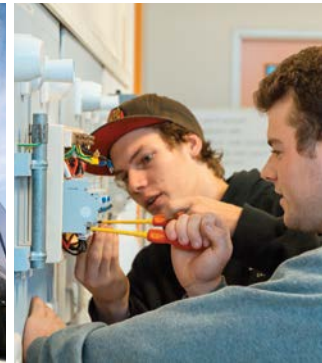
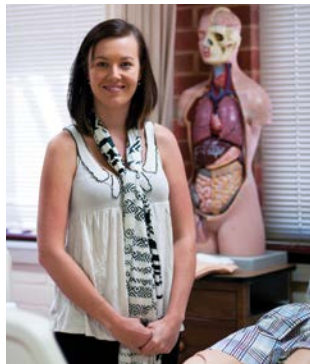


BENDIGO KANGAN INSTITUTE

ANNUAL REPORT 2015



ONE INSTITUTE. ONE VISION.

Report objectives

This annual report is the principal medium through which Bendigo Kangan Institute communicates its accountability to parliament, government and stakeholders, and provides a summary of the Institute's operations and achievements during 2015.

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

- Education and Training Reform Act 2006 (ETRA)
- Constitution of the Bendigo Kangan Institute Order 2014
- Directions of the Minister for Training and Skills (or predecessors)
- TAFE institute commercial guidelines
- TAFE institute strategic planning guidelines
- Public Administration Act 2004
- Financial Management Act 1994
- Freedom of Information Act 1982
- Building Act 1993
- Protected Disclosure Act 2012
- Victorian Industry Participation Policy Act 2003

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Introduction

On 23 May 2014, the Premier of Victoria formally announced the merger of Kangan Institute and Bendigo TAFE. The merger, which also incorporated the VETASSESS and eWorks brands, created Bendigo Kangan Institute—a new vocational training entity which formally began operating on 1 July 2014.

With the continued support of the Victorian Government, Bendigo Kangan Institute now operates as one of Victoria's most prominent vocational training institutes. It supports students, industry and the community across a wide catchment area covering Melbourne and the north central region of Victoria.

Over the course of 2015, Bendigo Kangan Institute has made substantial progress on the integration of the merged organisations into one institute with one vision. This work has been undertaken with the strong support of the Victorian Government and the responsible minister, The Hon. Steve Herbert MP, Minister for Training and Skills.

BKI2020: Our strategic intent

While undertaking the integration process, Bendigo Kangan Institute has built on the 2014 to 2017 strategic intent by refreshing its vision, purpose, strategic priorities and values and behaviours.

Our purpose

Our purpose gives everyone a clear view of who we are, what we do and why we do it. It also crystallises what our customers and stakeholders can expect from us.

Our purpose is to empower people and industry with the skills to create a bright future:

- helping people develop in-demand skills and pathways to life-long career success
- helping industry build a productive workforce to meet today's challenges and create tomorrow's opportunities
- inspiring each other to deliver outstanding customer experiences and a sustainable future
- working with our partners and community to enable learning for all

Our vision

Our vision is customer-focused and specific. It guides us and ensures we are always delivering the right outcomes for our customers.

Our 2020 vision is 100,000 pathways to the future. In 2020, Bendigo Kangan Institute will:

- help 100,000 people take the next step in their careers
- help industry plan and build the workforce of the future

Our strategy

Our strategy provides the clear steps we need to take in order to fulfil our purpose and achieve our vision.

Our strategy is to deliver 100,000 pathways and financial sustainability by...

- **exceeding customer expectations:**
 - » excellence in the total customer journey
 - » leadership through specialisation
 - » leading-edge teaching
 - » industry partnerships
- **ensuring operational excellence:**
 - » optimise work practices
 - » active portfolio management
 - » leverage benefits from the merger
- **developing great people and places:**
 - » high performance culture
 - » transform assets and facilities

Our values and behaviours

Our values and behaviours are the human side of our strategy. They outline the human qualities we all must live if we are to fulfil our purpose and achieve our vision:

- customer at the centre
- proactive
- collaborative
- outcomes focused

Board President's welcome



On behalf of the Board of Bendigo Kangan Institute, I am proud to present our 2015 annual report.

In the 2014 annual report, I confirmed that both the Board and I felt confident about our newly-merged institute's ability to create long-term financial sustainability and an outstanding vocational training and education model.

I am proud to report to you that during the course of 2015, Bendigo Kangan Institute has taken great strides towards making this promise a reality. Most notably, the team has delivered a significant financial turnaround: from a loss of \$11.7m in 2014 to a profit of \$3.2m in 2015.

This is a particularly impressive result given the challenges our Institute has overcome in the past 12 months.

We have been operating in a weak market, with student enrolments across the TAFE sector continuing to decline in 2015. In saying this, we welcome the Victorian Government's renewed support for the TAFE sector through investment and a more resolute regulatory approach.

We have also been able to deliver this financial result while undertaking a very significant post-merger integration program.

Following the departure of Grant Sutherland as CEO and the appointment of Amanda Brook as Interim CEO in April 2015, Bendigo Kangan Institute has begun executing this integration program in order to realise the benefits of the merger and to create one institute with one vision.

The integration has, at times, been a challenging period for our people. It has involved the realignment of our business which led to significant structural change as we sought to remove the duplication that resulted from the merger.

Nevertheless, the integration is being delivered successfully and is empowering our Institute with a more efficient and effective structure and leading edge systems and processes. This includes the implementation of phase I of a new student management system: one of the largest systems projects the Institute has ever undertaken.

While the integration program will continue into the first half of 2016, I am pleased to advise that many of the most challenging projects have now been launched. Furthermore, they have been delivered successfully, on time and on budget.

As a result of the work we have completed in 2015, Bendigo Kangan Institute is now at a pivotal point in its history.

We have created the platform for long-term sustainability by restoring profitability, implementing industry best practice systems and re-aligning to an efficient, customer-centric operating structure.

This has created the opportunity to look more confidently to the future and build BKI2020: a positive 2016 to 2020 vision and strategy for Bendigo Kangan Institute.

BKI2020, which is outlined in the introduction to this report, describes an organisation that is innovative and deeply committed to the students, industry partners and communities we serve. It is a blueprint for success for our Institute and all our stakeholders.

We created BKI2020 in the second half of 2015 and we are now converting our refreshed vision and strategy into the detailed plans that will drive our Institute forward.

In closing, I would like to thank everyone involved for delivering a successful 2015 and creating an exciting new Institute that is now well set for the future.

In particular, I would like to acknowledge:

Grant Sutherland, the former Bendigo Kangan Institute CEO, for his strong leadership before, during and in the months after the merger.

Amanda Brook, the current Interim CEO of Bendigo Kangan Institute. Amanda has overseen a period of very positive growth and change. She has also played a pivotal role in bringing our

Institute together. In early 2016, Amanda Brook will complete her engagement with Bendigo Kangan Institute. Following an extensive search, Trevor Schwenke has recently been appointed as the new CEO. He will commence his tenure early in the second quarter of 2016.

The Bendigo Kangan Institute Lead Team, who came together as a united team following the merger and led an exciting transition of our organisation. They approached a challenging year with energy and passion and have delivered an outstanding result.

My fellow Board members for their ongoing commitment and service. I would particularly like to recognise the dedicated support of those Board members who have departed in 2015–Lindsay Siede and Mark Johnston. I am also pleased to welcome John Hartigan to the Board.

The Victorian Government and, in particular, The Hon. Steve Herbert MP, Minister for Training and Skills. This is a government that is right behind the TAFE sector. Their support has been critical over the last 12 months. With their continuing support, I am confident that growth will return to the TAFE sector as a whole. This, ultimately, will provide enormous benefits to Victoria’s students, employers and community.

Finally, I would like to thank our people, students and industry partners. You, ultimately, are the reason Bendigo Kangan Institute exists and your commitment and support are crucial to our future success.



Michael Brown

Board President

Bendigo Kangan Institute

Date: 29 February 2016

CEO's report



2015 was an exciting year of positive change for Bendigo Kangan Institute. Working together, the team has:

- managed the successful rollout of our integration program
- developed an exciting new vision and strategy that will carry the Institute forward to 2020
- reversed the declining trends in profitability and delivered a profitable result for 2015 - this is a critically important outcome as profitability enables us to invest more in services, innovation, customer support and long-term sustainability

In our 2014 Annual Report, we highlighted nine important initiatives that would take us through 2015 and beyond. I am proud to say that we have met or exceeded these 2015 aspirations in virtually every area. Our commitments and 2015 response are outlined below.

1. **Develop a detailed strategic plan building on the 2014 strategic intent**

The Board, Lead Team and Leaders Group have worked together to refresh our strategy and vision for 2016 to 2020. This has now been approved and published. We have also implemented a new planning and performance management framework and our people are finalising the detailed department and individual plans that will take us forward. We are now firmly focused on ensuring effective delivery of the BK12020 plan.

2. **Complete the organisational structure realignment**

The realignment which commenced in the third quarter of 2015 is now well advanced. We now anticipate that the program will be complete in the first half of 2016. In tandem with this program, we are developing a high-performance culture program to further engage, align and support our people.

3. **Develop a leading Health and Community Centre of Excellence**

We have made very exciting progress on building the Health and Community Centre of Excellence. An industry advisory board has been established to guide the development and ensure our offering meets industry needs. We have created the initial operating and campus plans, which have been submitted to the government. We have also delivered some significant teaching wins, including the establishment of an exciting new dual enrolment agreement with La Trobe University. This agreement is already delivering positive results.

4. **Undertake further research to complete a business plan for a specialist centre in food and fibre**

We have completed the initial round of research and industry consultation. Our research showed that the most effective approach to food and fibre education would come from a collaboration between TAFE institutes and the agricultural sector right across Victoria. We are pleased to report that this collaborative approach has been welcomed by our peers in the sector and that TAFEs from right across Victoria are now working together on this crucial project.

5. **Develop and grow the Automotive Centre of Excellence to have a national impact**

Kangan Institute's Automotive Centre of Excellence (ACE) has enjoyed an exceptional year marked by a substantial rise in the creation of important industry partnerships. These include the launch of a new Back to Work program with Toyota Australia and a new national training partnership with Renault Australia. This is the first new national program Bendigo Kangan Institute has delivered in several years.

6. Develop and implement an institute-wide student management system

Following an extensive testing process, international education specialist, Ellucian, was chosen as the provider of a new student management system. We are now well advanced on the roll out of this system. Phase I and II, which incorporate the enrolment system, is now in place and handling the rapidly growing number of 2016 enrolments. Phase III and IV are due to be released during 2016.

7. Engage customers through new educational delivery methods, integrating customer needs and preferences, and state-of-the-art facilities

Over 2015, we have worked hard to better understand the needs of our customers through a range of programs, such as brand and segmentation research. We also sought the input of our people through a series of roadshows that generated over 700 ideas. Guided by this research, we have now established three important initiatives as part of our BKI2020 strategy:

- leading edge teaching
- transform assets and facilities
- excellence in the total customer journey

8. Continuously improve our product portfolio

During 2015, we refreshed our product management methodology. As part of this process, we established an innovation panel that was given the task of reviewing and approving new innovations across the Institute. The innovation panel not only improves the quality of decision-making but ensures that new products and services can be implemented in a coordinated and sustainable way. Since its establishment, the innovation panel has considered more than 140 submissions. Of the new initiatives that are already operating, we have seen some highly successful outcomes.

9. Create a profitable commercial model that meets customer needs and is built on industry partnerships

We have been successful in returning Bendigo Kangan Institute to profitability and building the platform that will enable greater efficiency, stronger governance and a sustainable customer-focused future. This has included the formation of a rapidly growing number of industry partnerships across many sectors. It has also included the establishment of a new financial management system, improvements in our procurement capabilities and the finalisation of our PACCT and teaching enterprise agreements.

Our students

2015 was also a successful year for our students, who have achieved state, national and international recognition for the quality of their work. Three Bendigo Kangan Institute students - Jamie Kirkley, Michelle Genardini and Tara-Jane Priest were shortlisted as finalists in the Victorian Training Awards. Brad Sutton was awarded the gold medal at the AusTAFE culinary challenge final in Perth. Jessica Lawrence won TAFE Designer of the Year at Fashion Awards Australia. Our VETiS media students were finalists in the Victorian Short Film Festival, while a team of VCAL students were finalists in the International Youth Silent Film Festival held in Portland, USA.

Our students also excelled in staging a series of significant public events in 2015. An undoubted highlight was the #Rags to Runway project developed with Red Cross Shops to promote sustainability in fashion. This involved upcycling donated goods into runway ready garments which were showcased at the annual fashion show and displayed in Red Cross Shops windows by our visual merchandising students.

Our team

2015 also brought significant highlights for our teaching staff and programs. These included:

- the successful launch of our animal studies and veterinary nursing courses in Bendigo. These courses will be extended to Broadmeadows and Richmond in 2016
- the excellent work that has been done to drive significant growth in our workers in transition projects
- the Echuca Koorie team were awarded the TAFE Institute Award (including Special Recognition Awards for Barry Fary and Vicki Walker) at the Wurreker Awards ceremony in October
- we received eLearning grants and scholarships from the VET Development Centre to build our e-learning capability. These scholarships included:
 - » a teaching scholarship awarded to Bradley Bush to undertake the Diploma of Vocational Education and Training
 - » Sean Norrey for the Professional Certificate of Web Accessibility
 - » Tim Verkerk for the Advanced E-learning Instructional Design Certificate
- the significant Small Business Awards win for our Business Enterprise Centre

We also participated in the Australian Skills Quality Authority (ASQA) compliance audit and achieved re-registration for another seven years. This is an important achievement as ASQA registration is our license to operate. It is also a powerful endorsement of the quality of services we offer.

Despite these successes, there is more to do in order to fully optimise our operating model. This work has been prioritised in the key strategic initiatives that form part of our BKI2020 vision and strategy.

Looking forward

In the first quarter of 2016, I will be completing my tenure as the Interim CEO of Bendigo Kangan Institute. In doing so, I wish to thank everyone involved for what has been a truly inspiring experience.

I would like to thank the government and our Board for their dedicated support. They have trusted our judgement and supported the Institute every step of the way. Without this support, our 2015 achievements would not have been possible.

I would also like to thank my colleagues on the Bendigo Kangan Institute Lead Team for their dedicated focus on our customers and for their many achievements over the year.

Most of all, I would like to thank and congratulate our people. While, in summary, 2015 was a very successful year, it has not been without its challenges. Like all significant change programs, the integration has been challenging for our people. They have faced times of uncertainty and, in performing their day-to-day roles, they have had to become accustomed to significant changes in the way the Institute operates.

Perhaps the most inspiring aspect of this year has been the way our people maintained their commitment to ensuring excellent outcomes for our customers. Our team has worked together to solve issues and create new opportunities that ultimately benefit us all.

Bendigo Kangan Institute is now well placed to create an exciting future for everyone we support. With the continued commitment of our people, I am confident that the Institute will deliver on a bright future.



Amanda Brook

*Interim Chief Executive Officer
Bendigo Kangan Institute*

Date: 29 February 2016



Performance statement for 2015

In our opinion, the accompanying statement of performance of Bendigo Kangan Institute in respect of the 2015 financial year is presented fairly in accordance with the key performance measures developed in the annual statement of corporate intent.

The statement outlines the predetermined targets, performance indicators, and actual results for the year against these indicators, and an explanation of any significant variance between actual results and targets.

At the date of signing, we are not aware of any circumstance that would render any particulars included in the statement to be misleading or inaccurate.

Michael Brown
Board President
Date: 21 March 2016
Broadmeadows

Bruce Whittaker
Chief Finance &
Accounting Officer
Date: 21 March 2016
Broadmeadows

Amanda Brook
Chief Executive Officer
Date: 21 March 2016
Broadmeadows

Bendigo Kangan Institute
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Trading as Kangan Institute RTO Identifier 0306 | Kangan Institute CRICOS Provider No. 01218G

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INDEPENDENT AUDITOR'S REPORT

To the Board members, Bendigo Kangan Institute

The Performance Statement

The accompanying performance statement for the year ended 31 December 2015 of Bendigo Kangan Institute comprises the statement, the related notes and the Board President, Chief Executive Officer and Chief Finance and Accounting Officers' declaration has been audited.

