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financial report 2011

Contents

The financial report was authorised for issue by the Board members on 13 March 2012.
The Goulburn Ovens Institute of TAFE has the power to amend and reissue the financial report.

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Members of Goulburn Ovens Institute of Technical and Further Education

The Financial Report

The accompanying financial report for the year ended 31 December 2011 of the Goulburn Ovens Institute of Technical and Further Education which comprises the 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, the declaration by chair of the board, chief executive officer, and chief finance and accounting officer has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of Goulburn Ovens Institute of Technical and Further Education are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, 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 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 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 obtained is sufficient and appropriate to prove a basis for my audit opinion.

Level 24, 35 Collins Street, Melbourne Victoria 3000
Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

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Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Goulburn Ovens Institute of Technical and Further Education as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Goulburn Ovens Institute of Technical and Further Education for the year ended 31 December 2011 included both in the Goulburn Ovens Institute of Technical and Further Education's annual report and on the website. The Board Members of the Goulburn Ovens Institute of Technical and Further Education are responsible for the integrity of the Goulburn Ovens Institute of Technical and Further Education's website. I have not been engaged to report on the integrity of the Goulburn Ovens Institute of Technical and Further Education's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

D D R Pearson

Auditor-General

Melbourne, 13 March 2012

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

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial report, presents fairly the financial transactions during the year ended 31 December 2011 and financial position of the Institute as at 31 December 2011.

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 Chair of the Board and the Chief Executive Officer sign this declaration as delegates of, and in accordance with a resolution of, the Board of the Goulburn Ovens Institute of TAFE.

Michael Tehan
Chair of the Board
Shepparton, 8 March 2012

Paul Culpan
Chief Executive Officer
Shepparton, 8 March 2012

Geoffrey Cobbledick
Chief Finance & Accounting Officer
Shepparton, 8 March 2012

Comprehensive Operating Statement

For the year ended 31 December 2011

	Note	2011 $'000	2010 $'000
Continuing Operations			
Income from transactions			
Government contributions - operating	2(a)(i)	38,738	38,913
Government contributions - capital	2(a)(ii)	1,768	3,215
Sales of goods and services	2(b)	13,176	12,292
Interest	2(c)	418	493
Total fair value of assets and services received free of charge or for nominal consideration	2(d)	-	78
Other income	2(e)	1,097	1,355
Total income from transactions		**55,197**	**56,346**
Expenses from transactions			
Employee benefits	3(a)	40,083	37,920
Depreciation	3(b)	3,908	3,305
Grants and other transfers	3(c)	53	44
Supplies and services	3(d)	8,684	7,263
Other operating expenses	3(e)	6,384	6,900
Total expenses from transactions		**59,112**	**55,432**
Net result from transactions (net operating balance)		**(3,915)**	**914**
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	4(a)	(325)	(32)
Net gain/(loss) on financial instruments and statutory receivables/payables	4(b)	(40)	-
Other gains/(losses) from other economic flows	4(c)	(194)	11
Total other economic flows included in net result		**(559)**	**(21)**
Net result from continuing operations		**(4,474)**	**893**
Net result		(4,474)	893
Other economic flows – other non-owner changes in equity			
Changes in physical asset revaluation surplus	15	1,881	(350)
Total other economic flows – Other non-owner changes in equity		**1,881**	**(350)**
Comprehensive result		**(2,593)**	**543**

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

Balance Sheet

As at 31 December 2011

	Note	2011 $'000	2010 $'000
Assets			
Financial assets			
Cash and deposits	5	11,433	9,494
Receivables	6	3,200	4,826
Other financial assets	7	4,010	-
Total financial assets		**18,643**	**14,320**
Non-financial assets			
Inventories	8	162	271
Non-financial assets classified as held-for-sale	9(a)	-	2,050
Property, plant and equipment	10	79,570	81,855
Investment properties	11	1,580	1,515
Other non financial assets	12	588	540
Total non-financial assets		**81,900**	**86,231**
Total assets		**100,543**	**100,551**
Liabilities			
Payables	13	4,344	2,458
Provisions	14	6,626	5,927
Total liabilities		**10,970**	**8,385**
Net assets		**89,573**	**92,166**
Equity			
Accumulated surplus/(deficit)	15(b)	18,025	22,499
Reserves	15(c)	37,571	35,690
Contributed capital	15(a)	33,977	33,977
Net worth		**89,573**	**92,166**
Commitments for expenditure	17	669	668
Contingent assets and contingent liabilities	19	-	-

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

Statement of Changes in Equity

For the year ended 31 December 2011

	Note	Equity at 1 January 2011	Changes due to: Total comprehensive result	Transactions with owners in their capacity as owners	Equity at 31 December 2011
		$'000	$'000	$'000	$'000
Accumulated surplus/(deficit)		22,499	(4,474)	-	18,025
Accumulated surplus/(deficit) at the end of the year	**15**	**22,499**	**(4,474)**	**-**	**18,025**
Contributed capital		33,977	-	-	33,977
Contribution by owners at the end of the year	**15**	**33,977**	**-**	**-**	**33,977**
Physical assets revaluation reserve		35,690	1,881	-	37,571
	15	**35,690**	**1,881**	**-**	**37,571**
Total equity at the end of the year		**92,166**	**(2,593)**	**-**	**89,573**

	Note	Equity at 1 January 2010	Changes due to: Total comprehensive result	Transactions with owners in their capacity as owners	Equity at 31 December 2010
		$'000	$'000	$'000	$'000
Accumulated surplus/(deficit)		21,606	893	-	22,499
Accumulated surplus/(deficit) at the end of the year	**15**	**21,606**	**893**	**-**	**22,499**
Contributed capital		33,977	-	-	33,977
Contribution by owners at the end of the year	**15**	**33,977**	**-**	**-**	**33,977**
Physical assets revaluation reserve		36,040	(350)	-	35,690
	15	**36,040**	**(350)**	**-**	**35,690**
Total equity at the end of the year		**91,623**	**543**	**-**	**92,166**

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

Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts			
Government contributions - operating		38,475	41,012
Government contributions - capital		2,301	4,002
User fees and charges received		14,645	9,383
Goods and services tax recovered from the ATO		483	888
Interest received		410	493
Other receipts		3,946	3,841
Total receipts		**60,260**	**59,619**
Payments			
Payments to suppliers and employees		(54,643)	(53,950)
Goods and services tax paid to the ATO		(1,340)	(65)
Other payments		(53)	(43)
Total payments		**(56,036)**	**(54,058)**
Net cash/(used in) operating activities	**16 (a)**	**4,224**	**5,561**
Cash flows from investing activities			
Payments for non-financial assets		(2,968)	(5,326)
Proceeds from sale of non-financial assets		683	810
Net cash provided by/(used in) investing activities		**(2,285)**	**(4,516)**
Net increase (decrease) in cash and cash equivalents		**1,939**	**1,045**
Cash and cash equivalents at the beginning of the financial year		9,494	8,449
Cash and cash equivalents at the end of the financial year	**5**	**11,433**	**9,494**

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

Note 1

Statement of significant accounting policies

The annual financial statements represent the audited general purpose financial statements and notes for Goulburn Ovens Institute of TAFE.

