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## **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 2013.

This annual report also describes the Institute's performance in the key priority areas identified in Kangan Institute's 2013-2020 strategic plan.

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# Introduction

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The responsible Minister during 2013 was The Hon. Peter Hall, MLC, Minister for Higher Education and Skills and Minister responsible for the Teaching Profession.

## Our purpose

We provide real world vocational education and training that helps enterprises grow, communities prosper and individuals realise their career potential.

## Values

- Respect for people
- Continuous improvement
- Customer consciousness
- Initiative
- Enterprise thinking
- Innovation
- Built-in quality
- Working together
- Accountability

## Our aspiration

By 2020 we will be:

- a world class global provider of vocational education and workforce development
- delivering superior value for customers through innovative vocational learning products and services
- equipping individuals and enterprises with the skills necessary for work

## Objectives, strategies and direction

Kangan Institute's strategic plan aligns the organisation against four key metrics:

- Delivering customer value through strengthening customer interaction, improving customer value and developing productive collaborations and partnerships.
- Ensuring financial sustainability through dynamic (scalable and replicable) business models, diversified revenue streams for sustainability and profitable growth as well as physical and digital infrastructure that is aligned with strategy.
- Creating operational excellence through standardised processes driven by customer value, leveraging technology for sustainability as well as strengthened learning and assessment product development and lifecycle management.
- Boosting staff engagement through highly engaged, innovative, agile and aligned staff alongside high performing teams leveraging cross-discipline capability networks.

## Our story

With a history that 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 that reflect these historical links including the award-winning Automotive Centre of Excellence, the Aviation Industry Training Centre and the Centre for Fashion and Creative Industries set in Melbourne's fashion and retail heart.

We attract more than 40,000 enrolments each year and are a major training provider for the automotive, aerospace and health industries as well as Indigenous education. We also have a strong presence in a range of industries such as fashion, business as well as justice and legal.

As one of the state's largest providers of apprenticeship and traineeship training, we have strong relationships with many businesses and cater for students seeking industry-relevant training in a wide range of disciplines and on-site training options to suit the unique needs of the individual learner or organisation.

We maintain close partnerships with industry and enterprise to continually drive course development and customised training. Our courses range from basic certificate to diploma and advanced diploma, with pathways to over 25 university degrees, including the Bachelor of Management and the Bachelor of Information Technology delivered at Kangan Institute with partner universities.

We also provide Skills Recognition to assess prior knowledge and experience, awarding our students with the credits or qualification to match their existing skills.

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.

## 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

We offer over 300 qualifications and a wide range of short courses at dedicated training centres including:

- 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 for Fashion and Creative Industries
- Hospitality and Tourism
- Indigenous Education Centre
- Information Communication Technology
- Language Studies

This annual report complies with all the relevant legislation and subordinate instruments, including but not limited to:

- Education and Training Reform Act 2006 (ETRA)
- TAFE Institute Constitution
- Directions of the Minister for Higher Education and Skills (or predecessors)
- TAFE Institute Commercial Guidelines
- TAFE Institute Strategic Planning Guidelines
- Public Administration Act 2004
- Freedom of Information Act 1982
- Building Act 1983
- Protected Disclosure Act 2012
- Victorian Industry Participation Policy Act 2003

**'As we move into an even more competitive 2014, we're committed to finding new opportunities to grow, enhance our product range and tailor our services to meet new needs and demands of our target audience.'**

### President's welcome



On behalf of the Kangan Institute Board I proudly present our strategic and financial achievements in the 2013 annual report.

From receiving state training awards through to new programs, partnerships and facilities, 2013 has been a year of transformation, innovation, growth and recognition.

This report highlights our operations during the year, showcasing our areas of success and achievement in providing quality education and training to individuals, businesses and communities.

Of significance was the launch of new, state-of-the-art training facilities tailored to modern learning needs. These include a new Learning Commons at Broadmeadows campus with a comprehensive digital setup aligned with our blended learning focus as well as a new Hair and Beauty Salon completing the Richmond campus' full range of fashion and retail training services.

The year also saw the introduction of a new suite of training programs, services and products in line with evolving learner expectations, needs and demands. In July we launched Introduction to VCAL at Richmond campus, a hands-on program that focused on an adult, diverse learning environment to meet the changing needs of young people in the region.

We also introduced the new Bachelor of Information Technology to be delivered at our Broadmeadows campus in partnership with Federation University. The degree provides IT diploma graduates with a pathway to tertiary education as well as an opportunity for learners to complete further studies locally in the northwest region.

Over the year we stepped up our engagement with industry partners, strengthening existing ties and forging new links. The depth of Kangan Institute's relationships across manufacturing and trades, in particular, has kept us at the forefront as these industries undergo transitions. Through our Workers

in Transition, Skills Recognition and skill audit programs with organisations such as Qantas and the VACC, Kangan Institute firmly established its relevance as a leading training provider assisting businesses through transformation.

We continued to build new relationships with key industry partners, especially in automotive and aviation. From a unique scholarship program with Nissan Motorsport taking our students to racing tracks worldwide to new arrangements in South Australia and New South Wales for hybrid and electrical vehicle training delivery, the year has seen us take innovative partnerships up to the next level.

We also took big strides internationally, creating new links with the Sarawak Skills Development Centre (SSDC) in Malaysia and Chinese VET colleges via the new China Federation of International Cooperation.

Our strategies saw some great results over the year, most prominently through Kangan Institute's success in the 2013 Victorian Training Awards as recipient of the VET Client Service/Support Excellence Award and Industry Collaboration of the Year Award with VACC and Holden.

It's important to note that 2013 was also a year of internal transformation and reform following significant funding and policy change implemented in 2012 across TAFE.

As one of Australia's leading lean educational institute various initiatives were implemented to strengthen our core capability in lean thinking and continuous improvement to align with the ongoing changes across TAFE.

Dedicated lean leadership and coaching programs were developed for staff representatives who applied various lean tools to develop on-the-job projects focusing on quality improvement and cost savings.

As we move into an even more competitive 2014, we're committed to finding new opportunities to grow, enhance our product range and tailor our services to meet the changing needs and demands of our target audience.

One of our main focuses will be evolving teaching delivery in line with our strategies and modern learning needs. Over the past years Kangan Institute has established its standing as a leader in blended learning combining face-to-face training with online self-learning, providing students with greater autonomy over their learning journey. In 2014 we'll be building on this strong foundation, employing new technology, learning spaces and applications to provide our learners with even greater flexibility and independence.

Many activities are already planned for the year ahead and we look forward to cementing Kangan Institute's reputation as a top public provider and continuing our vital role in delivering real education, real skills and real jobs for enterprises, communities and individuals.

On behalf of the Board, I'd like to take this opportunity to officially welcome Grant Sutherland who joined Kangan Institute in August as the new CEO to lead the Institute's next phase of growth and development. I'd also like to express my thanks to interim CEO Richard Turnbull and general managers who provided great support and leadership through the first half of the year.

As we close this year I would like to thank all our industry partners, government and community stakeholders and students for your continued support.

I would also like to express my appreciation to my fellow Board members and all Kangan Institute staff members for their effort and dedication this year. Although it has been a challenging 12 months of transition and reform our staff have remained steadfastly committed to excellence. Their individual and collective contributions have made a real difference to the organisation and to the learning experience of our students.

I thank you all once again for your contributions and support throughout 2013. With the Board and the Institute backed by a committed senior management team and a talented, capable staff body across teaching and support areas, I am confident that 2014 will usher in continued success and progress.



**Michael Brown**

Kangan Institute Board President



**'Most importantly the Institute's success is also reflected in the very positive outcomes achieved for our students and our industry partners. Kangan Institute remained true to its purpose and assisted its communities to prosper.'**

### CEO's review



Following the significant policy and funding changes announced in the previous year, 2013 was always going to have a set of challenges to be overcome. To the full credit of the Board, management and staff at Kangan Institute, the Institute had a very successful 2013 in not only overcoming these challenges but also creating and seizing new opportunities.

This success in 2013 is reflected in the financial statements with a strong operational profit of \$4.968m. Most importantly the Institute's success is also reflected in the very positive outcomes achieved for our students and our industry partners. Kangan Institute remained true to its purpose and assisted its communities to prosper.

During the year we launched many initiatives focused on the customer, with a particular emphasis on enhancing the student experience. Student Central was launched in October with the objective to ensure that the journey of every customer, from researching a course, enquiry or application through to enrolment, is enjoyable and positive at every touch point. Under the first stage several key components have commenced such as utilising Hobsons for enquiries and conversion management, the establishment of online enrolment functionality and improvements to the course browser.

The Student Engagement System provided additional support to our students particularly around numeracy and literacy assessment. During 2013 the Institute undertook an extensive evaluation for a new Student Management System and the implementation of this new system will be a key priority for 2014.

The strong Institute focus on the customer extended to the partnerships that Kangan Institute has with industry partners and key clients. The Institute played a key role in assisting those workers who were retrenched or displaced including the major downturn in sectors such as aviation.

A survey was undertaken to ascertain the outcomes of the training programs put in place. Results showed that around 68% of workers who completed assessment and training with Kangan Institute had found new employment. Before the program, 37% had secondary schooling or an apprenticeship as their highest education level. Following the program, those with certificate IV increased from 13% to 44% and those with diplomas increased from 13% to 31%.

Our youth strategy continued to deliver improved outcomes with increased student numbers. Work on the blended learning initiative made substantial progress with students benefiting from increased access to online learning options. Our students now also have additional pathway options through the Institute's strategy to create guaranteed pathways for all our diploma and advanced diploma students to university. Three degree programs will be delivered in partnership with universities at the start of 2014, with two more in mid-2014.

During the year Kangan Institute was awarded the tender again for the Thomas Embling Hospital, which is most pleasing and a credit to the staff involved. The delivery of quality corrections education remains important to the Institute and we look forward to retaining those correctional facilities that will be tendered in 2014.

During the year there were AQTF surveys for students and employers. The Institute took a proactive approach and really encouraged these groups to participate in the surveys, hence obtaining a high response rate. There were many positive areas of feedback on the Institute's performance. There were also areas for improvement and the Institute will diligently follow these up in the spirit of continuous improvement.

The Institute won a number of awards during 2013. At the Wurreker Awards Kangan Institute was the recipient of the TAFE Institute Award. This is tremendous recognition of the work of the Indigenous Education Centre and through this centre the Institute continues its fine work with the local Indigenous community. At the Victorian Training Awards the Institute was successful in the Victorian VET Client Service/Support Excellence Award with our Student Engagement System. The Skills Recognition and Employment Services Department was also a finalist in this category. Further success was achieved at these awards with the Institute winning the Victorian Industry Collaboration Award in partnership with VACC and Holden.

Many of our students and graduates also made state and national headlines in 2013. Our automotive graduate Sevag Parseghian was appointed Australian Apprenticeship Ambassador 2013 following his win as Victorian Apprentice of the Year in 2012. Another star in the automotive field was graduate Jack Burch who took out the Certificate of Excellence Industry Award for Automotive Manufacturing Achievements at the 2013 New South Wales Training Awards.



We were also very proud of cabinetmaking student Sharbel Nemer who won the Excellence in Student Design at the 2013 Australian Furniture of the Year Awards for his unique self-designed DJ booth. Not forgetting as well our talented fashion students Grace Madafferi, Laura Petruccelli, Neville Scott, Katherine O'Keefe, Harry Katakouzinis, Caitlin Bowen and Jay Tran Anh Nguyen who were selected to display their designs in the coveted Melbourne Spring Fashion Week, taking them one step closer to a successful fashion design career.

A key critical success factor for the Institute's performance and future is of course our staff. During the year a range of professional development activities were undertaken to support and enhance our capability. A further initiative was the Organisational Culture Inventory (OCI). This measured the actual culture of the Institute and the preferred culture with the vast majority of staff participating in this survey. This inventory provides a baseline that we can build from and this is a very positive journey for the Institute. To achieve the success to which we aspire we will need a set of values and behaviours embedded across the Institute to drive the exciting future that we have.

The Institute 2013 Rewards and Recognition ceremony was a celebration of the achievements of staff and teams. It is important that we take the time to acknowledge the fine work that is taking place across the Institute, both at awards such as this as well as ensuring that this recognition is embedded into our everyday culture.

Kangan Institute continued its commitment to Lean. During the year programs such as Lean Leadership, Lean Coaches programs and Manager Standard Work commenced. A Lean Maturity Assessment was carried out in November. The transparency, alignment to Institute strategy and continuous improvement are just examples of the principles of Lean and why this is so important to the Institute's long-term future.

In October the Institute supported WorkSafe week. There has been continued progress with the Institute's OH&S performance and our focus on OH&S ensures it remains a key priority across the Institute. Whilst the legislative requirements and obligations are well set out in legislation, the Institute is motivated by providing a safe workplace for our staff, students and visitors.

Institute staff were involved in a large number of community activities recently such as Typhoon Haiyan, Bahay Tuluyan, Movember, White Ribbon day and the Wesley Mission Christmas appeal. There are too many to list but these reflect both the Institute's commitment to supporting the community as well as the generosity and community spirit of our staff.

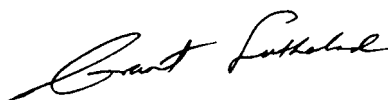
During the year the Institute hosted several international delegations and refined its international strategy to facilitate sustainable growth in this market. The Graduation Ceremony for our international students was held in December.

The launch of National Skills Week was held at the ACE campus in August. Both federal and state government ministers were in attendance as well as important guests from industry and the training sector. In October the Hair and Beauty Salon was officially opened at the Richmond campus. This campus provides our students with an integrated learning experience in fashion, retail, visual merchandising, hair and beauty. The Youth Foyer being constructed at the Broadmeadows campus will be ready in April 2014. The Institute Board is undertaking further work on the future facility requirements of the Institute and plans for the establishment of a Health Education Centre.

The above is only really a snapshot of the achievements and success at Kangan Institute in 2013 and is a wonderful testament to the skills and hard work of the Board, management and staff. I commenced as CEO in August and very quickly one gets a sense of the amount of work that is undertaken right across the Institute to meet the needs of students, industry and the community.

The Board of Directors provides strong and clear leadership and on behalf of the Institute I thank them for this and also their commitment with their time. In particular I would like to record my thanks to the Board Chair, Michael Brown for the expert guidance he provides to the Institute.

A big thank you to the staff of Kangan Institute who have all contributed to the Institute successes this year. I would also like to acknowledge the terrific support the Institute receives from industry and the community. The VET market we operate in will continue to change and Kangan Institute is very well positioned to not only respond to these changes but to be proactive and create new opportunities.



**Grant Sutherland**

Kangan Institute CEO

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# Our year

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## Attestation on compliance with Australian and New Zealand Risk Management Standard



**Kangan Institute**  
**Financial Report for the Year Ended 31 December 2013**

### **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: 19th March 2014  
Broadmeadows

## Performance Statement for 2013



### **Kangan Institute Performance Statement for 2013**

In our opinion, the accompanying Statement of Performance of Kangan Institute, in respect of the 2013 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.

Michael Brown  
**Chairperson of the Board**

Date: 19th March 2014

## Achievement of 2013 Key Performance Targets

Key Performance Indicator	Target	2013 achievement	2012 achievement	Note
<b>Strategic alignment</b>				
Participation of 15-24 year olds	14,000	12,424	13,200	1
Participation of 25-64 year olds	20,000	15,973	19,054	2
<b>Training outcomes</b>				
Module load completion rate	83.0%	81.8%	82.0%	3
Student satisfaction (graduate)	90.0	85.5	90.2	4
<b>Financial management</b>				
Total cost (excluding depreciation) per Student Contact Hour (SCH)	\$10.51	\$10.35	\$10.89	5
Working capital ratio (excluding non-current LSL provision)	1.9 : 1.0 ratio	2.0 : 1.0 ratio	1.7 : 1.0 ratio	6
Net operating margin (excluding government capital contributions)	5.8%	8.6%	6.8%	7
Commercial revenue	43.1%	37.2%	37.0%	8
<b>Organisational management</b>				
Earnings per EFT staff	\$144,811	\$148,032	\$153,107	9
Student Contact Hours (SCHs)	6,996,200	9,468,979	8,349,197	10
<b>Environment</b>				
Change in energy consumption	-4.5%			11
Electricity		-28.4%	+9.9%	
Greenpower		-28.2%	+91.5%	
Natural gas		-10.2%	-34.2%	

### Notes:

- The number of students aged 15-24 decreased by 5.9% from 2012.
- The number of students aged 25-64 decreased by 16.2% from 2012.
- The module load completion rate decreased slightly from 2012.
- 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 had one of the highest rates of student satisfaction in Victoria but was restricted in funding in 2013.
- Through economies of scale, Kangan Institute was able to reduce costs per student contact hour below both the 2012 cost and the budgeted cost. The achievement of this key performance target has contributed to the continuing attainment of sound operating surpluses.
- This ratio continues to show a strong financial position as at the end of 2013.
- Kangan Institute achieved an increased operating margin in 2013 while maintaining its level of expenditure on strategic and building projects. (The operating margin calculation excludes capital funding and expenses).
- Commercial revenue has slipped due to companies wanting government subsidised funding of courses instead of paying for the teaching themselves.
- Kangan Institute regards revenue per staff member as very important to the organisation's profitability and will continue to take strong initiatives to maintain a sufficient level of revenue per staff member. During 2013, the average government subsidies for training students were reduced from the levels applicable in 2012.
- While student enrolments decreased by 11.9% over 2013, the average length of courses that they enrolled in increased by 28.8%. An increase in the number of student contact hours delivered of 13.4% was achieved.
- Overall energy consumption was expected to decrease with the closure of Coburg and Moreland campuses at the end of 2011 and an investment of \$1.3M in electricity saving measures. During 2013, overall energy savings of over 25% were achieved.

## Business and financial performance 2013

2013 was the third full year of the government's 'Skills Reform' policy of funding which:

- removed the capping of the number of students that TAFEs can teach
- resulted in increased payments from students
- removed government funding for students with similar or higher levels of qualifications
- no longer funded TAFEs for enrolled subjects but paid for delivered subjects
- reduced the funding for Recognition of Prior Learning assessments to 25% of the previous funding level

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

In the May 2012 state budget funding rates were varied for all courses and some were reduced significantly. These reduced funding rates applied to all new students from July 2012.

The 52 courses that had severely reduced funding and became unviable to continue teaching were not taught in 2013. These included courses in personal services, sport and recreation, hospitality, information technology, language studies and several Indigenous courses.

Given the uncertainty of the number of enrolling students as a result of the 'Skills Reform' changes, fewer courses being taught, necessary increases in student tuition fees and increasing competition from commercial teaching organisations, Kangan Institute management set a tight operational budget for 2013 and reduced equipment purchases drastically. Kangan Institute was also able to reduce costs associated with building maintenance, campus operations, administration and library expenditures to accommodate the large reduction in government funding.

To make 2013 as successful as possible, Kangan Institute management made the decision of over 100 staff redundancies in the second half of 2012 and non-renewal of employment contracts for a further 75 staff. In 2013, Kangan Institute maintained a high advertising and marketing budget to attract students and special effort was put towards boosting and retaining the enrolments of 15-19 year old students. There was greater focus on providing our customers with training tailored to their requirements and improvements were made to enrolment procedures, increasing customer service and student satisfaction. The Institute also undertook an assessment of how much student fees would need to increase for 2013 in line with the removal of concessional funding for diploma students and government expectation that student fees would increase.

Kangan Institute management and staff were able to make 2013 a success:

- An operational profit of \$4.0M was achieved (compared to a loss of \$0.6M in 2012).
- A healthy working capital ratio of 200% was maintained.

- The number of training hours delivered to students increased by 13.4% from 2012.
- While funding from the Department of Education dropped from \$78.2M in 2012 to \$71.4M in 2013, earnings from other sources and student fees increased from \$52.5M in 2012 to \$55.1M in 2013.
- The Institute was able to make expenditure savings – reducing expenses by \$9.7M from \$131.2M in 2012 to \$121.5M in 2013.

The work undertaken in 2013 by Institute management should see Kangan Institute continuing to be a viable organisation while providing vocational education that assists students with realising their career potential and trains staff across various industries.

## Further State Government profitability requirement

The Education department has introduced a new TAFE requirement to achieve a level of profit that relates to the value of fixed assets. It is expected that Kangan Institute will be asked to make a 7.3% profit calculated on its value of fixed assets. Based on the Institute's current value of fixed assets totalling \$225.2M, it is expected that Kangan Institute will be required to secure \$16.2M profit (up from \$4.0M profit achieved in 2013).

Attaining an increase of profit by \$12.2M in future years will require careful financial analysis and advanced planning. It is planned to achieve the 7.3% profit based on fixed assets by 2016 and to progressively build up this percentage from the 1.8% achieved in 2013.

Part of Kangan Institute's plan to achieve this percentage includes reducing fixed assets where possible and this could include the sale of the Institute's Essendon campus. However additional expenses will be incurred to transfer staff and students from this campus and consequently, the level of profit may decline before the required percentage is achieved in 2016. (Kangan Institute will also be replacing its student management system over the next two years, an initiative that is also expected to reduce profitability before the required profit percentage can be achieved. The cost of this system has yet to be included in budgets or forecasts.)

The financial plan and projections for the next three years (2013-2016) is summarised as follows:

	2013	2014 budget	2015 forecast	2016 forecast
Total revenue \$M	126.6	120.8	125.9	129.0
Total expenses \$M	-122.6	-117.9	-118.7	-115.0
Operating result \$M	4.0	2.9	7.2	14.0
Non-current assets \$M	225.2	217.0	2012.0	193.0
Return on non-current assets %	1.8	1.3	3.4	7.3

### 2013 business plan objectives

Kangan Institute develops an annual business plan and the key business objectives of the 2013 business plan were:

- To further adapt to the new government policy “Skilling Victoria” which called for removal of limitations on the number of students, changes in the fee structures and 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 students and commercial activities.
- To obtain sufficient operating surpluses to enable investment in student facilities and an increase in 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.