The Board members' Responsibility for the Performance Statement

The Board members of Bendigo Kangan Institute are responsible for the preparation and fair presentation of the performance statement and for such internal control as the Board members determine is necessary to enable the preparation and fair presentation of the performance statement 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 performance statement 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 performance statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance statement. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance statement, 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 performance statement 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 performance statement.

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, I and my staff and delegates have complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the performance statement of the Bendigo Kangan Institute in respect of the 31 December 2015 financial year presents fairly, in all material respects.

MELBOURNE
22 March 2016


for Dr Peter Frost
Acting Auditor-General

Performance statement - key performance indicators						
Indicator	Description and methodology	Metric	2015 target	2015 actual	Explanation of variances	Prior year result
Training revenue diversity	Breakdown of training revenue split by government funded and fee for service <ul style="list-style-type: none"> Victorian training guarantee (VTG) Fee for service (FFS) Student fees and charges 	Percentage	48.9%	49.5%	Decreases in training revenues versus target	47.8%
			39%	37.2%		40%
			12%	13.3%		12.1%
Employment costs as a proportion of training revenue	Employment and third party training delivery costs as a proportion of training revenue (VTG and FFS)	Percentage	75.3%	82.2%	Decreases in training revenues versus target	84.3%
Training revenue per teaching FTE	Training revenue (excl. revenue delivered by third parties) per teaching FTE	Dollars	\$289,751	\$241,853	Decreases in training revenues versus target	\$255,796
Operating margin percentage	Operating margin <i>EBIT (excl. capital contributions) / total revenue (excl. capital contributions)</i>	Percentage	(6.6%)	1.5%	Operational savings relating to merger delivering improved profitability	(8%)
Earnings before interest, tax and depreciation/ amortisation	EBITDA (excl. capital contributions)	Dollars	\$1,953,990	\$4,828,009	Operational savings relating to merger delivering improved profitability	\$280,257

Note: all account groupings included in the table above are prescribed by the official Department of Education and Training (DET) financial account structure, and are in line with the quarterly financial data submission template provided by DET for completion by TAFE institutes.

Our year - financial and operating results

Bendigo Kangan Institute delivered an exceptional result in 2015, with a \$14.9m favourable turnaround in profit in comparison to 2014.

Despite some of the challenges associated with a weak market and employment costs, the Institute still managed to deliver a result of 1.5% operating margin over a \$141.6m revenue base (excluding capital contributions). This success is largely attributed to the post-merger integration program, which will be completed throughout 2016, as well as a strong focus on financial sustainability.

Financial summary

	Year ending				
	2015 \$ 000's	2014 \$ 000's	2013 \$ 000's	2012 \$ 000's	2011 \$ 000's
Total income from transactions	147,472	87,228	40,153	48,654	43,803
Total expenses from transactions	143,687	90,236	41,183	48,451	45,861
Net results from transactions	3,785	(3,008)	(1,030)	203	(2,058)
Total economic flows	(588)	(8,698)	425	54	(231)
Net result from discontinued operations	-	-	-	-	(241)
Comprehensive result	3,197	(11,706)	(605)	257	(2,530)
Total assets	350,584	344,281	104,416	97,833	86,956
Total liabilities	37,429	34,323	8,402	8,988	8,771
Net assets	313,155	309,958	96,014	88,845	78,185

Future initiatives - 2016 and beyond

During the course of 2015, Bendigo Kangan Institute has laid the foundations for a successful, sustainable future.

Moving forward, our priority is to build on these foundations and realise the exciting future we envisage for our Institute, people, students, industry partners and community. This will be achieved by delivering our BKI2020 vision and strategy, which is outlined in the introduction to this document.

There are a great many initiatives and projects underpinning the BKI2020 strategy. Some of the most significant priorities for 2016 include:

- further progressing the Health and Community Centre of Excellence, including the commencement of new courses and programs and the finalisation and implementation of capital plans
- working with the newly formed network of Victorian TAFEs to establish Victoria as a leader in food and fibre education
- building on our already successful Automotive Centre of Excellence including the further development of the centre's national footprint
- continuing to drive VETASSESS growth through expansion and diversification
- continuing to drive improvements in our customer experience through the improvement of the service we offer at all customer touchpoints
- enhancing our teaching and assessment model through a dedicated focus on leading-edge teaching
- increasing our focus on industry and community partnerships that will create greater opportunities for our regional and metropolitan students
- investing in an Institute-wide culture and employee development program that will increase the skills and engagement of our people

Our organisation

Our profile

On 1 July 2014 Bendigo TAFE and Kangan Institute joined together in a solid partnership looking to the future, forming the merged entity Bendigo Kangan Institute.

This regional/metropolitan partnership enables Bendigo TAFE and Kangan Institute to maintain long-term sustainability for quality education in both central regional Victoria and metropolitan Melbourne. The combined institute now has a greater capacity to invest in top facilities and equipment while attracting the best and the brightest TAFE teachers of the 21st century.

Now operating as one of the state's largest and most innovative public providers of vocational education, Bendigo Kangan Institute is expanding learning and employment opportunities for all current and future students on-site, online and on-campus across ten Victorian campuses and facilities.

As a quality provider of apprenticeship and traineeship training, we have strong relationships with a wide range of businesses to cater for students and organisations seeking industry-relevant training and onsite training options.

Bendigo Kangan Institute is represented by four customer facing brands:



Bendigo TAFE

Bendigo TAFE has undergone numerous identity changes in its 156 years of history, opening in 1854 as the Sandhurst Mechanics Institute and later, in 1873, incorporating the School of Mines. In 1987 it was established, more or less in its modern form, when the TAFE components of seven secondary schools within the region were transferred to the Loddon Campaspe College of TAFE. The Institute was renamed in 1990 as the Bendigo Regional Institute of TAFE (BRIT) and began trading as Bendigo TAFE in 2009. April 2013 saw Bendigo TAFE change its legal entity name to align with its trading name.

We deliver a wide variety of vocational courses to school leavers and mature age students every year. Specialising in health and traditional trades training, Bendigo TAFE creates a dynamic and welcoming environment for productive learning.

As a regional institute, Bendigo TAFE services a significant geographical area of approximately 25,000 square kilometres in central and northern Victoria, with a residential population of 220,000. Through campuses in Bendigo, Echuca and Castlemaine, Bendigo TAFE provides services to students, industries and businesses throughout the region and beyond.

Kangan Institute

With a history that stretches back to 1925, Kangan Institute has extensive experience in the vocational education and training sector.

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, including the award winning Automotive Centre of Excellence and the Centre for Fashion and Creative Industries set in Melbourne's fashion and retail heart.

Kangan Institute is a major training provider for the automotive and health industries. We also have a strong presence in a range of industries such as fashion, construction, business as well as justice, legal and the traditional trades.

Kangan Institute has campuses in Broadmeadows, Docklands, Essendon, Moonee Ponds and Richmond.

VETASSESS

In 2015, VETASSESS focused on its vision as one of Australia's leading assessment organisations. In its capacity as a skills assessment authority for the purposes of migration it undertook assessments for over 340 general occupations. As an assessment only RTO and approved Trade Recognition Australia (TRA) provider, it progressed assessments for 25 qualifications. In the areas of testing to support course and occupation selection, it continued to provide services to individuals, other providers and governments, within Australia and internationally.

eWorks

Established in 1998, eWorks is one of Australia's leading e-learning delivery and consultancy specialists, offering a range of products and services to help businesses maximise the benefits of online education. eWorks has a strong foundation in servicing the national VET system and government organisations, and prides itself on delivering high-quality and reliable online delivery solutions.

Board and governance

Bendigo 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 Training and Skills.

The Board is responsible for the corporate governance of the Institute, managing its affairs and overseeing its operations in accordance with the Institute's constitution and standing orders. The Constitution of the Bendigo Kangan Institute Order 2014 took effect on 1 July 2014.

Day-to-day management of Bendigo Kangan Institute is delegated by the Board through the CEO to the Lead Team, 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.

Lead Team

The primary focus of the Lead Team is strategic leadership and business development. The Lead Team is responsible for:

- developing policy, processes, systems and standards systems for implementation throughout the business
- organisation capability, strategy, culture, succession planning and leadership development
- developing effective, efficient and value-adding services and processes that directly align to internal and external customer needs

Board and standing committees

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

- Board Executive Committee
- Audit and Risk Committee
- Finance and 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
- acts on behalf of the Institute's 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.

Audit and Risk Committee

The Audit and Risk Committee was established by the Board in compliance with standing directions of the Minister for Finance under the Financial Management Act 1994.

The committee 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

Finance and Resource Management Committee

The main responsibilities of the Finance and Resource Management Committee are to:

- ensure that the Institute's financial systems are appropriately managed and 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's campus facilities are developed and maintained to an appropriate standard, including the construction stages of all new buildings
- ensure that the Institute's 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 and recommend to the Board where delegations and legislations 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

In 2015 Bendigo Kangan Institute's Board members were:

- Michael Brown (President)
- Margaret O'Rourke (Deputy President)
- Margaret Hatton
- Michael McCartney
- Joanne Wandel
- Christopher Edwards
- John Hartigan (appointed to the Board in December 2015)
- Linsey Siede (term expired on 31 August 2015)
- Mark Johnston (term expired on 31 August 2015)

BOARD OF DIRECTORS

MICHAEL BROWN (PRESIDENT),
 MARGARET O'ROURKE (DEPUTY PRESIDENT),
 MARGARET HATTON, MICHAEL MCCARTNEY,
 JOANNE WANDEL, CHRISTOPHER EDWARDS,
 JOHN HARTIGAN, LINSEY SIEDE (TO AUG 2015)
 AND MARK JOHNSTON (TO AUG 2015)

AMANDA BROOK
 INTERIM CEO

RODNEY SPARK
 PROJECT LEAD
 LEADING EDGE TEACHING

JAMIE ECKETT
 INTEGRATION ADVISOR

<p>KELLY TOWNSON CHIEF COMMERCIAL OFFICER</p> <ul style="list-style-type: none"> partnerships & alliances <ul style="list-style-type: none"> » schools » higher education » industry pricing & portfolio review <ul style="list-style-type: none"> » business development » enterprise » direct solutions international market analytics marketing brand identity corporate social responsibility external relations product portfolio & pricing management product development 	<p>ROWENA WARREN EXECUTIVE DIRECTOR ORGANISATION CAPABILITY</p> <ul style="list-style-type: none"> HR strategy & services culture & engagement professional development leadership development performance management planning cycle health & wellbeing business improvement (Lean) transition team 	<p>BRUCE WHITTAKER CHIEF OPERATING OFFICER</p> <ul style="list-style-type: none"> governance & Board strategy & business planning business analytics & performance finance, purchasing & payroll legal & risk quality assurance overall capital plan & projects asset management & utilisation facilities & maintenance information systems campus services sustainability security eWorks 	<p>DONNA ROGERS EXECUTIVE DIRECTOR LEARNER EXPERIENCE</p> <ul style="list-style-type: none"> registrar course information admissions student management systems enquiries & call centre student counselling disability services student activities library next steps customer service graduate employment knowledge management academic quality & governance 	<p>GENEVIEVE KELLY CHIEF LEARNING INNOVATION OFFICER</p> <ul style="list-style-type: none"> profit & loss responsibility for learning areas <ul style="list-style-type: none"> » corrections education » construction and industrial » professional & creative primary industries & environment » foundation & pathways profitable growth partnerships with business and industry to grow continually innovate program content teaching delivery 	<p>PHILL MURPHY EXECUTIVE DIRECTOR AUTOMOTIVE COE</p> <ul style="list-style-type: none"> profit & loss responsibility profitable growth partnerships with industry to grow business and continually innovate program content teaching delivery 	<p>DR STAN CAPP EXECUTIVE DIRECTOR HEALTH & COMMUNITY SERVICES COE</p> <ul style="list-style-type: none"> profit & loss responsibility profitable growth partnerships with industry to grow business and continually innovate program content teaching delivery 	<p>KARL ARNOLD DIRECTOR PROJECT MANAGEMENT OFFICE</p> <ul style="list-style-type: none"> program office information systems integration program 	<p>SHARON ROBERTSON EXECUTIVE DIRECTOR VETASSESS</p>
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Workforce data

Bendigo Kangan Institute is committed to equal opportunity (including equal employment opportunity) as well as 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 portals.

Organisational values and staff code of conduct

Bendigo Kangan Institute actively promotes a values-based culture that benefits the organisation, its employees and external clients.

The foundation values and behaviours:

- customer at the centre
- proactive
- collaborative
- outcomes focused

provide both a guide for employee behaviour and the framework for fostering a workplace culture that promotes employee engagement and high performance.

The Institute and its staff comply with the Victorian public sector employment and conduct principles, with staff code of conduct promoted at induction and reiterated via compulsory compliance training. This code is readily accessible to all staff through respective staff portals at all regional and metropolitan campuses.

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.

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 are in place and adhered to across the Institute.

Professional learning and development

The Institute is committed to developing great people who are passionate about our purpose, committed to our vision, engaged in behaviourally-led continuous improvement and capable of delivering value to our customers. A number of programs are being developed and deployed, including a culture and engagement program, workforce plans for the future and a wider employee development program.

Workforce data for 2015

	Ongoing employees			FTE	Fixed term and casual	Total
	Number (headcount)	Full time (headcount)	Part time (headcount)		FTE	FTE
December 2015	466	349	117	428.23	581.94	1010.16
December 2014	532	400	132	490.04	476.78	966.82

	December 2015				December 2014		
	Ongoing		Fixed term and casual	Total	Ongoing		Fixed term and casual
	Number (headcount)	FTE	FTE	FTE	Number (headcount)	FTE	FTE
Gender							
Male	224	211.96	244.96	456.92	254	242	200
Female	242	216.27	336.98	553.25	278	248	277
Age							
Under 25	2	2.00	26.40	28.40	6	6	22
25-34	41	36.50	125.22	161.72	61	57	112
35-44	74	68.26	124.11	192.36	107	96	94
45-54	160	148.79	169.25	318.04	179	168	138
55-64	166	152.42	111.55	263.97	156	142	91
Over 64	23	20.27	25.41	45.67	23	21	20
Classification							
Executives	9	8.90	0.00	8.90	9	9	0
Directors	6	5.80	0.00	5.80	6	6	0
Managers	9	9.00	53.11	62.11	10	10	40
Other	0	0.00	19.40	19.40	2	2	17
PACCT 1-8 staff	226	209	256.53	465.52	263	243	206
Senior educator 1-3	33	32.27	22.50	54.77	44	42	30
Teacher 1-7 and casual	183	163.26	230.40	393.66	198	178	184

Notes:

- The ongoing restructuring of the organisation, which began in 2014 following the merger of Bendigo TAFE and Kangan Institute, has continued throughout 2015. Despite the resultant reduction in ongoing staff numbers, this year actually saw an overall increase in FTE, with a boost to the number of manager and casual teaching roles and a surge in the amount of time worked by part-time staff in both the teaching and support areas.
- Employees have been classified correctly for this workforce data report collection.
- Ongoing employees are defined as those engaged on an open-ended contract and executives engaged on a standard executive contract.
- Those on leave without pay, absent on secondment, external contractors/consultants and temporary staff employed by employment agencies have been excluded.

Compliance information

Compliance with Australian and New Zealand Risk Management standards

We certify that Bendigo Kangan Institute has a risk management framework which is consistent with the AS/NZS 31000:2009 risk management standard. This framework, along with our internal control system, enables the Board, executive directors, management and staff to understand, recognise and manage significant risk exposures. The Audit and Risk Committee has verified this assurance and the risk framework of Bendigo Kangan Institute has been reviewed.

The committee met six times in 2015.



Michael Brown
Board President
Bendigo Kangan Institute



Amanda Brook
Interim Chief
Executive Officer
Bendigo Kangan Institute

Freedom of information

Bendigo Kangan Institute is subject to the provisions of the Freedom of Information (FOI) Act 1982. 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.

In 2015, the Institute received two applications for information under the FOI Act.

Information available on request

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

- statement regarding conflicts of interest
- statements from executive officers regarding conflicts of interest
- publications and where they can be obtained
- changes in prices, fees, charges, rates and levies
- details of major external reviews
- major research and development activities
- overseas visits undertaken
- major promotional and marketing activities
- measures undertaken to improve the occupational health and safety of employees
- industrial relations issues and details of time lost through industrial accidents and disputes
- major committees sponsored by the Institute
- details of all consultancies and contractors

All enquiries should be directed to:

Freedom of Information Officer

Bendigo Kangan Institute
PO Box 170
Bendigo VIC 3552

Protected disclosures

The Protected Disclosure Act 2012 encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The act provides protection to people who make disclosures in accordance with the act and establishes a system for disclosed matters to be investigated and rectifying action taken.

