

## OUR FINANCIAL REPORTS - OPERATING STATEMENT

	NOTE	2008 \$000	2007 \$000
<b>Revenue from continuing operations</b>			
Government contributions - operating	2	22,405	19,853
Student fees and charges		1,613	1,629
Fee for service	3	3,846	3,454
Sale of goods		794	1,009
Investment income	4	570	422
Other income	5	1,418	1,101
		<b>30,646</b>	<b>27,468</b>
<b>Expenses from continuing operations</b>			
Employee related expenses	6	21,497	19,688
Repairs and maintenance	7	806	913
Other	10	7,262	6,543
<b>Total expenses from continuing activities</b>		<b>29,565</b>	<b>27,144</b>
<b>Net result from continuing operations before capital and specific items</b>		<b>1,081</b>	<b>324</b>
Government contributions - capital	2	13,568	2,435
Gains/(losses) on disposal of assets	12	(76)	(8)
Depreciation and amortisation	11	(1,755)	(1,678)
Expenditure using Government contributions - capital	13	(503)	(396)
<b>Net result from continuing operations</b>		<b>12,315</b>	<b>677</b>
<b>Net result for the period</b>		<b>12,315</b>	<b>677</b>

The above Operating Statement should be read in conjunction with the accompanying notes.

## OUR FINANCIAL REPORTS - BALANCE SHEET

	NOTE	2008 \$000	2007 \$000
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	14	8,314	5,227
Receivables	15	1,612	1,915
Inventories	16	178	237
Biological assets	19	527	508
Other non financial assets	18	180	84
<b>Total Current Assets</b>		<b>10,811</b>	<b>7,971</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	20	54,943	43,110
<b>Total Non-Current Assets</b>		<b>54,943</b>	<b>43,110</b>
<b>TOTAL ASSETS</b>		<b>65,754</b>	<b>51,081</b>
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables	21	3,719	1,790
Provisions	22	3,499	2,937
<b>Total Current Liabilities</b>		<b>7,218</b>	<b>4,727</b>
Non-Current Liabilities			
Provisions	22	394	527
Total Non-Current Liabilities		394	527
<b>TOTAL LIABILITIES</b>		<b>7,612</b>	<b>5,254</b>
<b>NET ASSETS</b>		<b>58,142</b>	<b>45,827</b>
<b>Equity</b>			
Contributed capital	23	3,618	3,618
Reserves	23	28,223	28,223
Accumulated surplus	23	26,301	13,986
<b>Total Equity</b>		<b>58,142</b>	<b>45,827</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.

## OUR FINANCIAL REPORTS - STATEMENT OF CHANGES IN EQUITY

	NOTE	2008 \$000	2007 \$000
<b>Total equity at the beginning of the year</b>	23, 1.34	<b>45,827</b>	<b>40,277</b>
Gain on revaluation of land and buildings, net of tax	23	-	4,873
Net income recognised directly in equity		-	4,873
<b>Operating result for the year</b>		<b>12,315</b>	<b>677</b>
<b>Total recognised income and expense for the year</b>		<b>12,315</b>	<b>5,550</b>
<b>Total equity at the end of the financial year</b>	23	<b>58,142</b>	<b>45,827</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## OUR FINANCIAL REPORTS - CASH FLOW STATEMENT

	NOTE	2008 \$000	2007 \$000
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
User fees and charges received		6,123	4,730
Interest received		570	422
Other receipts		1,466	1,613
<b>Payments</b>			
Payments to employees		(21,487)	(19,373)
Payments to suppliers (inclusive of GST)		(4,736)	(6,558)
Other payments		(327)	(443)
<b>Cash Flows from Government</b>			
Government contributions - operating	2	21,574	19,853
Government contributions - capital	2	13,568	2,435
<b>Net cash provided by/(used in) operating activities</b>	<b>24</b>	<b>16,751</b>	<b>2,679</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of property, plant and equipment	12	385	458
Payments for property, plant and equipment	20	(14,049)	(2,446)
<b>Net cash provided by/(used in) investing activities</b>		<b>(13,664)</b>	<b>(1,988)</b>
<b>Net increase (decrease) in cash held and cash equivalents</b>		<b>3,087</b>	<b>691</b>
Cash and cash equivalents at the beginning of the financial year		5,227	4,536
<b>Cash and cash equivalents at the end of the financial year</b>	<b>14</b>	<b>8,314</b>	<b>5,227</b>

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

# OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The Financial Report is a general purpose financial report that has been prepared on an accrual basis in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board in accordance with the Financial Management Act 1994 and the relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensure that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

#### 1.01 Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

#### Compliance with IFRSs

The financial statements and notes of South West Institute of TAFE comply with the Australian Accounting Standards, some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

#### 1.02 Principles of consolidation

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

#### 1.03 Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

#### 1.04 Critical accounting estimates and judgements

The Institute evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Institute.