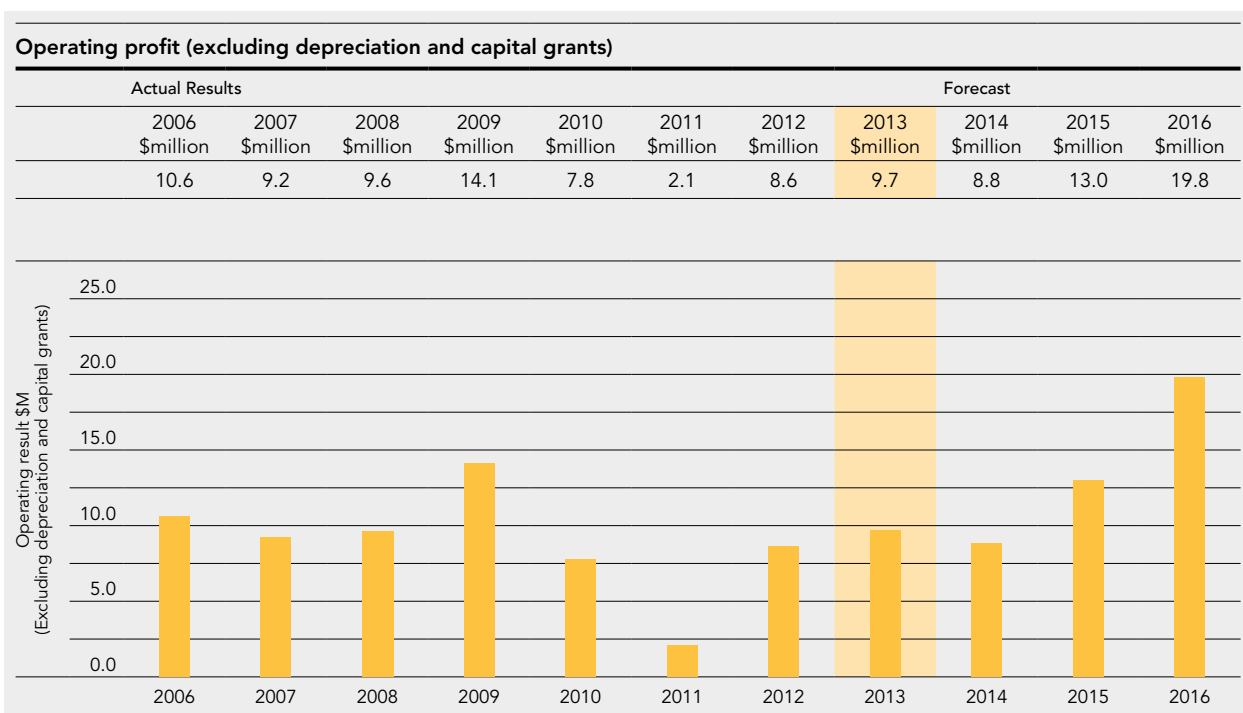
### Operational profitability

The Institute has had, for several years, a strategic objective to achieve at least 6.5% operational profit per annum (excluding capital funding and depreciation charges). We achieve this objective with a range of business practices including:

- forecasting for each course being taught
- departmental activity-based budgeting
- monthly monitoring and analysis of financial performance and profitability by general managers
- strict application of sound costing and pricing techniques
- accrual accounting
- two budget financial reviews per year with departmental managers
- managerial accountability to achieve delivery and financial targets

In 2013, Kangan Institute was able to achieve an operational profit of \$10.8M, which was equivalent to an 8.8% profit based on revenue.

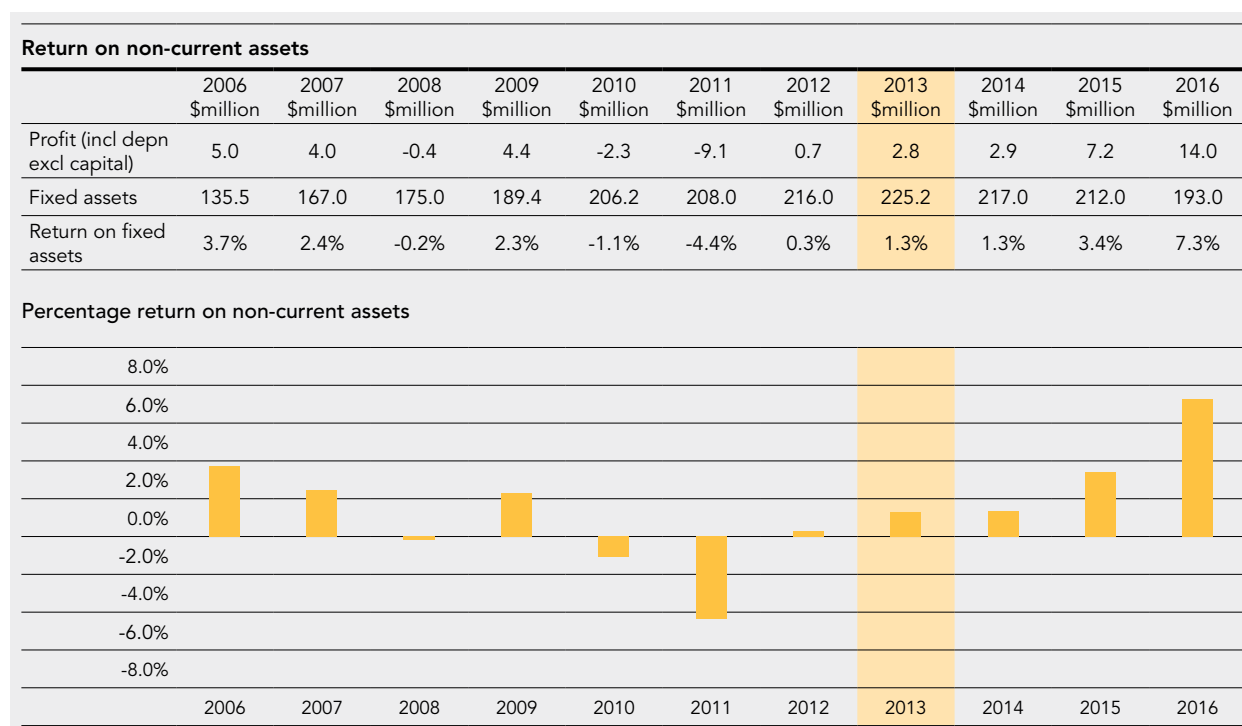
The following graph shows operational profitability for the last eight years, with forecasts for the next three years.



## Return on non-current assets

The Education department introduced the TAFE requirement to acquire a profit (after depreciation) based on the value of the institution's non-current assets. The profit or deficit for previous years has been assessed on this new requirement and the following graph shows the prior year's trend and forecast for the next three years.

Capital funding received from the Education department during the construction phase of the Docklands campus and capital equipment funding have both been removed from this method of calculating annual returns on non-current assets.



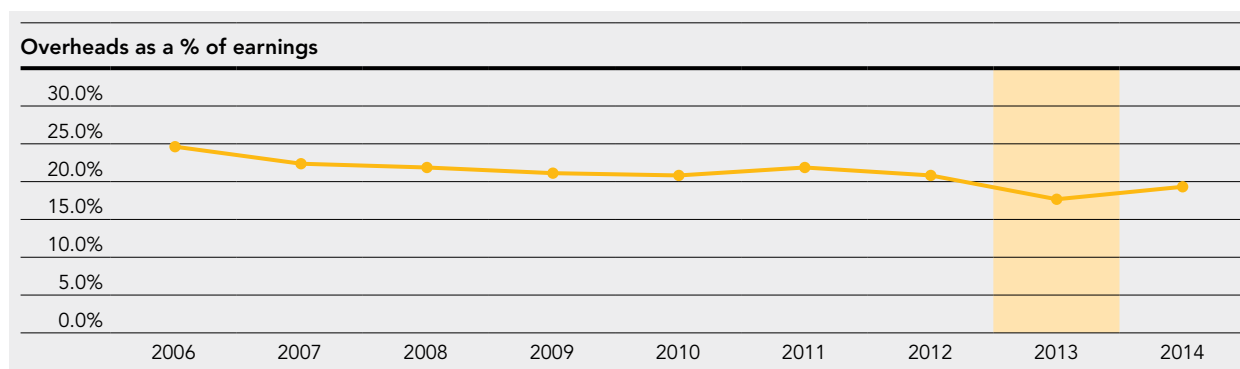


## Reduction of corporate overheads

To enable Kangan Institute to make sufficient profits to fund building projects and increase student satisfaction, the Institute has aligned itself to a long-term plan to reduce corporate overheads. These overhead costs were as high as 34% of Institute earnings in 2002 when a strategy was developed to reduce this percentage.

As evident from the following graph, corporate overheads cost Kangan Institute over \$27M in 2011 and in 2013 these costs were reduced to less than \$23M. This is an area of financial constraint that Kangan Institute has managed very well in comparison to some other organisations and is quite proud of its achievement.

Return on non-current assets									
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Earnings \$'000	89,877	95,415	107,429	116,566	119,911	124,478	127,848	128,301	120,859
Overheads \$'000	21,984	21,261	23,503	24,372	24,763	27,026	26,421	22,692	23,397
	24.5%	22.3%	21.9%	20.9%	20.7%	21.7%	20.7%	17.7%	19.4%



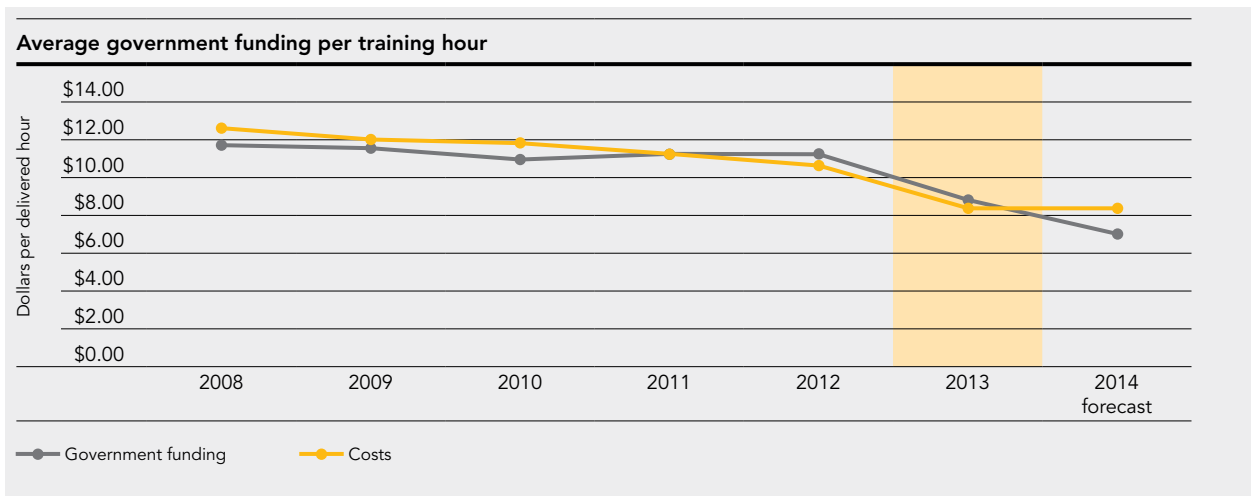
## Reduction of teaching costs

Kangan Institute's business plan also aims to reduce teaching costs. As funding per teaching hour from the State Government has been reducing sharply since 2012, this is a necessary strategy to counter the possibility of dramatic student fee hikes (which will negatively impact enrolment numbers). Observations have shown that potential students who are currently unemployed have difficulty affording the higher tuition fees.

Kangan Institute's strategy involves gaining economies of scale by ceasing courses that are low in demand and low government funding that meant they were unviable to teach. Emphasis was placed on increasing the teaching time that teachers are able be in front of classes and encouraging more student online learning.

The following table shows Kangan Institute's success in reducing the cost of an average teaching hour (redundancy costs have been excluded to enable better year to year comparisons):

Average government funding compared to average costs								
	2008	2009	2010	2011	2012	2013	2014 forecast	Variance 2008 to 2014
Average government funding	\$11.71	\$11.56	\$10.95	\$11.14	\$11.17	\$8.71	\$6.99	-40.3%
Average Kangan Institute cost	\$12.47	\$11.96	\$11.81	\$11.23	\$10.62	\$8.29	\$8.31	-33.4%
Profit/funded from tuition fees	-\$0.76	-\$0.41	-\$0.86	-\$0.09	\$0.55	\$0.42	-\$1.32	

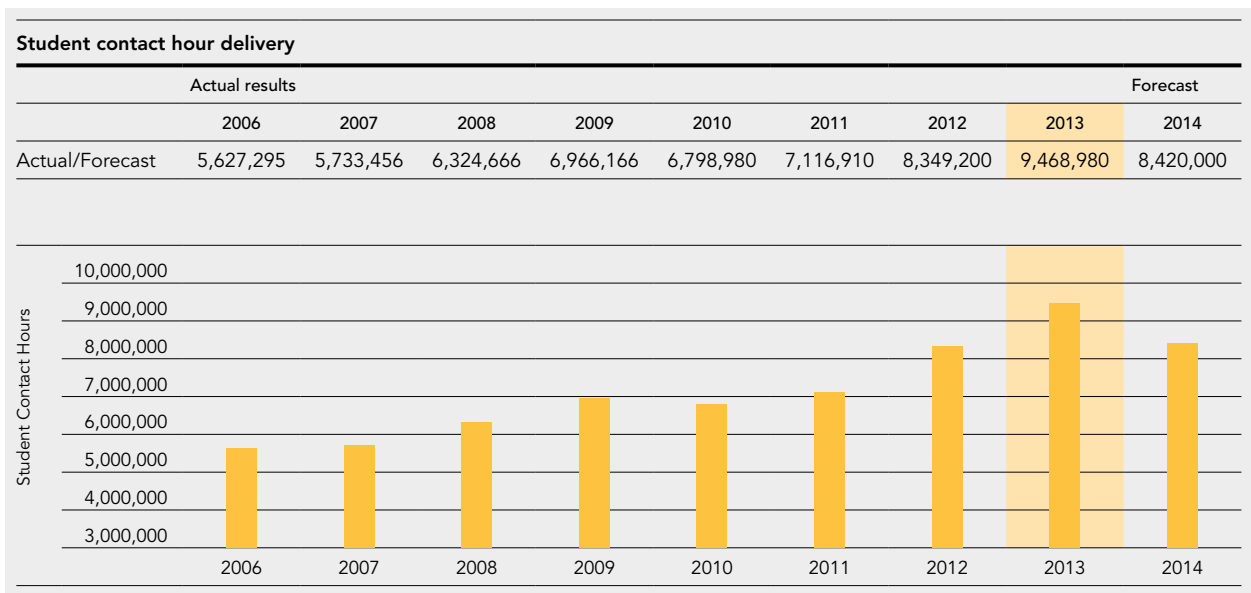


### Student contact hour delivery

Demand for training courses in Melbourne’s north-west 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, 11.1% in 2012, followed by 13.4% in 2013.

While it is difficult to plan for future demand, a reduction of 11.0% is forecast for 2014 due to the reduced rates of government funding and student reluctance to pay the necessitated higher student fees. It is planned to only cease delivery of three courses in 2014, with two additional courses to be offered. It is also expected that there will be a small increase in international student numbers in line with a more favourable Australian dollar exchange rate.

The following graph shows the student contact hour delivery for the last eight years, with forecasts for 2014.



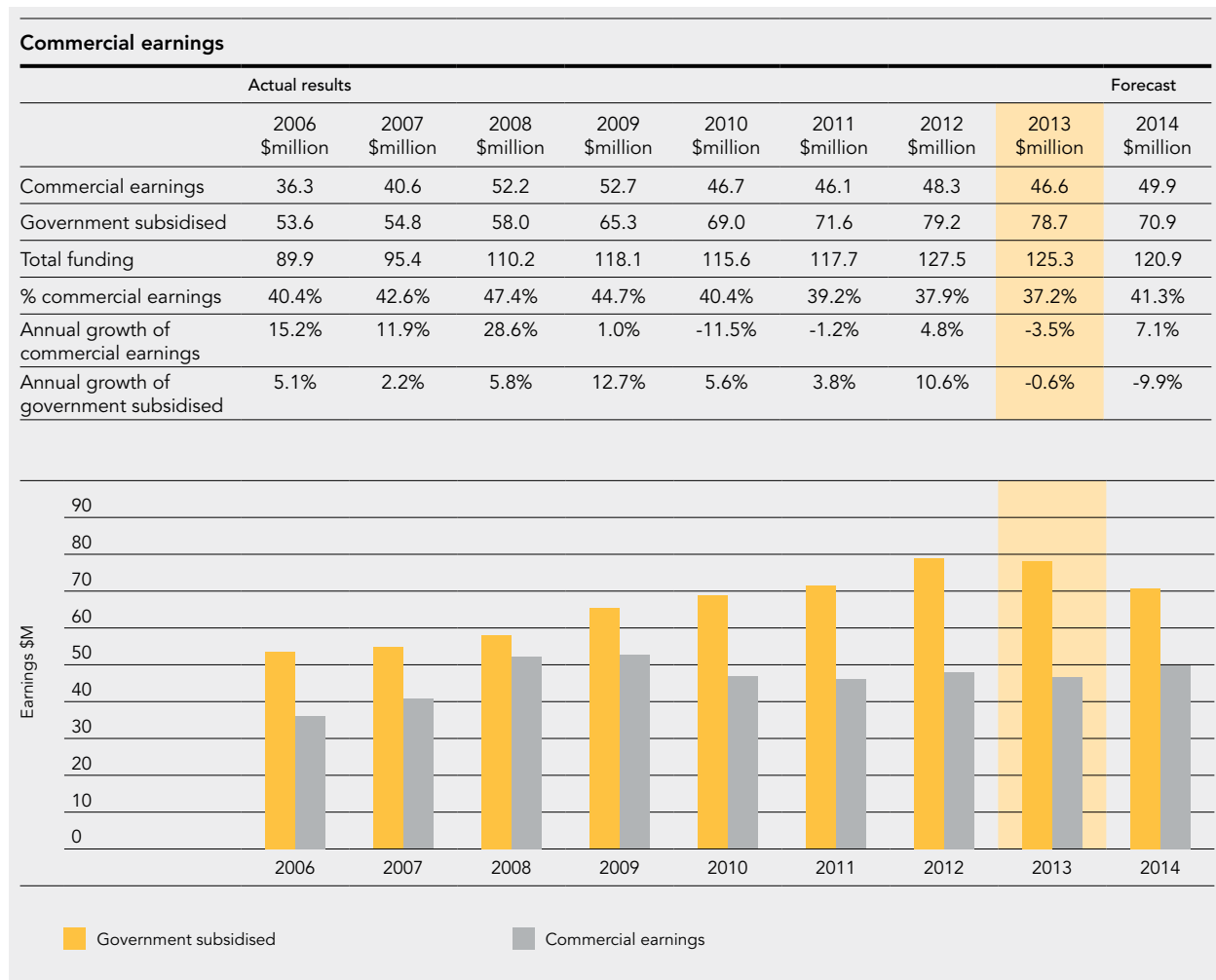
## Commercial earnings

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 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
- increased international students and international assessment activities
- managerial accountabilities for achievement of commercial earning targets
- targeting increased overseas business activity
- assisting departments in reducing the corporate overhead charges 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 2014.



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# Our organisation

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## 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)

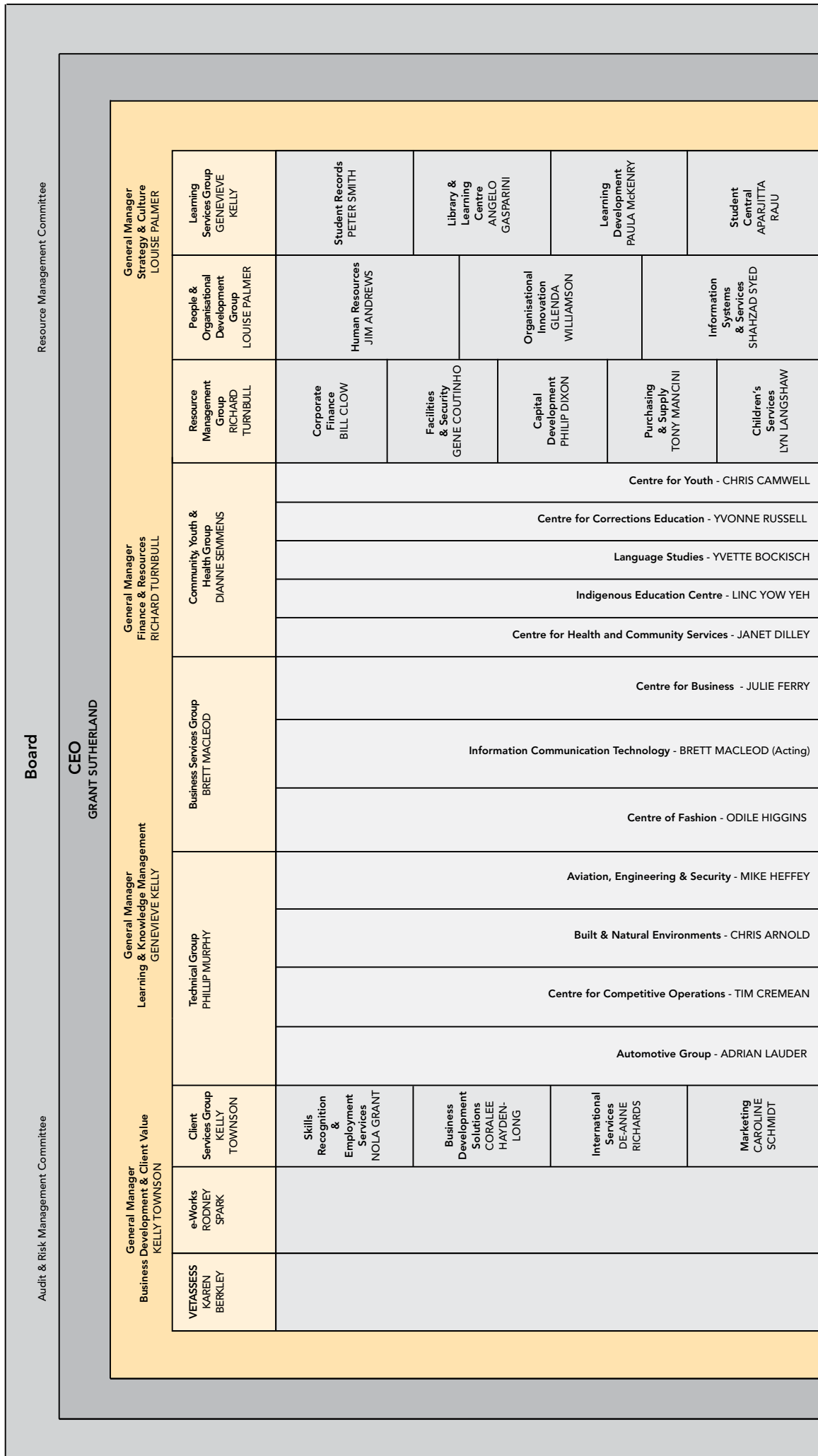
Kangan Institute has strict policies for Board members and executives in relations to conflict of interest, while the Code of Conduct defines standards of behaviour and professional conduct for staff.

