guide board decisions.	28
[2]	SD 4.2(h) FRD 22 The Report of Operations must be prepared in accordance with the requirements of the financial reporting directions.	9	[13]	FRD 22B Statement on an institute's workforce data for the current and previous reporting period.	44-45
[3]	SD 4.5.5 Signature of responsible person – Attestation of compliance with the Australian/New Zealand Risk Management Standard.	8	[14]	FRD 22B Statement on the application of employment and conduct principles.	44-45
[4]	SD 4.2(j) FRD 22 Signature of responsible person – The Report of Operations must be signed and dated by the Accountable Officer in the case of a Government Department, or in the case of any other Public Sector Body, a member of the responsible Body.	8-9	[15]	FRD 22B Statement on occupational health and safety including appropriate performance indicators outlining an institute's performance against such indicators and details of assessments and measures taken to improve the occupational health and safety of employees.	40-43
Standard disclosures in the report of operations			[16]	FRD 22B A general statement on industrial relations within an institute and details of time lost through industrial accidents and disputes.	38
General information			Disclosure index		
[5]	FRD 22 Manner of Establishment, including the relevant Minister.	2-3	[17]	FRD 10 The Disclosure Index is to contain a list identifying the relevant clauses of Victorian legislation with statutory disclosure requirements.	94-96
[6]	FRD 22 The objectives, functions, powers and duties, linked to a summary of its activities, programs and achievements for the reporting period.	2, 29-35	[18]	FRD 10 A short description of the relevant requirement.	94
[7]	FRD 22 Nature and range of service provision, including the communities served.	2-3	[19]	FRD 10 The page in an annual report where the disclosure in satisfaction of the relevant requirement is made.	94-96
[8]	FRD 22 Organisational chart(s) detailing members of the governing board and the CEO, and organisational chart(s) detailing occupants of senior officers and their responsibilities.	18-28	DISCLOSURES		
Governance			Disclosure of ex-gratia payments		
Recommendations of the TAFE Governance Review, May 2003			[20]	FRD 11 Disclosure in aggregate of the nature and amount of any ex gratia payments incurred and written off during the reporting period. This is to be included in the notes to the financial statement.	32
[9]	TAFE Gov. Review Outline of the structure of the board including: <ul style="list-style-type: none"> • committees of the board; • descriptions of their functions; and • the names of the members of each committee. 	20-24	Disclosures of responsible persons		
[10]	TAFE Gov. Review Outline of the structure of an institute board, including: <ul style="list-style-type: none"> • names and qualifications of members of the board, including knowledge, experience and skills; and • a summary of the number of meetings attended by each board member. 	24-28	[21]	FRD 21A (1) (a) The name of each person holding a position that meets the definition of responsible person of the reporting entity at any time during the reporting period.	76
			Disclosures of remuneration of executive officers		
			[22]	FRD 21A (1) (b) Where there is more than one responsible person during any reporting period, the total remuneration of all responsible persons received or receivable in connection to their employment.	76-77
			[23]	FRD 21A (1) (c) An analysis of remuneration of responsible persons: <ul style="list-style-type: none"> • in bands of \$10,000; and • listing the number of responsible persons whose actual remuneration for the period falls within each band. 	76-77

Source reference	Reporting requirement	Identify relevant page(s)
[24] FRD 21A (1) (d)	A table disclosing the aggregate amount of related party transactions at the reporting date, including but not limited to the aggregate amount of repayments, shares and share options and other sources of remuneration that do not come under the definition of any of the above mentioned categories received by the responsible person in addition to base remuneration.	76-77
[25] FRD 21(2) (a)	Total remuneration of all executive officers received or receivable in connection to their employment: <ul style="list-style-type: none"> including the remuneration of executive officers acting in the position of an accountable officer at any time during the reporting period; and to ensure disclosures are meaningful, additional information may need to be disclosed about the nature of such remuneration. 	76-77
[26] FRD 21 (2) (b)	Base remuneration disclosed separately from actual remuneration. Significant variations between total and base remuneration should be supported by explanatory commentary.	76-77
[27] FRD 21 (2) (c)	Accrual principles that apply in determining remuneration levels. All amounts received or receivable by the individual are to be disclosed.	60-61
Financial information		
[28] FRD 22	Summary of financial results with comparative information for preceding four years.	10-16
[29] FRD 22	Summary of significant changes in financial position.	10-16, 50-53
[30] FRD 22	Summary of operational and budgetary objectives, including performance against objectives and significant achievements.	2-16, 29-32
[31] FRD 22	Events subsequent to balance date which may have a significant effect on operations in subsequent years, including a summary of major changes affecting the achievement of operational objectives.	74
[32] FRD 22	For each consultancy valued in excess of \$10,000, set out: <ul style="list-style-type: none"> a schedule listing the consultants engaged; a summary of project involved; total project fees approved (excluding GST); expenditure for the reporting period (excluding GST); and future commitments relating to consultant. 	38-32
[33] FRD 22	Total number of consultancies individually valued at less than \$10,000 (excl. of GST).	38
[34] FRD 22	Total expenditure (exclusive of GST) of these consultancy engagements.	38
[35] FRD 22	Financial information must be consistent with that included in the financial statements.	47-48