##### Estimates

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

##### Judgements

Judgements made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed throughout the notes in the financial statements.

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.

#### 1.05 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits at call and high liquid investments with original maturities of three months or less are readily convertible to known accounts of cash and are subject to insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts. Bank overdrafts are included in interest bearing liabilities in current liabilities in the balance sheet.

# OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

## 1.06 Receivables

Receivables consist predominately of debtors in relation to goods and services, accrued investment income and recoverable GST input tax. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective rate of interest method, less any accumulated impairment. A provision for doubtful debts is made when there is objective evidence that the debts will not be collected. Bad debts are written off when identified.

## 1.07 Inventories

Inventories include supplies and consumables, work in progress (WIP) and finished goods and are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses and other costs incurred in bringing inventories to their present location and condition are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Inventories held for distribution which includes materials or supplies to be consumed in the production process or in the rendering of services at no or nominal consideration are measured at the lower of cost and current replacement cost.

Inventories acquired at no cost, or for nominal consideration are measured at current replacement cost as at the date of acquisition. Cost for all other inventory is measured on the basis of weighted average cost.

## 1.08 Financial Instruments

### Recognition and initial measurement

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

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

### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Financial instruments are classified and measured as set out below.

### Classification and subsequent measurement

#### (i) Financial assets at fair value through profit and loss

Financial assets are classified at fair value through the income statement when they are held for trading purposes, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

#### (ii) Loans and receivables

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

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

#### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Institute's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method less impairment losses.

#### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

#### (v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

### *(vi) Derivative Instruments*

Derivative Instruments are measured at fair value. Gains and losses arising from changes in value are taken to the income statement unless they are designated as hedges.

### *(vii) Fair Value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

### *(viii) Impairment*

At each reporting date, the group assess whether there is objective evidence that a financial instrument or group of financial instruments have been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

### *(ix) Financial guarantees*

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is a material increase in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantee contracts has been assessed using the probability weighted discounted cash flow approach. The probability has been based on;

- the likelihood of the guaranteed party defaulting in a year's period;
- the proportion of the exposure that is not expected to be recovered due to the maximum loss exposed if the guaranteed party were to default.

## **1.09 Foreign currency translation**

### **Functional and presentation currency**

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

### **Transactions and balances**

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

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

Exchange differences 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 income statement.

### **Group entities**

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows;

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognised as a separate component of equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale where applicable.

## **1.10 Non current assets classified as held for sale**

Non-current assets (and disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and is expected to be completed within one year from the date of classification and the asset (or disposal group) is available for immediate sale in this present condition. Non current assets classified as held for sale are not subject to depreciation.

# OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

## 1.11 Investments in associates

Associates are those entities over which the Institute exercises significant influence, but not control, generally accompanying a shareholding and voting rights of between 20% and 50%.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. Under this method, the Institute's share of the post-acquisition profits or losses of associates is recognised in the operating statement and its share of the post-acquisition movements in reserves is recognised in reserves in the Statement of Changes in Equity. The cumulative post-acquisition movements are adjusted against the cost of the investment.

Dividend income is recognised in the Operating Statement when receivable.

## 1.12 Interest in Joint Venture

In 1997, a Joint Venture Agreement was signed between South West Institute of TAFE and Warrnambool City Council for the purpose of construction, development and operation of the Warrnambool Children Services Complex at 27-47 Kepler Street Warrnambool. The Joint Venture Agreement did not establish a corporation, partnership or other entity.

Financial details of the operations of the Warrnambool Children's Services Complex are accounted for in South West Institute of TAFE accounts for the financial year ended 31 December 2008 and details for the year ended 30 June 2008 have been provided to Warrnambool City Council by South West Institute of TAFE who provide Management services for the Warrnambool Children's Services Complex joint venturers.

The Warrnambool City Council and South West Institute of TAFE participate equally as tenants in common in respect of entitlement to Joint Venture assets and shall pay establishment and management costs equally.

Both joint ventures have an equal share in the surplus balance and this is reflected in Note 17 of the South West Institute of TAFE accounts as at 31 December 2008.

## 1.13 Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

### Property

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

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

### Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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

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

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

### Construction contracts and work in progress

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

### Library collections

Library collections are measured at cost less accumulated depreciation.

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

During the reporting period, the Institute may hold cultural assets, heritage assets, Crown land and infrastructures.

Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The nature of these assets means that there are certain limitations and restrictions imposed on their use and/or disposal.

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

### 1.14 Revaluation of non-current physical assets

Non-current physical assets measured at fair value are revalued in accordance with FRD 103C. This revaluation process normally occurs every five years based on the assets Government purposes classification. Revaluation increments or decrements arise from differences between an asset's carrying value.

Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, 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. When revalued assets are sold, it is Institute policy to transfer the amounts included in other reserves in respect of these assets to retained earnings. 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.

### 1.15 Biological assets

#### Bloodstock

Bloodstock is measured at cost upon initial recognition and at each reporting date at its fair value less estimated point-of-sale costs in accordance with AASB 141 Agriculture.

Bloodstock refers to all cows, heifers, bulls and calves located on the farm.

The value and physical quantity of livestock at balance date are as follows;

<b>Bloodstock</b>	<b>2008</b>	<b>2007</b>
Bloodstock numbers	318	300
Bloodstock valuation	\$527,100	\$508,000

The visual appraisal of livestock was performed in undertaking this valuation with the condition, quality, age of stock, current projected market and seasonal conditions taken into consideration in calculating their net market value.

### 1.16 Impairment of assets

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

Inventories;

Certain biological assets which are related to agricultural activity.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the 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.

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.

# OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

## 1.17 Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance.

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

### Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

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

Intangible assets are measured at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives as follows:

Capitalised software development cost: 3-5 years

### Goodwill

Goodwill and goodwill on acquisition is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

## 1.18 Payables

Payables consist predominantly of creditors and other sundry liabilities. Payables are initially recognised at fair value, then subsequently carried at amortised cost and 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 these goods and services.

## 1.19 Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

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

### Finance costs

Finance costs are recognised as expenses in the period in which they are incurred.

Finance costs include 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.

## 1.20 Provisions

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

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

### Employee benefits

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

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

### *Salary and wages, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and 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.

### *Long Service Leave*

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

Current liability - unconditional LSL representing (7 years continuous service for PACCT, other non teaching staff and teaching staff) 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 component of this current liability is 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 continuous service for PACCT), other non teaching staff and teaching staff) 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.

The non-current LSL liability is measured at present value.

### *Employee Benefits Expense*

Employee benefits expense includes all costs related to employment, including wages and salaries, leave entitlement, redundancy payments and superannuation contributions. These are recognised when incurred, except for contributions in respect of defined benefits plans.

### *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.

### *Termination benefits*

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

### *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 has not been provided for under the term of the contracts at reporting date.

### *Retirement benefit obligations*

**Defined contribution plan** - Contributions to defined contribution plans are expensed when they become payable.

**Defined benefit plans** - The amount charged to the operating statement in respect of superannuation represents the contributions made by the Institute to the superannuation plan in respect of current services of current Institute staff.

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

## **1.21 Leased Assets**

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating 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 payments are allocated between interest revenue 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.

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

# OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

## Institute as lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value or, if lower, at the present value of the minimum lease payments, 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. Minimum lease payments are allocated between the principal component of the lease liability and the interest expense calculated using the interest rate implicit in the lease, and charged directly to the operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Operating lease payments including any contingent rentals, are recognised as an expense in the 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.

## Lease incentives

All incentives for the agreement of a new or renewed operating lease shall be recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The cost of leasehold improvements is capitalised as an asset and amortised over the remaining term of the lease or estimated useful life of the improvements, whichever is the shorter.

## 1.22 Depreciation

### Depreciation

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

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

Class of asset	Method	Rate/Rates
Buildings	Straight Line	4%
Plant & equipment	Straight Line	5 - 33.3%
Motor vehicles	Straight Line	20%
Library collections	Straight Line	10 - 20%
Furniture & Fittings	Diminishing Value	7.50%

The assets' residual values and useful lives are reviewed and adjusted if appropriate on an annual basis. There has been no change in the methodology and rates for 2008.

## 1.23 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. Subsequent to initial recognition at cost, investment properties are re-valued to fair value with changes in the fair value recognised as income or expenses in the period in which they arise. The properties are not depreciated.

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

## 1.24 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.

## 1.25 Resources provided and received free of charge or for nominal consideration

Contributions of resources and resources provided free of charge or for nominal consideration are recognised at fair value when the contributed asset qualifies for recognition. 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.

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

### 1.26 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable from the taxation authority, in which case it is recognised as part of the cost of acquisition of an asset or part of an item of expense.

Receivables and payables (Debtors and Creditors) 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.

### 1.27 Revenue recognition

#### 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.

#### 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.

#### 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.

#### 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 reliability measured.

#### Investment income

Investment income from cash, short-term deposits and investments is brought to account on a proportional basis taking into account interest rates applicable to the financial assets and any dividend revenue is brought to account when the Institute's rights to receive a dividend is established.

#### Assets received free of charge

Total assets received free of charge are recognised as revenue when the Institute gains control of them. The benefits derived from these assets are recorded at their fair value in the financial statements.

#### Gain/loss on disposal of property, plant and equipment

Any gain or loss on disposal 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.