Bendigo Kangan Institute has provided guidance on its internal and external websites to encourage and facilitate the making of protected disclosures of improper conduct by its officers and employees. This procedure notes that protection and support will be made available for people who have made a disclosure.

There were two protected disclosure matters raised with the Institute in 2015.

Occupational health and safety

Bendigo Kangan Institute is committed to providing a safe, healthy and supportive environment for working and learning, as well as activities for its students, employees, contractors, visitors and industry partners.

The Institute will comply with occupational health and safety (OHS) legislation as a minimum standard and strives to fully integrate health and safety in all aspects of its activities through a process of continuous improvement.

This is accomplished by:

- complying with applicable health and safety legislation, compliance codes and Australian standards
- eliminating risks to health and safety; or where elimination is not possible, reducing the risk so far as reasonably practicable
- setting measurable targets and objectives to monitor and improve health and safety performance
- providing appropriate information and training for managers, supervisors and employees to enable them to perform their OHS roles and responsibilities
- allocating adequate resources to effectively implement the health and safety management system
- reporting, recording and investigating accidents and incidents, and acting to prevent reoccurrence
- ensuring a systematic approach to managing health and safety supported by the OHS model
- implementing effective arrangements for the consultation of health and safety matters
- holding all levels of management accountable for the health and safety of employees, students, visitors and industry partners under their management control

In 2015, we launched a new OHS program designed in compliance with the OHS Act 2004, with the aim to create a more productive and harmonious workplace, a reduction in days lost due to work related injuries and reduced workers compensation costs.

Some of the measures undertaken include:

- introducing OHS key performance indicators for all employees focusing on lead indicators of audit result and lag indicators of lost time injury frequency rates (LTIFR)
- gap analysis of OHS documents across the Institute
- development of a comprehensive OHS management system (OHSMS) in compliance with the Australian Standard 4801 (AS4801)
- establishment of an OHS committee structure to ensure robust communication and consultation of safety initiatives
- incorporating the management of workers compensation into the responsibility of the OHS department

The implementation of the revised OHS program will continue into 2016

Occupational health and safety performance

The following reports are based on 2015 data. As these are calculated using new safety metrics there are no comparisons to prior years.

Reported hazards and incidents

In 2015, the total number of reported incidents was 111, equivalent to 11 incidents per 100 full-time equivalent staff members. This calculation is based on FTE calculations at 1010.

Lost time standard claims and cost per claim

In 2015, the number of lost time standard claims (that have breached excess) was 16, amounting to 1.58 per 100 full-time equivalent staff.

Total incurred cost for these claims was \$1,009,678. The average cost per claim, including payments to date and an estimate of outstanding claim costs as advised by WorkSafe, was \$63,105.

Compliance with Carers Recognition Act 2012

The Carers Recognition Act 2012 outlines a set of principles about the significance of care relationships and specifies obligations for state government organisations that interact with people in care relationships.

In accordance with the act, Bendigo Kangan Institute is committed to ensuring all staff are aware of and understand its principles as well as able to reflect the care relationship principles when developing, providing or evaluating support and assistance for those in care relationships.

Relevant measures undertaken across the Institute during the year include:

- staff and student induction sessions highlighting the act and its principles
- information about the act made available to students presenting or declaring a protected characteristic in line with the act
- provision of special considerations to students presenting or declaring a protected characteristic in line with the act, including note taking, participating assistance, tutoring for students with disabilities, time consideration, extended due dates, variable end dates for study and managed absenteeism
- application of the act addressed via professional network discussions
- application of related Institute policies that embed the principles of the act including the leave procedure, children and dependents on campus policy, assessment appeals procedure, privacy policy, staff code of conduct, student welfare conduct and supporting students with a disability policy
- adaptation of education services, delivery modes and models to accommodate characteristics and cultural identities pursuant to the act
- distribution of posters relating to the act in staff and client common areas

- promotion and support of the role of the carer through interactions with students and staff, with referrals to appropriate external agencies for support
- National Youth Week 2015 themed “Young Carers” with student engagement and external service provider’s exposure at events and in local media
- negotiation with local health care providers to establish a connection to the community’s careers wellbeing program embedded in engagement and student wellbeing programs
- establishment of communication and links to external carer organisations, i.e. Bendigo Health, Bendigo Community Health, Headspace, Children of Parents with a Mental Illness, Siblings Australia, Careers Victoria, the Department of Health and Human Services’ Carers Card Program and Beyond Blue

National competition policy

Bendigo Kangan Institute provides education and training in a contestable market. The Institute and its trading businesses implement a pricing model and policy that is consistent with maintaining commercial competitiveness in the marketplace with competitive neutrality principles outlined in Victoria’s competitive neutrality policy.

The pricing policy and approach demonstrates how the Institute meets 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 the national competition policy, fair trading and the implementation of GST

Compulsory non-academic fees, subscriptions and charges

Bendigo Kangan Institute charges compulsory non-academic student services fees to support the range of additional services provided to students in addition to the delivery of training and assessment services. Services include additional student support services, amenities, activities and information technology infrastructure.

The 2015 student services fee was a flat fee based on enrolment type and delivery location. In 2015 student services fees generated \$1,666,288 in revenue.

Building and maintenance

Bendigo Kangan Institute ensures that all works requiring building approval are approved and certified by an independent and qualified building surveyor. The Institute requires all building practitioners engaged to carry out major works show current registration and insurance before commencing works. All buildings are maintained to a level of prescribed performance as specified in the essential safety measures maintenance manual.

Mandatory periodical checks and tests are undertaken with records of these inspections kept under the requirements and provisions of the Building Act 1993, Building Regulations 2006, Building Code of Australia, Australian standards and other codes, the Minister's guidelines and any subsequent amendments of these.

Environmental performance and impacts

Bendigo Kangan Institute is committed to being an innovative provider of quality education, training and services while maintaining a strong commitment to an environmentally sustainable future.

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

During the year action was taken to consolidate reporting across all campuses. This annual report presents our reports on energy use, water use, greenhouse gas emissions, transportation, paper use, waste production and procurement.

Greenhouse gas emissions

	Total CO2 emissions (Tonnes)
Electricity	6,647
Fleet	427.92

Notes:

- Electricity figures are based on Broadmeadows, Essendon, Docklands and Richmond campuses only. Data is not available for other campuses.
- Data for CO2 emissions for other aspects - air travel and waste production - is not available.

Water use

The total usage of water across all campuses is 32,479KL, with total usage per FTE at 32.2KL.

Energy use

	Total usage (MJ)	Total MJ usage per FTE	Total usage (kWh)	Total kWh usage per FTE
Gas	3,030,350	3000		
Electricity			4,938,366	4889

During the year the Institute contracted our heating, ventilating and air-conditioning company, AG Coombs, to run a performance energy program in 2015 for our Docklands campus. This included enhancing our building management system to upgrade a majority of electrical and gas meters so that they show a live reading, enabling us to review increases in energy use. The program also allowed us to reduce scheduled mechanical plant run time hours based on usage - this was achieved by shutting off the mechanical plant when not in use (rather than keeping them on standby).

Through the program the Institute reduced electricity usage by 237,000kWh, which is equivalent to 11.7% of total usage and \$33,000 in approximate savings. The Institute also reduced gas usage by 513GJ, which is equivalent to 8.3% of total usage and \$5,300 in approximate savings.

No green power was purchased in 2015.

Transportation

	Total distance travelled (KM)	Total CO2 emissions (Tonnes)	Total CO2 emissions per 1,000km (Tonnes)
Fleet	265,063	427.92	0.0038
Utility/van/truck	17,384	-	-
Bus	1,548	-	-
Light vehicle	246,131	-	-

Note:

- Data for CO2 emissions by vehicle type, total energy consumption, air travel and use of public transportation is not available.

Waste production by campus

	Bendigo city	Charleston road	BTEC	Castlemaine	Maryborough	Echuca	Broadmeadows	Essendon	Richmond	Docklands	Total (all campuses)	Total per FTE
Waste (KG)	45,289	53,214	44,000	1,430	4,800	45,600	177,801	25,590	16,654	32,280	446,658	442.2
Recycle %	38.7 %	17.3 %	40 %	8 %	0 %	21.1 %	9.68 %	9.07 %	34.36 %	9.3 %	18.4%	-
CO2 saved (Tonnes)	N/A	N/A	N/A	N/A	N/A	N/A	7.49	1.31	2.55	1.236	12.6	0.0125

Notes:

- Recycling data for BTEC, Maryborough and Echuca campuses are estimated by calculating the number of bins, frequency and the average estimated weight per bin.
- Data for the months of October, November and December for Broadmeadows, Essendon, Richmond and Docklands campuses are an estimated average as these figures are not available due to a change in cleaning contracts in October.
- CO2 saved data is not available for Bendigo city, Charleston road, BTEC and Castlemaine campuses in 2015, as well as for the remaining metro campuses in October, November and December. Calculations for the metro campuses are based on an average.
- Data for waste production per FTE for each campus is not available. Data for Moonee Ponds campus is also unavailable as it is a rented premise, with waste removal managed by the building owner.

Procurement

Bendigo Kangan Institute aims to ensure that it procures goods and services in accordance with the objectives of the government's environmental procurement policy.

The Institute has incorporated environmental considerations into procurement decisions by requesting, where applicable, information relating to sustainability and environmental impact from tendering companies.

In the broader context of corporate and social responsibility, environmental credentials have been taken into consideration in the tender evaluation process including requirements such as:

- company's environmental practices
- evidence of relevant accreditation, certification and policy
- description of environmental initiatives in place
- capabilities and processes involved in the manufacture and/or provision of environmentally friendly products
- range of products that are made in whole or in part of recycled content
- percentage of recycled content within the products

Paper use

The total usage of A4 equivalent copy paper across the Institute in 2015 was 20,291 reams, which amounts to 20.09 reams per FTE. The percentage of recycled content is not available.

Bendigo Kangan Institute actively encourages the reduction of copy paper consumption. Majority of multi-function devices in the Institute's copying and imaging fleet default to mono (black only) printing and duplex (two-sided) printing for multiple part print jobs. Other than coloured paper and coated paper, the Institute used carbon neutral paper.

Bendigo Kangan Institute also deploys 'follow-me' printing which forces the release of jobs at the copier thereby eliminating waste caused by jobs being sent to the copier and not collected.

Victorian Industry Participation Policy disclosure

The Victorian Industry Participation Policy requires government departments and agencies to consider competitive local suppliers, including small and medium enterprises, when awarding contracts valued at \$1 million or more in regional Victoria or \$3 million or more in metropolitan Melbourne or for state-wide activities.

There were no disclosures in 2015.

Overseas and domestic travel

All overseas and domestic travel by employees of Bendigo Kangan Institute during the reporting year were compliant with the Victorian Public Sector Travel Principles issued on December 2006 by the Department of Premier and Cabinet.

International operations

This section outlines the activities and performance of the international projects unit that is part of international services at Bendigo Kangan Institute. This unit provides a range of services from offshore delivery, study tours and consultancy services to project management, designing and delivery of courses. Our key markets for 2015 were China, India, Papua New Guinea and Taiwan.

Our offshore partnerships and delivery:

- provide students and staff with global learning and professional development opportunities
- develops strategic partnerships with other institutes, industries and organisations, supporting Bendigo Kangan Institute's strategy in becoming an internationally recognised institute and growing our international market and customer footprint

Nature of strategic and operational risks

In the Bendigo Kangan Institute strategic plan and international strategy, one of our priorities are to develop and expand international partnerships to support the growth and expansion of our two centres of excellence – the Automotive Centre of Excellence and the Health and Community Centre of Excellence – as well as other specialisation areas such as fashion and textiles, and training and assessment. The Institute recognises the inherent risks associated with offshore activity particularly in relation to quality product delivery and people safety. These have been identified within a risk management plan.

Strategies established to manage risks

The international strategy and risk management plan outlines specific strategies to mitigate risk in each of the identified areas. Along with the Australian Skills Quality Authority's (ASQA) quality measures and Bendigo Kangan Institute's offshore self-assessment, audits are conducted yearly. The results of each strategy are measured and the strategies adjusted accordingly on a yearly basis. Risk management is a priority for the Board and as such the Institute provides:

- regular reports to the Board regarding the Institute's offshore activities, which are inclusive of targets and actual results
- a bi-annual pipeline and travel report that identifies each international project and associate travel to secure and support the business as well as the return on investment generated
- all new products and business opportunities are initiated and managed through the Bendigo Kangan Institute innovation process ensuring feasibility. A business case is also developed outlining each new major international activity and approval before the activity commences

Although Bendigo Kangan Institute has a focus on building overseas operations it is vital that the business activities are of a commercial nature and risk management is continuously monitored and controlled by the project team.

Some of the continuous improvement strategies employed to mitigate any possible risks include rigorous due diligence of all new business opportunities, upfront payment clauses and partnering with reputable industry organisations to provide constant overseeing of the offshore activities and local intelligence.

Performance measures and targets

The Institute's performance management process is supported through the Bendigo Kangan Institute innovation process that requires all opportunities be assessed for viability as well as strategic, market and customer relevance before an activity is commenced. Once approved, the projects become part of the annual budget cycle, with monthly tracking to targets and a quarterly business performance review undertaken. Any significant variances are highlighted and discussed through the Institute performance management structure

Achieving expected outcomes

Bendigo Kangan Institute's offshore international activities have been particularly successful in 2015, with performance achieving set targets.

Our offshore business in 2015 generated approximately \$1.38m in revenue. The set revenue targets were exceeded and strong foundations have been established to deliver sustainable and financially viable business offshore that has been designed to generate flow-on enrolments into our programs in metro and regional Victoria. This model has several benefits, for example, negating the need for agents to recruit these students and cost savings in agent commission fees.

The successful tender submission in late 2014 to the Department of Foreign Affairs to deliver the Certificate IV in Project Management to twenty students from Papua New Guinea in 2015 provided the Institute with a boost to its revenue stream. We commenced delivery for a second cohort of students for the same program in October 2015.

During the year the international projects unit also secured a number of student mobility tenders such as the Asia Bound Grant. Student mobility grants provide our local students with an opportunity to engage with culturally rich forums and places of interest, as well as improve their understanding of the parallels and differences in methodologies and social/historical influences between Australia and Asia.

Overseas visits

In 2015 visits were undertaken to China, Indonesia, Japan, Kuwait, Papua New Guinea, Taiwan, India and Korea for business development, audit and course delivery purposes.

Major commercial activities

There were no major commercial activities for the 2015 reporting period.

Advertising campaigns

This section details the Institute's government advertising expenditure in 2015 for campaigns with a media spend in excess of \$100,000. Calculations exclude GST.

Name of campaign	Campaign summary	Start/end date	Advertising (media) expenditure	Creative and campaign development expenditure	Research and evaluation expenditure	Print and collateral expenditure	Other campaign expenditure
Semester 1 Jan-Feb advertising campaign	This campaign aimed to meet Bendigo Kangan Institute's student enrolment and student retention goals for semester 1, 2015. The campaign also aimed to boost awareness of the Kangan Institute and Bendigo TAFE brands. A mix of above the line and direct channels were included to offer the highest return on investments based on the results of past campaigns.	January - February 2015	\$684,142	In-house	Based on past learnings and MAMS agency recommendations.	N/A	N/A
Mid-year and open day advertising campaign	This campaign aimed to drive enrolments for all courses with a mid-year intake, as well as to raise awareness of Bendigo Kangan Institute and get students to attend our Open Days, explore and shortlist the Institute as their preferred training provider for 2016.	March - August 2015	\$258,550	In-house	Based on past learnings and MAMS agency recommendations.	N/A	N/A
End of year advertising campaign	To drive awareness and enrolments for Semester 1 2016 intake.	September - December 2015	\$382,086	In-house	Based on past learnings and MAMS agency recommendations.	N/A	N/A
Total spend			\$1,324,778				

Consultancies

Bendigo Kangan Institute engages consultants for services for which the Institute does not have the required specialist skills. The total consultancy costs incurred during 2015 was \$2,313,953.