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*.

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 measurment

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

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

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

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

These financial statement 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 carrrying amounts do not materially differ from their fair value;
- the fair value of an asset other than land is generally based on its depreciated replacement value;
- derivative financial instruments, managed investment schemes, certain debt securities, investment properties after initial recognition, which are measured at fair value through profit and loss; and
- available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 December 2011 and the comparative information presented for the year ended 31 December 2010.

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.

1.03 Reporting entity

The financial statements cover the Goulburn Ovens Institute of TAFE as an individual reporting entity. The Institute is a TAFE Provider, established pursuant to an Order made by the Governor in Council under the Education and Training Reform Act 2006 on the recommendation of the responsible Minister.

Its principal address is:

Goulburn Ovens Institute of TAFE
Fryers Street
Shepparton, Victoria
Australia 3630

1.04 Basis of consolidation

The financial statements include all the activities of the Institute. The Institute has no controlled entities.

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 which may have a material impact on the results of subsequent years.

1.06 Goods and Services Tax (GST)

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

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

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

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

1.07 Income from transactions

Amounts disclosed as income are, where applicable, net of returns, allowances and duties and taxes. Revenue is recognised for each of the Institute's major activities as follows:

Government contributions

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

Sale of goods and services

(i) Student fees and charges

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

(ii) Fee for Service

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

(iii) Revenue from sale of goods

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

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

(b) the Institute retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be reliably measured;

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

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

Interest

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

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

Other income

(i) 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 donated.

1.08 Expenses from transactions

Employee benefits

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

Retirement benefit obligations

(i) Defined contribution plan

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

(ii) Defined benefit plans

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

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

Depreciation and amortisation

Depreciation

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

Depreciation methods and rates used for each class of depreciable assets are:

Class of Asset	Method	Rate / Rates
Buildings	Straight	2-4%
Plant and equipment	Straight	15.0%
Computer and electronic equipment	Straight	15-34%
Furniture and fittings	Straight	10.0%
Motor vehicles	Straight	25.0%

The assets' residual values and useful lives are reviewed and adjusted if appropriate on an annual basis. There has been no change in the methodology and rates for 2011.

Interest Expense

Interest expense is recognised as expenses in the period in which they are incurred.
Interest expense includes interest on bank overdrafts and short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

Grants and other transfers

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

Other operating expenses

Supplies and services

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

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

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

1.09 Other economic flows included in net result

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

Net gain/(loss) on non-financial assets

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

Disposal of non-financial assets

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

Gain/(loss) arising from fair value changes of inventories

Inventories are measured at fair value, and the resultant gain/(loss) is reported as an other economic flow.

Impairment of assets

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

All other assets are assessed annually for indications of impairment.

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

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

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

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

Net gain/(loss) on financial instruments

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

Revaluations of financial instruments at fair value

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

Impairment of financial assets

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

Other gains/(losses) from other economic flows

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

1.10 Financial Assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and 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; and
- contractual receivables, which include mainly debtors in relation to goods and services, and accrued investment income.

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

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

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

Investments and other financial assets

Investments are classified in the following categories:

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Institute retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Institute has transferred its rights to receive cash flows from the asset and either:

  (a) has transferred substantially all the risks and rewards of the asset, or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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.

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.

1.11 Leases

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

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

Finance Leases

Institute as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recorded at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are apportioned between periodic interest income and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

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 depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Operating Leases

Institute as lessor

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

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.

1.12 Non-Financial Assets

Inventories

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

Inventories held-for-distribution are measured at cost, adjusted for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

The basis used in assessing loss of service potential for inventories held-for-distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

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

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

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

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

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

This condition is regarded as met only when:

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

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

Property, plant and equipment

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

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.

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

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

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

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.

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

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.

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

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

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.

Non financial physical assets constructed by the Institute

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

Revaluations of non-current physical assets

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

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

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

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Investment properties

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the Institute.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Institute.

Rental income from the leasing of investment properties is recognised in the statement of comprehensive income on a straight-line basis, over the lease term.

1.13 Liabilities

Payables

Payables consist of:

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

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

Provisions

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

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

Employee benefits

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

(i) Wages and salaries, and annual leave

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

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

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

(ii) Long service leave

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

Current Liability - unconditional LSL representing 7 years is disclosed as a current liability even when the Institute does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at :

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

Non-current liability - conditional LSL representing less than 7 years is disclosed as a non - current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value. Gain or loss following revaluation of the present value of non-current LSL liability due to changes in bond interest rates is recognised as an other economic flow (refer to Note 4(c)).

(iii) Termination benefits

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

Employee benefits on-costs

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

Performance Payments

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

Onerous contracts

An onerous contract is considered to exist where the Institute has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

1.14 Commitments

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

1.15 Contingent assets and contingent liabilities

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

1.16 Equity

Contributed capital

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

1.17 Foreign currency translations

Functional and presentation currency

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

Transactions and balances

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

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

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

1.18 Materiality

In accordance with Accounting Standard AASB1031 'Materiality', accounting policies need only be identified in the summary of accounting policies where they are considered 'material'. Accounting policies will be considered material if their omission, misstatement or non-disclosure has the potential, individually or collectively, to:

(a) influence the economic decisions of users taken on the basis of the financial report; and

(b) affect the discharge of accountability by the management or governing body of the entity.

1.19 Rounding of amounts

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

1.20 Comparative information

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

1.21 Change in accounting policy

There was no change in accounting policy for the financial year ending 31 December 2011.