## Board and governance

Kangan Institute is governed by a Board, established under the Education Training and Reform Act 2006. It reports to the Parliament through the Minister for Higher Education and Skills, the Hon. Peter Hall MLC.

The Board is responsible for the corporate governance of the Institute, managing its affairs and overseeing its operations in accordance with the Institute Constitution and Standing Orders. The new Constitution of the Kangan Institute Order 2013 took effect on 15th April 2013.

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 primary focus of the executive team 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 Grant Sutherland.



Grant Sutherland

**Grant Sutherland**  
Chief Executive Officer



**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

**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

**Kelly Townson**  
General Manager  
Group responsibility: Client Services  
Institute responsibility: Business Development and Client Value

**Richard Turnbull**  
General Manager  
Group responsibility: Resource Management  
Institute responsibility: Finance and Resources

## Board

### Standing committees

The board has established the following committees for the purpose of overseeing critical functions:

- Board Executive Committee
- Audit and Risk Management Committee
- Resource Management Committee

Each committee exercises powers and performs functions delegated to it by the board.

### Board Executive Committee

The Board Executive Committee:

- oversees the performance assessment systems applying to TAFE executive level staff
- makes appropriate arrangements to ensure the Institute CEO's performance is assessed
- oversees the Institute's approach to enterprise bargaining
- represents the Institute Board of Directors in the selection of new Board members
- acts on behalf of the Institute Board of Directors at any time
- acts as a reference point for the Board and CEO in emergencies or potential high-risk situations

Together with the CEO or nominee/s, the Board Executive Committee represents the Institute at political delegations.

Membership: Michael Brown (Chair), Margaret Hatton, Mirella Lattanzio, Jacqueline Wilson (until 1st June 2013)

### Audit and Risk Management Committee

The Audit and Risk Management Committee (ARMC) was established by the Board in compliance with Standing Directions of the Minister for Finance under the Financial Management Act 1994.

The ARMC supports the Board in discharging its responsibilities to oversee and advise the Institute on matters of accountability and internal control affecting the operations of the Institute. The committee provides independent assurance and advice to the Board with respect to:

- risk management
- internal control
- financial statements
- legislative and policy compliance
- contracted internal audit
- external audit
- governance arrangement

Membership: Margaret Hatton (Chair), Susan Allen, Michael Brown, Mirella Lattanzio, Helen Murphy, Linsey Seide

### Resource Management Committee

The main responsibilities of the Resource Management Committee (RMC) are 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.

Membership: Margaret Hatton (Chair), Dominic Andreacchio, Michael Brown, Mirella Lattanzio, Stelvio Vido, Jacqueline Wilson

### Education Strategy and Planning Committee

The Educational Strategy and Planning Committee (ESPC) assists the Board in fulfilling its oversight responsibilities across a range of strategic and educational performance and reporting matters including:

- monitoring implementation of the Institute Strategic Plan.
- monitoring and providing advice on Institute strategic developments and initiatives.
- providing advice on educational planning and strategy development.



It has a key role in the review of educational quality and key metrics that relate to the delivery of academic programs.

Membership: Jacqueline Wilson (Chair), Domenic Andreacchio, Michael Brown, Helen Murphy, Stelvio Vido

Note: The Board made a decision to discontinue the Educational Strategy and Planning Committee from 1st June 2013, with its functions absorbed into the business of the Board of Director meetings.

### Summary of Board activities

The Board's major activities in 2013 included:

- selection and appointment of the CEO
  - implementation of the new constitution and changes to the governance of TAFE Boards
  - reviewing and approving the:
    - 2013-2020 Kangan Institute strategic plan
    - 2014-2016 Kangan Institute business plan
    - 2014 Statement of Corporate Intent
    - 2014-2016 Asset Management Plan
    - draft financial accounts and performance statement for 2012
    - closing report for the financial year ending 31 December 2012
  - monitoring, evaluating and approving as appropriate:
    - international projects
    - childcare operations plan for 2014 and beyond
    - outcomes of ASQA audit
    - acquisition of Cremorne Street, Richmond property
    - negotiations on the development of further stages of the ACE
    - development of Vehicle Emissions Laboratory at ACE
    - review of the Institute's student management system
    - introduction of Kangan Connect – centralised student services
    - the Institute's higher education programs and partnerships
    - planned reserves expenditures and transfers 2013
    - allocations for strategic plan reserve
    - negotiation of teaching staff enterprise bargaining agreement
- the Institute's master plan
  - the Institute's public tender process
  - the Institute's building maintenance reserve
  - progress of capital projects
  - compliance with the:
    - o Victorian Government Risk Management Framework
    - o Financial Management Compliance Framework
  - staff and student satisfaction surveys
  - youth strategy
  - international strategy
  - staff overseas travel
  - application of the Institute seal
  - the Institute's insurance analysis and review



**Board members**

**Michael Brown**

President/Chairperson

**Appointment:** 16/02/06 to 31/08/13 – Ministerial (industry) member  
16/4/13 – Governor in council appointment

**Current position:** General manager, Pacific National Transport

**Qualifications:** 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**

**Appointment:** 14/11/07 to 31/08/13 – Co-opted member  
01/09/13 – Board nominee director

**Current position:** Manager, Work Health, Safety and Environment, Bureau of Meteorology

**Qualifications:** MBA, Bachelor of Science (OHS), Diploma of Business (Frontline Management), Diploma of Occupational Health and Safety, Diploma of Applied Science (Dental Therapy), GAICD, FSIA, RSP

Prior to taking up her current position with the Bureau of Meteorology, Susan held the position of director of public sector and community services at WorkSafe Victoria. Her key areas of expertise include work health and safety, risk management, health, dentistry and human resources.

**Dominic Andreacchio**

**Appointment:** 04/10/00 to 31/08/13 – Co-opted member  
01/09/13 – Board nominee director

**Current position:** General manager, Human Resources, Australian Air Express

**Qualifications:** MBM, Post Graduate Degree in Business Human Resources Management, Graduate Diploma in Personnel Management, Associate Fellow AHRI

Dominic has an extensive background in human resource management, with key expertise in human resources, employment law, OHS, organisational change management, strategic planning and performance management and mediation. He has broad industry experience in airfreight and transport, food manufacturing, steel manufacturing as well as the banking, building and construction sectors.

**Margaret Hatton**

**Appointment:** 02/07/03 to 31/08/13 – Co-opted member  
01/09/13 – Board nominee director

**Current position:** Executive manager, Finance, Oakleigh Centre

**Qualifications:** Bachelor of Commerce, Bachelor of Applied Science, FCPA, GAICD

Margaret's key areas of expertise include manufacturing (steelmaking and automotive parts), the not-for-profit sector and accounting.

**Mirella Lattanzio**

**Appointment:** 02/04/09 to 31/08/13 – Ministerial (industry) member  
01/09/13 – Ministerial nominee director

**Current position:** Legal prosecution specialist with the Proceeds of Crime Directorate, Office of Public Prosecutions

**Qualifications:** Bachelor of Laws, Bachelor of Arts, Certificate IV in Workplace Assessment and Training

Mirella has practiced law since 1991 in the private and public sectors and is barrister and solicitor of the Supreme Court of Victoria. She has teaching experience within both the vocational education and training and higher education sectors. Mirella's key areas of expertise include legal, management, education, training and government.

**Helen Murphy**

**Appointment:** 17/10/10 to 31/08/13 – Ministerial (industry) member  
01/09/13 – Board nominee director

**Current position:** Director, Environmental Strategy, VicRoads

**Qualifications:** Bachelor of Science, Master of Science (Environmental Engineering), Graduate Diploma in Occupational Hygiene, Doctor of Philosophy, GAICD

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



## Board members

### Linsey Siede

**Appointment:** 27/07/10 to 31/08/13 – Ministerial (general) member  
01/09/13 – Ministerial nominee director

**Current position:** Director, Likatibro Consulting

**Qualifications:** 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 Program working with more than 100 companies throughout Australia. His areas of expertise are business management, strategic planning, marketing and communications, manufacturing and lean enterprise and export market development.

### Stelvio Vido

**Appointment:** 07/04/08 to 31/08/13 – Ministerial (general) member  
01/09/13 – Ministerial nominee director

**Current position:** Executive general manager, Projects and Business Development, RDNS

**Qualifications:** Bachelor of Commerce, Bachelor of Laws, Master of Business Administration, EPNL (Stanford)

Stelvio has over 30 years' executive management and Board governance experience across a variety of industries and sectors including health, community care, professional associations, media, legal services, group training, local government and management consulting. 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. In recent years, his focus has been the expansion of RDNS' national and international reach.

### Jaqueline Wilson

**Appointment:** 27/07/10 to 31/08/13 – Ministerial (general) member  
01/09/13 – Ministerial nominee director

**Current position:** General manager, Corporate and Commercial Services, Care Connect Ltd.

**Qualifications:** Masters of Business Administration, Masters of Professional Ethics, Graduate Diploma in Applied Corporate Governance, Graduate Diploma in Financial Management. FCIS, FGIA, GAICD, FAIM

Jacqui is an accomplished senior executive, lecturer and an experienced director with a background in strategy and strategic execution, governance, compliance and risk gained across the health, IT, manufacturing, education and NFP sectors. Her non-executive director experiences have spanned a number of Boards in the education, IT, health and community service sectors.

### Andrew Priest

Staff representative from 01/07/11 to 14/04/13

### Faisal Ali

Student representative from 01/04/12 to 14/04/13

### Summary of Board meeting attendance

The following table details Board members' committee memberships and the number of meetings attended during 2013.

Board and committee memberships				
Board member	Board meetings	Educational Strategy and Planning Committee meetings <sup>1</sup>	Resource Management Committee meetings	Audit and Risk Management Committee meetings
	8 meetings	2 meetings	5 meetings	5 meetings
Faisal Ali <sup>2a</sup>	0/2		0/1	
Susan Allen	4/8			1/5
Dominic Andreacchio	6/8	1/2	3/3	
Michael Brown	7/8 (Chair)	2/2	5/5	3/5
Margaret Hatton	7/8		5/5 (Chair)	5/5 (Chair)
Mirella Lattanzio	6/8		1/1	2/3
Helen Murphy	6/8	2/2		2/3
Andrew Priest <sup>2b</sup>	1/2		0/1	
Linsey Siede	6/8			5/5
Stelvio Vido	4/8	1/2	3/3	
Jaqueline Wilson	8/8	2/2 (Chair)	2/3	

1 The Board made a decision to discontinue the Educational Strategy and Planning Committee from 1st June 2013 with the functions of this committee absorbed into the business of the Board of Directors meetings. Members of the ESPC subsequently took up positions on other standing committees.

2a & b The student and staff representatives ceased to be members of the Board following implementation of the *Constitution of the Kangan Institute Order 2013* on 15th April 2013.

### Summary of professional development

During 2013 professional development for Board members comprised:

- opportunities to attend the 2013 Victorian TAFE Association Conference
- briefings presented by members of the executive team on specific areas of Institute operation and developments in tertiary education, including policy directions and government initiatives.

# Strategic direction

## Our strategic priorities

Kangan Institute's 2013-2020 strategic plan focuses on providing real world vocational education and training to help individuals realise their career potential, enterprises grow and communities prosper.

By 2020 we aspire to be:

- a world class global provider of vocational education and workforce development
- delivering superior value for customers through innovative vocational learning products and services
- equipping individuals and enterprises with the skills necessary for work

Our strategic focus governs all of Kangan Institute's activities through key performance targets and measurable outcomes based on the following metrics: customer value, financial sustainability, operational excellence and staff engagement.

It is reviewed and measured regularly for progress and milestones.

## Our customers – delivering customer value

- Strengthened customer interaction and improved customer value
- Productive collaborations and partnerships

## Youth strategy at the forefront

With over a third of our students aged 15-19 Kangan Institute places a strong focus on educating and training young people through a dedicated Institute youth strategy to improve young people's access to, participation in and completion of VET qualifications.

The strategy includes a NEXT STEP youth service that offers advice on what course suits the individual, their skills and their future aspirations, ensuring that young students make the right choice first time. Over 50% of students who enquire through the service ultimately enrol at Kangan Institute, which is above mainstream conversion benchmarks.

The Institute also provides a transition facilitator at every campus supporting young students with their course, staying on track and preparing for work or further studies. In 2013 the number of 15-19 year olds enrolled at Kangan Institute increased by 43% in a clear sign of the strategy's success.

## Enhanced school to TAFE pathways

In 2013 we developed a streamlined online tracking system, VET in Schools (VETiS) Online Portal, to enable partner secondary schools to have better control over their students' training progress at Kangan Institute, enhancing their overall experience with the Institute and improving students' learning outcomes.

Developed in response to feedback from schools, the portal enables our 142 partner schools to monitor, amend and control student work, enrolment details and their progress to completion at Kangan Institute. Our commitment to this important area of work in 2013, a time when many TAFEs were reviewing their involvement in VETiS following government

policy changes, led to an overall increase of our partner schools by 10% and VETiS student numbers by over 500.

## Expansion of VCAL options for young people

In 2013 Kangan Institute expanded its VCAL program at Broadmeadows campus and introduced it for the first time at Richmond campus following extensive research that reflected a demand for practical, hands-on secondary schooling options for young people in the region.

These initiatives led to a doubling in our VCAL student numbers during the year, a trend that is set to continue as more students opt for a flexible, vocationally focused education option. The VCAL program at Richmond is set to expand further in 2014.

## Broadmeadows Youth Foyer underway

Kangan Institute is proud to host a purpose built foyer accommodation for vulnerable young people in partnership with the Brotherhood of St Laurence, and Hanover Welfare Services. One of three in Victoria, the Youth Foyer is due to open at Broadmeadows campus in March 2014.

The Youth Foyer is an integrated learning and accommodation centre that aims to develop the skills and improve the prospects of up to 40 young people who may not be able to live at home. Supervised by staff 24 hours a day, the foyer also provides extensive support services that vulnerable young people need to successfully transition to independence.

## From study to careers: Trade and employment days

2013 saw the introduction of dedicated trade and employment days at Broadmeadows and Docklands campuses to provide work and trade-ready students with opportunities to meet major employers and group training organisations (GTOs).

Students attend these events with updated CVs and engage with a selected number of employers in their quest for employment. Many employers who successfully secured apprentices go on to use Kangan Institute as the apprentice registered training organisation.

## Forging strong industry links

In 2013 Kangan Institute continued to develop important client relationships across all sectors. Key developments include new partnerships formed within the automotive and aviation sectors, including the delivery of hybrid and electrical vehicle training to 500 participants across Australia in collaboration with Motor Trades Associations.

During the year we continued to work closely with industry partners to provide training and assessment services within industries undergoing structural adjustment.

The depth of the Institute's relationships across manufacturing and trades in particular kept us at the forefront through transitions within these sectors, with extensive workers in transition training, recognition of prior learning and skills audits carried out.

Over the year Kangan Institute completed over 1000 enrolments for workers in companies undergoing downsizing, including Qantas, Forstaff, John Holland, Amcor and Dair Industries. Using a case management approach focusing on

the needs of both the employer and employee, our programs aimed to assist workers with transitioning into new jobs or industries.

In 2013 Kangan Institute also provided innovative services to companies such as VicRoads and Metalsa to recognise the skills of the current workforce and provide training in new areas with the aim of increasing productivity.

The Skills Recognition and Employment team was a finalist at the 2013 Victorian Training Awards in the Client Service Excellence category, which is an acknowledgement of the high standard of services provided to industry.

#### **Excellence at state awards**

Kangan Institute won numerous awards in 2013, solidifying its reputation as one of Victoria's leading training providers with a successful track record in delivering excellent customer value.

At the 2013 Victorian Training Awards Kangan Institute was awarded the VET Client Service/Support Excellence Award for its unique Student Engagement System (SES) and the Industry Collaboration Award alongside the VACC and Holden.

The SES ensures that new students receive more than just the standard orientation information at Kangan Institute, with each student individually assessed in language, literacy and numeracy on entry and guided with developing an individual learning plan to assist in completing their studies from their first day.

The award-winning VACC Auto Apprenticeships partnership involves the VACC, the Victorian Holden Dealers Service Managers Association and Kangan Institute in an innovative initiative that has achieved over 99% satisfaction rate amongst apprentices.

At the 2013 Victorian Wurreker Awards the Indigenous Education Centre won the prestigious Best TAFE Institute Award in making a positive and significant contribution towards the education and training of Indigenous people.

Kangan Institute's children studies also won the Playgroup Agency of the Year Award at the 2013 Playgroup Awards, recognising the Institute's contribution to local playgroups and the importance of playgroup in practical learning for students training to work in children's services.

#### **Our financials – maintaining financial sustainability**

- Dynamic (scalable and replicable) business models and diversified revenue streams for sustainability and profitable growth
- Physical and digital infrastructure aligned with strategy

#### **New and improved website launched**

Kangan Institute soft launched its new website in November as a means to improve user experience. On top of fresh content and greater customisation for the individual user, the website also offers an improvement to internal processes through a new content management system enabling departments to manage their web content in a lean and consistent manner.

Further enhancements will be explored in 2014.

#### **Bachelor of Information Technology introduced**

Developed in conjunction with Federation University Australia, the new Bachelor of Information Technology was launched at Kangan Institute in November with delivery set to begin at Broadmeadows campus from March 2014.

The three-year degree aims to provide Melbourne's north-west with local access to quality tertiary education and produce skilled workers to meet the skill needs of the information and communications technology sector. The program also provides pathway opportunities to existing students who are completing IT advanced diplomas at Kangan Institute and may complete the degree less time.

Further bachelor degrees are planned for mid-2014.

#### **Official launch of hair and beauty training salon**

Launched in October, the hair and beauty training salon adds a new dimension to what Kangan Institute can offer businesses and the creative community from its trendy Richmond campus, essentially covering all aspects of fashion and retail from head to toe.

The salon offers regular courses and apprenticeships in make-up and skin care, nail technology, beauty services and hairdressing within a modern space outfitted with equipment and products from industry partners such as L'Oreal.

#### **Our processes – enhancing operational excellence**

- Standardised processes driven by customer value and leveraging technology for sustainability
- Strengthened learning and assessment product development and lifecycle management

#### **Leading the way in blended learning**

In 2013 Kangan Institute continued its journey towards building a strong digital platform that supports learners in developing their digital literacy and becoming fully engaged in the digital economy.

The year saw a significant growth in the availability of online learning content via our MyKangan Learning Management system. The system dramatically improves students' access to learning content, course progress details and their teachers, allowing for remote connection from home and through mobile devices.

Improvements have also been made on campus delivery spaces to allow for greater access to digital content. A new Learning Commons established at the Broadmeadows campus provides building and construction apprentices with easy access to theory-based content in relation to their training and potential progress through work, allowing them to achieve their objectives in a shorter timeframe. Similar spaces have also been replicated at other campuses such as our Docklands campus Automotive Centre of Excellence.





The Learning for Life at Kangan model provides direction for the Institute's teaching and learning initiatives, with an emphasis on continuous improvement, innovation and digital learning technology.

### A Student Central focus

Recruitment to enrolment is a critical core process and is fundamental to our success as an organisation.

The Student Central project was launched in 2013 as a major strategic initiative to improve the journey of every customer, ensuring that their overall experience, from researching a course, enquiring and applying right through to enrolling and commencing, is enjoyable and positive at every touch point. It aims to ensure that people are supported with the right information and advice at the right time, and are able to make a decision with ease.

The key to meeting our goal of enrolment growth is to optimise recruitment and improve our services. During the year the project's key achievements include implementing a complete online enrolment system as well as outsourcing enquiry and conversion management process so as to improve the overall customer experience.

In a clear indication of the success of these initiatives and the high level skills of our Student Central staff, the team received the 2013 Excellence in Telephone Customer Service Award by the Association for Tertiary Education Management.

### Our people – improving staff engagement

- Highly engaged, innovative, agile and aligned staff
- High performing teams leveraging cross-discipline capability networks

### Fostering a lean workforce

During the year 12 participants graduated from the Institute's six-month Lean Leadership program that involved the development of innovative work-based projects, each contributing significantly to reducing waste and increasing value added work across the Institute.

The paperless program, which aims to develop lean leadership behaviours and build capability to drive the Institute's strategic objectives, also included face-to-face sessions with general managers and the Institute's continuous improvement consultants, online learning content, a mentoring partnership and reflective practice.

The program covered:

- The essentials of lean leadership
- Lean as a business model



- Strategy planning and deployment
- Understanding customer value
- Coaching and mentoring others
- Lean tools of problem solving, visual management, 5S and value stream mapping.
- Process improvement and Kaizen
- Project management methodology
- MBTI and reflective practice.

2013 also saw the launch of a new three-year Lean Coaches program assisting 15 participants to develop a deep understanding of the key lean continuous improvement tools used at Kangan Institute, as well as the essential coaching skills needed to influence, inspire and teach others.

The program, which also includes on-the-job projects, covers:

- Lean thinking and Lean tools
- Coaching skills
- 5S implementation
- Problem solving
- Value stream mapping
- Visual management

**Strengthening staff culture**

Having the right culture is pivotal to achieving our strategic goals. With this in mind Kangan Institute introduced the Human Synergistics Organisational Culture Inventory (OCI) Survey in 2013, an initiative that saw 585 employees responding to a survey mapping current behavioural and cultural norms against employees’ preferred culture.

The results will provide the basis for developing plans that achieve the desired cultural state and strengthen Kangan Institute’s long-term workforce effectiveness. It is envisaged that the OCI and Staff Engagement surveys will be conducted every alternating biennial year.