There were three consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2015 in relation to these consultancies is \$18,817 (excl. GST).

There were 10 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2015 in relation to these consultancies is \$2,295,136 (excl. GST).

This information is publicly available on the Bendigo TAFE and Kangan Institute websites.

Details of individual consultancies (valued over \$10,000 and excluding GST)						
	Project summary	Start date	End date	Approved (\$)	2015 expenditure (\$)	Future commitments (\$)
CWCC Group Pty Ltd	Pre-apprenticeship program development	Aug 2015	March 2016	87,727	75,000	12,727
Delaney Associates Pty Ltd	Advisory services (Supervising registered training organisation audit materials)	July 2015	Dec 2015	20,000	19,376	-
Ellucian Australia Pty Ltd	Banner student management system implementation services	April 2014	Dec 2016	3,726,644	1,943,198	976,866
ITHACA Group	Strategy and planning consultancy	April 2015	Nov 2015	25,000	24,709	-
Midweek Consulting	Advisory services	May 2015	Aug 2015	70,000	22,734	47,266
Navire Advisory	Site strategy consultancy	April 2014	Aug 2015	110,000	73,125	-
Optum Health & Technology Australia	Organisational development consultancy	Jan 2015	Oct 2015	17,000	16,833	-
Patricia Toohey & Partners Pty Ltd	Strategic communications consulting services	Jan 2015	April 2015	81,000	81,000	-
Pitcher Partners Consulting Pty Ltd	Change management consultancy	April 2014	April 2015	160,000	24,160	-
Strategy-Risk Pty Ltd	Corporate risk review and vehicle and emissions laboratory advisory service	Aug 2014	April 2015	90,000	15,000	-
				4,387,371	2,295,136	1,036,859

Financial reports

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The financial report was authorised for issue
by the Board members on 21 March 2016.

VAGO

Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

To the Board members, Bendigo Kangan Institute

The Financial Report

I have audited the accompanying financial report for the year ended 31 December 2015 of the Bendigo 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 the Board President, Chief Executive Officer and Chief Finance and Accounting Officer.

The Board members' Responsibility for the Financial Report

The Board members of the Bendigo 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, I and my staff and delegates have 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 Bendigo Kangan Institute as at 31 December 2015 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*.

MELBOURNE
22 March 2016


for Dr Peter Frost
Acting Auditor-General

Auditing in the Public Interest



Financial Report For Year Ended 31 December 2015

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

We certify that the attached financial statements for Bendigo 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 statement of comprehensive income, 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 2015 and financial position of the Institute as at 31 December 2015.

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

Michael Brown
Board President
Date: 21 March 2016
Broadmeadows

Amanda Brook
Chief Executive Officer
Date: 21 March 2016
Broadmeadows

Bruce Whittaker
Chief Finance &
Accounting Officer
Date: 21 March 2016
Broadmeadows

Bendigo Kangan Institute

136 McCrae Street, Bendigo VIC 3552 | PO Box 170, Bendigo VIC 3552

ABN 74 802 942 886

Trading as Bendigo TAFE RTO Identifier 3077 | CRICOS Provider No. 03059A

Trading as Kangan Institute RTO Identifier 0306 | Kangan Institute CRICOS Provider No. 01218G

BENDIGO KANGAN INSTITUTE COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Continuing operations			
Income from transactions			
Government contributions-operating	2(a)(i)	75,907	48,101
Government contributions-capital	2(a)(ii)	5,863	-
Sale of goods and services	2(b)	60,929	35,564
Interest	2(c)	2,223	1,312
Other income	2(d)	2,550	2,251
Total income from transactions		147,472	87,228
Expenses from transactions			
Employee expenses	3(a)	89,844	56,525
Depreciation and amortisation	3(b)	9,717	7,705
Grants and other transfers	3(c)	620	237
Supplies and services	3(d)	32,299	18,108
Other operating expenses	3(e)	11,207	7,661
Total expenses from transactions		143,687	90,236
Net result from transactions (net operating balance)		3,785	(3,008)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	4(a)	(13)	(7,594)
Net gain/(loss) on financial instruments	4(b)	(656)	(371)
Other gains/(losses) from other economic flows	4(c)	81	(732)
Total other economic flows included in net result		(588)	(8,698)
Net result from continuing operations		3,197	(11,706)
Other economic flows-other comprehensive income			
Total other economic flows-other comprehensive income		-	-
Comprehensive result		3,197	(11,706)

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

The 2015 figures show the financial position of the amalgamated Bendigo Kangan Institute. 2014 comparatives comprise the results of Bendigo TAFE for the full year and Kangan Institute results for the six month period from 1 July 2014 to 31 December 2014 only. Refer to further details in note 1.03.

BENDIGO KANGAN INSTITUTE

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Assets			
Financial assets			
Cash and deposits	16(a)	48,741	23,944
Receivables	5	11,211	11,576
Investments and other financial assets	6	26,092	36,489
Total financial assets		86,044	72,009
Non-financial assets			
Inventories	7	490	657
Property, plant and equipment	8	258,624	267,122
Intangible assets	9	4,350	2,934
Other non-financial assets	10	1,076	1,559
Total non-financial assets		264,540	272,272
Total assets		350,584	344,281
Liabilities			
Payables	11	18,481	15,203
Provisions	12	15,674	15,494
Borrowings	13	36	61
Other liabilities	14	3,238	3,565
Total liabilities		37,429	34,323
Net assets		313,155	309,958
Equity			
Accumulated surplus/(deficit)		20,291	17,094
Physical asset revaluation surplus	15(a)	46,102	46,102
Contributed capital		246,762	246,762
Net worth		313,155	309,958
Commitments for expenditure	17	14,300	8,590
Contingent assets and (contingent liabilities)	18	41,163	25,763

The balance sheet should be read in conjunction with the notes to the financial statements.

**BENDIGO KANGAN INSTITUTE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	Physical asset revaluation surplus \$'000	Accumulated surplus \$'000	Contributions by owner \$'000	Total \$'000
At 1 January 2014		46,102	28,800	21,112	96,014
Net result for the year		-	(11,706)	-	(11,706)
Administrative restructure-net assets received	1.03	-	-	225,650	225,650
Year ended 31 December 2014		46,102	17,094	246,762	309,958
Net result for the year		-	3,197	-	3,197
Year ended 31 December 2015		46,102	20,291	246,762	313,155

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

BENDIGO KANGAN INSTITUTE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts			
Government contributions - operating	2(a)(i)	75,907	48,101
Government contributions - capital	2(a)(ii)	5,863	-
User fees and charges received		64,591	42,988
Goods and services tax recovered from the ATO		3,514	2,527
Interest received		2,223	1,620
Other receipts		5,038	2,221
Total receipts		157,136	97,457
Payments			
Payments to suppliers and employees		(134,665)	(89,035)
Goods and services tax paid to the ATO		(5,668)	(5,372)
Total payments		(140,333)	(94,407)
Net cash flows from/(used in) operating activities	16(d)	16,803	3,050
Cash flows from investing activities			
Purchases of non-financial assets		(2,261)	(877)
Proceeds from sales of non-financial assets		23	252
Cash received from transfers as a result of administrative restructure	1.03	-	10,888
Proceeds from sale of investments		10,398	4,629
Net cash provided by/(used in) investing activities		8,160	14,892
Cash flows from financing activities			
Energy performance contract repayment		(141)	-
Repayment of finance leases		(25)	-
Proceeds from borrowings		-	61
Net cash provided by/(used in) financing activities		(166)	61
Net increase/(decrease) in cash and cash equivalents		24,797	18,003
Cash and cash equivalents at the beginning of the financial year		23,944	5,941
Cash and cash equivalents at the end of the financial year	16(a)	48,741	23,944

The above cash flow statement should be read in conjunction with the notes to the financial statements.

The 2015 figures show the financial position of the amalgamated Bendigo Kangan Institute. 2014 comparatives comprise the cash flows of Bendigo TAFE for the full year and Kangan Institute cash flows for the six month period from 1 July 2014 to 31 December 2014 only. Refer to further details in note 1.03.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Note 1 - Statement of significant accounting policies

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented for the year ended 31 December 2014.

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

1.01 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 which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

1.02 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, and 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

1.03 Reporting entity

The financial statements cover Bendigo Kangan Institute as an individual reporting entity. The Institute is a statutory body corporate, established pursuant to an act made by the Victorian government under the Education and Training Reform Act 2006.

Pursuant to an order in Council effective from 1 July 2014, the name of Bendigo TAFE was changed to Bendigo Kangan Institute. On the same day, the order amalgamated Kangan Institute with Bendigo Kangan Institute.

The amalgamation has been treated as a contribution of capital by the state government. The carrying value of the net assets immediately prior to the transfer of \$225.7m has been recognised in these financial statements as of the date of the transfer.

The principal address is:

Bendigo Kangan Institute
62-104 Charleston Road
Bendigo VIC 3550

The financial statements include all the controlled activities of the entity.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1.04 Basis of consolidation

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 and has not traded to date. The Institute's shareholding, valued at cost was \$2. The financial statements have not previously been consolidated as the transactions and balances of the controlled entity have no impact on the Institute's financial statements. An application to wind up John Batman Consultancy & Training Pty Ltd is to be lodged subsequent to 31 December 2015.

1.05 Events after reporting date

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

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 are presented as operating cash flow.

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

1.07 Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured at fair value. 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.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(iii) Revenue from sale of goods

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

- the significant risks and rewards of ownership of the goods have transferred to the buyer
- the Institute retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to the Institute
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Interest

Interest income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

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

Other income

(i) Dividend revenue

Dividend revenue is recognised when the right to receive payment is established.

(ii) Rental income

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

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

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

1.08 Expenses from transactions

Expenses from transactions are recognised as they are incurred and reported in the financial year to which they relate.

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 government's defined benefit liabilities in its finance report.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. 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, and adjustments made where appropriate.

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

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

Depreciation methods and rates used for each class of depreciable assets are as follows and are the same as those applied in 2014:

Class of asset	Method	Rate(s)
Buildings	Straight line	2% - 2.5%
Plant and equipment		
Computing equipment	Straight line	33.33%
Other plant and equipment	Straight line	3% - 50%
Motor vehicles	Straight line	10% - 20%
Library collections	Straight line	20%

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

Amortisation

Intangible assets with finite lives are amortised on a straight line basis over the assets' useful lives. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

	Method	Rate(s)
Capitalised software development cost	Straight line	10%

Interest expense

Interest expense is recognised in the period in which it is incurred. Interest expense includes interest on advances, loans, overdrafts, bonds and bills, deposit, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

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 when the Institute obtains control over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. 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 received as a donation.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1.09 Other economic flows included in net result

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

Net gain/(loss) on non-financial assets

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

Disposal of non-financial assets

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

Impairment of non-financial 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
- investment property that is measured at fair value
- certain biological assets related to agricultural activity
- non-current assets held-for-sale

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.

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.

This classification is consistent with the whole government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1.10 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Categories of non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to note 1.11), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

1.11 Financial assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those 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 an insignificant risk of changes in value.

For 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
- 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:

- loans and receivables
- 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 either:

- the rights to receive cash flows from the asset have expired
- 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
- 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
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 which 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.

Financial assets have been assessed for impairment in accordance with Australian accounting standards. Where a financial asset's fair value at balance date has reduced by 10 per cent or more than its cost price; or where its fair value has been less than its cost price for a period of 10 or more months, the financial instrument is treated as impaired.

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 judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

1.12 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.

Finance leases

Institute as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset. If there is certainty that the Institute will obtain ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability, and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Operating leases

Institute as lessor

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

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.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.13 Non-financial assets

Inventories

Inventories include goods and other property held either for sale or for distribution at a zero or nominal cost, or for consumption in the ordinary course of business operations.

Inventories held-for-distribution are measured at cost, adjusted for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

Cost, includes an appropriate portion of fixed and variable overhead expenses. Cost for all other inventory is measured on the basis of weighted average cost.

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.

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

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.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 government 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.

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

For the accounting policy on impairment of non-financial physical assets, refer to note 1.09 on impairment of non-financial assets.

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 a 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.

Revaluations of non-financial physical assets

Non-current physical assets measured at fair value are revalued in accordance with financial reporting directions (FRDs) issued by the Minister for Finance. A full revaluation 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. Independent valuers are generally used to conduct these scheduled revaluations. 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.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Intangible assets

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Institute.

When recognition criteria AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale
- (b) the intention to complete the intangible asset and use or sell it
- (c) the ability to use or sell the asset
- (d) the intangible asset will generate probable future economic benefits
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

Intangible assets are measured at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives as seen in note 1.08.

1.14 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)
- 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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits such as annual leave, are all recognised in the provision for employee benefits as 'current liabilities', because the Institute does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages, salaries and annual leave are measured at either:

- undiscounted value - if the Institute expects to wholly settle within 12 months
- present value - if the Institute does not expect to wholly settle within 12 months

(ii) Long service leave

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Institute does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of the current LSL liability are measured at:

- nominal value (undiscounted value) - component that is expected to be wholly settled within 12 months
- present value (discounted value) - component that is not expected to be wholly settled within 12 months

Conditional LSL is disclosed a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest for which it is then 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 decides to accept an offer of benefits in exchange for termination of employment. 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.

(iv) Employee benefits on-costs

Provision for on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision of employee benefits.

1.15 Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of note at their nominal value and inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

1.16 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to note 19) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of the GST receivable or payable respectively.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1.17 Equity

Contributed capital

Funding that are in the nature of contributions by the Victorian 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.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distribution to owners.

1.18 Materiality

In accordance with accounting standard AASB 108 Accounting policies, changes in accounting estimates and error, when an Australian accounting standard specifically applies to a transaction, other event or condition, the accounting policies applied to that item shall be determined by applying the standard unless the effect of applying them is immaterial.

Accounting policies will be considered material if their omission or misstatement could, either individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.

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 Change in accounting policy

Subsequent to the 2014 reporting period, the following new and revised accounting standards have been adopted in the current period with their financial impact detailed as below.

AASB 2015-7 Amendments to Australian accounting standards - Fair Value

Disclosure of not-for-profit public sector entities:

The Minister for Finance has approved the early adoption of AASB 2015-7. This enables Victorian not-for-profit public sector entities to benefit from some limited scope exemptions in relation to the fair value disclosure for the 2014-15 reporting period. The Institute has chosen to apply this early adoption. For fair value measurements that have been categorised within level 3 of the fair value hierarchy, the Institute is no longer required to provide quantitative information about the 'significant unobservable inputs' used in determining the fair value measurement.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1.22 Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2015 reporting period

As at 31 December 2015 the following standards and interpretations (applicable to the Institute) had been issued but were not mandatory for financial year ending 31 December 2015. The Institute has not, and does not intend to, adopt these standards early.

Standard/Interpretation	Summary	Application date of standard	Impact on entity financial statements
AASB 9 Financial instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 15 Revenue from contracts with customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2017	The changes in the revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The standard will also require additional disclosures on service revenue and contract modifications.
		Exposure draft 263 - potential deferral to 1 Jan 2018	A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against opening retained earnings if there are no former performance obligations outstanding.
AASB 2014-1 Amendments to Australian accounting standards (Part E Financial instruments)	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of chapter 6 hedge accounting, and to amend reduced disclosure requirements.	1 July 16	The amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-4 Amendments to Australian accounting standards - clarification of acceptable methods of depreciation and amortisation. (AASB 116 & AASB 138)	Amends AASB 116 Property, plant and equipment and AASB 138 Intangible assets to: <ul style="list-style-type: none"> establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset 	1 Jan 16	The assessment has indicated that there is no expected impact as the revenue based method is not used for depreciation or amortisation.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1.22 Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2015 reporting period (continued)

Standard/Interpretation	Summary	Application date of standard	Impact on entity financial statements
AASB 2015-16 Amendments to Australian accounting standards - extending related party disclosures to not-for-profit public sector entities (AASB 10, AASB 124 & AASB 1049)	The amendments extend the scope of AASB 124 Related party disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the entities' key management personnel (KMP) and the related party transactions.
<p>In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2015 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 AASB interpretation in the list below is also not effective for the 2015 reporting period and is considered to have insignificant impacts on public sector reporting.</p>			
<ul style="list-style-type: none"> • AASB 2010-7 Amendments to Australian accounting standards arising from AASB 9 (December 2010) • AASB 2013-9 Amendments to Australian accounting standards - conceptual framework, materiality and financial instruments • AASB 2014 1 Amendments to Australian accounting standards [PART D - consequential amendments arising from AASB 14 Regulatory deferral accounts only] • AASB 2014 3 Amendments to Australian accounting standards - accounting for acquisitions of interests in joint operations [AASB 1 & AASB 11] • AASB 2014 5 Amendments to Australian accounting standards arising from AASB 15 • AASB 2014 6 Amendments to Australian accounting standards - agriculture: bearer plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 and AASB 141] • AASB 2014 8 Amendments to Australian accounting standards arising from AASB 9 (December 2014) - application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)] • AASB 2015 2 Amendments to Australian accounting standards - disclosure initiative: amendments to AASB 101 [AASB 7, AASB 101, AASB 134 and AASB 1049] • AASB 2015 3 Amendments to Australian accounting standards arising from the withdrawal of AASB 1031 Materiality • AASB 2015 4 Amendments to Australian accounting standards - financial reporting requirements for Australian groups with a foreign parent [AASB 127, AASB 128]¹ • AASB 2015 5 Amendments to Australian accounting standards - investment entities: applying the consolidation exception [AASB 10, AASB 12, AASB 128]¹ <p>Note:</p> <p>1. This standard or amendment may not be relevant to Victorian not-for-profit entities when operative.</p>			

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1.23 Critical accounting judgement and key sources of estimation uncertainty

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 relate to:

- the fair value of land, buildings, infrastructure, plant and equipment
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates

The following are the critical judgement 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.