1.22 New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2011 reporting period.

As at 31 December 2011 the following standards and interpretations (applicable to the Institute) had been issued but were not mandatory for financial year ending 31 December 2011. The Institute has not, and does not intend to, adopt these standards early.

Amending pronouncements and errata	Standards affected	Outline of amendment	Application date of standard	Impact on financial statements
AASB 9 Financial Instruments.	AASB 139 Financial Instruments: Recognition and Measurement	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.	Reporting periods beginning on 1 January 2013.	Detail of impact is still being assessed.
AASB 1053 Application of Tiers of Australian Accounting Standards.		This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Reporting periods beginning on 1 July 2013.	The Victorian Government is currently considering the impacts of reduced disclosure requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9	AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12	This standard gives effect to consequential changes arising from the issuance of AASB 9.	Reporting periods beginning on 1 January 2013.	Detail of impact is still being assessed.
AASB 2010 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.		These amendments introduce reduced disclosure requirements for application by certain types of entities.	Reporting periods beginning on 1 July 2013.	The amendments do not affect financial measurement or recognition and are not expected to have any impact on financial result or position.
AASB 2010 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127	This relates to the introduction of AASB 9 Financial instruments.	Reporting periods beginning on 1 January 2013.	Detail of impact is still being assessed.
AASB 2011 2 Amendments to Australian Accounting Standards arising from the Trans Tasman Convergence Project – Reduced Disclosure Requirements	AASB 101 and AASB 1054	The objective of this amendment is to include some additional disclosure from the Trans Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (RDRs)	Reporting periods beginning on 1 January 2013.	The Victorian Government is currently considering the impacts of RDRs and has not decided if they will be implemented in the Victorian public sector.
AASB 2011 3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments	AASB 1049	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures. This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used.	Reporting periods beginning on 1 July 2012.	There will be no impact on performance measurement.

Note 2

Income from transactions

	2011 $'000	2010 $'000
(a) Grants and other transfers (other than contributions by owners)		
Government financial assistance		
(i) Government contributions - operating		
Commonwealth government recurrent	105	10,817
State government recurrent	35,777	25,287
Other contributions	2,856	2,809
Total government contributions - operating	**38,738**	**38,913**
(ii) Government contributions - capital		
Commonwealth capital	976	1,607
State capital	792	1,608
Total government contributions - capital	**1,768**	**3,215**
Total government financial assistance	**40,506**	**42,128**
(b) Sales of goods and services		
Student fees and charges	3,334	2,938
Rendering of services:		
Fee for service - Government	4,926	4,336
Fee for service - International operations - onshore	-	64
Fee for service - Other	3,341	3,191
Total rendering of services	**8,267**	**7,591**
Other non-course fees and charges:		
Sale of goods	1,575	1,763
Total other fees and charges	**1,575**	**1,763**
Total revenue from sale of goods and services	**13,176**	**12,292**
(c) Interest		
Interest from financial assets not at fair value through P/L:		
Interest on bank deposits	418	493
Total interest revenue from financial assets not at fair value through P/L	**418**	**493**
Net interest income	**418**	**493**

	2011 $'000	2010 $'000
(d) Fair value of assets and services received free of charge or for nominal consideration:		
Assets		
Plants and equipment	-	78
Total Assets	**-**	**78**
Total fair value of assets and services received free of charge or for nominal consideration	**-**	**78**

(e) Other income

	2011	2010
Rental revenue		
Investment properties	148	151
Other	66	161
Total rental revenue	**214**	**312**
Donations, bequests and contributions	10	4
Scholarships and prizes	-	12
Other revenue	873	1,027
Total other income	**1,097**	**1,355**

Note 3

Expenses from transactions

	2011 $'000	2010 $'000
(a) Employee expenses benefits		
Salaries, wages, overtime and allowances	34,169	32,286
Superannuation	2,894	2,734
Payroll tax	1,760	1,559
Worker's compensation	313	367
Long service leave	271	431
Annual leave	273	213
Termination benefits	189	138
Other	214	192
Total employee expenses benefits	**40,083**	**37,920**

	2011 $'000	2010 $'000
(b) Depreciation		
Depreciation of non-current assets		
Buildings	1,835	1,808
Plant and equipment	1,345	822
Motor vehicles	728	675
Total depreciation	**3,908**	**3,305**
Total depreciation	**3,908**	**3,305**

	2011 $'000	2010 $'000
(c) Grants and other transfers (other than contributions by owners)		
Grants and subsidies apprentices and trainees	53	44
Total grants and other payments	**53**	**44**

	2011 $'000	2010 $'000
(d) Supplies and Services		
Purchase of supplies and consumables	2,530	2,498
Communication expenses	963	502
Contract and other services	1,257	1,179
Cost of goods sold/distributed (ancillary trading)	741	847
Repairs and maintenance	1,297	1,329
Fees and charges	1,896	908
Total supplies and services	**8,684**	**7,263**

	2011 $'000	2010 $'000
(f) Other expenses		
General Expenses		
Marketing and promotional expenses	829	755
Occupancy expenses	1,055	1,086
Audit fees and services	71	45
Staff development	520	540
Travel and motor vehicle expenses	1,313	1,145
Motor vehicle taxes	58	61
Other expenses	1,039	830
Insurances	133	128
Total other expenses	**5,018**	**4,590**
Operating lease rental expenses:		
Minimum lease payments	290	255
Total operating lease rental expenses	**290**	**255**
Subtotal	**5,308**	**4,845**
Equipment below capitalisation threshold	1,076	2,055
Total other operating expenses	**6,384**	**6,900**

Note 4

Other economic flows included in net result

	2011 $'000	2010 $'000
(a) Net gain/(loss) on non-financial assets (including PPE and intangible assets)		
Write-down of inventory to net realisable value	(22)	(25)
Revaluation of non-current physical assets	65	10
Net gain/(loss) on disposal of physical assets	(368)	(17)
Total net gain/(loss) on non-financial assets and liabilities	**(325)**	**(32)**

(b) Net gain/(loss) on financial instruments and statutory receivables/payable of:		
Net gain/(loss) arising from revaluation of financial assets at fair value through profit and loss	(40)	-
Total net gain/(loss) on financial instruments	**(40)**	**-**

(c) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service leave liability	(194)	11
Total other gains/(losses) from other economic flows	**(194)**	**11**

Note 5

Cash and cash equivalents

	2011 $'000	2010 $'000
Cash at bank and on hand	7,854	7,446
Australian currency Deposits - at call	3,579	2,048
Total cash and cash equivalents	**11,433**	**9,494**

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

(a) Reconciled to cash at the end of the year		
Balances as above	11,433	9,494
Balance as per cash flow statement	**11,433**	**9,494**

(b) Cash at bank and on hand

These are non-interest bearing.