Source reference	Reporting requirement	Identify relevant page(s)
[36] FRD 22	The Report of Operations should be presented in a format that complements the financial report as a whole: <ul style="list-style-type: none"> containing any additional information the accountable officer or the governing board considers appropriate; or any information which has been mandated by other authoritative pronouncements. <p>The Report of Operations must contain general and financial information, including other relevant financial information, outlining and explaining an entity's operations and activities for the reporting period.</p>	2-16
[37] FRD 27	The Report of Operations must include in its report of operations an audited statement of performance including: <ul style="list-style-type: none"> the relevant performance targets and indicators as determined by the responsible Minister; the actual results achieved for that financial year against pre-determined performance targets and indicators; and an explanation of any significant variance between the actual results and performance targets indicators. 	10-16
Other relevant information		
[38] FRD 22	Summary of Application of the Freedom of Information Act 1982 (including amendments of 3 August 2007).	38
[39] FRD 22	Statement on compliance with building and maintenance provisions of the Building Act 1993 (including amendments of 1 July 2007).	36
[40] FRD 22	Summary of the application and operation of the Whistleblowers Protection Act 2001 (including amendments of 1 July 2007) and disclosures required by this Act.	44
[41] FRD 22	Statement on implementation and compliance with National Competition Policy, including statement on compliance with policy statements, especially: <ul style="list-style-type: none"> Competitive Neutrality: A Statement of Victorian Government Policy; Victorian Government Timetable for the Review of Legislative Restrictions on Competition; and any subsequent reforms. 	40
[42] FRD 22	Summary of environmental performance.	34-35
[43] FRD 22	Statement (to the extent applicable that the information listed in Appendix 1) is available on request to the relevant Minister, members of Parliament or the public. <p>This includes additional information available on request subject to provision of the Freedom of Information Act 1982 (including amendments of 3 August 2007).</p>	38
[44] FRD 22	Statement that declarations of pecuniary interests have been duly completed by all relevant officers.	38
[45] FRD 22	Details of shares held by senior officers (as nominees or held beneficially in a statutory authority or subsidiary).	38
[46] FRD 22	Details of publications produced by the entity about itself and how they can be obtained).	38

Source reference	Reporting requirement	Identify relevant page(s)
[47] FRD 22	Details of major promotional, public relations and marketing activities undertaken to develop community awareness of the institute and its services.	38
[48] FRD 22	Details of changes in prices, fees, charges, rates and levies charged by the institute.	38
[49] FRD 22	Details of any major external reviews carried out on the institute.	38
[50] FRD 22	Details of major research and development activities undertaken by the institute.	38
[51] FRD 22	Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit.	38
[52] FRD 22	List of major committees sponsored by the institute, the purposes of each committee and the extent to which the purposes have been achieved.	38

Overseas operations of Victorian TAFE institutes

[53] PAEC	Financial and other information on initiatives taken or strategies relating to the institute's international operations.	38-40
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Auditor General

Recommendation in relation to Overseas Operations of Victorian TAFE Institutes – 3.110 Auditor General, Special Reviews, 30 June 2002.

[54] 3.110	Information in annual reports of a TAFE institute should include: <ul style="list-style-type: none"> • nature of strategic and operational risks; • strategies established to manage such risks; • performance measures and targets formulated for off shore operations; and • the extent to which expected outcomes have been achieved. 	33, 38-40
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Financial reporting direction 27 – presentation of reporting and performance information

Audited Statements of Key Performance Measures (KPIs) must include an audited statement of performance for certain KPIs.