**Community engagement**

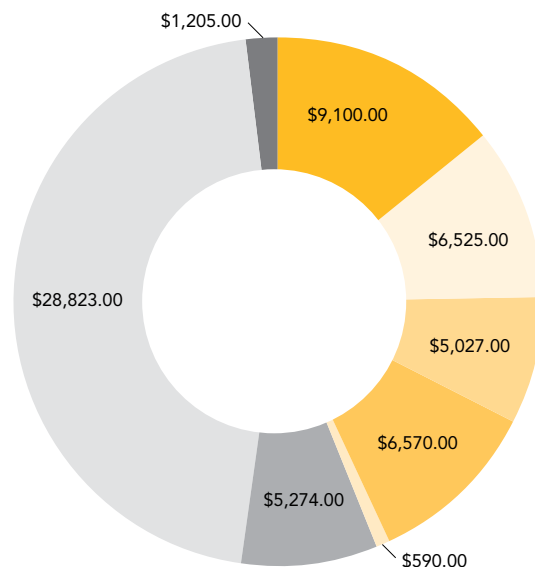
A key component of Kangan Institute’s values and strategic priorities is being a socially responsible organisation that connects meaningfully with its communities.

A recurring theme from staff engagement surveys is the strong sense of pride our employees have in the community-based work and social justice values of the Institute. As a result the Institute committed \$85,000 in 2013 to community engagement initiatives, approximately 0.1% of overall Institute revenue, which is coordinated by 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. This group provides the link between staff, students, local citizens, businesses and community organisations through its volunteer working groups.

2013 initiatives included:

- Community grants – Matched fundraising efforts of staff, students and supported small community-based projects that promote social inclusion and educational opportunity
- Local project – White Ribbon campaign (‘No to violence against women’) organised in partnership with the Hume City Council
- International project – Supported the Bahay Tuluyan centre with housing, education sponsorship and peer education for street kids of Manila, Philippines
- Youth focus – Learning4Life education and pathways scholarships for disadvantaged students
- Indigenous community focus – Indigenous employment promotions, Sorry day, Reconciliation lunch, art exhibition and Winberri Music Festival
- Just-in-time support – Mobilised as required for spontaneous community support activities including natural disaster relief and activities with other fund raising partners, e.g. Movember



- Bahay Tuluyan international projects
- External community grants
- Indigenous
- Staff/Student fundraising activities - matched funds
- White Ribbon - matched funds
- Just-in-time (natural disasters/new initiatives) - matched funds
- Youth - Learning4Life scholarships and campus catchment area initiatives
- Expenditure

## 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 34 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 2013 were:

- A 22% increase in applications for Skills Assessments compared to 2012.
- Changes introduced by the Department of Immigration and Border Protection on 1st July that were of significance to SRGO in the following ways:
  - introduction of VETASSESS Skills Assessment for applicants nominating the occupations of specialist managers not elsewhere covered and program or project administrators for 457 visas
  - changes to the skilled occupation lists which resulted in the addition of six general professional occupations for which VETASSESS is designated as the Skills Assessing Authority
- A 61% increase in the number of enquiries received through the Advisory Service compared to 2012.
- In December, commencement of skills assessments for eligible overseas-qualified professionals to register on the overseas skills registry developed by the Victorian Government.

### Qualifications verification

VETASSESS administers a Chinese qualification verification service under an agreement with 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.

As a result of the increased number of skills assessment applications received by SRGO in 2013, we witnessed a 78% increase in the number of verification applications received in 2013 compared to 2012.

### Skills Recognition – international and national

VETASSESS' Skills Recognition department offers a range of trade skills assessment services to clients within Australia and internationally.

#### International

Under its service deed with the Department of Industry, VETASSESS conducts trade skills assessment for skilled tradespersons wishing to migrate to Australia under the Offshore Skills Assessment or the temporary worker (subclass 457 visa) programs.

2013 saw an increase in Offshore Skills Assessment applications compared to 2012, with passport holders from the United Kingdom and Ireland comprising the majority of applications.

Conversely there was a decrease in 457 visa program applications from the previous year. Delays in Australian infrastructure and resource projects, an increase in the availability of skilled Australian workers to be employed on existing projects and negative publicity surrounding the recruitment of overseas skilled workers contributed to this decrease in demand for temporary skilled worker visa applications. The downturn in applications was most notable in the Philippines.

Environmental scans of the Australian resource industry suggest that the requirements for overseas skilled workers will increase in 2014.

#### National

Despite a decrease in Victorian funding for recognition of prior learning, the Skills Recognition National Service met its targets in 2013 and the number of skills assessments increased from those completed in 2012.

Federal Government funding was received to establish a Migrant Skills Recognition Service for refugees and other vulnerable migrants with experience in trade occupations. Partnerships have been established with TAFE colleges in Victoria, NSW and Queensland to conduct skills assessments across a range of occupations. This pilot program concludes in June 2014.

Other noteworthy Skills Recognition activities include:

- signing of agreements with a number of overseas governments and private organisations to deliver skills assessments to enable them to meet their workforce development needs.
- VETASSESS delegations invited to consult with government and industry in numerous countries about Technical and Vocational Education and Training (TVET) frameworks and assessment services.

#### Resource development

The Resource Development unit provides testing, examination and assessment services to a range of clients to support their recruitment, employment or student enrolment processes. Clients include the Victoria Police, Defence Force Recruiting, Army School of Health (Nursing) and E-Oz.

Other activities for the Resource Development unit in 2013 included:

- Provision of an online TAE recognition of prior learning service to New South Wales schools.
- Provision of support publications for real estate and automotive industries.
- Continued support of AssessitNow, an online assessment system subscribed to by various clients including RTOs, TAFEs, secondary schools and others servicing the VET sector.

- Development and launch of VETASSESS' first mobile app product to support testing services for Victoria Police.
- Future activities:
  - Investigating the development of eBooks for VETASSESS publications
  - Development of a real estate mobile app product

### Early childhood teacher validation

Validation for early childhood teachers seeking classification continued throughout 2013.

### 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 five areas: e-learning content, e-delivery platform (TrainingVC), training and consultancy.

### 2013 performance

eWorks delivered the State Training System's e-learning support service in accordance with the standards and expectations prescribed in the 2013 performance and funding agreement with the Higher Education and Skills Group.

This included the use of the 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 320 participants in 2013.

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 and e-learning advisory service.

Other national business included managing the sales and distribution of Flexible Learning Toolbox products, e-learning content covering more than 1,000 competencies across 170 qualifications and 45 Industry Training Packages.

In 2013 eWorks was also successful in receiving federal government funds to manage a technology innovations applied research program. Five research projects were conducted over the year:

- Supporting delivery of foundation skills to remote, Indigenous and disadvantaged communities
- Verification of e-assessment and authentication of user identity
- Bring Your Own Device (BYOD) guidelines for training organisations
- Capturing information to improve learner retention and completion
- Making industry grade technologies available for training

In view of government funding policy to grow a competitive training market, 2013 saw an emergence of many small to medium size private registered training organisations (RTOs) seeking to expand through e-learning whilst numerous TAFE institutions and long standing RTOs worked to maintain their market share and reduce their capital infrastructure through more flexible and cost-effective delivery models. eWorks' client base continued to grow and diversify in this context. In 2013 almost 80% of eWorks customers were organisations other than TAFE institutions, with the majority of TrainingVC clients being private RTOs.

The functions, features and costs of the TrainingVC were reviewed over the year to ensure the service continues to develop and grow in accordance with the needs of training providers.

The resulting TrainingVC Road Map guarantees high quality technology at low cost because of the efficiencies and economies of scale derived from the TrainingVC's shared services business model. eWorks also designed and provided an enterprise version of the TrainingVC to meet the internal staff training needs of the Department of State Development, Business and Innovation and the Victorian Managed Insurance Authority.

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# Compliance information

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## 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

The Institute ensures that all construction works are fully documented and detailed to meet statutory building and planning requirements. The Institute also 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. Contractors engaged by the Institute during 2013 maintained their registered status throughout the period of engagement.

The Institute maintains a comprehensive database of contractors, contracts and engagements. Building condition audits are conducted regularly and as required by ministerial guidelines.

All maintenance contracts were reviewed during 2013 including grounds maintenance, cleaning, plant and equipment maintenance, lift maintenance, ESM compliance, fire services and exit and emergency lighting. Contracts were negotiated and signed for a three-year period with an option to extend.

## 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 and 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 transferring to the Docklands campus. The Richmond Gwynne street campus was vacated and sold during the year, with activities consolidated on the Cremorne street site in March.

## Capital development priorities

The following building projects were completed or planned in 2013:


- The consolidation of training programs from Gwynne Street Richmond to the Cremorne Street site was completed during the year, providing for a new library and open learning commons, customer service centre, visual merchandising training, hair and beauty training as well as the relocated activity of sheet-metal and automotive engineering. This project was funded through Institute reserves to \$5.8M.
- A Youth Foyer facility (a 40-bed accommodation and training facility for vulnerable youths) was commenced at Broadmeadows campus with work progressing through 2013 and completion expected by March 2014. This project is supported by a \$10M budget through the Department of Human Services.
- Further consideration has been given to the consolidation of activities to the Broadmeadows, Richmond and Docklands sites from Essendon, Moonee Ponds, Flinders Lane, East Melbourne and St Kilda Road. With the announcement in April of the transfer of title for all property to the Institute CBRE were engaged to provide a comprehensive report regarding the Institute's property portfolio and options. Of particular interest were the opportunities associated with the disposal of sites at Coburg, Moreland, Richmond and Essendon.
- A property located at 69-71 Cremorne Street Richmond was put to public auction – considering the location (sited between buildings and property owned by Kangan Institute) it was considered strategically important that the Institute acquire the site. The site was acquired at auction for \$2.551M.

## Capital development plans

Funding submissions were updated and forwarded to the Higher Education and Skills Group for consideration under the TAFE Structural Adjustment Funding. The submission relates to the Health Education and Corporate Centre Building, a project involving a building at Broadmeadows campus of 17,000 square metres over five-levels with a budget of \$70.0M. The building is expected to replace approximately 50% of the existing aged building stock.

## Private provision of public infrastructure

There was no private provision of public infrastructure in 2013.

<b>Details of 2013 compulsory non-academic fees and charges</b>		
	2013	2012
	\$	\$
<b>Student fees and charges income</b>		
Service and amenities fees	752,694	779,537
Tuition fees	6,550,657	4,602,172
<b>Total income</b>	<b>7,303,351</b>	<b>5,381,709</b>
<b>Expenditure</b>		
<b>Service and amenities fees</b>		
Salaries and on costs	405,433	379,648
Consumables, promotional activities and general	82,814	77,885
Travel and vehicles	13,831	16,181
Printing, photocopying and communications	51,864	37,334
Recreation	31,557	70,253
Catering	79,259	73,306
Furniture and equipment – Less than or equal to \$5000	11,733	44,435
Repairs and maintenance	75,972	80,520
<b>Total</b>	<b>752,463</b>	<b>779,562</b>
<b>Tuition fees</b>		
Institute management, administration and support expenditures		
<b>Total</b>	<b>6,550,657</b>	<b>4,602,172</b>
<b>Total expenditure</b>	<b>7,303,120</b>	<b>5,381,734</b>
<b>Certification:</b>		
I certify that the information contained in this statement has been extracted from the accounting records of the Institute and that expenditure of funds is in accordance with the Ministerial Direction on Fees and Charges.		
Signed		
		
Richard Turnbull Chief Financial Officer		

## Freedom of information

Kangan Institute is subject to the provisions of the Freedom of Information Act 1982 (including amendments of 3rd 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 one request for information under the Act in 2013.

## 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

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## 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 on National Competition Policy, fair trading and the implementation of GST.

## Objectives, functions, powers and duties

On 10th April 2013 the Constitution of the Kangan Institute order 2013 was made under section 3.1.11 of the Education and Training Reform Act 2006.

Division 2 of the constitution details the Establishment, powers and duties of the Institute and Division 3 establishes a Board to oversee and govern the Institute.

For more information on our achievements of these objectives during 2013, please refer to pages 17-30.

## Protected Disclosure Act

In 2013 the Protected Disclosure ACT replaced *The Whistleblowers' Protection Act 2001* and continues its 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 Independent Broad-based Anti-corruption Commission was established and our policy is available on

There were no disclosures in 2013.

## Workforce information

Kangan Institute is 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, customer consciousness, enterprise thinking, working together, continuous improvement, initiative, innovation, built-in quality and accountability – 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 2013 the Institute continued to conduct mandatory equity and diversity training for executive, middle and first line 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.
- actions that leaders can take to build teamwork and foster a participatory and inclusive workplace culture.

**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.

**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**

During 2013 the Institute launched a performance and development policy and procedure suite based on the 70:20:10 learning and development framework.

The Institute’s performance and development system (RAPID) draws on this framework to ensure that staff have access to appropriate and timely professional learning and development experiences.

**Staffing position re-profiling**

The Institute’s response to the 2012/13 and November 2013 State Government budget and funding reviews of the vocational educational and training sector included the conduct of redundancy processes impacting on positions across teaching, support services and management. As a result there were 34 positions redundant in 2013.

<b>Workforce profile</b>						
Ongoing employees				Fixed term and casual		Total
	Number (headcount)	Full time (headcount)	Part time (headcount)	FTE	FTE	FTE
Dec 2013	341	281	60	335.96	435.46	771.42
Dec 2012	-	-	-	-	-	762.08



<b>Workforce profile (as of December 2013) continued</b>				
	Ongoing		Fixed term and casual	Total
	Number (headcount)	FTE	FTE	FTE
<b>Gender</b>				
Male	174	173.21	174.56	347.77
Female	167	162.73	260.9	423.63
<b>Age</b>				
Under 25	2	5	32.26	37.26
26-34	48	43.28	87.86	131.14
35-44	65	62.59	92.77	155.36
45-54	119	119.1	126.59	245.69
55-64	90	89.03	85.29	174.32
Over 64	17	16.95	10.68	27.63
<b>Classification</b>				
Teaching	150	155.17	185.74	340.91
Non Teaching	191	180.79	194.42	375.21
Manager			45.4	45.4
Executive			9.9	9.9
<b>Total</b>	<b>341</b>	<b>335.96</b>	<b>435.46</b>	<b>771.42</b>

Source: CHRIS Payroll, full pay run – end of Dec 2013/start of Jan 2014

## Industrial relations

There were no industrial actions in 2013. There were also no new enterprise agreements negotiated in 2013.

## 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, contractors and clients the Institute strives to provide a work and study environment that is attractive, well maintained, accessible and safe.

The Institute is committed to continuous improvement of its occupational health and safety management system by establishing and reviewing OH&S objectives, targets and strategies and clearly defining OH&S management responsibilities.

Resources and responsibilities defined in procedures are continually being reviewed so that legislative requirements, Kangan Institute's standards, OH&S objectives, targets and standards are met.

In 2013 the Institute's initiatives to improve health and safety include addressing scheduled requirements from audits regarding the provision of resources for OH&S, updating procedures, providing training for management on OH&S and return to work, providing first aid, CPR training and health and safety representative training to relevant personnel, as well as offering work-health checks and flu vaccinations to staff.

### General safety inspection checklists

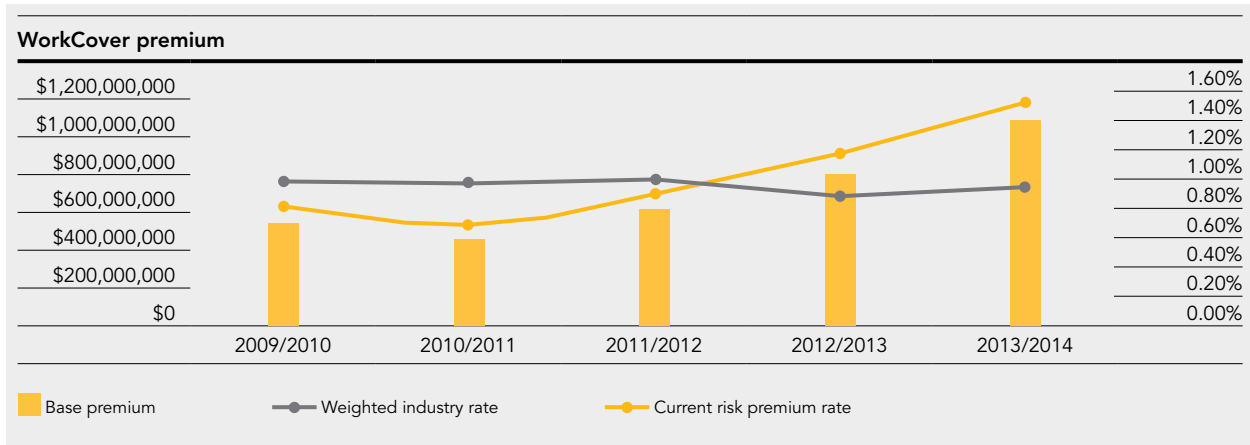
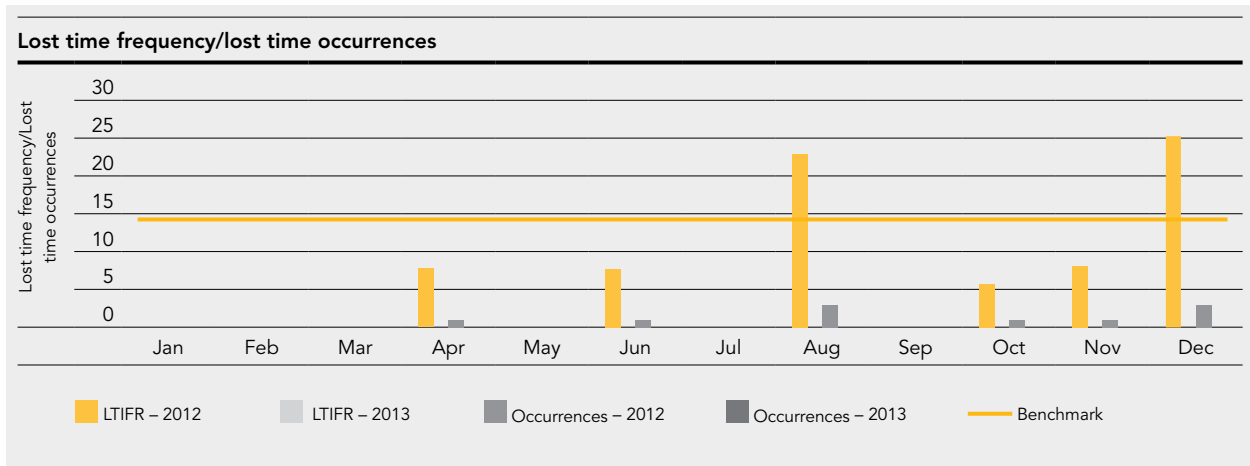
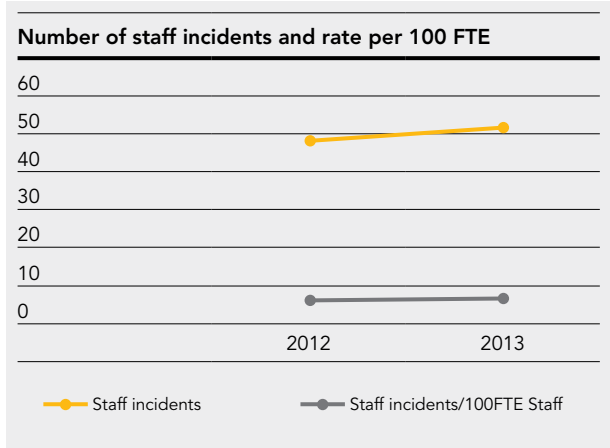
The Institute's strategic plan require that all departments complete two general safety inspection checklists annually (before 30th June and 31st December) and close-out the corrective actions as per checklists. In 2013 98% of the departments completed the two general safety inspection checklists.

## Performance against OH&S management targets

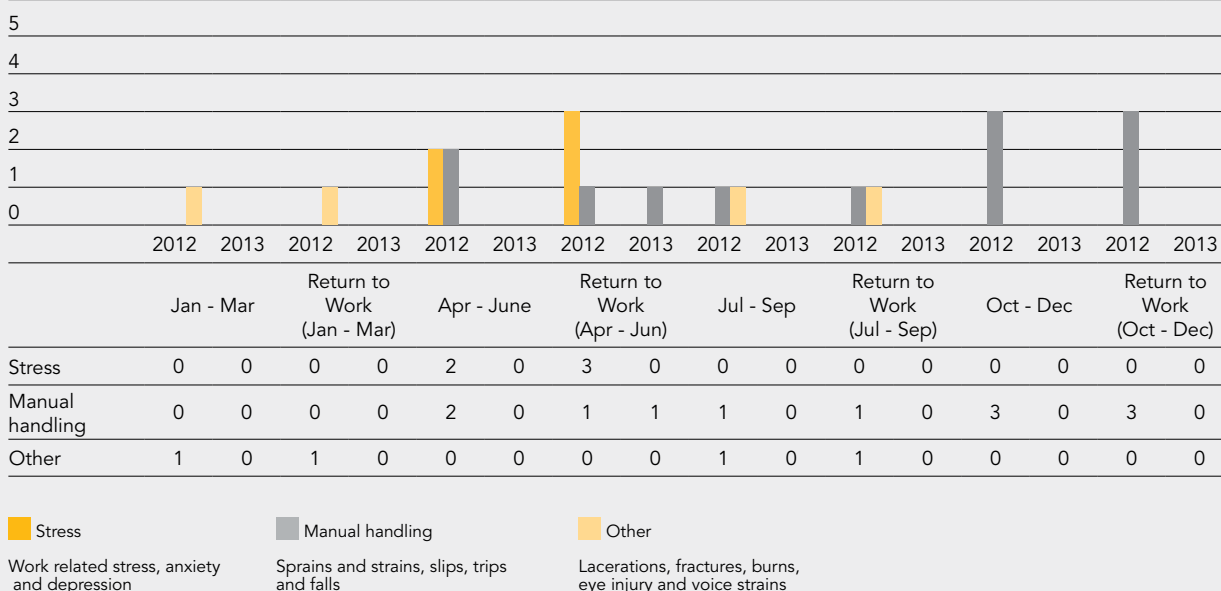
<b>Incidents</b>							
Year	Total incidents	Notifiable incidents	Students	Staff	Contractors / visitors	Staff incidents/ 100 FTE staff	Number FTE staff
2012	134	10	82	48	4	6.3	762
2013	148	13	87	51	10	7.2	712

Note:

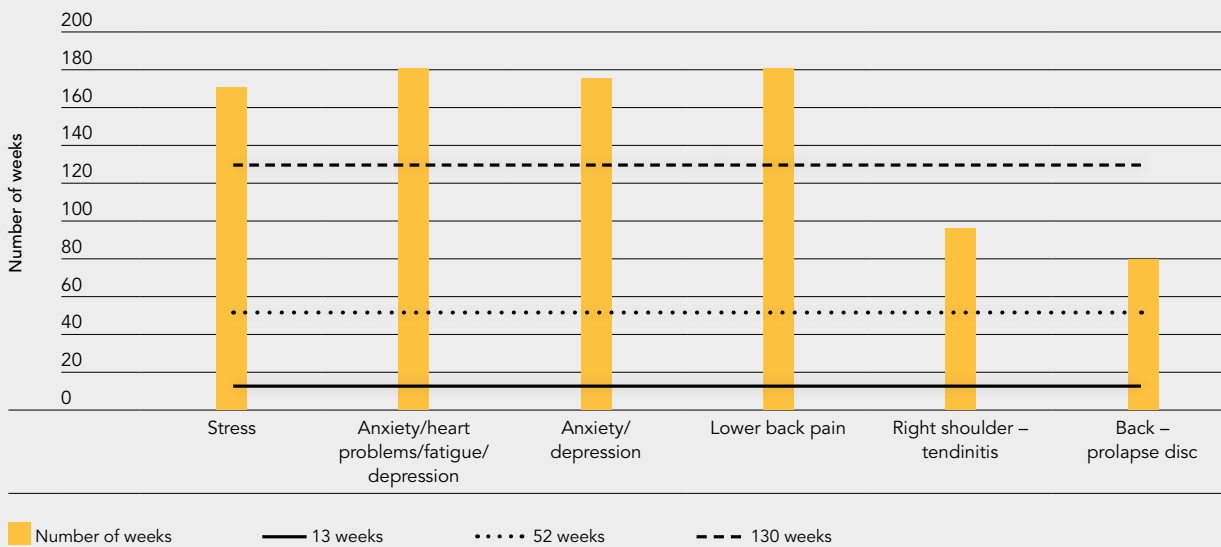
- All incidents include near miss and hazards identification.
- Calculation for incidents/100 FTE staff: (Number of staff incidents/Number of FTE staff) x 100.