(c) Deposits at call

The deposits are bearing floating interest rates between 4% and 6% (2010 - 4% and 6%).

Note 6

Receivables

	2011 $000	2010 $000
Current receivables		
Contractual		
Trade receivables [1]	1,941	2,379
Provision for doubtful contractual receivables(a) (See also Note 6(a) below)	(104)	(64)
Revenue receivable		
Amount receivable from:		
Victorian Government bodies	972	2,201
Other parties	82	10
Total contractual	**2,891**	**4,526**
Statutory		
GST receivable from ATO	309	300
Total statutory	309	300
Total current receivables	**3,200**	**4,826**
Total receivables	**3,200**	**4,826**

[1] The average credit period on sales of goods and services is 30 days. Debts attributable to Victorian Government bodies that are outstanding greater than 30 days may be charged penalty interest in accordance with the Victorian Government's Fair Payments Policy.

A provision has been made in 2011 for estimated irrecoverable amounts from the sale of goods and services, based on past default experience. The $40,000 increase was recognised in the operating result for the current financial year.

a) Movement in the provision for doubtful contractual receivables

	2011	2010
Balance at beginning of the year	(64)	(110)
Reversal of unused provision recognised in the net result	-	100
Increase in provision recognised in the net result	(40)	(54)
Balance at end of the year	**(104)**	**(64)**

b) Ageing analysis of contractual receivables

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

c) Nature and extent of risk arising from contractual receivables

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

Note 7

Other financial assets

	2011 $'000	2010 $'000
Current other financial assets		
Revenue receivable from sale of Christensen Lane	4,010	-
Total current other financial assets	**4,010**	**-**
Total current other financial assets	**4,010**	**-**

Land comprising the Institute's rural campus at Christensen Lane, Wangaratta was vacated during 2010 and classified as an asset held for sale in the 2010 financial report with an independent valuation at fair value less costs to sell of $2,050,000.

As a result of a tendering process, the land was sold on 21 December, 2011 and revalued to the sale price ($4,010,000) less costs to sell ($78,909), the revaluation increment being shown in the comprehensive operating statement under "Changes in physical asset revaluation surplus", and represents the profit on the sale.
The revenue receivable from the sale of the Christensen Lane land is due on 9 March 2012, the settlement date specified in the Contract of Sale.

Note 8

Inventories

	2011 $'000	2010 $'000
Current		
Supplies and consumables - at cost	17	12
Work in progress - at cost	71	118
Inventories held-for-sale:		
at cost	27	27
at net realisable value	47	114
Total current inventories	**162**	**271**

Note 9

Assets and liabilities classified as held-for-sale

	2011 $'000	2010 $'000
a) Non-current assets classified as held-for-sale		
Land designated for sale	-	2,050
Total non-current assets classified as held-for-sale	**-**	**2,050**

Note 10

Property, plant and equipment

	Land	Buildings	Construction in Progress	Plant & Equipment	Motor Vehicles	Total
At 1 January 2010	$'000	$'000	$'000	$'000	$'000	$'000
Cost	410	1,914	16,033	-	-	18,357
Valuation	15,694	73,456	-	11,967	2,738	103,855
Accumulated depreciation	-	(27,196)	-	(10,145)	(770)	(38,111)
Net book amount	**16,104**	**48,174**	**16,033**	**1,822**	**1,968**	**84,101**
Year ended 31 December 2010						
Opening net book amount	16,104	48,174	16,033	1,822	1,968	84,101
Additions	-	42	2,188	515	1,541	4,286
Disposals	-	(117)	-	-	(710)	(827)
Net revaluation increments/ decrements	(350)	-	-	-	-	(350)
Transfer to assets classified as held-for-sale	(2,050)	-	-	-	-	(2,050)
Depreciation expense [1]	-	(1,808)	-	(822)	(675)	(3,305)
Transfers to/from construction in progress	-	15,700	(17,938)	2,238	-	-
Closing net book amount	**13,704**	**61,991**	**283**	**3,753**	**2,124**	**81,855**
At 31 December 2010						
Cost	410	17,657	283	-	-	18,350
Valuation	13,294	73,234	-	13,699	2,942	103,169
Accumulated depreciation	-	(28,900)	-	(9,946)	(818)	(39,664)
Net book amount	**13,704**	**61,991**	**283**	**3,753**	**2,124**	**81,855**
Year ended 31 December 2011						
Opening net book amount	13,704	61,991	283	3,753	2,124	81,855
Additions	-	29	1,064	263	1,471	2,827
Disposals	-	(503)	-	-	(701)	(1,204)
Depreciation expense [1]	-	(1,835)	-	(1,345)	(728)	(3,908)
Transfers to/from construction in progress	-	531	(531)	-	-	-
Closing net book amount	**13,704**	**60,213**	**816**	**2,671**	**2,166**	**79,570**
At 31 December 2011						
Cost	410	18,217	816	-	-	19,443
Valuation	13,294	72,475	-	13,884	3,117	102,770
Accumulated depreciation	-	(30,479)	-	(11,213)	(951)	(42,643)
Net book value at the end of the financial year	**13,704**	**60,213**	**816**	**2,671**	**2,166**	**79,570**

Footnote [1] The useful lives of assets as stated in Note 1 are used in the calculation of depreciation as shown in note 3(b)

(a) **Valuations of land and buildings**
A valuation of land and buildings was undertaken by a registered independent valuer as at 31 December 2007.

(b) **Plant and equipment carried at fair value Plant and equipment carried at fair value**
A valuation of plant and equipment was undertaken by the Institute management to determine its fair value. The effective date of the valuation is 31 December 2011.

(c) **Non-current assets pledged as security**
The Institute has no non-current assets pledged as security.

(d) **Restricted assets**
The Institute has no restricted assets.