1.24 Fair value measurement

Consistent with AASB 13 Fair value management, the Institute determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, biological assets, investment properties and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant financial reporting directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities
- level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Institute's assets are subject to a revaluation model, as directed by the state government's financial reporting directions. The Institute records non-current tangible assets at fair value (depreciated replacement cost), with revaluations completed every five years as required by FRD 103F Non-financial physical assets. The most recent valuation was completed at 31 December 2012.

During the interim years, an annual fair value assessment is undertaken to ensure that the carrying value of the assets is not materially different from the fair value as at balance sheet date. The Institute uses indices provided by the Valuer General Victoria (VGV) to complete these assessments. The VGV is the Institute's independent valuation agency.

For the purpose of fair value disclosures, the Institute has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Institute determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 - Income from transactions		
	2015	2014
2 Income from transactions	\$'000	\$'000
(a) Grants and other transfers (other than contributions by owners)		
(i) Government contributions - operating		
Commonwealth government - specific funded	-	207
State government - contestable	55,272	37,891
Other contributions by the Commonwealth government	-	153
Other contributions by the state government	20,635	9,850
Total government contributions - operating	75,907	48,101
(ii) Government contributions - capital		
State capital	5,863	-
Total government contributions - capital	5,863	-
Total government contributions	81,770	48,101
(b) Sales of goods and services		
Student fees and charges	15,422	9,925
Rendering of services		
Fee for service - government	10,680	4,638
Fee for service - international operations - onshore	4,046	1,819
Fee for service - international operations - offshore	4,881	2,404
Fee for service - other	23,671	15,670
Total rendering of services	43,278	24,531
Other non-course fees and charges		
Sale of goods	2,229	1,108
Total other fees and charges	2,229	1,108
Total revenue from sale of goods and services	60,929	35,564
(c) Interest		
Interest from financial assets not at fair value through P/L:		
Interest on bank deposits	2,223	1,312
Total interest from financial assets not at fair value through P/L	2,223	1,312
Net interest income	2,223	1,312

BENDIGO KANGAN INSTITUTE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 - Income from transactions (continued)

	2015	2014
	\$'000	\$'000
(d) Other income		
Rental income:		
Hire of facilities and equipment	671	432
Total rental income	671	432
Donations, bequests and contributions	404	235
Other revenue	802	909
Childcare fees	-	86
Salary recoveries	673	589
Total other income	2,550	2,251

NOTE 3 - Expenses from transactions

	2015	2014
	\$'000	\$'000
3 Expenses from transactions		
(a) Employee expenses		
Salaries, wages, overtime and allowances	69,982	48,263
Superannuation	5,478	4,476
Payroll tax	3,234	971
Worker's compensation	1,602	227
Long service leave	1,493	460
Annual leave	5,705	1,114
Termination benefits	1,872	941
Other	478	73
Total employee expenses	89,844	56,525
(b) Depreciation and amortisation		
Depreciation of non-current assets		
Buildings	6,536	4,387
Plant and equipment	1,892	1,889
Motor vehicles	337	309
Library collections	145	110
Leasehold improvements	41	122
Total depreciation	8,951	6,817
Amortisation of non-current physical and intangible assets		
Software	766	889
Total amortisation	766	889
Total depreciation and amortisation	9,717	7,705

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 3 - Expenses from transactions (continued)

	2015	2014
	\$'000	\$'000
(c) Grants and other transfers (other than contributions by owners)		
Grants and subsidies - apprentices and trainees	166	15
Commission	441	198
Donations to outside organisations	13	23
Total grants and other transfers	620	237
(d) Supplies and services		
Purchase of supplies and consumables	4,747	3,182
Communication expenses	2,694	1,251
Contract and other services	22,832	12,111
Cost of goods sold/distributed (ancillary trading)	855	346
Building repairs and maintenance	611	904
Fees and charges	560	314
Total supplies and services	32,299	18,108
(e) Other operating expenses		
General expenses		
Marketing and promotional expenses	2,312	1,325
Occupancy expenses	4,352	2,656
Audit fees and services	127	91
Staff development	236	191
Travel and motor vehicle expenses	1,162	681
Motor vehicle taxes	54	35
Other expenses	600	449
Total general expenses	8,843	5,429
Operating lease rental expenses:		
Lease payments	875	750
Total operating lease rental expenses	875	750
Subtotal	9,718	6,178
Bad debts from transactions	23	104
Equipment below capitalisation threshold	663	863
Equipment repairs and maintenance	803	516
Total other operating expenses	11,207	7,661

BENDIGO KANGAN INSTITUTE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 4 - Other economic flows included in net result

	2015	2014
4 Other economic flows included in net result	\$'000	\$'000
(a) Net gain/(loss) on non-financial assets (including PPE and intangible assets)		
Impairment of property, plant and equipment (including intangible assets) ¹	-	(7,769)
Net gain/(loss) on disposal of property, plant and equipment	(13)	175
Total net gain/(loss) on non-financial assets	(13)	(7,594)
(b) Net gain/(loss) on financial instruments		
Impairment of loans and receivables	(656)	(371)
Total net gain/(loss) on financial instruments	(656)	(371)
(c) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service leave liability	198	(305)
Net gain/(loss) arising from revaluation of annual leave liability	(117)	(427)
Total other gains/(losses) from other economic flows	81	(732)

Note:

1. The total gains or losses for the year included in profit or loss included an impairment of intangibles of \$nil (2014: \$7.26m) and financial assets (that are measured at fair value at the end of each reporting period) of \$nil (2014: \$0.5m). Refer to note 9 and note 8 respectively.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 5 - Receivables

	2015	2014
5 Receivables	\$'000	\$'000
Current receivables		
Contractual		
Sale of goods and services ¹	5,020	5,148
Provision for doubtful contractual receivables (see also note 5(a))	(1,085)	(667)
Other (portable electronic device payments receivable)	119	73
Revenue receivable	7,157	7,021
Total contractual	11,211	11,576
Total current receivables	11,211	11,576
Total receivables	11,211	11,576

Note:

1. The average credit period for sales of goods and services and for other receivables is 30 days. No interest is charged on overdue trade and other receivables. A provision has been made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired and by reference to past default experience.

	2015	2014
(a) Movement in the provision for doubtful contractual receivables	\$'000	\$'000
Balance at beginning of the year	(667)	(87)
Transfer through administrative restructures	-	(161)
Trade receivables accounts cleared to provision	238	-
Increase in provision recognised in the net result	(656)	(419)
Balance at end of the year	(1,085)	(667)
(b) Ageing analysis of contractual receivables		
Please refer to note 22(ii) for the ageing analysis of contractual receivables.		
(c) Nature and extent of risk arising from contractual receivables		
Please refer to note 22(ii) for the nature and extent of credit risk arising from contractual receivables.		

BENDIGO KANGAN INSTITUTE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 6 - Investments and other financial assets

	2015	2014
6 Investments and other financial assets	\$'000	\$'000
Current investments and other financial assets		
Equities and managed investment schemes:		
Australian listed equity securities	-	-
Term deposits¹:		
Australian dollar term deposits > 90 days	21,092	10,489
Total current investments and other financial assets	21,092	10,489
Non-current investments and other financial assets		
Term deposits:		
Australian dollar term deposits	5,000	26,000
Total term deposits	5,000	26,000
Total non-current investments and other financial assets	5,000	26,000
Total investments and other financial assets	26,092	36,489

Notes:

1. Term deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days.

(a) Ageing analysis of investments and other financial assets

Please refer to note 22(ii) for the ageing analysis of investments and other financial assets.

(b) Nature and extent of risk arising from investments and other financial assets

Please refer to note 22(ii) for the nature and extent of risks arising from investments and other financial assets.

NOTE 7 - Inventories

	2015	2014
7 Inventories	\$'000	\$'000
Current		
Inventories held-for-sale:		
at cost	263	433
Inventories held-for-distribution¹:		
at cost	227	224
Total current inventories	490	657

Note:

1. Inventories held-for-distribution and inventory held for sale are valued at cost based on the average weighted cost at the reporting period.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 8 - Property, plant and equipment

8 Property, plant and equipment

In accordance with government purpose classifications, the Institute's property, plant and equipment are assets used for the purpose of education. Property, plant and equipment includes all operational assets.

(a)	Land at fair value ¹	Buildings	Assets under construction	Plant and equipment	Motor vehicles	Leasehold Improvements	Library	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2014								
Cost	-	-	15	-	-	-	-	15
Valuation	19,145	63,718	-	11,610	933	506	1,264	97,176
Accumulated depreciation	-	(2,399)	-	(8,221)	(747)	(91)	(986)	(12,444)
Net book amount	19,145	61,319	15	3,389	186	415	278	84,747
Year ended 31 December 2014								
Opening net book amount	19,145	61,319	15	3,389	186	415	278	84,747
Additions	-	-	62	80	256	-	33	431
Disposals	-	-	(281)	-	(27)	-	-	(308)
Transfer into/(out of) assets under construction	-	216	(216)	-	-	-	-	-
Transfer between asset categories	-	(66)	-	66	-	-	-	-
Impairment of assets	-	-	-	(511)	-	-	-	(511)
Acquisitions through administrative restructures	40,357	139,837	1,055	7,087	979	-	265	189,580
Depreciation ¹	-	(4,387)	-	(1,889)	(309)	(122)	(110)	(6,817)
Closing net book amount	59,502	196,919	635	8,222	1,085	293	466	267,122
At 31 December 2014								
Cost	-	-	635	-	-	-	-	635
Valuation	59,502	209,731	-	32,104	2,759	506	1,919	306,521
Accumulated depreciation	-	(12,812)	-	(23,882)	(1,674)	(213)	(1,453)	(40,034)
Net book amount	59,502	196,919	635	8,222	1,085	293	466	267,122
Year ended 31 December 2015								
Opening net book amount	59,502	196,919	635	8,222	1,085	293	466	267,122
Additions	-	-	314	194	-	-	4	512
Disposals	-	-	-	(15)	(11)	-	-	(26)
Transfer into/(out of) assets under construction	-	-	(687)	687	-	-	-	-
Transfer between asset categories	-	-	(33)	-	-	-	-	(33)
Impairment of assets	-	-	-	-	-	-	-	-
Depreciation ²	-	(6,552)	-	(1,866)	(337)	(41)	(155)	(8,951)
Closing net book amount	59,502	190,367	229	7,222	737	252	315	258,624

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 8 - Property, plant and equipment (continued)

	Land at fair value ¹	Buildings under construction	Assets under equipment	Plant and equipment	Motor vehicles	Leasehold Improvements	Library	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2015								
Cost	-	-	229	-	-	-	-	229
Valuation	59,502	209,726	-	32,635	2,739	506	1,913	307,021
Accumulated depreciation	-	(19,359)	-	(25,413)	(2,002)	(254)	(1,598)	(48,626)
Net book value at the end of the financial year	59,502	190,367	229	7,222	737	252	315	258,624

Notes:

- The useful lives of assets as stated in note 1 are used in the calculation of depreciation as shown in note 3(b).
- Refer to note 1.03.

Restricted assets

The Institute holds \$2.6 million (2014: \$2.9) worth of properties listed as heritage assets. These heritage assets cannot be modified nor disposed of without formal ministerial approval.

(b) Fair value measurement hierarchy for assets as at 31 December 2015

	Carrying amount as at 31 Dec 2015	Fair value hierarchy		
		Level 1 quoted prices	Level 2 observable price inputs	Level 3 unobservable inputs
	\$'000	\$'000	\$'000	\$'000
Land at fair value:				
Non specialised land	1,250	-	1,250	-
Specialised land	58,252	-	-	58,252
Total of land at fair value	59,502	-	1,250	58,252
Buildings at fair value:				
Non specialised buildings	-	-	-	-
Specialised buildings	187,738	-	-	187,738
Heritage assets	2,629	-	-	2,629
Total of buildings at fair value	190,367	-	-	190,367
Plant, equipment and vehicles at fair value:				
Vehicles	737	-	-	737
Plant and equipment	7,474	-	-	7,474
Total of plant, equipment and vehicles at fair value	8,211	-	-	8,211
Cultural assets at fair value:				
Library	315	-	315	-
Total of cultural assets at fair value	315	-	315	-

Notes:

Classified in accordance with the fair value hierarchy (see note 1). There were no transfers between levels during the year.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 8 – Property, plant and equipment (continued)

(c) Valuations of property, plant and equipment

Fair value assessments have been performed at 31 December 2015 for all classes of assets. This assessment demonstrated that fair value was materially similar to carrying value, and therefore a full revaluation was not required this year. The next scheduled full revaluation will be conducted in 2017.

Non specialised land, non specialised buildings and artworks

Non specialised land and non specialised buildings are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

To the extent that non specialised land and non specialised buildings do not contain significant, unobservable adjustments, these assets are classified as level 2 under the market approach.

Specialised land and specialised buildings

The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as level 3 assets.

For the Institute's majority of specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as level 3 fair value measurements.

Heritage assets

For the Institute's heritage buildings the reproduction method is used. The estimated cost of reproduction including structure, services and finishes, also factors in any heritage classifications (where applicable) and extra costs to comply with the requirements of any act of parliament or regulation made there under or any by law or regulation of any local government or other statutory authorities. Heritage assets are classified as level 3 fair value measurements.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable.

Vehicles

Vehicles are valued using the depreciated replacement cost method. The Institute acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Institute who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 31 December 2015.

For all assets measured at fair value, the current use is considered the highest and best use.

**BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 8 - Property, plant and equipment (continued)

In accordance with government purpose classifications, the Institute's property, plant and equipment are assets used for the purpose of education. Property, plant and equipment includes all operational assets.

(d) Reconciliation of level 3 fair value as at 31 December 2015	Specialised land \$'000	Specialised buildings \$'000	Heritage assets \$'000	Vehicles \$'000	Plant and equipment \$'000
Opening balance	58,252	194,051	2,868	1,085	8,515
Purchases (sales)	-	-	-	(11)	179
Transfers in (out) of assets under construction	-	-	-	-	687
Depreciation	-	(6,313)	(239)	(337)	(1,907)
Closing balance	58,252	187,738	2,629	737	7,474

(e) Description of significant unobservable inputs to level 3 valuations

	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community service obligation (CSO) adjustment
Specialised buildings	Depreciated replacement cost	Direct cost per square metre
		Useful life of specialised buildings
Plant and equipment	Depreciated replacement cost	Useful life plant and equipment
Vehicles	Depreciated replacement cost	Cost per unit
		Useful life of vehicles
Heritage assets	Reproduction cost	Cost per unit

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 9 - Intangible assets

	Software \$'000	Software (development in progress) \$'000	Total \$'000
9 Intangible assets			
Year ended 31 December 2014			
Gross carrying amount			
Opening balance	8,887	2,196	11,083
Additions	-	-	-
Additions from internal developments	-	-	-
Closing balance	8,887	2,196	11,083
Accumulated depreciation, amortisation and impairment			
Opening balance	7,258	-	7,258
Depreciation of intangible produced assets	891	-	891
Closing balance	8,149	-	8,149
Net book value at end of financial year	738	2,196	2,934
Year ended 31 December 2015			
Gross carrying amount			
Opening balance	8,887	2,196	11,083
Additions from internal developments	-	2,182	2,182
Closing balance	8,887	4,378	13,265
Accumulated depreciation, amortisation and impairment			
Opening balance	8,149	-	8,149
Depreciation of intangible produced assets	738	28	766
Impairment losses charged to net result	-	-	-
Closing balance	8,887	28	8,915
Net book value at end of financial year	-	4,350	4,350

Significant intangible assets

The Institute had capitalised software development expenditure of \$8.89m related to its student management system software as at 31 December 2013 and assessed its useful life as 10 years.