**New accepted claims 2012 – 2013**



**Open WorkCover claims with absence in aggregative exceeding 13 weeks**



**Training initiatives**

*Return to work training for managers*

A mandatory three-hour management training session was delivered by the Institute’s WorkCover insurance provider Gallagher Bassett to assist managers with understanding 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 completion of Return to Work Plans and Offer of Suitable Employment.

*Introduction to OH&S legislation for managers*

A mandatory three-hour management training session was delivered by the Institute’s WorkCover insurance provider Gallagher Bassett to provide general managers and managers with an overview of Victorian OHS legislation and the 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.

**First aid and CPR**

St John’s Fast-Track program was conducted and required participants to complete an online theory component prior to attending a one-day practical session.

**Health and safety representatives**

Training was offered to all health and safety representatives to ensure they received the required knowledge to perform their roles.

**Wellbeing initiatives**

**WorkHealth checks**

Kangan Institute conducted WorkSafe Victoria’s WorkHealth program in 2013 to improve the health and wellbeing of employees and reduce incidences of chronic disease.

The program provided 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 employees providing benefits such as:

- preventing flu infection
- boosting immunity to avoid infection
- reducing the chance of catching and spreading the flu by 70-90%
- protecting against similar strains of the flu

<b>Evacuation drills</b>		
Campus	Scheduled date	Date evacuation held
Broadmeadows	15 April 2013	22 April 2013
	15 April 2013	22 April 2013
	16 September 2013	16 September 2013
	16 September 2013	16 September 2013
Essendon	16 April 2013	23 April 2013
	17 September 2013	17 September 2013
Docklands	17 April 2013	19 April 2013
	18 September 2013	20 September 2013
Richmond	19 April 2013	19 April 2013
	20 September 2013	20 September 2013

**International operations**

Income from International services contributed \$5.3m to the Institute revenue, with 509 international students enrolled during 2013. These students actively contribute to the Victorian State economy through their living and social activities whilst studying at Kangan Institute.

As a result of continued onshore international market contractions, Australian education providers (public and private, HE and VET) are actively pursuing transnational/offshore delivery opportunities with increased vigour. Kangan Institute has extensive experience in providing transnational education in a number of key vocational areas. In 2013 we leveraged off our strong global network and further developed offshore business including:

- Two new productive and compliant projects in China with Fujian International Business and Economic College and Chongqing Vocational Institute of Engineering.
- Two Certificate IV in Training and Assessment programs for 50 teachers from Pusat Pembangunan Kemahiran Sarawak (PPKS), Malaysia in May and September.
- Completing the Certificate IV in Training and Assessment for the first group of teachers from the Bureau of Employment & Vocational Training Council of Labor Affairs in Taiwan. This project will continue to deliver training to 100 participants in 2014.
- Successful tender for two AsiaBound Grants funded by DIICCSRTE to send:
  - Six Kangan Institute fashion design students to Yogyakarta State University in Indonesia.
  - Six Kangan Institute community services students to Bahay Tuluyan in Manila.

Kangan Institute also forged new partnerships with La Trobe University and Victoria University as an Educational Business Partner (EBP) for these institutions. This is in line with the Department of Immigration and Citizenship’s new streamline student visa processing system where universities nominate EBPs to further attract genuine students to study in Australia.

One of the highlights for 2013 included the increase from one Streamlined Visa Processing (SVP) partner to two with the addition of Victoria University as a formal SVP partner.

Challenges in 2013 include Australia continuing to see a downward trend in onshore international student numbers and resulting revenue. Kangan Institute continued to experience a number of considerable challenges in a highly competitive and volatile international market mainly due to:

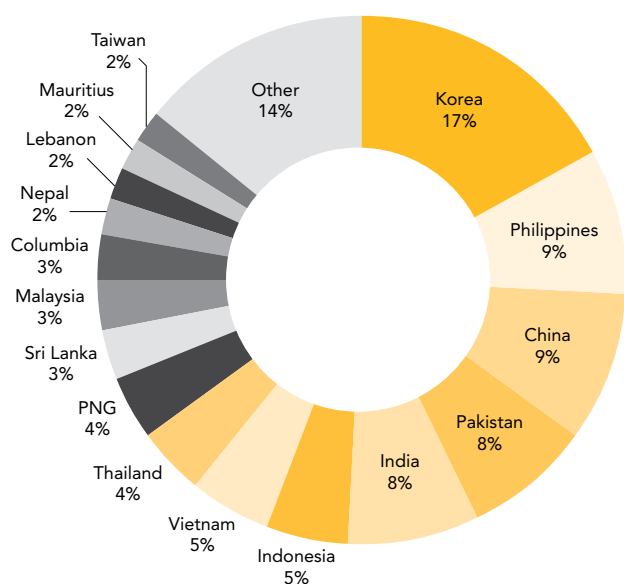
- Government changes to Genuine Temporary Entrant visa rules that have led to increased administration for staff in assessing enrolment applications as well as increased training for staff and agents around the world to ensure they are cognisant of the rule changes.

- Changes in visa requirements, the high Australian dollar and more competitors in the market leading to a significant decline across key ELICOS and VET markets.

Despite a drop in all international markets across Australia, Kangan Institute consolidated resources and implemented strategies to increase student enrolments for 2014 and 2015, with the goal to increase international revenue to 10% of the Institute's annual revenue over the next two years.

### Market focus

The following table highlights the top source countries for Kangan Institute's international revenue in 2013.



### Consultancies 2013

Kangan Institute engages consultants and legal practitioners for services for which the Institute does not have the required specialist skills.

Total costs incurred during 2013:

Consultancy costs \$402,989

Legal advice \$184,755

#### Consultancies over \$10,000

Consultant	Project	2013 expenditure	Future commitments
The Lead Generation Company Pty Ltd	Marketing specialist services	\$100,000	\$17,500
Right Management Consultants Pty Ltd	Organisational culture and inventory program	\$79,597	\$0
CB Richard Ellis	Site strategy consultancy	\$75,409	\$31,212
Integral Alliance Pty Ltd	Vehicle Emissions Laboratory	\$52,705	\$12,732
Think Solutions	IT consulting and support	\$34,650	\$0
VIC Roads	Docklands campus project services	\$20,464	\$0
Five Consulting (VIC) Pty Ltd	Docklands campus project services	\$14,500	\$0
Deloitte Touche Tohmatsu	IT consulting and support	\$13,775	\$0
Gray Puksand Pty Ltd	Docklands campus project services	\$11,889	\$0

#### Consultancies under \$10,000

Nil

#### Government advertising expenditure

Campaign	Summary	Start/end date	Media expenditure (excl. GST)	Creative and campaign development expenditure (excl. GST)	Research and evaluation expenditure (excl. GST)	Print and collateral expenditure (excl. GST)	Other campaign expenditure (excl. GST)
January/February 2013 Kangan Institute Student Recruitment Advertising Campaign	To increase 2013 student enrolment numbers and brand awareness	31/12/12 to 28/2/13	\$169,331.01	In-house	In-house	Nil	Nil
2013 Kangan Institute Mid-Year Student Recruitment Advertising Campaign	To increase 2013 mid-year student enrolment numbers and brand awareness	1/5/13 to 14/7/13	\$200,358.19	In-house	In-house	Nil	Nil
2013 Kangan Institute EOY Student Recruitment Advertising Campaign	To increase 2014 student enrolment numbers and brand awareness	20/10/13 to 28/12/13	\$307,133.27	In-house	In-house	Nil	Nil

### Environmental performance

At Kangan Institute, we are committed to being an innovative provider of quality education, training and services while maintaining a strong commitment to an environmental sustainable future.

We will ensure that staff and students work together to reduce the Institute’s environmental impacts, carry out a proactive response to environmental best practices and achieve innovative solutions.

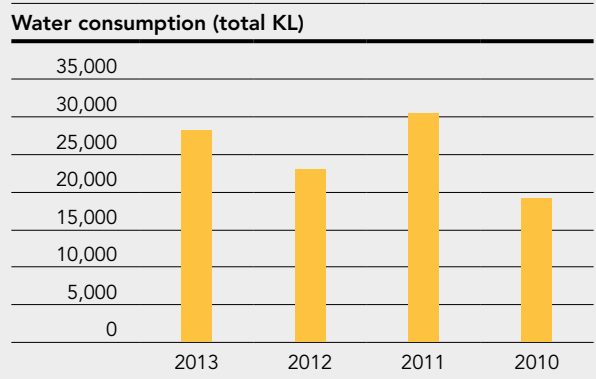
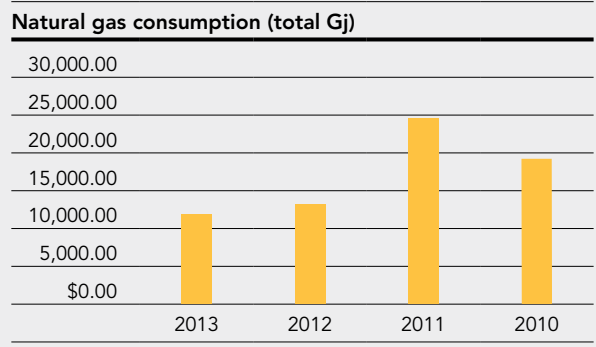
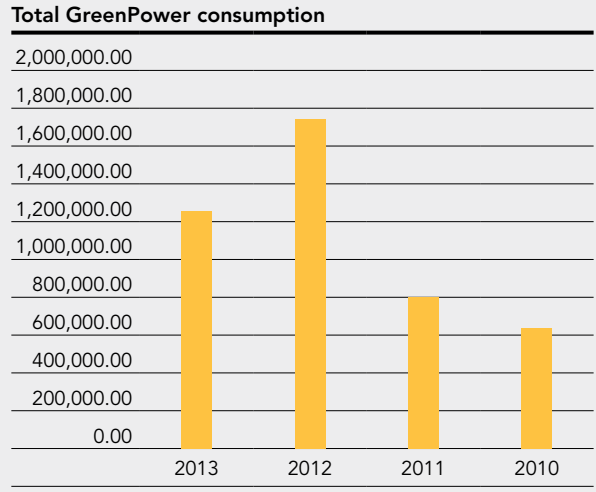
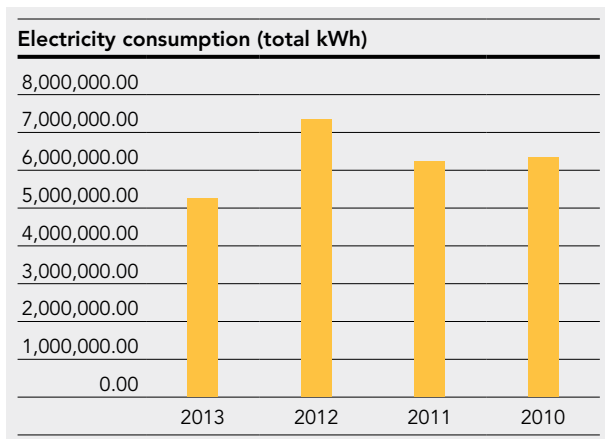
Kangan Institute monitors and provides reports on its environmental performance through the Environmental Management System (EMS). The EMS was established in 2010 as a requirement by the Victorian State Government and with the help of Sustainability Victoria and the ResourceSmart Tertiary Education Program.

The reports are based on the environmental impacts for six campuses – Broadmeadows, Coburg, Docklands, Essendon, Moreland and Richmond, with investigations underway to expand the reporting to co-located sites.

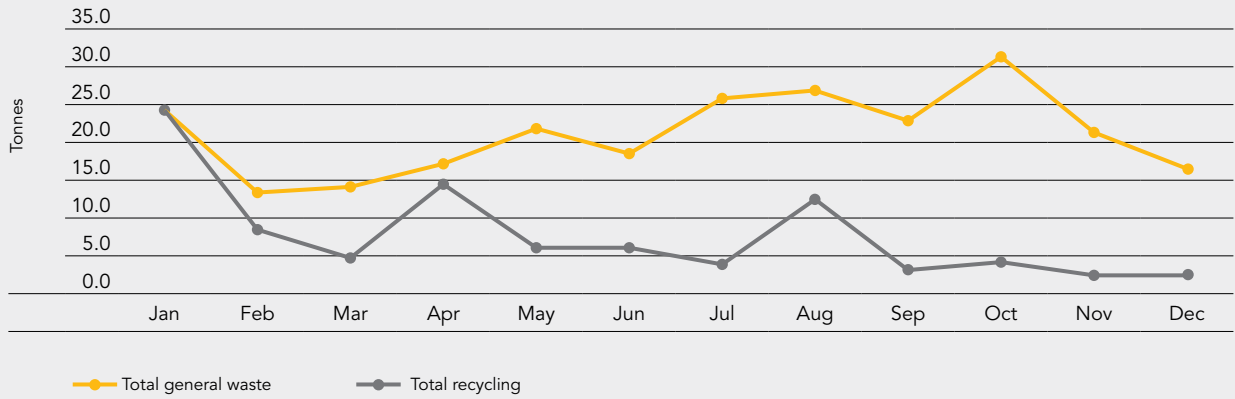
This annual report presents the reports on energy, water and associated greenhouse gas emissions. Plans are in place to begin target setting, tracking staff involvement, transportation consumption and procurement activities to increase sustainability next year.

#### Energy consumption

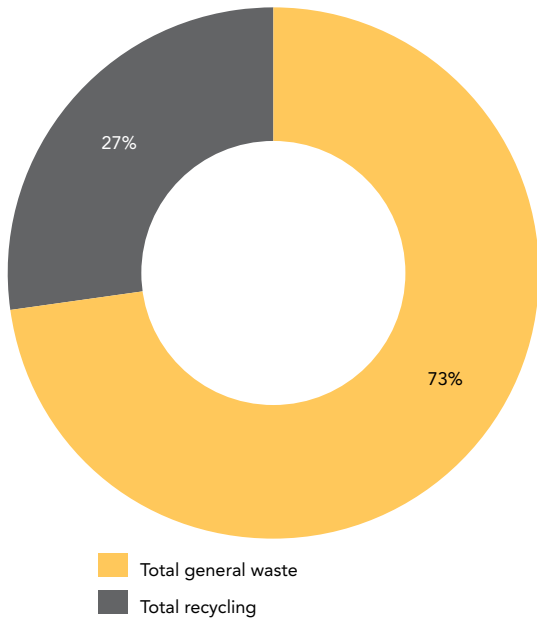
Total energy consumption has been reduced during 2013 through the effective closure of several campuses and the consolidation of activities into appropriate facilities. The monitoring and management of energy has been significantly improved through the installation of push button controls on HVAC plant.



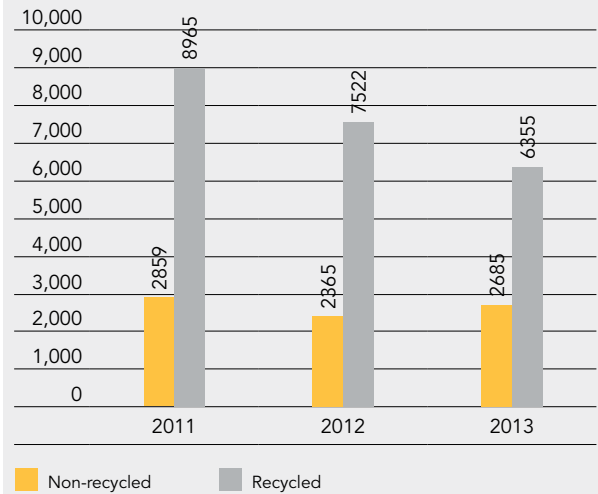
Waste v. recycling (tonnes) 2013



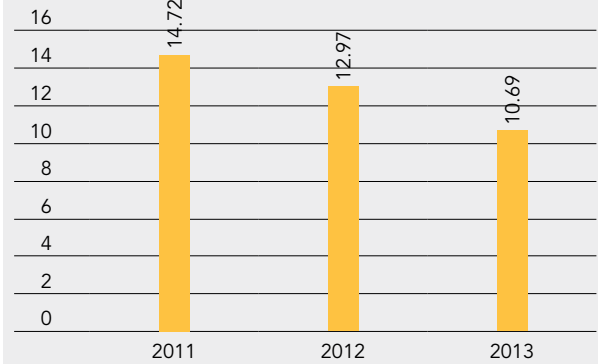
Waste v. recycling (tonnes)



Paper use (reams)



Average reams per EFT



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# Financial reports

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Auditor's report

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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 19/03/2014. Kangan Institute has the power to  
amend and reissue the financial report.



**VAGO**

Victorian Auditor-General's Office

Level 24, 35 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 Institute***The Financial Report*

The accompanying financial report for the year ended 31 December 2013 of the Kangan Institute 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 Declaration by President of the Board, Chief Executive Officer, and Chief Finance and Accounting Officer has been audited.

*The Board Members' Responsibility for the Financial Report*

The Board Members of the Kangan Institute 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 Institute as at 31 December 2013 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 Institute for the year ended 31 December 2013 included both in the Kangan Institute's annual report and on the website. The Board Members of the Kangan Institute are responsible for the integrity of the Kangan Institute's website. I have not been engaged to report on the integrity of the Kangan Institute'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  
 20 March 2014

  
 R. John Doyle  
 Auditor-General

# VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7070  
Email comments@audit.vic.gov.au  
Website www.audit.vic.gov.au

## INDEPENDENT AUDITOR'S REPORT

### To the Board Members, Kangan Institute

#### *The Statement of Performance*

The accompanying statement of performance for the year ended 31 December 2013 of Kangan Institute comprises the statement, the related notes and the Declaration by President of the Board, Chief Executive Officer, and Chief Finance and Accounting Officer has been audited.

#### *The Board Members' Responsibility for the Statement of Performance*

The Board Members of Kangan Institute 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 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 statement of performance of the Kangan Institute in respect of the 31 December 2013 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

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

This auditor's report relates to the statement of performance of the Kangan Institute for the year ended 31 December 2013 included both in the Kangan Institute's annual report and on the website. The Board Members of the Kangan Institute are responsible for the integrity of the Kangan Institute's website. I have not been engaged to report on the integrity of the Kangan Institute'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  
20 March 2014

  
John Doyle  
Auditor-General



KANGAN INSTITUTE  
Financial Report for the Year Ended 31 December 2013

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

We certify that the attached financial statements for the 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 2013 and financial position of the Institute as at 31 December 2013.