Note 11

Investment properties

	2011 $'000	2010 $'000
At Fair value		
Opening balance at 1 January	1,515	1,505
Net gain/ (loss) from fair value adjustments	65	10
Closing balance at 31 December	**1,580**	**1,515**
a) Amounts recognised in profit and loss for investment properties		
Rental income	148	151
Total recognised in profit and loss	**148**	**151**

b) Valuation basis

Investment properties were revalued to fair value by a registered independent valuer as at 31 December 2011 in accordance with AASB 140.

Note 12

Other non-financial assets

	2011 $'000	2010 $'000
Current other non-financial assets		
Prepayments	588	540
Total current other non-financial assets	588	540
Total other non-financial assets	**588**	**540**

Note 13

Payables

	2011 $'000	2010 $'000
Current		
Contractual		
Supplies and services	3,683	1,847
Other employee entitlements payable within 12 months	23	32
Revenue in advance	252	352
	3,958	**2,231**
Statutory		
Taxes Payable	386	227
Total current payables	4,344	2,458
Total payables	**4,344**	**2,458**

The carrying amounts of the Institute's payables are denominated in Australian dollars.

Notes

1 The average credit period is 30 days. No interest is charged on payables.

2 For an analysis of the sensitivity of payables to foreign currency risk refer to note 27.

Maturity analysis of contractual payables

Refer to Note 27 for maturity analysis of contractural payables.

Note 14

Provisions

	2011 $'000	2010 $'000
Current provisions expected to be settled within 12 months		
Employee benefits		
Annual leave	1,955	1,778
Long service leave	167	137
Performance payments	-	39
Total current provisions expected to be settled within 12 months	2,122	1,954
Current provisions expected to be settled after 12 months		
Employee benefits		
Annual leave	251	155
Long service leave	3,121	2,943
Total current provisions expected to be settled after 12 months	3,372	3,098
Total current provisions	**5,494**	**5,052**

	2011 $'000	2010 $'000
Non-current		
Employee benefits		
Long service leave	1,132	875
Total non-current provisions	**1,132**	**875**
Total provisions	**6,626**	**5,927**

The requirement to make provision for the cost of annual leave and long service leave arises from employees' entitlement as specified in their relevant workplace employment award.

Timing of the resulting outflows is largely determined by the management approval of applications by employees to take the respective leave up to their recorded leave balance.

Payment of annual leave and long service leave is made from cash reserves.

The calculation and classification methodology of the provisions is outlined in Note 1.13

	2011 $'000	2010 $'000
Movements in Provisions		
Movements in each class, other than employee provisions during the financial year are set out below:		
Carrying amount at start of year	5,927	5,268
Additional provisions recognised	1,497	1,351
Amounts used	(798)	(692)
Carrying amount at end of year	**6,626**	**5,927**

Note 15

Equity

	2011 $'000	2010 $'000
(a) Contributed capital		
Balance at 1 January	33,977	33,977
Balance at 31 December	**33,977**	**33,977**
(b) Accumulated surplus / (deficit)		
Balance at 1 January	22,499	21,606
Net operating result for the year	(4,474)	893
Balance at 31 December	**18,025**	**22,499**
(c) Reserves		
Composition of Reserves		
Physical asset revaluation surplus	37,571	35,690
Balance at 31 December	**37,571**	**35,690**
Total equity	**89,573**	**92,166**

Movements in Reserves	2011 $'000	2010 $'000
Asset Revaluation Reserve - Land		
Balance at 1 January	10,004	10,354
Revaluation increment on non-current assets	1,881	-
Revaluation (decrement) on non-current assets	-	(350)
Balance at 31 December	**11,885**	**10,004**
Asset Revaluation Reserve - Buildings		
Balance at 1 January	25,686	25,686
Revaluation increment on non-current assets	-	-
Revaluation (decrement) on non-current assets	-	-
Balance at 31 December	**25,686**	**25,686**

Nature and purpose of reserves

Asset Revaluation Reserve - Land

The Asset Revaluation Reserve reflects any increases/decreases in the values of land.

Asset Revaluation Reserve - Buildings

The Asset Revaluation Reserve reflects any increases/decreases in the values of buildings.

Note 16

Cash flow information

(a) Reconciliation of net result to net cash flows provided by/(used in) operating activities

	2011 $'000	2010 $'000
Net Result for the year	**(4,474)**	**893**
Non-cash flows in operating result		
Depreciation and amortisation of non-current assets	3,908	3,305
Net (gain) / loss on sale of non-current assets	368	17
Gain on debt defeasance	-	(46)
Allowance to recoverable amounts	40	-
Donated Assets	-	(78)
(Revaluation)/devaluation of investment properties	(65)	(10)
Total non-cash flows in operating result	**4,251**	**3,188**
Movements in operating assets and liabilities		
Decrease / (increase) in trade receivables	1,660	1,097
Decrease / (increase) in inventories	109	14
Decrease / (increase) in other assets	(48)	20
Increase / (decrease) in payables	2,027	(310)
Increase / (decrease) in employee benefits	699	659
Total change in operating assets and liabilities	**4,447**	**1,480**
Net cash flows from/(used in) operating activities	**4,224**	**5,561**

(b) Non-cash financing and investing activities

There were no acquisitions of plant and equipment by means of finance leases.

(c) Credit standby arrangements with banks

The Institute has no credit standby arrangements with banks.

(d) Loan facilities

The Institute has no loan facilities with financial institutions.

Note 17

Commitments

(a) Capital commitments	2011 $000	2010 $000
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Property, plant and equipment		
Payable:		
Within one year	114	282
Total Property, Plant and Equipment	**114**	**282**
GST reclaimable on the above	(11)	(26)
Net Commitments Property, Plant and Equipment	**103**	**256**
Total capital expenditure commitments	**103**	**256**

(b) Lease commitments	2011 $000	2010 $000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Payable:		
Within one year	292	275
Later than one year and not later than five years	330	178
Total lease commitments	**622**	**453**
GST reclaimable on the above	(56)	(41)
Net commitments operating leases	**566**	**412**
Representing:		
Non-cancellable operating leases	566	412
Total lease commitments	**566**	**412**

Operating leases

Properties

The Institute, as lessee, leases land at Shepparton and Wangaratta, and building floor space at Shepparton, Wangaratta, Tatura, Terang, Warragul, Leongatha and Cranbourne. The Institute leases out certain land and buildings that are in excess to current requirements.