Subsequent to the amalgamation of Bendigo TAFE with Kangan Institute, a decision was made on 1 November 2014 to transition to a new student management system which will be used by Bendigo Kangan Institute from December 2015 onwards. The useful life of the student management system asset was reduced to 12 months and an impairment loss of \$7.26 million was recognised in 2014.

Software development costs of \$4.4m (2014: \$2.20m) relating to the new student management system have been deferred as at 31 December 2015.

The new student management system (phase 1) went live in December 2015 with related deferred costs being amortised over an estimated economic life of 10 years at a rate of 10% per annum.

BENDIGO KANGAN INSTITUTE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 10 - Other non-financial assets

	2015	2014
	\$'000	\$'000
10 Other non-financial assets		
Current other non-financial assets		
Prepayments	1,076	1,559
Total current other non-financial assets	1,076	1,559
Total other non-financial assets	1,076	1,559

NOTE 11 - Payables

	2015	2014
	\$'000	\$'000
11 Payables		
Current		
Contractual^{2,3}		
Supplies and services ¹	9,752	7,096
Revenue in advance	7,577	7,749
Other payables ¹	116	206
Total contractual payables	17,445	15,052
Statutory		
GST payable	251	131
FBT payable	30	20
Other taxes payable	755	-
Total current payables	18,481	15,203
Total payables	18,481	15,203

Notes:

1. The average credit period is 30 days. No interest is charged on contractual payables.
2. Maturity analysis of contractual payables.
Refer to note 22(iii) for the maturity analysis of contractual payables.
3. Nature and extent of risk arising from contractual payables.
Refer to note 22(iii) for the nature and extent of risks arising from contractual payables.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 12 - Provisions

12 Provisions	Note	2015 \$'000	2014 \$'000
Current provisions			
Employee benefits¹			
Annual leave:			
Unconditional and expected to wholly settle within 12 months ²	13(a)	3,422	3,321
Unconditional and expected to wholly settle after 12 months ²	13(a)	341	636
Long service leave:			
Unconditional and expected to wholly settle within 12 months ²	13(a)	1,521	3,020
Unconditional and expected to wholly settle after 12 months ²		6,207	5,245
Other provisions		125	123
		11,616	12,345
Provisions for on costs:			
13(a), 13(b)			
Unconditional and expected to wholly settle within 12 months ²		835	681
Unconditional and expected to wholly settle after 12 months ²		1,072	372
		1,907	1,053
Make good provision³	13(b)	198	96
Total current provisions		13,721	13,493
Non-current provisions			
Employee benefits ¹	13(a)	1,608	1,806
On costs	13(a), 13(b)	262	156
Make good provision ³	13(b)	83	39
Total non-current provisions		1,953	2,001
Total provisions		15,674	15,494

Notes:

- Employee benefits consist of annual leave and long service leave accrued by employees. On costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.
- Amounts are measured at present values (calculated using discount rates published by the Department of Treasury and Finance).
- In accordance with various lease agreements over premises, the Institute must remove any leasehold improvements from these premises and restore them to their original condition at the end of the lease term. A provision of \$0.134m (2013: \$nil) was provided for during the year for this purpose.

BENDIGO KANGAN INSTITUTE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 12 - Provisions (continued)

	2015	2014
(a) Employee benefits and on costs ¹	\$'000	\$'000
Current employee benefits		
Annual leave	3,422	3,321
Long service leave	7,728	8,265
Non-current employee benefits		
Annual leave	341	636
Long service leave	1,608	1,806
Total employee benefits	13,099	14,028
On costs		
Current on costs	1,907	1,053
Non-current on costs	262	156
Total on costs	2,169	1,209
Total employee benefits and on costs	15,268	15,237

Note:

1. Employee benefits consist of annual leave and long service leave accrued by employees. On costs such as payroll tax and workers' compensation insurance are not employee benefits and are recognised as a separate provision.

(b) Movement in provisions	2015		
	Make-good	On costs	Total
Opening balance	135	1,209	1,344
Additional provisions recognised	146	960	1,106
Closing balance	281	2,169	2,450
Current	198	1,907	2,105
Non-current	83	262	345
Closing balance	281	2,169	2,450

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 13 - Borrowings

	2015	2014
	\$'000	\$'000
13 Borrowings		
Current		
Finance lease liabilities ¹	36	25
Total current borrowings	36	25
Non-current		
Finance lease liabilities ¹	-	36
Total non-current borrowings	-	36
Total borrowings	36	61

Note:

1. Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(a) Maturity analysis of borrowings

Please refer to note 22(iii) for the maturity analysis of borrowings.

(b) Nature and extent of risk arising from borrowings

Please refer to note 22(iii) for the nature and extent of risks arising from borrowings.

(c) Default and breaches

During the current and prior year, there were no defaults and breaches of any of the loans.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 14 - Other liabilities

	2015	2014
	\$'000	\$'000
14 Other liabilities		
Current^{1,2}		
Advances other		
Float for ACE stage 2 ³	2,500	2,500
Energy performance contract repayment ⁴	145	145
Other Australian and state government	-	186
Total current other liabilities	2,645	2,831
Non-current^{1,2}		
Energy performance contract repayment ⁴	593	734
Total non-current other liabilities	593	734
Total other liabilities	3,238	3,565

Notes:

- Maturity analysis of contractual payables.
Please refer to note 22(iii) for the maturity analysis of contractual payables.
- Nature and extent of risk arising from contractual payables.
Please refer to note 22(iii) for the nature and extent of risks arising from contractual payables.
- Non-interest bearing and unsecured advance for ACE stage 2.
- The energy performance contract has notional interest applied, is unsecured and is repayable over an eight year period commencing June 2014.

NOTE 15 - Reserves

	2015	2014
	\$'000	\$'000
15 Reserves		
(a) Physical asset revaluation surplus¹:		
Asset revaluation surplus - land	17,247	17,247
Asset revaluation surplus - buildings	28,855	28,855
Total physical asset surplus	46,102	46,102
Net changes in reserves	-	-

Note:

- The physical assets revaluation surplus arises on the revaluation of infrastructure, land and buildings.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

NOTE 16 - Cash flow information

	2015	2014
	\$'000	\$'000
16 Cash flow information		
(a) Reconciliation of cash and cash equivalents		
Total cash and deposits disclosed in the balance sheet	48,741	23,944
Balance as per cash flow statement	48,741	23,944

	2015	2014
	\$'000	\$'000
(b) Non-cash financing and investing activities		
Indemnity/guarantee facility		
Amount used ¹	450	437
Indemnity/guarantee facility available	450	437

Note:

1. Comprises bank guarantees for the purposes of securing supply of rental premises from third parties on normal terms and conditions. Refer to note 19.

These acquisitions are not reflected in the cash flow statement.

	2015	2014
	\$'000	\$'000
(c) Financing facilities		
Unsecured bank overdraft facility, reviewed annually and payable at call		
Amount used	-	-
Amount of credit facility	1	1
Unsecured finance lease facilities with various maturity dates through to 2016 and which may be extended annually by mutual agreement		
Amount used ¹	36	61
Amount of credit facility	500	500

Note:

1. Refer to note 19(iii) for details.

BENDIGO KANGAN INSTITUTE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 16 - Cash flow information (continued)

	2015	2014
	\$'000	\$'000
(d) Reconciliation of net result for the period		
Net result for the year	3,197	(11,706)
Non cash movements:		
(Gain)/loss on sale or disposal of non-current assets	13	492
Depreciation and amortisation of non-current assets	9,717	7,705
Impairment of non-current assets	-	7,258
Movements in assets and liabilities		
Decrease/(increase) in trade receivables	541	2,093
Decrease/(increase) in inventories	167	(212)
Decrease/(increase) in other debtors	(183)	580
Increase/(decrease) in payables	3,357	(2,528)
Increase/(decrease) in employee benefits	180	(996)
Increase/(decrease) in other liabilities	(186)	364
Net cash flows from/(used in) operating activities	16,803	3,050

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 17 - Commitments for expenditure

	2015	2014
	\$'000	\$'000
17 Commitments for expenditure		
(a) Capital expenditure commitments payable		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Intangible assets		
Payable:		
Within one year	1,510	1,794
Later than one year but not later than five years	-	-
Total intangible assets	1,510	1,794
GST reclaimable on the above	(137)	(163)
Net commitments intangible assets	1,373	1,631
(b) Non-cancellable operating lease commitments payable¹		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	2,411	2,495
Later than one year but not later than five years	3,349	3,998
Total minimum lease payments in relation to non-cancellable operating leases	5,760	6,493
GST reclaimable on the above	(524)	(590)
Net commitments non-cancellable operating leases	5,236	5,903
(c) Other expenditure commitments		
Commitments for maintenance and other expenditure are payable as follows:		
Within one year	2,965	1,006
Later than one year but not later than five years	5,495	156
Total other expenditure commitments	8,460	1,162
GST reclaimable on the above	(769)	(106)
Net commitments other expenditure commitments	7,691	1,056
Total commitments for expenditure (Including GST)	15,730	9,449
GST reclaimable on the above	(1,430)	(859)
Net total commitments for expenditure	14,300	8,590

Note:

1. Operating leases are effectively non-cancellable and include leases for office accommodation, computer equipment and motor vehicles.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 18 - Contingent assets and contingent liabilities

	2015	2014
18 Contingent assets and contingent liabilities	\$'000	\$'000
Details and estimates of maximum amounts of contingent assets and contingent liabilities are as follows:		
Contingent assets		
TSAF funding arrangements ¹	31,600	16,200
Other ²	10,000	10,000
Total estimated contingent assets	41,600	26,200
Contingent liabilities		
Bank guarantees ³	(437)	(437)
Total estimated contingent liabilities	(437)	(437)
Total estimated contingent assets and (liabilities)	41,163	25,763

Notes:

- The Institute has entered into funding agreements with the Department of Education and Early Childhood Development. The release of these funds is contingent on the Institute demonstrating that they have achieved agreed milestones. The Institute will benefit from the inflow of \$31.6m in operating contributions in subsequent financial years, subject to the achievement of agreed milestones.
The government, through its commitment to rebuild TAFE, has allocated \$320 million to the TAFE rescue fund to be distributed to TAFE institutes as a matter of priority. This includes \$100m asset funding of which \$65.8m has been committed to a number of projects including \$7.8m to Bendigo Kangan Institute to support the expansion of agricultural training at the Charleston Road campus. To date there is no signed agreement for this additional funding and negotiations are ongoing.
- There is a \$10 million contingent asset from the planned sale of Moreland campus, the title to which is being transferred to the Bendigo Kangan Institute Board.
- The amount disclosed comprises bank guarantees for the purposes of securing supply of rental premises from third parties on normal terms and conditions.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 19 - Leases

(i) Operating leases - Institute as lessee

Refer to note 17 - commitments for expenditure.

(ii) Operating leases - Institute as lessor

The Institute leases out certain land, buildings and equipment, which are excess to current requirements, at current market rates.

	2015	2014
	\$'000	\$'000
Leasing arrangements		
As at the reporting date the Institute leased out the following assets:		
Vahlands Bistro, Bendigo	14	26
Charleston Road Café, Bendigo	6	12
136 McCrae Street, Bendigo	22	16
130 McCrae Street, Bendigo	48	27
Speciman Cottage, Bendigo	7	7
Cnr Hargreaves and Mundy Street, Bendigo	92	-
Butcher Street, Echuca	4	4
BTEC Café, Bendigo	-	9
Edgecombe Street, Kyneton	-	20
4 Neil Street, Maryborough	3	47
Castlemaine Community House, Castlemaine	12	11
69-71 Cremorne St Richmond	194	171
Gross amount of leased assets	402	350

	2015	2014
	\$'000	\$'000
Non-cancellable operating lease receivables		
Payments due		
Within one year	208	283
Later than one year but not later than five years	194	67
Total non-cancellable operating lease receivables	402	350
GST payable on the above	(37)	(32)
Net operating leases receivables	365	318

BENDIGO KANGAN INSTITUTE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 19 - Leases (continued)

(iii) Finance leases - Institute as lessee

Leasing arrangements

The Institute has finance lease arrangements with National Australia Bank for one motor vehicle.

	Minimum future lease payments ¹		Present value of minimum future lease payments	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Finance lease liabilities payable²				
Within one year	39	29	36	28
Later than one year but not later than five years	-	40	-	33
Minimum future lease payments	39	69	36	61
Less future finance charges	(3)	(8)	(3)	(7)
Present value of minimum lease payments	36	61	33	54
Included in the financial statements as:				
Current borrowings lease liabilities (note 13)	36	25	33	23
Non-current borrowings lease liabilities (note 14)	-	36	-	31
Total included in financial statements	36	61	33	54

Notes:

1. Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.
 2. Finance lease liabilities include obligations that are recognised on the balance sheet; the future payments related to operating and lease commitments are disclosed in note 17.
- Maturity analysis of finance lease liabilities and the nature and extent of risks arising from finance lease liabilities are disclosed in note 22.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 20 - Superannuation

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 plans 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 government'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:

	2015	2014
20 Superannuation	\$'000	\$'000
Paid contribution for the year		
Defined benefit plans:		
State Superannuation Fund Of Victoria - revised and new	292	232
State Employees Retirement Benefits Scheme	-	9
Other	-	-
Total defined benefit plans	292	241
Defined contribution plans:		
VicSuper Pty Ltd	3,859	2,571
Hesta	177	130
Australian Superannuation	483	308
Uni Super	88	65
MLC Masterkey	29	26
Hostplus	146	90
AMP Life Ltd	72	36
Health Super Fund	59	27
Vision Super Pty Ltd	59	45
MTAA Superannuation	68	42
Retail Employees Superannuation Trust (REST)	132	86
Colonial First State	79	54
Cbus	69	48
Catholic Super	51	23
ESSSuper Accumulation Plan	93	51
ASGARD	30	15
BT Business Super	26	7
Care Super	36	20
Superwrap	30	18
Telstra Super	35	32
Other	796	485
Total defined contribution plans	6,417	4,180
Total paid contribution for the year	6,709	4,421

**BENDIGO KANGAN INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTE 20 - Superannuation (continued)

	2015	2014
	\$'000	\$'000
Contribution outstanding at year end		
Defined contribution plans:		
VicSuper & Other schemes	-	68
Total defined contribution plans	-	68
Total	-	68

1. The Institute does not have any contributions outstanding to the above funds and there have been no loans made from the funds. The basis for contributions are determined by the various schemes.
2. The above amounts were measured as at 31 December of each year, or in the case of employer contributions they relate to the years ended 31 December.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 21 - Trust account balances

No trust accounts have been opened or closed during 2015.

21 Trust account balances	Opening balance as at 1 Jan 2015	Total receipts	Total payments	Closing balance as at 31 Dec 2015
2015	\$'000	\$'000	\$'000	\$'000
Trust account balances relating to trust accounts controlled and/or administered by the Institute:				
Cash and cash equivalents and investments				
Administered trusts				
Bank - Jan Lorimer trust	16	1	1	17
NAB - Connor trust term deposit	51	1	-	52
NAB - Scholarship fund term deposit	39	1	1	39
NAB - Funds held in trust	16	30	28	17
Total administered trusts	122	33	30	125
Total cash and cash equivalents and investments	122	33	30	125

2014	Opening balance as at 1 Jan 2014	Total receipts	Total payments	Closing balance as at 31 Dec 2014
2014	\$'000	\$'000	\$'000	\$'000
Trust account balances relating to trust accounts controlled and/or administered by the Institute:				
Cash and cash equivalents and investments				
Administered trusts				
Bank - Jan Lorimer trust	16	-	-	16
NAB - Connor trust term deposit	50	1	-	51
NAB - Scholarship fund term deposit	40	1	2	39
NAB - Funds held in trust	27	40	51	16
Total administered trusts	133	42	53	122
Total cash and cash equivalents and investments	133	42	53	122

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments

(i) Financial risk management objectives and policies

The Institute's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables) and payables (excluding statutory payables). The Institute does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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 are disclosed in note 1 of the financial statements.