[55] FRD 27A	Reporting and performance should be presented using KPIs and a signed Performance Management Certificate should also be completed. (The following 11 are the mandatory KPIs) <ol style="list-style-type: none"> 1. Participation of 15-24 year olds. 2. Participation of 25-64 year olds. 3. Module Load Completion Rate. 4. Student satisfaction. 5. Total Cost per Student Contact Hour (SCH). 6. Working Capital Ratio. 7. Net Operating Margin. 8. Fee for Service Revenue. 9. Revenue per EFT Staff. 10. Student Contact Hours (SCH). 11. Energy Consumption. 	9-10
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(B) Financial Statements

Part 7 of the Financial Management Act 1994 (FMA)

[56] FMA 49 (a)	Must contain such information as required by the Minister.	46-93
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Source reference	Reporting requirement	Identify relevant page(s)
[57] FMA 49 (b)	Must be prepared in a manner and form approved by the Minister.	46-93
[58] FMA 49 (c)	Must present fairly the financial transactions of an institute during the financial year to which they relate.	49
[59] FMA 49 (d)	Must present fairly the financial position of an institute as at the end of the year.	49
[60] FMA 49 (e)	Must be certified by the Accountable Officer for an institute in the manner approved by the Minister.	49

The Financial Statements must be prepared in accordance with:

[61] SD 4.2 (a)	Australian Accounting Standards (AAS and AASB) and other mandatory professional reporting requirements (including Urgent Issues Group Consensus Views and Statements of Accounting Concepts).	54
[62] SD 4.2 (a)	Financial Report Directions.	54
[63] SDA 4.2 (a)	Business rules.	54

The Financial Statements are to comprise the following:

[64] SD 4.2 (b)	An operating statement.	50
[65] SD 4.2 (b)	A balance sheet.	51
[66] SD 4.2 (b)	A statement of recognised income and expenses.	52
[67] SD 4.2 (b)	A cash flow statement.	53
[68] SD 4.2 (b)	Notes to the financial statements.	54-86

The Financial Statements must, where applicable, be signed and dated by the Accountable Officer, CFAO and a member of the Responsible Body stating whether, in their opinion:

[69] SD 4.2 (c)	The Financial Statements present fairly the financial transactions during the reporting period and the financial position at the end of the period.	49
[70] SD 4.2 (c)	The Financial Statements are prepared in accordance with this direction and applicable Financial Reporting Directions.	49
[71] SD 4.2 (c)	The Financial Statements comply with applicable Australian Accounting Standards (AAS and AAB) and other mandatory professional reporting requirements (including Urgent Issues Group Consensus Views and Statements of Accounting Concepts).	49

CAMPUS LOCATIONS

Broadmeadows

(Main campus)
Pearcedale Parade
BROADMEADOWS VIC 3047

Docklands

(Automotive Centre of Excellence)
1 Batmans Hill Drive
DOCKLANDS VIC 3008

Melbourne CBD

(English Language Centre)
Mezzanine Floor, 278 Flinders Lane
MELBOURNE VIC 3000

Essendon

38 Buckley Street
ESSENDON VIC 3040

Moonee Ponds

Level 1, 21-31 Hall Street
MOONEE PONDS VIC 3039

Richmond

85 Cremorne Street
RICHMOND VIC 3121

VETASSESS

Level 5, 478 Albert Street
EAST MELBOURNE VIC 3002
Phone: +61 3 9655 4801
Fax: +61 3 9654 3385
Visit: vetassess.com.au

eWORKS

Level 5
437 St Kilda Road
MELBOURNE VIC 3004
Phone: +61 3 9661 8700
Fax: +61 3 9661 8799
Visit: eworks.edu.au

Kangan Institute provides training in secure custodial settings at:

Dame Phyllis Frost Centre

Riding Boundary Road
DEER PARK VIC 3023

Disability Forensic and Treatment site

Yarra Bend Road
FAIRFIELD VIC 3078

Fulham Correctional Centre

Hopkins Road
SALE VIC 3850

Melbourne Assessment Prison

Spencer Street
WEST MELBOURNE VIC 3003

Metropolitan Remand Centre

Middle Road
RAVENHALL VIC 3023

Parkville Youth Justice Precinct

Park Street
PARKVILLE VIC 3026

Port Phillip Prison

Corner Dohertys Road and Palmers Road
LAVERTON VIC 3028

Thomas Embling Hospital

Yarra Bend Road
FAIRFIELD VIC 3078

Your feedback

If you would like to provide feedback about this annual report, please email corporatecommunications@kangan.edu.au

Additional copies

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Contact Us

Kangan Institute
Private Bag 299
Somerton VIC 3062
Call: 13 TAFE (13 8233)
(Victoria, Australia only)
or +61 3 9279 2222
Fax: +61 3 9279 2590
Email: enquiries@kangan.edu.au
Visit: kangan.edu.au

Contact us

Kangan Institute
Private Bag 299
Somerton 3062

Call: **13 TAFE (13 8233)**
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Or **+61 3 9279 2222**
Fax: **+61 3 9279 2590**
Email: enquiries@kangan.edu.au
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