Equipment

The Institute, as lessee, leases computer equipment and contracts for photocopier materials usage on a per copy basis.

Communications Access

The Institute, as lessee, leases space on third party communications towers for purposes of inter-campus microwave transmission. The Institute leases out its own communications tower space that is in excess to current requirements.

	2011 $'000	2010 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	266	250
Later than one year but not later than five years	300	162
Total minimum lease payments in relation to non-cancellable operating leases	**566**	**412**

Note 18

Leased assets

	2011 $'000	2010 $'000
Non-cancellable operating lease receivables		
Payments due:		
Within one year	433	432
Later than one year and not later than five years	654	1,056
Later than five years	43	204
Total finance lease receivables	**1,130**	**1,692**
GST reclaimable on the above	(103)	(154)
Net commitments operating leases assets	**1,027**	**1,538**

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

Note 19

Contingent assets and contingent liabilities

Contingent Assets

There were no contingent assets (2010, Nil).

Contingent Liabilities

A complaint has been filed against the Institute in the Victorian Civil and Administrative Tribunal by a student in relation to a discrimination claim. The matters are currently proceeding in the Tribunal and no estimate can yet be made as to any settlement conditions that may apply.

A workcover claim has been initiated against the Institute by a former employee. The matter is currently under negotiation and no estimate can yet be made as to the settlement conditions that may apply.

There were no contingent liabilities in 2010.

Note 20

Economic dependency

	2011 $'000	2010 $'000
Victorian State Government Department of Education and Early Childhood Development	40,042	41,712
	40,042	**41,712**

Victorian State Government Department of Education and Early Childhood Development

The Institute has an economic dependency on funding for recurrent and specific funding of education and capital programs.

Note 21

Subsequent events

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

Note 22

Remuneration of auditors

	2011 $'000	2010 $'000
Remuneration of Victorian Auditor General's Office for:		
Audit of the financial report	21	20
Total remuneration of Victoria Auditor General's Office	**21**	**20**
Remuneration of other auditors for:		
Continuous audit and grant acquittals	50	25
Total remuneration of other auditors	**50**	**25**
Total remuneration of auditors	**71**	**45**

Note 23

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 plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial statements.

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

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

	2011 $'000	2010 $'000
Paid Contribution for the Year		
Defined benefit plans:		
State Superannuation Fund - revised and new	221	242
State Employee Retirement Benefits Fund	12	11
Total defined benefit plans	**233**	**253**
Defined contribution plans:		
VicSuper	1,736	1,697
Other	925	784
Total defined contribution plans	**2,661**	**2,481**
Total paid contribution for the year	**2,894**	**2,734**
Contribution Outstanding at Year End		
Defined contribution plans:		
Other than VicSuper	2	1
Total defined contribution plans	**2**	**1**
Total	**2**	**1**

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.

Note 24 - 1

Key management personnel disclosures (Part I)

Responsible persons related disclosures

In accordance with the directions of the Minister for *Finance under the Financial Management Act 1994*, the following disclosures are made for the responsible Ministers, responsible members of the Board and Executive Officers.

(i) Minister

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

(ii) Members of the Board of Goulburn Ovens Institute of TAFE

The following persons were responsible persons and executive officers of the Institute during the year:

- Director and Chairperson - Mr Michael Tehan, co-opted member
- Chief Executive Officer - Mr Paul Culpan
- Director - Mr Adam Furphy, Ministerial appointment
- Director - Ms Lisbeth Long, Ministerial appointment
- Director - Mr Christopher McPherson, Ministerial appointment
- Director - Ms Ann Telford, Ministerial appointment
- Director - Mr Peter Quinn, Ministerial appointment - appointed 26th October 2011
- Director - Mr Geoffrey Oliver, co-opted member
- Director - Mr Michael Loscavo, staff representative - appointed 16th December 2011
- Director - Mr Allan O'Keefe, student representative - appointed 18th April 2011
- Director - Ms Geraldine Atkinson, Ministerial (Industry) appointment - term expired 30th September 2011
- Director - Ms Elizabeth Chapman, Ministerial (Industry) appointment - resigned 18th April 2011
- Director - Mr Mario Varricchio, staff representative - resigned 12th September 2011
- Director - Ms Nicole Schulz, student representative - term expired 31st March 2011
- Acting Chief Executive Officer - Mr Geoffrey Cobbledick - appointed Acting Chief Executive Officer for the period from 10th January to 16th January inclusive and 11th July to 15th July inclusive
- Acting Chief Executive Officer - Mr Russell Francis - appointed Acting Chief Executive Officer for the period from 4th January to 9th January inclusive, 17th January to 21st January inclusive, 16th February to 18th February inclusive, 21st September to 23rd September inclusive, 3rd October to 7th October inclusive and 16th December to 23rd December inclusive

(iii) Executive Officers

The following persons also had authority and responsibility for planning, directing and controlling the activities of Institute during the financial year:

- Mr Albert Amadei, Executive Manager
- Mr Peter Carkeek, Executive Manager
- Ms Louise Pearce, Executive Manager
- Mr Andrew Powell, Acting Executive Manager - appointed 24th October 2011
- Ms Jeanne Norling, Executive Manager - termination 14th July 2011
- Mr Shane Hellwege, Executive Manager - resigned 21st October 2011

All of the above persons were also key management persons during the year ended 31 December 2011.