The Institute's activities expose it to a variety of financial risks: market risk (including foreign currency risk, 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. 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 beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the finance team of the Institute under policies approved by the Board. The finance team 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.

The carrying amounts of the Institute's contractual financial assets and financial liabilities by category are disclosed below:

	Note	2015	2014
		\$'000	\$'000
Carrying amount of financial instruments by category			
(a) Loans and receivables			
Cash and deposits	16(a)	48,741	23,944
Receivables¹:			
Trade receivables	5	3,935	4,481
Revenue receivables	5	7,157	7,021
Other receivables	5	119	73
Investment and other financial assets:			
Term deposits	6	26,092	36,489
Total loans and receivables		86,044	72,008
Total financial assets		86,044	72,008

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

	Note	2015 \$'000	2014 \$'000
(b) Financial liabilities at amortised cost:			
Payables¹:			
Supplies and services	11	9,752	7,096
Other payables	11	7,693	7,955
Other loans	13, 14	3,275	3,626
Total financial liabilities at amortised cost		20,720	18,677
Total financial liabilities		20,720	18,677

Note:

1. Receivables and payables disclosed here exclude statutory receivables and statutory payables (e.g. amounts owing to/from the Victorian government, GST input tax credit recoverable and taxes payable).

The net holding gains or losses of the Institute's contractual financial assets and financial liabilities by category are disclosed below.

The net holding gains or losses are determined as follows:

- for cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost
- for financial asset and liabilities that are designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability

	Note	2015 \$'000	2014 \$'000
Net holding gain/(loss) on financial instruments by category			
(a) Net holding gain/(loss)			
Financial assets - loans and receivables			
Financial assets designated at fair value through profit/loss	4(a)	(13)	(175)
Net holding gain/(loss) - financial assets		(13)	(175)
Total net holding gain/(loss)		(13)	(175)
(b) Interest Income/(expense)			
Financial assets-loans and receivables			
Financial assets designated at fair value through profit/loss	2	2,223	1,312
Interest income/(expense) - financial assets		2,223	1,312
Total interest income/(expense)		2,223	1,312
(c) Impairment loss			
Financial assets-loans and receivables	4(b)	(656)	(371)
Total impairment loss		(656)	(371)

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

(ii) Credit risk

Credit risk arises from the contractual financial assets of the Institute, which comprise cash and deposits, non-statutory receivables, available-for-sale contractual financial assets and derivative instruments. The Institute's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Institute.

Credit risk is measured at fair value and is monitored on a regular basis by the finance committee. The finance committee monitors credit risk by actively assessing the rating quality and liquidity of counterparties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing
- customers that do not meet the Institute'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 2015 and 31 December 2014 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

The Institute minimises 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 an application for a part payment plan (PPP)
- provided the student meets the PPP eligibility criteria the PPP is assessed and approved
- the student's enrolment is completed in student management system (SMS) and their record is flagged to prevent further enrolments or release of results until the debt is paid in full
- the part payment arrangement is processed in SMS and a repayment schedule is printed and sent to the student
- payments are deducted from the student's nominated bank account at regular intervals until the debt is finalised
- debts are reviewed on a monthly basis and the provision for doubtful debts is monitored by the financial controller
- all PPPs are managed in accordance with the debt collection policy

In addition, the Institute does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. The Institute's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Institute will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

The carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Institute's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There are no material financial assets which are individually determined to be impaired. Currently the Institute does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

Credit quality of contractual financial assets that are neither past due nor impaired ¹	Financial institutions (AAA rating)	Government agencies (AAA rating)	Other counterparty	Total
2015	\$'000	\$'000	\$'000	\$'000
Cash and deposits	310	-	48,431	48,741
Receivables	-	-	11,211	11,211
Investments and other financial assets	13,000	13,000	92	26,092
Total contractual financial assets 2015	13,310	13,000	59,734	86,044
2014				
Cash and deposits	417	-	23,527	23,944
Receivables	-	-	11,576	11,576
Investments and other financial assets	16,500	19,899	90	36,489
Total contractual financial assets 2014	16,917	19,899	35,193	72,009

Note:

1. The total amounts disclosed here exclude statutory amounts (e.g. amounts owing to/from the Victorian government, GST input tax credit recoverable and taxes payable).

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

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 ageing analysis for the Institute's financial assets.

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired				Impaired financial assets \$'000
			Less than 1 month \$'000	1-3 months \$'000	3 months - 1 year \$'000	1-5 years \$'000	
2015 financial assets							
Receivables¹:							
Trade receivables	5,020	1,952	1,657	-	109	215	1,085
Revenue receivables	7,157	7,157	-	-	-	-	-
Other receivables	119	119	-	-	-	-	-
Investment and other financial assets:							
Term deposits	26,092	26,092	-	-	-	-	-
Total 2015 financial assets	38,388	35,320	1,657	-	109	215	1,085
2014 financial assets							
Receivables¹:							
Trade receivables	5,148	2,029	1,662	164	620	6	667
Revenue receivables	7,021	7,021	-	-	-	-	-
Other receivables	73	73	-	-	-	-	-
Investment and other financial assets:							
Term deposits	36,489	36,489	-	-	-	-	-
Total 2014 financial assets	48,731	45,612	1,662	164	620	6	667

Note:

1. Receivables disclosed here exclude statutory receivables and statutory payables (e.g. amounts owing to/from the Victorian government, GST input tax credit recoverable and taxes payable).

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Institute would be unable to meet its financial obligations as and when they fall due. The Institute operates under a payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Institute's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees disclosed in note 18.

The 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 uncommitted funds that can be drawn at short notice and careful maturity planning of its financial obligations by matching the maturity profiles of financial assets and liabilities and continuously monitoring forecast and actual cash flows.

The Institute's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from at call cash reserves maintained by the Institute.

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.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

Maturity analysis of financial liabilities

The carrying amount detailed in the following table of contractual financial liabilities recorded in the financial statements, and \$0.437m (2014: \$0.437m) in relation to bank guarantees granted for the purposes of securing supply of product and services from third parties on normal terms and conditions (refer to note 18), represents the Institute's maximum exposure to liquidity risk.

The following table discloses the contractual maturity analysis for the Institute's financial liabilities.

	Carrying amount	Nominal amount	Maturity dates				
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years	5+ years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2015 financial liabilities							
Payables¹:							
Supplies and services	9,752	9,752	9,752	-	-	-	-
Revenue in advance	7,577	7,577	1,096	2,668	3,813	-	-
Other payables	116	116	39	77	-	-	-
Borrowings							
Finance lease liabilities	36	36	-	3	33	-	-
Other	3,238	3,238	-	-	2,645	593	-
Total 2015 financial liabilities	20,719	20,719	10,887	2,748	6,491	593	-
2014 financial liabilities							
Payables¹:							
Supplies and services	7,096	7,096	7,096	-	-	-	-
Revenue in advance	7,749	7,749	1,184	2,835	3,730	-	-
Other payables	206	206	69	137	-	-	-
Borrowings							
Finance lease liabilities	61	61	2	6	17	36	-
Other	3,565	3,565	-	-	2,831	734	-
Total 2014 financial liabilities	18,677	18,677	8,351	2,978	6,578	770	-

Note:

1. Payables disclosed here exclude statutory receivables and statutory payables (e.g. amounts owing to/from the Victorian government, GST input tax credit recoverable and taxes payable).

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

(iv) 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 effect 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 Institute's exposures to market risk are primarily through foreign currency risk, interest rate risk and equity price risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

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

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

Foreign currency risk

The Institute is exposed to foreign currency risk mainly through the delivery of services in currencies other than the Australian dollar.

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 foreign currency 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, or cause a fluctuation in the fair value of the financial instruments.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Institute does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Institute has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rate.

The Institute manages cash flow interest rate risk through a mixture of short term and longer term investments, and undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management monitors movement in interest rates on monthly basis.

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

Interest rate movements have not been sufficiently significant during the year to have an impact on the Institute's year end result.

The Institute's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities are set out in the financial instrument composition and maturity analysis table below.

BENDIGO KANGAN INSTITUTE
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)					
Financial instrument composition and interest rate exposure	Weighted average effective rate	Total carrying amount per balance sheet	Interest rate exposure		
			Floating interest rate	Fixed interest rate	Non-interest bearing
2015	%	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and deposits	1.96	48,741	45,667	2,854	220
Receivables¹:					
Trade receivables	-	3,935	-	-	3,935
Revenue receivables	-	7,157	-	-	7,157
Other receivables	-	119	-	-	119
Investment and other financial assets:					
Term deposits	4.26	26,092	-	26,092	-
Total financial assets		86,044	45,667	28,946	11,431
Financial liabilities					
Payables¹:					
Supplies and services	-	9,752	-	-	9,752
Revenue in advance	-	7,577	-	-	7,577
Other payables	-	116	-	-	116
Borrowings:					
Lease liabilities	9.91	36	-	36	-
Total financial liabilities	-	17,481	-	36	17,445

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

2014	Weighted average effective rate	Total carrying amount per balance sheet	Interest rate exposure		
			Floating interest rate	Fixed interest rate	Non-interest bearing
	%	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and deposits	2.65	23,944	22,715	1,001	228
Receivables¹:					
Trade receivables	-	4,481	-	-	4,481
Revenue receivables	-	7,021	-	-	7,021
Other receivables	-	73	-	-	73
Investment and other financial assets:					
Term deposits	4.64	36,489	-	36,489	-
Total financial assets	-	72,008	22,715	37,490	11,803
Financial liabilities					
Payables¹:					
Supplies and services	-	7,096	-	-	7,096
Revenue in advance	-	7,749	-	-	7,749
Other payables	-	206	-	-	206
Borrowings:					
Lease liabilities	9.91	61	-	61	-
Total financial liabilities	-	15,112	-	61	15,051

Note:

1. Receivables and payables disclosed here exclude statutory receivables and statutory payables (e.g. amounts owing to/from the Victorian government, GST input tax credit recoverable and taxes payable).

Equity price risk

The Institute was exposed to equity price risk through its investments in unlisted shares.

All holdings of unlisted shares were sold during the financial year with no unlisted shares being held as at the reporting date.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

(v) Sensitivity analysis and assumptions

The Institute's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primary risk variable held constant. The Institute's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

- a movement of 50 basis points up and down (2014: 50 basis points up and down) in market interest rates (AUD)
- a movement of 15 per cent up and down (2014: 15 per cent) for the top ASX 200 index

The following tables show the impact on the Institute's net result and equity for each category of financial instrument held by the Institute at the end of the reporting period as presented to key management personnel, if the above movements were to occur.

	Carrying amount	Interest rate risk				Other price risk			
		- 50 basis points		+ 50 basis points		- 15%		+ 15%	
		Result	Equity	Result	Equity	Result	Equity	Result	Equity
31 December 2015	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contractual financial assets									
Cash and deposits	48,741	(244)	(244)	244	244	-	-	-	-
Receivables ¹	11,211	-	-	-	-	-	-	-	-
Investments	26,092	(130)	(130)	130	130	-	-	-	-
Total increase/(decrease) in financial assets	86,044	(374)	(374)	374	374	-	-	-	-
Contractual financial liabilities									
Payables ¹	17,445	-	-	-	-	-	-	-	-
Borrowings	36	-	-	-	-	-	-	-	-
Other financial liabilities	3,238	-	-	-	-	-	-	-	-
Total increase/(decrease) in financial liabilities	20,719	-	-	-	-	-	-	-	-
Total increase/(decrease)	106,763	(374)	(374)	374	374	-	-	-	-

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

	Carrying amount	Interest rate risk				Other price risk			
		-2%		2%		-50%		50%	
31 December 2014	\$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Contractual financial assets									
Cash and cash equivalents	23,944	(120)	(120)	120	120	-	-	-	-
Receivables ¹	11,576	-	-	-	-	-	-	-	-
Investments	36,489	(182)	(182)	182	182	-	-	-	-
Total increase/(decrease) in financial assets	72,009	(302)	(302)	302	302	-	-	-	-
Contractual financial liabilities									
Payables ¹	15,052	-	-	-	-	-	-	-	-
Borrowings	61	-	-	-	-	-	-	-	-
Other financial liabilities	3,565	-	-	-	-	-	-	-	-
Total increase/(decrease) in financial liabilities	18,678	-	-	-	-	-	-	-	-
Total increase/(decrease)	90,687	(302)	(302)	302	302	-	-	-	-

Note:

1. Receivables and payables disclosed here exclude statutory receivables and statutory payables (e.g. amounts owing to/from the Victorian government, GST input tax credit recoverable and taxes payable).

Funding risk

Funding risk is the risk of over reliance on a particular 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.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

(vi) Fair value estimation

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

Fair values of financial instrument asset and liabilities are determined using the fair value hierarchy that categorises the inputs to valuation techniques used to measure fair value into three levels 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 that the Institute can access at the measurement date
- 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 Institute considers that the carrying amount of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables.

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.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Note 22 - Financial instruments (continued)

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

	2015		2014	
	Carrying amount \$'000	Net fair value \$'000	Carrying amount \$'000	Net fair value \$'000
Financial assets				
Cash and deposits	48,741	48,741	23,944	23,944
Receivables¹:				
Trade receivables	5,020	3,935	5,148	4,481
Revenue receivables	7,157	7,157	7,021	7,021
Other receivables	119	119	73	73
Investment and other financial assets:				
Term deposits	26,092	26,092	36,489	36,399
Total financial assets	87,129	86,044	72,675	71,918
Financial liabilities				
Payables¹:				
Supplies and services	9,752	9,752	7,096	7,096
Revenue in advance	7,577	7,577	7,749	7,749
Other payables	116	116	206	206
Borrowings				
Finance lease liabilities	36	36	61	61
Total financial liabilities	17,481	17,481	15,112	15,112

Note:

1. Receivables and payables disclosed here exclude statutory receivables and statutory payables (e.g. amounts owing to/from the Victorian government, GST input tax credit recoverable and taxes payable).

The Institute did not have any financial instruments that are measured subsequent to initial recognition at fair value as at 31 December 2015.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 23 - Responsible persons and executive officers

In accordance with the ministerial directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons and executive officers for the reporting period.

(i) Minister

The relevant minister is The Hon. Steve Herbert, MP, Minister for Training and Skills.

Remuneration of the Minister for Training and Skills is disclosed in the financial report of the Department of Premier and Cabinet. Other relevant interests are declared in the register of members interests which is completed by each member of the parliament.

(ii) Chief executive officer (accountable officer)

Amanda Brook was appointed as chief executive officer (CEO) of the Institute effective 16 April 2015 with the appointment being ratified by the Hon. Steve Herbert, MP, Minister for Training and Skills, in April 2015. The position of CEO was previously held by Grant Sutherland (appointed July 2014 and resigned April 2015) and Peter Coyne (appointed October 2013 and resigned June 2014).

Remuneration received or receivable by the chief executive officer in connection with the management of the Institute during the reporting period was in the range:

Amanda Brook (2015: \$400,000 - \$410,000) (2014: \$nil) - also included in note 23(v)

Grant Sutherland (2015: \$130,000 - \$139,999) (2014: \$170,000 - \$179,999)

Peter Coyne (2015 \$nil) (2014: \$180,000 - \$189,999) - also included in note 23(v)

(iii) Members of the board

Members of the board of Bendigo Kangan Institute:

- Board Chair - Michael Brown
- Deputy Board Chair - Margaret O'Rourke
- Director - Michael McCartney
- Director - Margaret Hatton
- Director - Chris Edwards
- Director - Joanne Wandell
- Director - Mark Johnston (resigned August 2015)
- Director - Linsey Siede (resigned August 2015)
- Director - John Hartigan (appointed December 2015)

Remuneration of the board members in connection with the management of the Institute are disclosed below.