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  
19th March 2014  
Broadmeadows

Grant Sutherland  
Chief Executive Officer  
19th March 2014  
Broadmeadows

Richard Turnbull  
Chief Finance & Accounting Officer  
19th March 2014  
Broadmeadows

# KANGAN INSTITUTE

## COMPREHENSIVE OPERATING STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 \$ '000	2012 \$ '000
<b>Continuing operations</b>			
<b>Income from transactions</b>			
Government contributions - operating	2(a)(i)	70,191	75,330
Government contributions - capital	2(a)(ii)	1,179	2,859
Sale of goods and services	2(b)	50,605	47,091
Interest	2(c)	2,454	2,980
Other income	2(d)	2,051	2,113
<b>Total income from transactions</b>		<b>126,480</b>	<b>130,373</b>
<b>Expenses from transactions</b>			
Employee expenses	3(a)	(84,557)	(87,188)
Depreciation and amortisation	3(b),9,10	(6,836)	(8,637)
Fees and charges		(5,362)	(5,008)
Contract and other services		(2,781)	(3,448)
Other operating expenses	3(c)	(21,976)	(26,899)
<b>Total expenses from transactions</b>		<b>(121,512)</b>	<b>(131,180)</b>
<b>Net result from transactions (net operating balance)</b>		<b>4,968</b>	<b>(807)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on disposal of non-financial assets	4(a)	(942)	(452)
Net gain on financial instruments associated with interest free loan	1.21,4(b)	-	334
<b>Total other economic flows included in net result</b>		<b>(942)</b>	<b>(118)</b>
<b>Net result from continuing operations</b>		<b>4,026</b>	<b>(925)</b>
<b>Net result</b>		<b>4,026</b>	<b>(925)</b>
<b>Other economic flows – other comprehensive income</b>			
Changes in physical asset revaluation surplus	14	-	12,479
Financial assets available-for-sale reserve:			
Gain/(loss) taken to equity	14	30	56
<b>Total other economic flows – Other comprehensive income</b>		<b>30</b>	<b>12,535</b>
<b>Comprehensive result</b>		<b>4,056</b>	<b>11,610</b>

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

# KANGAN INSTITUTE

## BALANCE SHEET

### AS AT 31 DECEMBER 2013

	Note	2013 \$ '000	2012 \$ '000
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	5,26	4,781	5,005
Receivables	6,26	11,138	13,816
Investments, loans and other financial assets	7	53,902	47,187
<b>Total financial assets</b>		<b>69,821</b>	<b>66,008</b>
<b>Non-financial assets</b>			
Inventories	8	376	367
Property, plant and equipment	9	193,717	194,980
Other non-financial assets	10	1,565	1,250
<b>Total non-financial assets</b>		<b>195,658</b>	<b>196,597</b>
<b>Total assets</b>		<b>265,479</b>	<b>262,605</b>
<b>Liabilities</b>			
Payables	11	14,466	14,963
Provisions	12	12,989	13,741
Other liabilities	13	3,510	3,443
<b>Total liabilities</b>		<b>30,965</b>	<b>32,147</b>
<b>Net assets</b>		<b>234,514</b>	<b>230,458</b>
<b>Equity</b>			
Accumulated surplus/(deficit)	14	119,569	113,346
Reserves	14	73,096	75,263
Contributed capital	14	41,849	41,849
<b>Net worth</b>		<b>234,514</b>	<b>230,458</b>
Commitments for expenditure	16,17	8,561	5,949
Contingent assets and liabilities	18	9,668	(14,332)

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 2013

	Note	Equity at 1 January 2013 \$ '000	Changes due to		Equity at 31 December 2013 \$ '000
			Total Comprehensive result \$ '000	Transactions with owners in their capacity as owners \$ '000	
Accumulated surplus/(deficit)		113,346	4,026	-	117,372
Transfer		-	-	2,197	2,197
<b>Accumulated surplus/(deficit) at the end of the year</b>	<b>14</b>	<b>113,346</b>	<b>4,026</b>	<b>2,197</b>	<b>119,569</b>
<b>Contributions by owners at the end of the year</b>	<b>14</b>	<b>41,849</b>	<b>-</b>	<b>-</b>	<b>41,849</b>
Physical assets revaluation reserve		66,022	-	-	66,022
Financial assets available-for-sale reserve		(30)	30	-	-
Other reserves:					
ACE stage 2 reserve		2,463	-	(1,884)	579
VETASSESS projects reserve		-	-	400	400
Software replacement reserve		1,849	-	675	2,524
Marketing reserve		400	-	-	400
Strategic project reserve		4,096	-	(1,816)	2,280
Maintenance reserve		253	-	188	441
Richmond campus consolidation reserve		210	-	240	450
	<b>14</b>	<b>75,263</b>	<b>30</b>	<b>(2,197)</b>	<b>73,096</b>
<b>Total equity at the end of the year</b>		<b>230,458</b>	<b>4,056</b>	<b>-</b>	<b>234,514</b>

	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	(925)	-	109,735
Adjustment to beginning accumulated surplus/ (deficit) due to correction of error in prior period		(4,469)	-	-	(4,469)
Transfer		-	-	8,080	8,080
<b>Accumulated surplus/(deficit) at the end of the year</b>	<b>14</b>	<b>106,191</b>	<b>(925)</b>	<b>8,080</b>	<b>113,346</b>
<b>Contributions by owners at the end of the year</b>	<b>14</b>	<b>41,849</b>	<b>-</b>	<b>-</b>	<b>41,849</b>
Physical assets revaluation reserve		53,543	12,479	-	66,022
Financial assets available-for-sale reserve		(86)	56	-	(30)
Other reserves:					
ACE stage 2 reserve		7,699	-	(5,236)	2,463
Vetassess projects reserve		200	-	(200)	-
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
	<b>14</b>	<b>70,808</b>	<b>12,535</b>	<b>(8,080)</b>	<b>75,263</b>
<b>Total equity at the end of the year</b>		<b>218,848</b>	<b>11,610</b>	<b>-</b>	<b>230,458</b>

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 2013

	Note	2013 \$ '000	2012 \$ '000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government contributions - operating	2(a)(i)	70,191	75,330
Government contributions - capital	2(a)(ii)	1,179	2,859
User fees and charges received		60,474	51,340
Interest received		1,664	2,237
Other receipts		4,124	4,583
<b>Total receipts</b>		<b>137,632</b>	<b>136,349</b>
<b>Payments</b>			
Payments to suppliers and employees		(121,053)	(132,396)
Goods and services tax paid to the ATO		(3,603)	(1,456)
<b>Total payments</b>		<b>(124,656)</b>	<b>(133,852)</b>
<b>Net cash flows from operating activities</b>	15	<b>12,976</b>	<b>2,497</b>
<b>Cash flows from investing activities</b>			
Payments for non-financial assets		(6,648)	(9,730)
Proceeds from sale of non-financial assets	9	133	108
Payments for financial assets		(6,685)	10,772
<b>Net cash provided by/(used in) investing activities</b>		<b>(13,200)</b>	<b>1,150</b>
<b>Net increase (decrease) in cash and deposits</b>		<b>(224)</b>	<b>3,647</b>
Cash and cash equivalents at the beginning of the financial year		5,005	1,358
<b>Cash and cash equivalents at the end of the financial year</b>	5	<b>4,781</b>	<b>5,005</b>

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 2013

#### Note 1 – Statement of significant accounting policies

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

#### 1.01 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*.

For the purposes of preparing financial statements, the Institute is classed as a not for profit entity. Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner that 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.

#### 1.02 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.

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.

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; and
- 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 2013 and the comparative information presented for the year ended 31 December 2012.

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.

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



# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### 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*.

#### Critical accounting judgments and key sources of estimation uncertainty

In the application of the Institute's accounting policies, judgments, estimates and assumption about the carrying amounts of assets and liabilities must be made. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future,

and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Fair value measurements and valuation processes

Some of the Institute's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability the Institute uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Institute engages third party qualified valuers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is summarised below and in notes 9 and 26.

In addition, the following table provides an analysis of assets and liabilities 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).

Assets/liabilities measured at fair value	Fair value as at (\$'000)		Fair value hierarchy	Valuation technique(s) and key assumptions	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/2013	31/12/2012				
<b>Investment, loans and other financial assets (Note 26)</b>						
Short term deposits	21,402	25,217	Level 1	Quoted bid prices in an active market	NA	NA
Available for sale financial assets – ANZ Capital Guaranteed floating rate note	1,000	970	Level 1	Quoted bid prices in an active market	NA	NA
Other financial assets: Long term deposits	31,500	21,000	Level 1	Quoted bid prices in an active market	NA	NA
<b>Total</b>	<b>53,902</b>	<b>47,187</b>				
<b>Financial liabilities (Note 26)</b>						
Advances float for ACE stage 2	2,500	2,500	Level 1	Net fair value	NA	NA
Energy Performance contract repayment:current:	151	141	Level 3	Discounted cash flow	NA	NA
Energy Performance contract repayment:non-current:	859	802	Level 3	Discounted cash flow	NA	NA
<b>Total</b>	<b>3,510</b>	<b>3,443</b>				

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Critical judgments in applying accounting policies

The following are the critical judgments apart from those involved estimations that the Institute has made in the process of applying the accounting policies and that have the most significant effect of the amounts recognised in the consolidated financial statements:

**Discount rates applied to material balances** – Discounted future cash flows are estimated based on market exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

**Fair value measurements and valuation process** – Assets and liabilities are measured at fair value using market-observable data where available and engaging a professional valuer in its absence. The Institute liaises with the professional valuer for the appropriate inputs and valuation techniques.

**Useful lives of buildings, plant and equipment** – The Institute with the aid of a valuer estimates the remaining useful life based on the assumption that assets are held until the end of the useful lives.

#### 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.

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 that occur after the reporting date and before the date the statements are authorised for issue, where those events

provide information about conditions that 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:

- (a) the significant risks and rewards of ownership of the goods have transferred to the buyer;

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

- (b) the Institute retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be reliably measured;
- (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

##### (i) 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.

##### (ii) 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.

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	2013	2012
		Rate/Rates	Rate/Rates
Buildings	Straight line	1% - 50%	1% - 50%
Plant and equipment			
Computing equipment	Straight line	33.33%	33.33%
Other plant and equipment	Straight line	4% - 50%	4% - 50%
Library collections	Straight line	20%	20%
Motor vehicles	Straight line	20%	20%
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 2013. Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

All assets are assessed annually for indications of impairment. If there is an indication of impairment, the 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.

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

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.

#### 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.

#### 54 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.

#### Impairment of assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (i.e. as to whether their carrying value exceeds their recoverable amount and so require write downs).

All other assets are assessed annually for indications of impairment, except for:

- Inventories
- Financial assets

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 statement of comprehensive income, 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.

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### 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, and 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.

#### 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 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

Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available for sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the consolidated comprehensive operating statement as a transaction.

#### Derecognition of financial assets

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.

#### Impairment of financial assets

At the end of each reporting period, the Institute assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, default payments, debts that are more than 60 days overdue, and changes in debtor credit ratings. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as 'other economic flows' in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgment is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### 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. 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 a zero 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.

Where an asset is received for zero 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.

The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost, or where the infrastructure is held by a for profit entity, the fair value may be derived from estimates of the present value of future cash flows. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.



# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### 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.

### 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.

##### (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.

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

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 recognised separately from 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.

#### Borrowings

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method.

#### 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 18 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.

#### 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.



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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

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:

- influence the economic decisions of users taken on the basis of the financial report; and
- 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 and correction of error

As per disclosure requirements of AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors", an adjustment to beginning accumulated surplus/(deficit) due to an error in accounting treatment arising from the discounted present value of a zero interest rate loan.

This has been accounted for retrospectively and the comparative statements for 2012 have been restated. Opening accumulated surplus have been increased by \$272,000 to reflect the change. The effect is tabulated as follows:

Corrections of error	Previously stated \$'000	2012 Adjustment \$'000	Restated \$'000
<b>Operating statement</b>			
Gain on financial instrument	-	334	334
Fees and charges	(4,946)	(62)	(5,008)
Net result	(1,197)	272	(925)
<b>Balance sheet</b>			
Other financial liabilities	(1,215)	272	(943)
Total Liabilities	(32,419)	272	(32,147)
Accumulated surplus	(113,074)	(272)	(113,346)
Net worth	(230,186)	(272)	(230,458)

#### AASB 13 Fair Value Measurement

The Institute has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value assessments. The scope of AASB is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other A-IFRS require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 *Share-based Payment*, leasing transactions that are within the scope of AASB 17 *Leases*, and measurements that have some similarities to fair value but not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.

Other than the additional disclosures, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

#### AASB 119 Employee benefits

In the current year, the Institute has applied AASB 119 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. This change has no impact on the Institute 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.

In addition, AASB 119 also changes the definition of short-term employee benefits. These were previously benefits that were due to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously measured by the Institute at a nominal value are now measured at present value. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis.

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

This change in classification has not materially altered the Institute's measurement of the annual leave provision.

The impact for 31 December 2012 in accordance with the relevant transitional provisions set out in AASB 119 is as follows (The related amounts as at 1 January 2012 is Nil.)

Impact on liabilities and equity	As at 31 Dec 2012 as previously reported \$'000	AASB119 adjustments \$'000	As at 31 Dec 2012 (restated) \$'000
Current employee benefit provision	3,711	10	3,721
Accumulated surplus	113,074	10	113,064

#### 1.22 New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2013 reporting period.

As at 31 December 2013 the following standards and interpretations (applicable to the Institute) had been issued but were not mandatory for financial year ending 31 December 2013. The Institute has not, and does not intend to, adopt these standards early.

In addition to the new standard on the opposite page, the AASB has issued a list of amending standards that are not effective for the 2013 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The two AASB Interpretations in the list below are also not effective for the 2013 reporting period and considered to have insignificant impacts on public sector reporting.

- AASB 2011-13 Amendments to Australian Accounting Standard - Improvements to AASB 1049
- AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters
- AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements
- AASB 2011-3 Amendments to Australian Accounting Standards - Orderly adoption of Changes to the ABS GFS Manual and Related Amendments
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements
- AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039, 1049]
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
- AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements
- AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20
- 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements
- 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle
- 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements
- 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements
- 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non Financial Assets
- Interpretation 21 Levies

## KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Amending Pronouncements and Errata	Summary	Application date of standard	Impact on financial statements
AASB 9 <i>Financial Instruments</i>	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 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2015	Subject to AASB's further modifications to AASB 9, together with the anticipated changes resulting from the staged projects on impairments and hedge accounting, details of impacts will be assessed.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> and AASB 2010-2 <i>Amendments to Australian Accounts Standard arising from Reduced Disclosure Requirements</i>	These standards set out the tiers of financial reporting and the reduced disclosure framework.	1 January 2014	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.

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Note 2 – Income from transactions

	2013 \$ '000	2012 \$ '000
<b>(a) Grants and other transfers (other than contributions by owners)</b>		
<b>Government financial assistance</b>		
<b>(i) Government contributions – operating</b>		
TAFE - Training on demand with contestable funding	63,848	49,167
State government recurrent	220	20,470
Commonwealth specific funded programs	-	156
Other contributions	6,123	5,537
<b>Total government contributions - operating</b>	<b>70,191</b>	<b>75,330</b>
<b>(ii) Government contributions - capital</b>		
Commonwealth capital	-	1,711
State capital	1,179	1,148
<b>Total government contributions - capital</b>	<b>1,179</b>	<b>2,859</b>
<b>Total government financial assistance</b>	<b>71,370</b>	<b>78,189</b>
<b>(b) Sales of goods and services</b>		
Student fees and charges	8,379	6,322
Rendering of services		
Fee for service - Government	10,230	9,531
Fee for service - International operations - onshore	4,287	5,416
Fee for service - International operations - offshore	5,257	7,202
Fee for service - Other	20,379	16,150
<b>Total rendering of services</b>	<b>40,153</b>	<b>38,299</b>
<b>Other non-course fees and charges</b>		
Sale of goods	2,073	2,470
<b>Total other fees and charges</b>	<b>2,073</b>	<b>2,470</b>
<b>Total revenue from sale of goods and services</b>	<b>50,605</b>	<b>47,091</b>
<b>(c) Interest</b>		
Interest from financial assets not at fair value through P/L:		
Interest on bank deposits	2,454	2,980
<b>Net interest income</b>	<b>2,454</b>	<b>2,980</b>
<b>(d) Other income</b>		
<b>Rental revenue:</b>		
Other canteen facility		
Total rental revenue-other canteen facility	142	116
<b>Other revenue:</b>		
Donations and contributions	295	442
Wages recoup	737	605
Institute vehicle recoup	277	331
Childcare fees	264	250
Sundry revenue	336	369
<b>Total other income</b>	<b>2,051</b>	<b>2,113</b>

KANGAN INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

**Note 3 – Expenses from transactions**

	Note	2013 \$ '000	2012 \$ '000
<b>(a) Employee expenses</b>			
Salaries, wages, overtime and allowances		72,390	71,172
Superannuation	22	5,487	5,830
Payroll tax		3,270	3,539
Worker's compensation		550	562
Long service leave		704	1,414
Annual leave		603	852
Termination benefits		625	3,144
Other		928	675
<b>Total employee expenses</b>		<b>84,557</b>	<b>87,188</b>
<b>(b) Depreciation and amortisation</b>			
Depreciation of non-current assets			
Buildings		4,110	5,608
Plant and equipment		2,343	2,663
Motor vehicles		194	130
Library collections		189	220
<b>Total depreciation</b>	9	<b>6,836</b>	<b>8,621</b>
Amortisation of non-current physical and intangible assets			
Software		-	16
<b>Total depreciation and amortisation</b>		<b>6,836</b>	<b>8,637</b>
<b>(c) Other expenses</b>			
General expenses			
Audit fees and services		206	141
Bad and doubtful debts	6	31	14
Communication expenses		1,445	2,004
Consumables		1,805	2,459
Cost of sale of goods including ancillary trading		1,718	1,826
Equipment (below capitalisation threshold)		3,250	5,191
Grants and subsidies		57	126
Marketing and promotional expenses		2,163	1,911
Rental / leasing charges		2,615	2,342
Building repairs and maintenance		1,426	2,694
Staff development		626	570
Travel and motor vehicle expenses		1,920	2,414
Utilities		1,321	1,279
Printing and copying		1,627	1,772
Recruitment and tender advertising		97	94
Catering		217	283
Insurance		290	272
Membership dues and subscription		240	212
Entertainment expenses		92	187
Fringe benefits tax		115	119
Health and safety expenses		169	151
Student excursion and recreation		87	113
Other		459	725
<b>Total other expenses</b>		<b>21,976</b>	<b>26,899</b>

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Note 4 – Other economic flows included in net result

	Note	2013 \$ '000	2012 \$ '000
<b>(a) Net gain/(loss) on non-financial assets (including PPE and intangible assets)</b>			
Net gain/(loss) on disposal of physical assets	9	(942)	(452)
<b>(b) Net gain/(loss) on financial instruments</b>			
Net gain on financial instruments associated with interest free loan	1.21	-	(334)
<b>Total other gains/(losses) from other economic flows</b>		<b>(942)</b>	<b>(118)</b>

#### Note 5 – Cash and cash equivalents

	Note	2013 \$ '000	2012 \$ '000
Cash at bank and on hand	26	3,581	5,005
Deposits – at call		1,200	-
<b>Total cash and cash equivalents</b>		<b>4,781</b>	<b>5,005</b>

(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%

(c) Deposits at call are bearing interest rate of 2.45%

#### Note 6 – Receivables

	Note	2013 \$ '000	2012 \$ '000
<b>Current receivables</b>	26		
<b>Contractual</b>			
Trade receivables		2,862	4,307
Allowance for doubtful debts		(161)	(161)
Receivables from other parties		8,437	9,516
<b>Total contractual</b>		<b>11,138</b>	<b>13,662</b>
<b>Statutory</b>			
GST receivable from ATO		-	154
<b>Total statutory</b>		<b>-</b>	<b>154</b>
<b>Total current receivables</b>		<b>11,138</b>	<b>13,816</b>

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	31	14
Reversal of provision for receivables written off during the year as uncollectible	(31)	(14)
<b>Balance at end of the year</b>	<b>161</b>	<b>161</b>

#### (b) Ageing analysis of contractual receivables

Please refer to Note 26 (iv) for the ageing analysis of contractual receivables.

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

Please refer to Note 26 for the nature and extent of credit risk arising from contractual receivables.

KANGAN INSTITUTE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2013

**Note 7 – Investments, loans and other financial assets**

	Note	2013 \$ '000	2012 \$ '000
<b>Current investments, loans and other financial assets</b>			
Fixed interest bearing bills and term deposits		21,402	25,217
Available for sale financial assets - ANZ Capital Guaranteed Floating rate note		1,000	970
<b>Total current investments, loans and other financial assets</b>	26	<b>22,402</b>	<b>26,187</b>
Term deposits have an average maturity of 180 days and effective interest rates between 2.95% and 6.8%.			
<b>Non-current investments, loans and other financial assets</b>			
Term deposits		31,500	21,000
<b>Total non-current investments, loans and other financial assets</b>		<b>31,500</b>	<b>21,000</b>
<b>Total investments, loans and other financial assets</b>		<b>53,902</b>	<b>47,187</b>
(a) Ageing analysis of investments, loans and other financial assets. Please refer to Table (iv) in Note 26 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 26 for the nature and extent of risks arising from investments, loans and other financial assets.			

**Note 8 – Inventories**

	Note	2013 \$ '000	2012 \$ '000
<b>Current</b>			
<b>Inventories held-for-sale:</b>			
Trading bookshop		365	351
Food stores		11	16
<b>Total current inventories</b>		<b>376</b>	<b>367</b>

## KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### Note 9 – Property, plant and equipment

	Note	2013 \$ '000	2012 \$ '000
<b>Land</b>			
At valuation at 31 December	1.12	40,358	37,880
<b>Net land</b>		<b>40,358</b>	<b>37,880</b>
<b>Buildings</b>			
At valuation at 31 December	1.12	137,320	137,320
Accumulated depreciation		(3,953)	-
At cost		8,092	-
Accumulated depreciation		(157)	-
<b>Net buildings</b>		<b>141,302</b>	<b>137,320</b>
Buildings are valued at depreciated replacement cost.			
<b>Work in progress</b>			
At cost		1,556	7,698
<b>Work in progress</b>		<b>1,556</b>	<b>7,698</b>
<b>Plant and equipment</b>			
Gross carrying amount		25,417	26,864
Accumulated depreciation and impairment		(16,084)	(15,754)
<b>Net plant and equipment</b>		<b>9,333</b>	<b>11,110</b>
<b>Library collections</b>			
Gross carrying amount		865	1,025
Accumulated depreciation		(537)	(568)
<b>Net library collections</b>		<b>328</b>	<b>457</b>
<b>Motor vehicles</b>			
Gross carrying amount		1,431	995
Accumulated depreciation		(591)	(480)
<b>Net motor vehicles</b>		<b>840</b>	<b>515</b>
<b>Total property, plant and equipment</b>		<b>193,717</b>	<b>194,980</b>



**KANGAN INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**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
<b>2012</b>								
At 1 January 2012								
Cost		37,846	77,724	10,454	21,165	769	1,178	<b>149,136</b>
Valuation		-	66,201	-	-	-	-	<b>66,201</b>
Accumulated depreciation		-	(17,269)	-	(15,059)	(447)	(610)	<b>(33,385)</b>
<b>Net book amount</b>		<b>37,846</b>	<b>126,656</b>	<b>10,454</b>	<b>6,106</b>	<b>322</b>	<b>568</b>	<b>181,952</b>
Year ended 31 December 2012								
Opening net book amount		37,846	126,656	10,454	6,106	322	568	<b>181,952</b>
Additions		-	3,827	7,608	8,207	343	109	<b>20,094</b>
Disposals		-	-	-	(540)	(20)	-	<b>(560)</b>
Revaluation increments/(decrement)		34	12,445	-	-	-	-	<b>12,479</b>
Transfers		-	-	(10,364)	-	-	-	<b>(10,364)</b>
Depreciation/amortisation expense		-	(5,608)	-	(2,663)	(130)	(220)	<b>(8,621)</b>
<b>Closing net book amount</b>		<b>37,880</b>	<b>137,320</b>	<b>7,698</b>	<b>11,110</b>	<b>515</b>	<b>457</b>	<b>194,980</b>
At 31 December 2012								
Cost		37,880	-	7,698	26,864	995	1,025	<b>74,462</b>
Valuation		-	137,320	-	-	-	-	<b>137,320</b>
Accumulated depreciation		-	-	-	(15,754)	(480)	(568)	<b>(16,802)</b>
<b>Net book amount</b>		<b>37,880</b>	<b>137,320</b>	<b>7,698</b>	<b>11,110</b>	<b>515</b>	<b>457</b>	<b>194,980</b>
Year ended 31 December 2013								
Opening net book amount		37,880	137,320	7,698	11,110	515	457	<b>194,980</b>
Additions		2,478	93	2,616	807	594	60	<b>6,648</b>
Disposals		-	-	(692)	(308)	(75)	-	<b>(1,075)</b>
Transfers		-	7,999	(8,066)	67	-	-	<b>-</b>
Depreciation/amortisation expense		-	(4,110)	-	(2,343)	(194)	(189)	<b>(6,836)</b>
<b>Closing net book amount</b>		<b>40,358</b>	<b>141,302</b>	<b>1,556</b>	<b>9,333</b>	<b>840</b>	<b>328</b>	<b>193,717</b>
At 31 December 2013								
Cost		-	8,092	1,556	25,417	1,431	865	<b>37,361</b>
Valuation		40,358	137,320	-	-	-	-	<b>177,678</b>
Accumulated Depreciation		-	(4,110)	-	(16,084)	(591)	(537)	<b>(21,322)</b>
<b>Net book value at the end of the financial year</b>		<b>40,358</b>	<b>141,302</b>	<b>1,556</b>	<b>9,333</b>	<b>840</b>	<b>328</b>	<b>193,717</b>
<b>Profit (loss) on sale of non-current assets</b>								
								<b>Total</b>
Proceeds on sale of non-current assets								<b>133</b>
Less written down value								<b>(1,075)</b>
<b>Total profit/(loss) on disposal</b>	4(a)							<b>(942)</b>

## KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### Note 9 – Property, plant and equipment (continued)

#### Valuations of land and buildings

Fair value assessments have been performed at 31 December 2013 for all classes of assets.