Responsible persons

Remuneration of Responsible Persons	2011 $'000	2010 $'000
Remuneration received, or due and receivable from the Institute in connection with the management of the Institute. Includes termination payments and bonuses paid at end of contracts.	782	657

Income Range	2011 No.	2010 No.
The number of Responsible Persons whose remuneration from the Institute was within the specified bands are as follows:		
Nil	1	1
$ 1 - $10,000	10	9
$60,001 - $70,000	1	-
$90,001 - $100,00	-	1
$110,001 - $120,000	1	-
$160,001 - $170,000	-	2
$170,001 - $180,000	2	-
$210,001 - $220,000	-	1
$220,001 - $230,000	1	-
Total number of Responsible Persons	**16**	**14**

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

Executive officers

Executive Officers' Remuneration	2011 $'000	2010 $'000
The number of executive officers, other than Responsible Persons, included under "Remuneration of Responsible Persons" above whose total remuneration exceeded $100,000 during the financial year are shown in their relevant income bands. The base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.		
Base remuneration of executive officers	643	491
Total remuneration of executive officers	703	495

Income Range	2011 No.	2010 No.
The number of executive officers whose remuneration from the Institute was within the specified bands are as follows:		
$20,001 - $30,000	-	1
$100,01 - $110,000	1	-
$110,001 - $120,000	2	2
$120,001 - $130,000	3	1
$130,001 - $140,000	-	1
Total executive officers	**6**	**5**

Key management personnel disclosures

	2011 $'000	2010 $'000
Short-term employee benefits	1,376	1,223
Termination benefits	109	1
Total key management personnel compensation	**1,485**	**1,224**

Note 24 - 2

Key management personnel disclosures (Part II)

Loans to key management personnel

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

Other transactions with key management personnel

Mr. M. Tehan is a member of the Advisory Board of FCJ College which provided sponsorship services to the Goulburn Ovens Institute of TAFE on normal commercial terms and conditions. FCJ College engaged the services of the Goulburn Ovens Institute of TAFE for the provision of training services and facilities hire on normal commercial terms and conditions.

Mr. M. Tehan is a Partner of Tehan George & Co which engaged the services of the Goulburn Ovens Institute of TAFE Benalla Performing Arts Centre for the provision of public stage performance on normal commercial terms and conditions.

Mr. M. Tehan is a member of the Rotary Club of Euroa which engaged the services of the Goulburn Ovens Institute of TAFE Benalla Performing Arts Centre for the provision of public stage performance on normal commercial terms and conditions.

Mr. M. Tehan is a member of the Goulburn Valley Football League which provided sponsorship rights and advertising services to the Goulburn Ovens Institute of TAFE on normal commercial terms and conditions.

Mr. M. Tehan is a member of the Audit Committee of the Strathbogie Shire Council which engaged the services of the Goulburn Ovens Institute of TAFE for the provision of training services on normal commercial terms and conditions.

Mr. A. Furphy is Managing Director of J Furphy & Sons Pty Ltd, which provided operational services to the Goulburn Ovens Institute of TAFE on normal commercial terms and conditions. J Furphy & Sons Pty Ltd engaged the services of the Goulburn Ovens Institute of TAFE for the provision of training services on normal commercial terms and conditions.

Mr. C. McPherson is Managing Director of McPherson Media Pty Ltd which provided internet services to the Goulburn Ovens Institute of TAFE on normal commercial terms and conditions. McPherson Media Pty Ltd engaged the services of the Goulburn Ovens Institute of TAFE for the provision of training services on normal commercial terms and conditions.

Mr. C. McPherson is Managing Director of Shepparton Newspapers Pty Ltd which provided media advertising services to the Goulburn Ovens Institute of TAFE on normal commercial terms and conditions.

Mr. C. McPherson is Managing Director of Benalla Newspapers Pty Ltd which provided media advertising services to the Goulburn Ovens Institute of TAFE on normal commercial terms and conditions.

Mr. C. McPherson is Managing Director of Newsprinters Pty Ltd which engaged the services of the Goulburn Ovens Institute of TAFE for the provision of training services on normal commercial terms and conditions.

Mr. P. Quinn is the Chief Executive Officer of Goulburn Valley Water which provided operational services to the Goulburn Ovens Institute of TAFE on normal commercial terms and conditions.

Note 25

Related parties

Key management personnel

Disclosures relating to directors and specified executives are set out in note 24.

Transactions with related parties

The following transactions occurred with related parties:

	2011 $'000	2010 $'000
Sale of goods and services		
Training and facilities hire	17	12
Catering services	-	1
Total sale of goods and services	**17**	**13**
Purchase of goods		
Operational services	27	1
Sponsorship and media advertising	49	38
Printing	-	23
Internet services	51	90
Total purchase of goods	**127**	**152**

Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current receivables (sale of goods and services)		
Related parties	-	1
Total current receivables	**-**	**1**
Current payables (purchases of goods)		
Related parties	5	7
Total current payables	**5**	**7**

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

Note 26

Institute details

The registered office of the Institute is:

Goulburn Ovens Institute of TAFE
Fryers Street
Shepparton, Victoria
Australia 3630

The principal place of business is:

Goulburn Ovens Institute of TAFE
Fryers Street
Shepparton, Victoria
Australia 3630

Note 27 - 1

Financial instruments (Part I)

Financial risk management

(i) Financial risk management objectives

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

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

The Institute's Finance Section co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Institute. These risks include market risk (including currency risk), credit risk and liquidity risk.

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

(ii) Financial risk exposures and management

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

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

(iii) Categorisation of financial instruments

Carrying amount of financial instruments by category:

Financial Assets	Note	Category	2011 $'000	2010 $'000
Cash and deposits	5	Cash	11,433	9,494
Receivables[1]	6	Loans & receivables	2,891	4,526
Receivable - Sale of Christensen Lane land *	7	Receivables	4,010	-
Total			**18,334**	**14,020**

Financial liabilities	Note	Category	2011 $'000	2010 $'000
Payables[1]	13	Financial liabilities	3,958	2,231
Total			**3,958**	**2,231**

Net holding gain/(loss) on financial instruments by category:

Financial Assets	Note	Category	2011 $'000	2010 $'000
Receivables[1]	4	Loans & receivables	(40)	-
Total			**(40)**	**-**

Note[1] : Receivables and payables disclosed here exclude statutory receivables and statutory payables.

Market risk

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

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

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 has minimal exposure to fluctuations in foreign currencies arising from the delivery of services in currencies other than AUD$. This risk is managed by natural hedging where possible.

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

Price risk

The Institute is exposed to price risk in respect of fee for service and contract services which are subject open market competition.

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

Interest rate risk

Interest rate risk arises from the potential for a change in interest rates to change the expected net interest earnings in the current reporting period and in future years. Similarly, interest rate risk also arises from the potential for a change in interest rates to cause a fluctuation in the fair value of the financial instruments.

The objective is to manage the rate risk to achieve stable and sustainable net interest earnings in the long term. This is managed predominately through a mixture of short term and longer term investments.

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

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

Funding risk

Funding risk is the risk of over reliance on a funding source to the extent that a change in that funding source could impact on the operating result for the current year and future years.