Income range	2015 No.	2014 No.
The number of board members whose total remuneration from the Institute was within the specified income bands are as follows:		
Less than \$10,000	3	8
\$10,000-\$19,999	-	2
\$20,000-\$29,999	5	3
\$40,000-\$49,999	1	-
Total number of board members	9	13
Total remuneration of board members (\$'000)	170	129

Related party transactions

Related party transactions including sale of goods and services and loans requiring disclosure under the directions of the Minister for Finance have been considered and there are no matters to report.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 23 - Responsible persons and executive officers (continued)

(iv) Executive officers

Remuneration of executive officers

The number of executive officers, including the chief executive officer, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands.

The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

The total annualised employee equivalent provides a measure of full time equivalent executive offices over the reporting period.

A number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on total remuneration figures due to the inclusion of annual leave, long service leave and retrenchment payments.

	Total remuneration		Base remuneration	
	2015 No.	2014 No.	2015 No.	2014 No.
Income range				
The number of executive officers whose total remuneration from the Institute exceeded \$100,000, separately identifying base remuneration and total remuneration, disclosed within the income band of \$10,000 in a table format:				
\$50,000 - \$59,999	-	-	2	-
\$60,000 - \$69,999	-	1	-	2
\$70,000 - \$79,999	-	-	-	-
\$80,000 - \$89,999	-	1	1	1
\$90,000 - \$99,999	-	1	-	1
\$100,000 - \$109,999	1	4	2	4
\$110,000 - \$119,999	-	4	-	4
\$120,000 - \$129,999	-	2	-	2
\$130,000 - \$139,999	1	1	-	1
\$140,000 - \$149,999	-	1	-	1
\$150,000 - \$159,999	1	1	-	1
\$160,000 - \$169,999	3	-	3	-
\$170,000 - \$179,999	1	1	1	1
\$180,000 - \$189,999	-	-	-	-
\$190,000 - \$199,999	2	1	1	-
\$200,000 - \$209,999	2	-	2	-
\$210,000 - \$219,999	-	-	-	-
\$220,000 - \$229,999	2	-	2	-
\$240,000 - \$249,999	1	-	1	-
\$250,000 - \$259,999	-	-	-	-
\$310,000 - \$319,999	1	-	-	-
\$350,000 - \$359,999	-	-	-	-
Total number of executive officers	15	18	15	18
Total annualised employee equivalent (AEE)	14.7	17.6	14.7	17.6
Total amount of remuneration (\$'000)	\$2,870	\$2,187	\$2,372	\$2,058

Other transactions

Other related transactions and loans requiring disclosure under the directions of the Minister for Finance have been considered and there are no matters to report.

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 23 - Responsible persons and executive officers (continued)

(v) Payments to other personnel

The number of contractors charged with significant management responsibilities, to whom the total expenses paid by the Institute exceeded \$100,000 per person is disclosed. These contractors are responsible for planning, directing or controlling, directly or indirectly, the Institute's activities.

Expense band	Total expenses (exclusive of GST)	
	2015	2014
	No. of contractors	No. of contractors
\$100,000 - \$109,999	1	-
\$180,000 - \$189,999	-	1
\$200,000 - \$209,999	-	1
\$260,000 - \$269,999	-	1
\$320,000 - \$329,999	1	-
\$570,000 - \$579,999	1	-
Total expenses paid to other personnel (\$'000)	\$1,007	\$653

NOTE 24 - Related parties

Key management personnel

Related parties disclosures are set out in note 23 - responsible persons and executive officers.

There were no other transactions or 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 provisions for doubtful debts have 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.

BENDIGO KANGAN INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 25 - Ex-gratia expenses

	2015	2014
	\$'000	\$'000
25 Ex-gratia expenses		
Ex-gratia payments on termination of employment ¹	58	17
Total ex-gratia expenses	58	17

Note:

1. Included in note 3(a) under salaries, wages, overtime and allowances

NOTE 26 - Controlled entities

26 Controlled entities ^{1,2}	Country of incorporation	Class of shares	Equity holding	
			2015 %	2014 %
John Batman Consultancy & Training Pty Ltd	Australia	Ordinary	100	100

Notes:

1. As detailed in note 1.04, the financial statements of John Batman consultancy & Training Pty Ltd have not been consolidated as the transactions and balances of the controlled entity have no impact on the Institute's financial statements.

2. An application for the winding up of John Batman Consultancy & Training Pty Ltd is to be lodged subsequent to 31 December 2015.

NOTE 27 - Remuneration of auditors

	2015	2014
	\$'000	\$'000
27 Remuneration of auditors		
Remuneration of Victorian Auditor General's Office for:		
Audit of the financial statements	57	68
Total remuneration of Victoria Auditor General's Office	57	68
Remuneration of other auditors		
Other assurance services	46	18
Total remuneration of other auditors	46	18
Total remuneration of auditors	103	86

BENDIGO KANGAN INSTITUTE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 28 - Subsequent events

There have been no matters or circumstances that have arisen since the end of the reporting period which significantly affect or may significantly affected the operations of the Institute, the results of those operations, or the state of affairs of the Institute in future financial years.

NOTE 29 - Economic dependency

	2015	2014
	\$'000	\$'000
29 Economic dependency		
An economic dependency exists with the Department of Education and Training (DET). As a technical and further education organisation the Institute provides training on behalf of the DET. The reliance on DET is 36% (2014: 50%) of the revenue of the Institute.	52,951	43,641
	52,951	43,641

NOTE 30 - Institute details

The registered office of the Institute is:

62-104 Charleston Road, Bendigo, VIC 3550

The principal place of business is:

62-104 Charleston Road, Bendigo, VIC 3550

Disclosure index

Item no.	Source	Summary of reporting requirement	Page	Item no.	Source	Summary of reporting requirement	Page
REPORT OF OPERATIONS							
Charter and purpose							
1	FRD 22F	Manner of establishment and the relevant Minister	2	18	FRD 22F	Summary of application and operation of the Freedom of Information Act 1982	18
2	FRD 22F	Purpose, functions, powers and duties linked to a summary of activities, programs and achievements	2-7, 10-14	19	FRD 22F	Discussion and analysis of operating results and financial results	3-10
3	FRD 22F	Nature and range of services provided including communities served	12-13	20	FRD 22F	Significant factors affecting performance	3-10
Management and structure							
4	FRD 22F	Organisational structure and chart, including responsibilities	15	21	FRD 22F	Where a TAFE has a workforce inclusion policy, a measurable target and report on the progress towards the target should be included	N/A
5	FRD 22F	Names of Board members	14	22	FRD 22F	Schedule of any government advertising campaign in excess of \$150,000 or greater (exclusive of GST) include list from (a) - (d) in the FRD	26
Financial and other information							
6	FRD 03A	Accounting for dividends	N/A	23	FRD 22F	Statement of compliance with building and maintenance provisions of the Building Act 1993	21
7	FRD 07A	Early adoption of authoritative accounting pronouncements	47-48	24	FRD 22F	Statement, where applicable, on the implementation and compliance with the National Competition Policy	20
8	FRD 10	Disclosure Index	94-96	25	FRD 22F	Summary of application and operation of the Protected Disclosure Act 2012	18
9	FRD 17B	Long service leave and annual leave for employees	45	26	FRD 22F and FRD 24C	Summary of environmental performance including a report on office based environmental impacts	22-23
10	FRD 20A	Accounting for State motor vehicle lease arrangements prior to 1 Feb 2004	N/A	27	FRD 22F	Consultants: Report of Operations must include a statement disclosing each of the following: 1. Total number of consultancies of \$10,000 or more (excluding GST) 2. Location (eg website) of where details of these consultancies over \$10,000 have been made publicly available 3. Total number of consultancies individually valued at less than \$10,000 and the total expenditure for the reporting period AND for each consultancy more than \$10,000, a schedule is to be published on the TAFE institute website listing: • Consultant engaged • Brief summary of project • Total project fees approved (excluding GST) • Expenditure for reporting period (excluding GST) • Any future expenditure committed to the consultant for the project	27
11	FRD 22F	Operational and budgetary objectives, performance against objectives and achievements	2-11	28	FRD 22F	Statement, to the extent applicable, on the application and operation of the Carers Recognition Act 2012 (Carers Act), and the actions that were taken during the year to comply with the Carers Act	20
12	FRD 22F	Occupational health and safety statement including performance indicators, performance against those indicators. Reporting must be on the items listed at (a) to (e) in the FRD	19				
13	FRD 22F	Workforce data for current and previous reporting period including a statement on employment and conduct principles and that employees have been correctly classified in the workforce data collections	16-17				
14	FRD 22F	Summary of the financial results for the year including previous 4 year comparisons	11				
15	FRD 22F	Significant changes in financial position	3-7, 10-11				
16	FRD 22F	Key initiatives and projects, including significant changes in key initiatives and projects from previous years and expectations for the future	5-7, 11				
17	FRD 22F	Post-balance sheet date events likely to significantly affect subsequent reporting periods	36				

Item no.	Source	Summary of reporting requirement	Page	Item no.	Source	Summary of reporting requirement	Page
29	FRD 22F	List of other information available on request from the Accountable Officer, and which must be retained by the Accountable Officer (refer to list at (a) - (l) in the FRD)	18	40	SD 4.2(b)	The financial statements are to comprise the following: <ul style="list-style-type: none"> income statement balance sheet statement of recognised income and expense cash flows statement notes to the financial statements 	31-93
30	FRD 25B	Victorian Industry Participation Policy Disclosures	24	Other requirements under standing direction 4.2/Financial management act 1994 (FMA)			
31	FRD 26A	Accounting for VicFleet motor vehicle lease arrangements on or after 1 February 2004	N/A	41	SD 4.2(c) and FMA s 49	The financial statements must contain such information as required by the Minister and be prepared in a manner and form approved by the Minister. They must be signed and dated by the Accountable Officer, CFAO and a member of the Responsible Body, in a manner approved by the Minister, stating whether, in their opinion: <ul style="list-style-type: none"> the financial statements present fairly the financial transactions during the reporting period and the financial position at the end of the period the financial statements are prepared in accordance with this direction and applicable Financial Reporting Directions 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) 	30
32	FRD 29A	Workforce Data Disclosures on the public service employee workforce	17	42	SD 4.2(d)	Rounding of amounts	46
33	SD 4.5.5(a)	Provide an attestation that risk identification and management is consistent with AS/NZS ISO31000:2009 or equivalent	18	43	SD 4.2(e)	Review and recommendation by Audit Committee or responsible body prior to finalisation and submission	29
34	SD 4.2(g)	Qualitative and quantitative information to be included in report of operations, and provide general information about the entity and its activities, together with highlights and future initiatives	2-27	Other requirements as per financial reporting directions in notes to the financial statements			
35	SD 4.2(h)	The report of operations must be prepared in accordance with requirements of the relevant financial reporting directions	30	44	FRD 11A	Disclosure of ex-gratia payments	92
36	SD 4.2(j)	The report of operations must be signed and dated by a member of the responsible body	3-7, 30	45	FRD 21B	Disclosures of responsible persons, executive officer and other personnel (contractors with significant management responsibilities) in the Financial Report	89-91
37	CG 10 (clause 27)	Major commercial activities	26	46	FRD 102	Inventories	55
38	CG 12 (clause 33)	Controlled entities	92	47	FRD 103F	Non-financial physical assets	42-43, 56-59
FINANCIAL REPORT				48	FRD 104	Foreign currency	82
Financial statements required under part 7 of the financial management act 1994							
39	SD 4.2(a)	The financial statements must be prepared in accordance with: <ul style="list-style-type: none"> Australian accounting standards (AAS and AASB standards) and other mandatory professional reporting requirements (including urgent issues group consensus views) Financial reporting directions business rules 	30, 35				

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49	FRD 105A	Borrowing costs	64
50	FRD 106	Impairment of assets	39-42
51	FRD 107A	Investment properties	N/A
52	FRD 109	Intangible assets	60
53	FRD 110	Cash flow statements	34, 66-67
54	FRD 112D	Defined benefit superannuation obligations	72-73
55	FRD 113A	Investment in subsidiaries, jointly controlled entities and associates	55, 92
56	FRD 114A	Financial instruments – general government entities and public non-financial corporations	75-88
57	FRD 119A	Transfers through contributed capital	32
58	FRD 120I	Accounting and reporting pronouncements applicable to the reporting period	46-48
Compliance with other legislation, subordinate instruments and policies			
59	Legislation	<p>The TAFE institute Annual Report must contain a statement that it complies with all relevant legislation, and subordinate instruments, (and which should be listed in the report) including, but not limited to, the following:</p> <ul style="list-style-type: none"> • Education and Training Reform Act 2006 (ETRA) • TAFE institute constitution • Directions of the Minister for Training and Skills (or predecessors) • TAFE institute Commercial Guidelines • TAFE institute Strategic Planning Guidelines • Public Administration Act 2004 • Financial Management Act 1994 • Freedom of Information Act 1982 • Building Act 1983 • Protected Disclosure Act 2012 • Victorian Industry Participation Policy Act 2003 	Inner front cover

Item no.	Source	Summary of reporting requirement	Page
60	ETRA s3.2.8	Statement about compulsory non-academic fees, subscriptions and charges payable in 2015	21
61	Policy	Statement that the TAFE institute complies with the Victorian Public Sector Travel Principles	24
62	Key Performance Indicators	<p>Institutes to report against:</p> <ul style="list-style-type: none"> • KPIs set out in the annual statement of corporate intent • Employment costs as a proportion of training revenue • Training revenue per teaching FTE • Operating margin percentage • Training revenue diversity 	10
Overseas operations of Victorian TAFE institutes			
63	PAEC and VAGO (June 2003 Special Review item 3.110)	<ul style="list-style-type: none"> • Financial and other information on initiatives taken or strategies relating to the institute's overseas operations • Nature of strategic and operational risks for overseas operations • Strategies established to manage such risks of overseas operations • Performance measures and targets formulated for overseas operations • The extent to which expected outcomes for overseas operations have been achieved 	24-25

CAMPUS LOCATIONS

Broadmeadows

Pearcedale Parade
BROADMEADOWS VIC 3047

Docklands

(Automotive Centre of Excellence)
1 Batmans Hill Drive
DOCKLANDS VIC 3008

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

Bendigo City

23 Mundy Street
BENDIGO VIC 3550

Bendigo Charleston Road

Charleston Road
BENDIGO VIC 3550

Bendigo Technical Education College (BTEC)

21 St Andrews Avenue
BENDIGO VIC 3550

Castlemaine

65-67 Templeton Street
CASTLEMAINE VIC 3450

Echuca

Corner Hare and Darling Streets
ECHUCA VIC 3564

VETASSESS

Level 5, 478 Albert Street
EAST MELBOURNE VIC 3002
Phone: +61 3 9655 4801
Fax: +61 3 9654 3385
Visit: vetassess.com.au

eWorks

Level 5, 437 St Kilda Road
MELBOURNE VIC 3004
Phone: +61 3 9661 8700
Fax: +61 3 9661 8799
Visit: eworks.edu.au

Bendigo Kangan Institute also delivers 37% of Victoria's vocational education and training in the Victorian prison system, including public, private and forensic.

Facilities include:

- Loddon Prison
- Middleton Annex
- Tarrengower Prison
- Fulham Correctional Centre
- Port Philip Prison
- Thomas Embling Hospital

Your feedback

If you would like to provide feedback about this annual report, please email enquiries@kangan.edu.au or info@bendigotafe.edu.au.

Additional copies

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Credits

This annual report was jointly produced by the commercial and business performance and assurance departments.

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Financial accountant: Keith Towers

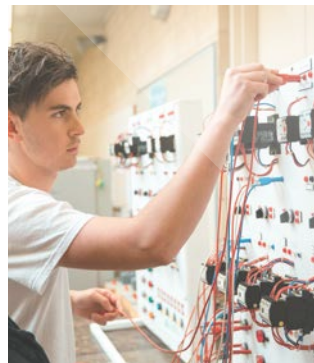
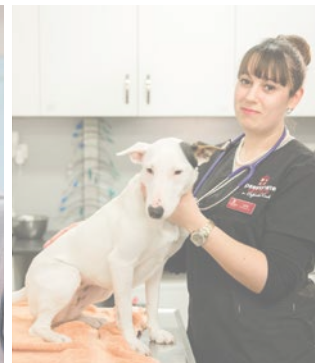
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