This assessment takes into account that a revaluation was carried out for 31 December 2012 and that fair value was materially similar to carrying value, and therefore a full revaluation was not required this year. The next scheduled full revaluation for the Institute will be conducted in 2017.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties/other methods. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence/other methods.

There has been no change to the valuation technique during the year.

Details of the Institute's land and buildings and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000	Fair value \$ '000
Freehold land	-	40,358	-	40,358
Buildings used solely for educational purposes	-	138,195	3,107	141,302

There were no transfers between Level 1 and Level 2 during the year.

The Institute holds properties listed below as heritage assets. These heritage assets cannot be modified or disposed of without Ministerial approval.

Restrictive assets:	\$ '000
Richmond Building B	788
Richmond Building C	1,017
Essendon Building A	1,302
	<b>3,107</b>

### Note 10 – Other non-financial assets

	Note	2013 \$ '000	2012 \$ '000
<b>Current</b>			
Prepayments		1,565	1,250
<b>Total other non-financial asset</b>		<b>1,565</b>	<b>1,250</b>

### Note 11 – Payables

	Note	2013 \$ '000	2012 \$ '000
<b>Current</b>			
<b>Contractual</b>			
Supplies and services		7,017	8,815
Revenue In advance		7,361	6,148
		<b>14,378</b>	<b>14,963</b>
<b>Statutory</b>			
GST payable		88	-
<b>Total current payables</b>		<b>14,466</b>	<b>14,963</b>

KANGAN INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

### Note 12 – Provisions

	Note	2013 \$ '000	2012 \$ '000
<b>Current provisions expected to be settled within 12 months</b>			
<b>Employee benefits:</b>			
Annual leave		3,055	3,057
Long service leave		1,332	1,996
Performance payments		430	425
Managers Education allowance		65	103
<b>Total current provisions expected to be settled within 12 months</b>		<b>4,882</b>	<b>5,581</b>
<b>Current provisions expected to be settled after 12 months</b>			
<b>Employee benefits:</b>			
Annual leave		594	654
Long service leave		5,862	5,526
<b>Total current provisions expected to be settled after 12 months</b>		<b>6,456</b>	<b>6,180</b>
		<b>11,338</b>	<b>11,761</b>
<b>Non-current</b>			
<b>Employee benefits:</b>			
Long service leave		1,651	1,980
<b>Total non-current provisions</b>		<b>1,651</b>	<b>1,980</b>
		<b>12,989</b>	<b>13,741</b>
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.			
<b>Movements in provisions</b>			
Movements in each class, other than employee provisions during the financial year:		Nil	Nil

### Note 13 – Other liabilities

	Note	2013 \$ '000	2012 \$ '000
<b>Current</b>			
Advances other – Float for ACE stage 2		2,500	-
Energy Performance contract repayment		151	141
<b>Total current other liabilities</b>		<b>2,651</b>	<b>141</b>
<b>Non-current other liabilities</b>			
Advances other – Float for ACE stage 2		-	2,500
Energy Performance contract repayment		859	802
<b>Total non-current other liabilities</b>		<b>859</b>	<b>3,302</b>
		<b>3,510</b>	<b>3,443</b>

Maturity analysis of other liabilities: Refer to Note 26

Non-interest bearing and unsecured advance for ACE stage 2. Matured and settled as required.

The Energy Performance contract has notional interest applied, is unsecured and repayable over an eight year period commencing June 2014.

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Note 14 – Equity

	Note	2013 \$ '000	2012 \$ '000
<b>(a) Contributed capital</b>			
Balance at 1 January		41,849	41,849
<b>Balance at 31 December</b>		<b>41,849</b>	<b>41,849</b>
<b>(b) Accumulated surplus/(deficit)</b>			
Balance at 1 January		113,346	106,191
Net result for the year		4,026	(925)
Transfer (to)/from VETASSESS projects reserve		(400)	200
Transfer (to)/from ACE stage 2 reserve		1,884	5,236
Transfer (to)/from software replacement reserve		(675)	(620)
Transfer (to)/from marketing reserve		-	(400)
Transfer (to)/from strategic project reserve		1,816	(948)
Transfer (to)/from maintenance reserve		(188)	154
Transfer (to)/from Richmond campus consolidation reserve		(240)	4,458
<b>Balance at 31 December</b>		<b>119,569</b>	<b>113,346</b>
<b>(c) Reserves</b>			
<b>Composition of Reserves</b>			
Asset revaluation reserve – Land		38,058	38,058
Asset revaluation reserve – Building		27,964	27,964
Available for sale investments revaluation reserve		-	(30)
VETASSESS projects reserve		400	-
ACE stage 2 reserve		579	2,464
Software replacement reserve		2,524	1,849
Marketing reserve		400	400
Strategic project reserve		2,280	4,096
Maintenance reserve		441	253
Richmond campus consolidation reserve		450	210
<b>Balance at 31 December</b>		<b>73,096</b>	<b>75,263</b>
<b>Total equity</b>		<b>234,514</b>	<b>230,458</b>
<b>NOTE 14 – Movements in reserves</b>			
<b>Asset revaluation reserves:</b>			
<b>Land</b>			
Balance at 1 January		38,058	38,024
Revaluation increment/(decrement)		-	34
Balance as at 31 December		38,058	38,058
<b>Building</b>			
Balance at 1 January		27,964	15,518
Revaluation increment/(decrement)			12,446
Balance as at 31 December		27,964	27,964
<b>Financial assets available-for-sale reserve:</b>			
Balance at 1 January		(30)	(86)
Valuation gain/(loss) recognised		30	56
Balance as at 31 December		-	(30)

KANGAN INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

**Note 14 – Equity (continued)**

	Note	2013 \$ '000	2012 \$ '000
<b>Other reserves:</b>			
<b>VETASSESS projects reserve</b>			
Balance at 1 January		-	200
Transfer (to)/from accumulated funds		400	(200)
Balance as at 31 December		400	-
<b>ACE stage 2 reserve</b>			
Balance at 1 January		2,463	7,699
Transfer (to)/from accumulated funds		(1,884)	(5,236)
Balance as at 31 December		579	2,463
<b>Software replacement reserve</b>			
Balance at 1 January		1,849	1,229
Transfer (to)/from accumulated surplus/(deficit)		675	620
Balance as at 31 December		2,524	1,849
<b>Marketing reserve</b>			
Balance at 1 January		400	-
Transfer (to)/from accumulated surplus/(deficit)		-	400
Balance as at 31 December		400	400
<b>Strategic project reserve</b>			
Balance at 1 January		4,096	3,148
Transfer (to)/from accumulated surplus/(deficit)		(1,816)	948
Balance as at 31 December		2,280	4,096
<b>Maintenance reserve</b>			
Balance at 1 January		253	407
Transfer (to)/from accumulated surplus/(deficit)		188	(154)
Balance as at 31 December		441	253
<b>Richmond campus consolidation reserve</b>			
Balance at 1 January		210	4,668
Transfer (to)/from accumulated surplus/(deficit)		240	(4,458)
Balance as at 31 December		450	210
<b>Balance at 31 December</b>		<b>73,096</b>	<b>75,263</b>

**Nature and purpose of 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.

**Available for sale investments revaluation reserve**

This is used to record increments and decrements on the revaluation of available for sale investments.

**VETASSESS projects reserve**

The purpose of the reserve was to provide the investment for VETASSESS, a separate business unit, to capitalise on specific business opportunities for growth including purchase of property.

**ACE stage 2 reserve**

The purpose of the reserve is to provide the investment and funding for stage 2 of ACE Docklands campus development and indicate the part of accumulated surplus not available for alternative expenditure.

**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.

## KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### Note 15 – Cash flow information

	Note	2013 \$ '000	2012 \$ '000
Reconciliation of operating result to net cash flows from operating activities			
<b>Net result for the year</b>		4,026	(925)
<b>Non-cash flows in operating result</b>			
Depreciation and amortisation of non-current assets	3(b),9,10	6,836	8,637
Net (gain) / loss on sale of non-current assets	4(a)	942	452
Change in operating assets and liabilities			
Decrease / (increase) in trade receivables		2,678	(532)
Decrease / (increase) in inventories		(9)	(34)
Decrease / (increase) in other assets		(315)	(120)
Increase / (decrease) in payables		785	(5,329)
Increase / (decrease) in provisions		(1,967)	348
<b>Net cash flows provided by operating activities</b>		<b>12,976</b>	<b>2,497</b>

### Note 16 – Commitments for expenditure

	Note	2013 \$ '000	2012 \$ '000
<b>(a) Capital commitments</b>			
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:			
<b>Property, plant and equipment</b>			
<b>Payable:</b>			
Within one year		-	595
<b>Total property, plant and equipment</b>		-	<b>595</b>
GST reclaimable on the above		-	(54)
<b>Net commitments property, plant and equipment</b>		-	<b>541</b>

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Note 17 – Lease commitments

	Note	2013 \$ '000	2012 \$ '000
<b>(b) Lease commitments</b>			
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:			
Within one year		2,809	2,378
Later than one year but not later than five years		4,908	2,586
Later than five years		-	-
<b>Total lease commitments</b>		<b>7,717</b>	<b>4,964</b>
GST reclaimable on the above		(702)	(47)
<b>Net commitments operating leases</b>		<b>7,015</b>	<b>4,917</b>
<b>Representing:</b>			
Non-cancellable operating leases		7,717	4,964
<b>Total lease commitments</b>		<b>7,717</b>	<b>4,964</b>
<b>(i) Operating leases</b>			
Operating leases are effectively non-cancellable and include:			
– Leases for office accommodation, computer and motor vehicles			
<b>(c) Other expenditure commitments</b>			
Commitments for maintenance agreements in existence at the reporting date but not recognised as liabilities, payable:			
Within one year		340	390
Later than one year but not later than five years		504	-
<b>Total other expenditure commitments</b>		<b>844</b>	<b>390</b>
GST reclaimable on the above		(77)	(36)
<b>Net commitments other expenditure commitments</b>		<b>767</b>	<b>354</b>
The above commitments are represented by: contract cleaning and maintenance agreements		<b>844</b>	<b>390</b>

#### Note 18 – 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:

Total in respect of business undertakings – bank guarantees	(332)	(332)
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Bank guarantees for the purposes of securing supply of product and services from third parties on normal commercial terms and conditions.

##### In respect of organisations

Contingent assets	10,000	10,000
Contingent liabilities	-	(24,000)
Total in respect of organisations	10,000	(14,000)

As part of the funding agreement for ACE Stage 2, the Institute is liable to vacate the properties at Coburg and Richmond Gwynne St Campus, which has occurred in 2012, and will be sold by HESG to repay the Treasurer's advance provided to HESG. There is a \$10 million contingent asset from the planned sale of Moreland campus, the title to which is being transferred to the Kangan Board, and these funds will be allocated to the proposed \$60 million Health building at Broadmeadows campus.

There were Contingent liabilities of \$24 million in 2012 which were funded by the asset sales.

The Institute is currently involved in several litigation matters and may have an obligation in the future to settle a potential claim. The value of this settlement cannot be measured reliably at this time.

<b>Total Estimated Contingent Assets and Liabilities</b>	<b>9,668</b>	<b>(14,332)</b>
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# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Note 19 – Economic dependency

An economic dependency exists with the Department of Education and Early Childhood Development (DEECD). As a Technical and Further Education organisation the Institute provides training on behalf of the DEECD. The reliance on DEECD is in excess of 50% of the revenue of the Institute.

#### Note 20 – Subsequent events

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

#### Note 21 – Remuneration of auditors

	Note	2013 \$ '000	2012 \$ '000
Victorian Auditor General's Office - audit of the financial statements		36	32
Remuneration of other auditors - other assurance services		160	109
<b>Total remuneration of auditors</b>		<b>196</b>	<b>141</b>

#### Note 22 – 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	2013 \$ '000	2012 \$ '000
<b>Paid Contribution for the Year</b>			
<b>Defined benefit plans:</b>			
<b>State Superannuation Fund of Victoria</b>			
State Employees Retirement Benefits Scheme (contribution rate 13.3%)		18	18
Revised scheme (contribution rate 17.6%)		148	239
New scheme (contribution rate 7.4% to 10.3%)		327	447
<b>Total defined benefit plans</b>		<b>493</b>	<b>704</b>
<b>Defined contribution plans:</b>			
<b>VicSuper Pty Ltd</b>			
(contribution rate based on superannuation guarantee legislation at 9% for the period 1/1/13 - 30/6/13 and 9.25% for the period 1/7/13 - 31/12/13)		3,373	3,618
<b>Other superannuation schemes</b>			
(contribution rate based on superannuation guarantee legislation at 9% for the period 1/1/13 - 30/6/13 and 9.25% for the period 1/7/13 - 31/12/13)		109	112
Australian Superannuation		294	224
Uni Super		96	99
Macquarie		-	38
MLC Masterkey		46	33



KANGAN INSTITUTE  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2013

**Note 22 – Superannuation (refer 1.13) (continued)**

	Note	2013 \$ '000	2012 \$ '000
Hostplus		69	89
AMP Life Ltd		58	77
Vision Super Pty Ltd		43	44
MTAA Superannuation		47	43
Retail Employees Superannuation Trust (REST)		84	77
Colonial First State		40	33
Cbus		36	41
Catholic Super		43	33
ESSSuper Accumulation Plan		56	42
Health Super		23	31
Care Super		31	31
TELSTRA Super Scheme		23	20
BT Super for Life		20	26
SuperWrap		33	12
Other schemes		448	386
<b>Total defined contribution plans</b>		<b>4,972</b>	<b>5,109</b>
<b>Total paid contribution for the year</b>		<b>5,465</b>	<b>5,813</b>
As at 31 December 2013, outstanding contributions to be payable:			
VicSuper Pty Ltd		39	17
		<b>39</b>	<b>17</b>

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. As at 31 December 2013 there were no loans to the Institute from any fund.

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Note 23 – 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 are 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 until 28/02/13)  
Richard Turnbull (Acting CEO from 01/03/13 to 18/08/13)  
Grant Sutherland (CEO from 19/08/13)

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

Mr Dominic Andreacchio	Ms Helen Murphy
Ms Susan Allen	Mr Stelvio Vido
Ms Margaret Hatton	Ms Mirella Lattanzi
Mr Michael Brown	Mr Linsey Siede
Ms Jaqueline Wilson	Mr Darren Millman (term expired 31 December 2012)
Ms Robyn Stewart (term expired 31 December 2012)	Mr Andrew Priest (term expired 31 December 2012)
Mr Ray Griffiths (term expired 28 February 2013)	

Remuneration of Board members	2013 \$ '000	2012 \$ '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.	180	334

Mr Sutherland is employed as CEO of Kangan Institute since 19 August 2013. Mr Ray Griffiths was a Director of Kangan Institute from 1 May 2004 until 28 February 2013. The CEO ceased to be a Board Member following implementation of the Constitution of the Kangan Institute Order 2013 on 15th April 2013.

##### Income Range

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

	2013 No.	2012 No.
\$0 – \$9,999	2	17
\$10,000 – \$19,999	5	-
\$20,000 – \$29,999	1	-
\$30,000 – \$39,999	1	-
\$60,000 – \$69,999	1	-
\$300,000 – \$309,999	-	1
Total number of Board members	10	18
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:

	2013 \$ '000	2012 \$ '000
Base remuneration of executive officers	2,002	1,857
Total remuneration of executive officers	2,145	1,980

## KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### Note 23 – 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	
	2013 No.	2012 No.	2013 No.	2012 No.
\$0- \$9,999	-	-	-	1
\$20,000 - \$30,000	-	1	-	-
\$80,000 - \$89,999	-	1	-	1
\$100,000 - \$109,999	-	-	-	1
\$110,000 - \$119,999	-	1	-	-
\$120,000- \$129,999	1	-	1	-
\$130,000 - \$139,999	-	-	-	1
\$140,000 - \$149,999	-	1	1	-
\$150,000 - \$159,999	1	-	-	-
\$160,000 - \$169,999	-	-	-	1
\$170,000 - \$179,999	1	2	3	1
\$180,000 - \$189,999	2	-	-	-
\$190,000 - \$199,999	-	-	2	4
\$200,000 - \$209,999	1	4	2	2
\$210,000 - \$219,999	3	2	2	-
\$220,000 - \$229,999	1	-	-	-
\$260,000 - \$269,999	1	-	-	-
Total number of executives	11	12	11	12
Total annualised employee equivalent (AEE)	10.9	10.9	10.9	10.9
Total amount	\$2,145,344	\$1,980,441	\$2,001,718	\$1,856,596

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

#### 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 24 – Related parties

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

Other related party transaction: \$2 payable/equity with John Batman Consultancy and Training Pty Ltd.

No provision for doubtful debts has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

### Note 25 – 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 2013

#### Note 26 – Financial instruments

##### Financial risk management

###### (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 an investment committee with the Finance function of the Institute under policies approved by the Board. The Treasury Unit identifies, evaluates and hedges financial risks in close cooperation 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	2013 \$ '000	2012 \$ '000
<b>Financial assets</b>				
Cash and deposits	5	Cash and deposits	4,781	5,005
Receivables <sup>(a)</sup>	6	Loans and receivables	11,138	13,662
Investments, loans and other financial assets	7	Financial assets	53,902	47,187
			<b>69,821</b>	<b>65,854</b>
<b>Financial liabilities</b>				
Payables <sup>(a)</sup>	11	Payables	14,378	14,963
Other financial liabilities	13	Other liabilities	3,510	3,443
			<b>17,888</b>	<b>18,406</b>
<b>Note:</b>				
<sup>(a)</sup> 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.

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.

## KANGAN INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Note 26 – Financial instruments (continued)

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.

##### 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 as at 31 December 2013.

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.

- 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 2013 and 31 December 2012 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. The Institute minimises concentrations of credit risk in relation to student loans receivable in the following ways:

- 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.

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Note 26 – Financial instruments (continued)

##### 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 2013		Interest rate risk				Other price risk			
Financial assets		Rates move by:				Price move by:			
		1%		2%		5%		10%	
		Possible effect/		Possible effect/		Possible effect/		Possible effect/	
Carrying amount (\$'000s)		Result (\$'000s)	Equity (\$'000s)	Result (\$'000s)	Equity (\$'000s)	Result (\$'000s)	Equity (\$'000s)	Result (\$'000s)	Equity (\$'000s)
Cash and deposits – Cash at bank	3,581	+/- 36	+/- 36	+/- 72	+/- 72	-	-	-	-
Deposits at call	1,200	+/- 12	+/- 12	+/- 24	+/- 24	-	-	-	-
Receivables <sup>(a)</sup>	11,138	-	-	-	-	-	-	-	-
Investments, loans and other financial assets	1,000	-	-	-	-	+/- 50	+/- 50	+/- 100	+/- 100
Other financial assets	52,902	+/- 529	+/- 529	+/- 1058	+/- 1058	-	-	-	-
<b>Total increase/(decrease) in financial assets</b>	<b>69,821</b>	<b>+/- 577</b>	<b>+/- 577</b>	<b>+/- 1154</b>	<b>+/- 1154</b>	<b>+/- 50</b>	<b>+/- 50</b>	<b>+/- 100</b>	<b>+/- 100</b>
Financial liabilities									
Payables (a)	14,378	-	-	-	-	-	-	-	-
Other financial liabilities	3,510	+/- 35	+/- 35	+/- 70	+/- 70	-	-	-	-
<b>Total increase/(decrease) in financial liabilities</b>	<b>17,888</b>	<b>+/- 35</b>	<b>+/- 35</b>	<b>+/- 70</b>	<b>+/- 70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total increase/(decrease)</b>	<b>87,709</b>	<b>+/- 542</b>	<b>+/- 542</b>	<b>+/- 1084</b>	<b>+/- 1084</b>	<b>+/- 50</b>	<b>+/- 50</b>	<b>+/- 100</b>	<b>+/- 100</b>
31 December 2012		Interest rate risk				Other price risk			
Financial assets		Rates move by:				Price move by:			
		1%		2%		5%		10%	
		Possible effect/		Possible effect/		Possible effect/		Possible effect/	
Carrying amount (\$'000s)		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	-	-	-	-
Receivables <sup>(a)</sup>	13,662	-	-	-	-	-	-	-	-
Investments, loans and other financial assets	970	-	-	-	-	+/- 49	+/- 49	+/- 97	+/- 97
Other financial assets	46,217	+/- 462	+/- 462	+/- 924	+/- 924	-	-	-	-
<b>Total increase/(decrease) in financial assets</b>	<b>65,854</b>	<b>+/- 512</b>	<b>+/- 512</b>	<b>+/- 1024</b>	<b>+/- 1024</b>	<b>+/- 49</b>	<b>+/- 49</b>	<b>+/- 97</b>	<b>+/- 97</b>
Financial liabilities									
Payables <sup>(a)</sup>	14,963	-	-	-	-	-	-	-	-
Other financial liabilities	3,443	+/- 34	+/- 34	+/- 69	+/- 69	-	-	-	-
<b>Total increase/(decrease) in financial liabilities</b>	<b>18,406</b>	<b>+/- 34</b>	<b>+/- 34</b>	<b>+/- 69</b>	<b>+/- 69</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total increase/(decrease)</b>	<b>84,260</b>	<b>+/- 478</b>	<b>+/- 478</b>	<b>+/- 955</b>	<b>+/- 955</b>	<b>+/- 49</b>	<b>+/- 49</b>	<b>+/- 97</b>	<b>+/- 97</b>

Note: (a) Receivables and payables disclosed here exclude statutory receivables and statutory payables.

## KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### Note 26 – Financial instruments (continued)

#### (iii) Financial instrument composition and interest rate exposure

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. Exposure to interest rate risk is insignificant and may arise primarily through the Institute's borrowings. Minimisation of risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments. For financial liabilities, the Institute mainly undertakes financial liabilities with relatively even maturity profiles. The Institute's borrowings are managed by the Finance department and any movements in interest rates are monitored on a daily basis.

The Institute's exposure to interest rate risk is set out below

2013	Weighted average effective rate	Total carrying amount per balance sheet '000	Floating interest rate '000	Fixed interest rate '000	Non interest bearing '000
<b>Financial assets</b>					
<b>Cash and deposits</b>					
Cash and deposits – Cash at bank	2.1%	3,581	2,582	-	999
Deposits at call	2.6%	1,200	1,200	-	-
<b>Contractual receivables</b>					
Loans and receivables – receivables and term deposits	3.2%	21,402	-	21,402	-
Available for sale financial assets	\$1.00	1,000	1,000	-	-
Receivables – Debtors	-	2,701	-	-	2,701
Receivables from other parties	-	8,437	-	-	8,437
<b>Investment, loans and other financial assets</b>					
Fixed interest bearing term deposits	5.1%	31,500	-	31,500	-
<b>Total financial assets</b>		<b>69,821</b>	<b>4,782</b>	<b>52,902</b>	<b>12,137</b>
<b>Financial liabilities</b>					
Trade and other payables	-	14,378	-	-	14,378
Advances float for ACE stage 2	-	2,500	-	-	2,500
Other loans	-	1,010	-	-	1,010
<b>Total financial liabilities</b>	-	<b>17,888</b>	-	-	<b>17,888</b>

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Note 26 – Financial instruments (continued)

##### (iii) Financial instrument composition and interest rate exposure (continued)

2012	Weighted average effective rate	Total carrying amount per balance sheet `000	Floating interest rate `000	Fixed interest rate `000	Non interest bearing `000
<b>Financial assets</b>					
<b>Cash and deposits</b>					
Cash and deposits – Cash at bank	2.9%	5,005	4,336	-	669
<b>Contractual receivables</b>					
Loans and receivables – receivables and term deposits	5.0%	25,217	-	25,217	-
Available for sale financial assets	\$0.96	970	970	-	-
Receivables – Debtors	-	4,146	-	-	4,146
Receivables from other parties	-	9,516	-	-	9,516
<b>Investment, loans and other financial assets</b>					
Long term deposits	6.0%	21,000	-	21,000	-
<b>Total financial assets</b>		<b>65,854</b>	<b>5,306</b>	<b>46,217</b>	<b>14,331</b>
<b>Financial liabilities</b>					
Trade and other payables	-	14,963	-	-	14,963
Advances float for ACE stage 2	-	2,500	-	-	2,500
Other loans	-	943	-	-	943
<b>Total financial liabilities</b>		<b>18,406</b>	<b>-</b>	<b>-</b>	<b>18,406</b>



# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Note 26 – Financial instruments (continued)

##### (iv) Ageing analysis of financial assets

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The following table discloses the contractual maturity analysis for the Institute's financial assets and financial liabilities.

2013 Financial assets	Carrying amount	Not past due and not impaired	Maturity dates				Impaired financial assets
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	
<b>Contractual receivables</b>							
Trade receivables	2,862	818	1,396	443	44	–	161
Receivables from other parties	8,437	8,437	–	–	–	–	–
<b>Investments, loans and other financial assets</b>							
Fixed interest bearing term deposits	52,902	52,902	–	–	–	–	–
Available-for-sale financial assets	1,000	1,000	–	–	–	–	–
<b>Total 2013 Financial assets</b>	<b>65,201</b>	<b>63,157</b>	<b>1,396</b>	<b>443</b>	<b>44</b>	<b>–</b>	<b>161</b>
2012 Financial assets	Carrying amount	Not past due and not impaired	Maturity dates				Impaired financial assets
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	
<b>Contractual receivables</b>							
Trade receivables	4,307	3,509	441	54	124	18	161
Receivables from other parties	9,516	9,516	–	–	–	–	–
<b>Investments, loans and other financial assets</b>							
Fixed interest bearing term deposits	46,217	46,217	–	–	–	–	–
Available-for-sale financial assets	970	970	–	–	–	–	–
<b>Total 2012 Financial assets</b>	<b>61,010</b>	<b>60,212</b>	<b>441</b>	<b>54</b>	<b>124</b>	<b>18</b>	<b>161</b>

# KANGAN INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2013

#### Note 26 – 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.

For other assets and other liabilities the fair value approximates their carrying value. Financial assets where the carrying amount exceeds fair values have not been written down as the Institute intends to hold these assets to maturity.

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

Financial instruments	2013		2012	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
<b>Financial assets</b>				
<b>Cash and deposits</b>				
Cash at bank and on hand	3,581	3,581	5,005	5,005
Deposits at call	1,200	1,200	-	-
<b>Contractual receivables</b>				
Trade receivables	2,701	2,701	4,146	4,146
Receivables from other parties	8,437	8,437	9,516	9,516
<b>Investments, loans and other financial assets</b>				
Fixed interest bearing term deposits	52,902	52,902	46,217	46,217
Available-for-sale financial assets	1,000	1,000	970	970
<b>Total financial assets</b>	<b>69,821</b>	<b>69,821</b>	<b>65,854</b>	<b>65,854</b>
<b>Financial liabilities</b>				
Payables	14,378	14,378	14,963	14,963
Other financial liabilities (discounted values)	3,510	3,510	3,443	3,443
<b>Total financial liabilities</b>	<b>17,888</b>	<b>17,888</b>	<b>18,406</b>	<b>18,406</b>

## KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

### Note 26 – 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:

	2013	Level 1 Quoted prices \$'000	Level 2 Observable price inputs \$'000	Level 3 Unobservable inputs \$'000
	\$'000			
<b>Financial assets</b>				
Available for sale financial assets	1,000	1,000	-	-
Other financial assets	52,902	52,902	-	-
Total	53,902	53,902	-	-
<b>Financial liabilities</b>				
Other financial liabilities	3,510	-	-	3,510
Total	3,510	-	-	3,510
	2012	Level 1 Quoted prices \$'000	Level 2 Observable price inputs \$'000	Level 3 Unobservable inputs \$'000
	\$'000			
<b>Financial assets</b>				
Available for sale financial assets	970	970	-	-
Other financial assets	46,217	46,217	-	-
Total	47,187	47,187	-	-
<b>Financial liabilities</b>				
Advances – Other	3,443	-	-	3,443
Total	3,443	-	-	3,443

JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439

**VAGO**

Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://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 2013 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.

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Auditing in the Public Interest

**VAGO**

Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

*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 2013 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 2013 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  
20 March 2014

  
John Doyle  
Auditor-General

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Auditing in the Public Interest

JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439

**VAGO**

Victorian Auditor-General's Office

Level 24, 35 Collins Street  
Melbourne VIC 3000  
Telephone 61 3 8601 7000  
Facsimile 61 3 8601 7010  
Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au)  
Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

**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 matters which the Auditor-General considers appropriate.

*Independence Declaration*

As auditor for John Batman Consultancy & Training Pty Ltd for the year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- no contraventions of any applicable code of professional conduct in relation to the audit.

MELBOURNE  
20 March 2014

  
John Doyle  
Auditor-General

# 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 2013

The Director of the company submits the financial report of the company for the financial year ended 31 December 2013. 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 Grant Sutherland is the current Director of the company.

The Director had no beneficial interest in the shares of the company. Mr Sutherland is the Director of Kangan Institute, 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 2013 to 31 December 2013.

No board or other committees existed during the year.

Dated at Broadmeadows the 19th day of March 2014.

Signed by the Director of the company

Grant Sutherland  
Director



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## JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439



**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 2013 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 9 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.

A handwritten signature in black ink, appearing to read 'Grant Sutherland'.

Grant Sutherland  
Director and Accountable Officer

Date: 19th March 2014  
Broadmeadows

## JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439

<b>Comprehensive Operating Statement</b>			
<b>For the year ended 31 December 2013</b>			
	Note	2013 \$	2012 \$
<b>Continuing operations</b>		-	-
Income from transactions		-	-
<b>Total income from transactions</b>		-	-
Expenses from transactions		-	-
<b>Total expenses from transactions</b>		-	-
<b>Net result from transactions (net operating balance)</b>		-	-
Other economic flows included in net result		-	-
<b>Total other economic flows included in net result</b>		-	-
<b>Net result from continuing operations</b>		-	-
Net result		-	-
Other economic flows – other non-owner changes in equity		-	-
<b>Total other economic flows – Other non-owner changes in equity</b>		-	-
<b>Comprehensive result</b>		-	-

The accompanying notes form part of these financial statements.

<b>Balance Sheet</b>			
<b>As at 31 December 2013</b>			
	Note	2013 \$	2012 \$
<b>Assets</b>			
<b>Financial assets</b>			
Receivables	5	2	2
<b>Total financial assets</b>		<b>2</b>	<b>2</b>
Non-financial assets		-	-
<b>Total non-financial assets</b>		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>2</b>	<b>2</b>
Liabilities		-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>2</b>	<b>2</b>
<b>Equity</b>			
Contributed capital		2	2
<b>Total equity</b>		<b>2</b>	<b>2</b>
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 2013**

	2013	2012
	\$	\$
<b>Total equity at the beginning of the year</b>	<b>2</b>	<b>2</b>
Profit attributable to equity shareholders	-	-
<b>Sub-total</b>	<b>2</b>	<b>2</b>
Dividends paid or provided for	-	-
<b>Total equity at the end of the year</b>	<b>2</b>	<b>2</b>

The accompanying notes form part of these financial statements.

**Cash Flow Statement**  
**For the year ended 31 December 2013**

	2013	2012
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers	-	-
Receipts from clients	-	-
<b>Net cash flows from/(used in) operating activities</b>	<b>-</b>	<b>-</b>
<b>Net cash provided by/(used in) investing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the financial year	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

# JOHN BATMAN CONSULTANCY AND TRAINING PTY LTD ACN 075 726 439

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### 1. Statutory reporting requirements

John Batman Consultancy and Training Pty Ltd is a company established by Kangan Batman Institute of 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 2013 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 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

	2013	2012
	\$	\$
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 2013

### 6. Contributed equity

	2013	2012
	\$	\$
Two fully paid ordinary shares at \$1 each	2	2

### 7. Credit facilities

There were no credit facilities in place at either 31 December 2013 or 31 December 2012.

### 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 Sutherland is employed as CEO of Kangan Institute and Director of the Company since 19 August 2013. Mr Sutherland has not received any fees for services provided to the company. Mr Ray Griffiths was the Director of Kangan Institute and the Company from 1 May 2004 until 28 February 2013. The CEO ceased to be a Board Member following implementation of the Constitution of the Kangan Institute Order 2013 on 15 April 2013.

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

Income range	2013	2012
\$60,000 - \$69,999	1	-
\$120,000 - \$129,999	1	-
\$300,000 - \$309,999	-	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 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.

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

Mr Grant Sutherland is the current Director of the company.

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	
	2013	2012	2013	2012
	\$	\$	\$	\$
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 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.

## 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 2013

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#### (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 2013 (2012, nil).

#### **15. Contingent assets and liabilities**

There were no Contingent Assets and Liabilities for 2013 and 2012.

# 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.

Item No	Source reference	Summary of reporting requirement	
<b>Report of operations</b>			
<b>Charter and purpose</b>			
1	FRD 22D	Manner of establishment and the relevant Minister	2
2	FRD 22D	Objectives, functions, powers and duties	2, 33
3	FRD 22D	Nature and range of services provided including communities served	2-3
<b>Management and structure</b>			
4	FRD 22D	Organisational structure and chart, including accountabilities	18-19
5	FRD 22D	Names of Board members	22-23
<b>Financial and other information</b>			
6	FRD 03A	Accounting for Dividends.	NA
7	FRD 07A	Early adoption of authoritative accounting pronouncements	59-60
8	FRD 10	Disclosure Index	95-96
9	FRD15B	Executive officer disclosures	76-77
10	FRD 17A	Long Service leave wage inflation and discount rates	58
11	FRD19	Private provision of public infrastructure	NA
12	FRD 20A	Accounting for State motor vehicle lease arrangements prior to 1 Feb 2004	NA
13	FRD22 & SD 4.2(k)	Operational and budgetary objectives, performance against objectives and achievements	10-16, 25-30
14	FRD 22D	Occupational health and safety statement including performance indicator and performance against those indicators	35-38
15	FRD 22D	Workforce data for current and previous reporting period including a statement on employment and conduct principles	33-35
16	FRD 22D	Summary of the financial results for the year including previous 4 year comparisons	10-16
17	FRD 22D	Significant changes in financial position during the year	11-12
18	FRD 22D	Major changes or factors affecting performance	11-12
19	FRD 22D	Post-balance sheet date events likely to significantly affect subsequent reporting periods	74
20	FRD 22D	Summary of application and operation of the Freedom of Information Act 1982	33
21	FRD 22D	Statement of compliance with building and maintenance provisions of the Building Act 1993	31
22	FRD 22D	Statement on National Competition Policy	33
23	FRD 22D	Summary of application and operation of the Protected Disclosure Act 2012	33
24	FRD 22D	Summary of Environmental Performance.	40-41
25	FRD 22C	Details of consultancies over \$10,000 (refer to FRD for information required)	39
26	FRD 22C	Details of consultancies under \$10,000 (refer to FRD for information required)	39
27	FRD 22D	List of certain other information available on request (as specified in the FRD)	33
28	FRD 24C	Reporting of office based environmental impacts	40-41
29	FRD 25A	Victorian Industry Participation Policy Disclosures	NA
30	FRD 26A	Accounting for VicFleet motor vehicle lease arrangements on or after 1 February 2004	NA
31	FRD 29	Workforce Data Disclosures on the public service employee workforce	33-35
32	FRD30A	Standard requirements for the design and print of annual reports	1-96
33	SD 4.5.5	Risk Management compliance attestation	8
34	SD 4.2 (g)	Qualitative and Quantitative information to be included	46-87
35	SD 4.2 (h)	Statement that Report prepared in accordance with Financial Reporting Directions	45
36	SD 4.2 (j)	Sign-off by member of Responsible Body	45
37	CG 10 (clause 27)	Major Commercial Activities	NA
38	CG 12 (clause 33)	Controlled Entities	NA
<b>Financial report</b>			
<b>Financial statements required under part 7 of the financial management act 1984</b>			
39	SD 4.2 (a)	The financial statements must be prepared in accordance with: <ul style="list-style-type: none"> <li>Australian accounting standards (AAS and AASB standards) and other mandatory professional reporting requirements (including urgent issues group consensus views);</li> <li>Financial Reporting Directions; and</li> <li>business rules.</li> </ul>	45 45 45
40	SD 4.2 (b)	The financial statements are to comprise the following: <ul style="list-style-type: none"> <li>income statement;</li> <li>balance sheet;</li> <li>statement of recognised income and expense; and</li> <li>cash flows statement; and</li> <li>notes to the financial statements.</li> </ul>	46 47 48 49 50-87

Item No	Source reference	Summary of reporting requirement	
<b>Other requirements under standing direction 4.2</b>			
41	SD 4.2 (c)	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:	
		<ul style="list-style-type: none"> <li>the financial statements present fairly the financial transactions during the reporting period and the financial position at the end of the period;</li> </ul>	45
		<ul style="list-style-type: none"> <li>the financial statements are prepared in accordance with this direction and applicable Financial Reporting Directions; and</li> </ul>	45
		<ul style="list-style-type: none"> <li>the financial statements comply with applicable Australian accounting standards (AAS and AASB standards) and other mandatory professional reporting requirements (including urgent issues group consensus views).</li> </ul>	45
42	SD 4.2 (d)	Rounding of amounts.	59
43	SD 4.2 (e)	Review and sign off by Audit Committee or responsible body	45
44	SD 4.2 (f)	Compliance with DTF Model Financial report	46-87
<b>Other requirements as per financial reporting directions in notes to the financial statements</b>			
45	FRD 9A	Disclosure of administered assets and liabilities	NA
46	FRD 11	Disclosure of ex-gratia payments	NA
47	FRD 21B	Disclosures of Responsible Persons, Executive Officer and Other Personnel (Contractors with significant management responsibilities) in the Financial Report	76-77, 93
48	FRD 101	First time adoption	NA
49	FRD 102	Inventories	56
50	FRD 103D	Non-current physical assets	55-56
51	FRD 104	Foreign currency	58
52	FRD 105A	Borrowing costs	58
53	FRD 106	Impairment of assets	53-54
54	FRD 109	Intangible assets	54
55	FRD 107	Investment properties	NA
56	FRD 110	Cash flow statements	49
57	FRD 112C	Defined benefit superannuation obligations	53
58	FRD 113	Investment in subsidiaries, jointly controlled entities and associates	NA
59	FRD 114A	Financial instruments – general government entities and public non-financial corporations	78-85
60	FRD 115	Non-current physical assets – first time adoption	NA
61	FRD 119	Contributions by owners	58
62	FRD 119A	Transfers through contributed capital	62
63	FRD 120G	Accounting and reporting pronouncements applicable to the reporting period	59-60
64	FRD 121	Infrastructure assets	NA
<b>Part 7 of the Financial Management Act 1994 (FMA)</b>			
65	FMA 49 (a)	Must contain such information as required by the Minister.	76
66	FMA 49 (b)	Must be prepared in a manner and form approved by the Minister.	76

Item No	Source reference	Summary of reporting requirement	
67	FMA 49 (c)	Must present fairly the financial transactions of an institute during the financial year to which they relate.	46-85
68	FMA 49 (d)	Must present fairly the financial position of an institute as at the end of the year.	46-85
69	FMA 49 (e)	Must be certified by the Accountable Officer for an institute in the manner approved by the Minister.	45
<b>Compliance with other legislation and subordinate instruments</b>			
70	Legislation	The TAFE institute Annual Report must contain a statement that it complies with all relevant legislation and subordinate instruments, including, but not limited to, the following: <ul style="list-style-type: none"> <li>Education and Training Reform Act 2006 (ETRA)</li> <li>TAFE institute constitution</li> <li>Directions of the Minister for Higher Education and Skills (or predecessors)</li> <li>TAFE institute Commercial Guidelines</li> <li>TAFE institute Strategic Planning Guidelines</li> <li>Public Administration Act 2004</li> <li>Freedom of Information Act 1982</li> <li>Building Act 1983</li> <li>Protected Disclosure Act 2012</li> <li>Victorian Industry Participation Policy Act 2003</li> </ul>	3
71	ETRA s 3.2.8	Statement about compulsory non-academic fees, subscriptions and charges payable in 2013.	32
<b>Presentation of reporting and performance information</b>			
<b>Audited Statements of Key Performance Measures (KPIs) must include an audited statement of performance for certain KPIs.</b>			
72	FRD 27B	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"> <li>Participation of 15-24 year olds.</li> <li>Participation of 25-64 year olds.</li> <li>Module Load Completion Rate.</li> <li>Student satisfaction.</li> <li>Total Cost per Student Contact Hour (SCH).</li> <li>Working Capital Ratio.</li> <li>Net Operating Margin.</li> <li>Fee for Service Revenue.</li> <li>Revenue per EFT Staff.</li> <li>Student Contact Hours (SCH).</li> <li>Energy Consumption.</li> </ol>	9-10
<b>Overseas operations of Victorian TAFE institutes</b>			
73	PAEC and VAGO  (June 2003 Special Review item 3.110)	<ul style="list-style-type: none"> <li>financial and other information on initiatives taken or strategies relating to the institute's overseas operations.</li> <li>nature of strategic and operational risks for overseas operations;</li> <li>strategies established to manage such risks of overseas operations;</li> <li>performance measures and targets formulated for overseas operations;</li> <li>the extent to which expected outcomes for overseas operations have been achieved.</li> </ul>	29-30, 38-39

## CAMPUS LOCATIONS

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### **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

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### **VETASSESS**

Level 5, 478 Albert Street  
EAST MELBOURNE VIC 3002  
Phone: +61 3 9655 4801  
Fax: +61 3 9654 3385  
Visit: [vetassess.com.au](http://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](http://eworks.edu.au)

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**Kangan Institute delivers VET programs to over half of Victoria's prisoner population. We provide 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

### **Port Phillip Prison**

Corner Dohertys Road and Palmers Road  
LAVERTON VIC 3028

### **Thomas Embling Hospital**

Yarra Bend Road  
FAIRFIELD VIC 3078

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### **Your feedback**

If you would like to provide feedback about this annual report, please email [corporatecommunications@kangan.edu.au](mailto:corporatecommunications@kangan.edu.au)

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### **Credits**

This annual report was jointly produced by the Marketing and Corporate Finance departments.

Editor: Stephanie Yap  
Financial accountant: Alban Tan  
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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](mailto:enquiries@kangan.edu.au)  
Visit: [kangan.edu.au](http://kangan.edu.au)



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Private Bag 299  
Somerton 3062

Call: **13 TAFE (13 8233)**  
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Or **+61 3 9279 2222**  
Fax: **+61 3 9279 2590**  
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