The Institute manages funding risk by continuing to diversify and increase funding from Commercial activities, both domestically and off shore.

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

Concentrations of credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no amounts of collateral held as security at 31 December 2011.

Credit risk is managed on an Institute-wide basis and reviewed regularly by the Institute Board. It arises from exposures to customers as well as through deposits with financial institutions. The Institute monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing;
- 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.

The trade receivables balance at 31 December 2011 and 31 December 2010 do not include any counter parties 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 by direct debit agreements entered into with students who are unable to pay fees at the time of enrolment.

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.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Institute's governing body, which has built an appropriate policy for the investment of liquid assets. The Institute manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

Note 27 - 2

Financial instruments (Part II)

Summarised sensitivity analysis

The following table summarises the sensitivity of the Institute's financial assets and financial liabilities to interest rate risk.

31 December 2011	**Carrying Amount**	**Interest Rate Risk**			
		-1%		**+1%**	
		Result	**Equity**	**Result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Financial assets					
Cash and cash equivalents	11,433	(114)	(114)	114	114
Receivables[1]	2,891	-	-	-	-
Receivable - Sale of Christensen Lane land [1]	4,010	-	-	-	-
Total increase/ (decrease) in financial assets	**18,334**	**(114)**	**(114)**	**114**	**114**
Liabilities					
Payables[1]	3,958	-	-	-	-
Total increase/ (decrease) in financial liabilities	**3,958**	**-**	**-**	**-**	**-**
Total increase / (decrease)	**22,292**	**(114)**	**(114)**	**114**	**114**

31 December 2010	**Carrying Amount**	**Interest Rate Risk**			
		-1%		**+1%**	
		Result	**Equity**	**Result**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Financial assets					
Cash and cash equivalents	9,494	(95)	(95)	95	95
Receivables[1]	4,526	-	-	-	-
Total increase/ (decrease) in financial assets	**14,020**	**(95)**	**(95)**	**95**	**95**
Liabilities					
Payables[1]	2,231	-	-	-	-
Total increase/ (decrease) in financial liabilities	**2,231**	**-**	**-**	**-**	**-**
Total increase / (decrease)	**16,251**	**(95)**	**(95)**	**95**	**95**

Note[1] : Receivables and payables disclosed here as financial instruments exclude statutory receivables and statutory payables

Note 27 - 3

Financial instruments (Part III)

Financial instrument composition and interest rate exposure

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

Exposure to interest rate risk is insignificant and may arise primarily through the Institute's investments. Minimisation of risk is achieved by mainly undertaking fixed rate or non interest bearing financial instruments. The Institute's exposure to interest rate risk is set out below.

2011	Weighted average effective rate	Total Carrying Amount per Balance Sheet	Floating interest rate	Fixed interest rate	Non-Interest Bearing
	%	$'000	$'000	$'000	$'000
Financial assets					
Cash and deposits					
Cash at bank and on hand	4.38%	7,854	7,848	-	6
Deposits at call	4.77%	3,579	3,579	-	-
Contractual reveivables					
Trade receivables	-	1,837	-	-	1,837
Revenue receivables	-	1,054	-	-	1,054
Receivable - Sale of Christensen Lane land	-	4,010	-	-	4,010
Total financial assets	**-**	**18,334**	**11,427**	**-**	**6,907**
Financial liabilities					
Trade and other payables	-	3,958	-	-	3,958
Total financial liabilities	**-**	**3,958**	**-**	**-**	**3,958**

2010	Weighted average effective rate	Total Carrying Amount per Balance Sheet	Floating interest rate	Fixed interest rate	Non-Interest Bearing
	%	$'000	$'000	$'000	$'000
Financial assets					
Cash and deposits					
Cash at bank and on hand	4.06%	7,446	7,441	-	5
Deposits at call	5.00%	2,048	2,048	-	-
Contractual receivables					
Trade receivables	-	2,315	-	-	2,315
Revenue receivables	-	2,211	-	-	2,211
Total financial assets	**-**	**14,020**	**9,489**	**-**	**4,531**
Financial liabilities					
Trade and other payables	-	2,231	-	-	2,231
Total financial liabilities	**-**	**2,231**	**-**	**-**	**2,231**

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 contractural maturity analysis for the Institute's financial assets and financial liabilities.

2011	Carrying amount	Not past due and not impaired	Maturity dates				Impaired financial assets
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	
Financial assets							
Contractual receivables							
Trade receivables	1,941	409	605	320	493	10	104
Revenue receivables	1,054	1,054	-	-	-	-	-
Receivable - Sale of Christensen Lane land	4,010	4,010	-	-	-	-	-
Total contractual assets	**7,005**	**5,473**	**605**	**320**	**493**	**10**	**104**
Financial liabilities							
Trade and other payables	3,958	3,650	249	48	10	1	-
Total contractual liabilities	**3,958**	**3,650**	**249**	**48**	**10**	**1**	**-**

2010	Carrying amount	Not past due and not impaired	Maturity dates				Impaired financial assets
			Less than 1 month	1-3 months	3 months – 1 year	1-5 years	
Financial assets							
Contractual receivables							
Trade receivables	2,379	1,574	259	130	352	-	64
Revenue receivables	2,211	2,211	-	-	-	-	-
Total contractual assets	**4,590**	**3,785**	**259**	**130**	**352**	**-**	**64**
Financial liabilities							
Trade and other payables	2,231	1,848	295	56	32	-	-
Total contractual liabilities	**2,231**	**1,848**	**295**	**56**	**32**	**-**	**-**

Note 27 - 4

Financial instruments (Part IV)

Fair value estimation

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

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

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

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

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

	2011		2010	
	Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial assets				
Cash and cash equivalents				
Cash at bank and on hand	7,854	7,854	7,446	7,446
Deposits at call	3,579	3,579	2,048	2,048
Contractual reveivables				
Trade receivables	1,837	1,837	2,315	2,315
Revenue receivables	1,054	1,054	2,211	2,211
Receivable - Sale of Christensen Lane land	4,010	4,010	-	-
Total financial assets	**18,334**	**18,334**	**14,020**	**14,020**
Financial liabilities				
Payables	3,958	3,958	2,231	2,231
Total financial liabilities	**3,958**	**3,958**	**2,231**	**2,231**

There are no financial instruments that are trading in an active market, or that would have quoted prices.

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