#### 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.

### 1.28 Contributed capital

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

### 1.29 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.

### 1.30 Rounding of amounts

All amounts shown in the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

### 1.31 Comparative information

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

### 1.32 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.

### 1.33 Contingent assets and Contingent liabilities

Contingent assets and liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer note 27) and, if quantifiable, are measured at nominal value.

### 1.34 Error in the prior year

In the 2007 year, the TAFE sector increased the capitalisation threshold from \$1,000 to \$5,000, effective from 1 January 2007. In the 2007 year financial statements an adjustment was made to reflect this change. However, in 2008 it was discovered that not all assets with a cost less than \$5,000 were adjusted in 2007 as intended. A further adjustment has therefore been made to the comparatives relating to the December 2007 figures. A summary of these changes are detailed below.

	\$000
2007 Accumulated Surplus prior to correcting error	13,214
Adjustment to 2007 Equity due to prior year error	
Adjustment to Plant & Equipment	583
Adjustment to Depreciation Expense for Plant & Equipment	189
2007 Adjusted Accumulated Surplus	<u>13,986</u>

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

### 1.35 AUSTRALIAN ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Australian Accounting Standards issued or amended which are applicable to the institute but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected		Outline of Amendment	Application date of standard	Impact on financial statements
AASB 2007-3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report, as the institute does not fall within the scope of AASB 8.	1 Jan 2009	Impact expected to be insignificant
	AASB 6	Exploration for and Evaluation of Mineral Resources			
	AASB 102	Inventories			
	AASB 107	Cash Flow Statements			
	AASB 119	Employee Benefits			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			
	AASB 1023	General Insurance Contracts			
	AASB 1038	Life Insurance Contracts			
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above.	1 Jan 2009	Not applicable

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

### 1.35 AUSTRALIAN ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE CONTINUED

The following Australian Accounting Standards issued or amended which are applicable to the institute but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB 2007-6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007, has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1 Jan 2009	Impact expected to be insignificant
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 111	Construction Contracts			
	AASB 116	Property, Plant and Equipment			
	AASB 138	Intangible Assets			
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above.	1 Jan 2009	As above
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity.	1 Jan 2009	As above
AASB 101	AASB 101	Presentation of Financial Statements	As above.	1 Jan 2009	As above

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2008	2007
		\$000	\$000
<b>NOTE 2 - GOVERNMENT FINANCIAL ASSISTANCE</b>			
Government Contributions - operating			
Commonwealth government recurrent specific funded programs		22,389	19,838
Other contributions		16	15
		<b>22,405</b>	<b>19,853</b>
Government Contributions - capital			
Commonwealth capital		4,580	1,143
State capital		8,988	1,292
		<b>13,568</b>	<b>2,435</b>
<b>Total government financial assistance</b>		<b>35,973</b>	<b>22,288</b>
<b>NOTE 3 - FEE FOR SERVICE</b>			
Course fees and charges			
Fee for service - Government		475	607
Fee for service - International operations		158	130
Fee for service - Other		3,213	2,717
<b>Total course fees and charges</b>		<b>3,846</b>	<b>3,454</b>
<b>NOTE 4 - INVESTMENT REVENUE AND INCOME</b>			
Interest received		570	422
<b>Total investment revenue</b>		<b>570</b>	<b>422</b>
<b>NOTE 5 - OTHER INCOME</b>			
Donations, bequests and contributions		9	30
Gains on sale of biological assets		20	88
Rent		183	217
Other		1,206	766
<b>Total revenue from continuing activities</b>		<b>1,418</b>	<b>1,101</b>
<b>NOTE 6 - EMPLOYEE RELATED EXPENSES</b>			
Salaries, wages, overtime and allowances		18,383	17,099
Superannuation		1,543	1,444
Payroll tax		1,027	799
Workcover premiums		127	166
Long service leave		454	84
Annual leave		(67)	86
Other		30	10
<b>Total employee related expenses</b>		<b>21,497</b>	<b>19,688</b>

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2008 \$000	2007 \$000
<b>NOTE 7 - REPAIRS AND MAINTENANCE</b>			
Building maintenance		418	420
Minor work		150	216
Other		238	277
<b>Total repairs and maintenance</b>		<b>806</b>	<b>913</b>
<b>NOTE 8 - FINANCE COSTS</b>			
There were no finance costs			
<b>NOTE 9 - IMPAIRMENT OF ASSETS</b>			
There were no impairment of assets			
<b>NOTE 10 - OTHER EXPENSES</b>			
Auditors' remuneration	30	12	11
Bad and doubtful debts		18	47
Communication expenses		714	440
Consumables		2,428	2,473
Contract and other services		275	241
Cost of sale of goods including ancillary trading		389	382
Equipment (below \$1,000)		309	294
Fees & charges		351	359
Grants & subsidies		327	443
Promotional expenses		409	240
Rent/leasing charges		262	237
Staff development		215	166
Travel and motor vehicle expenses		743	665
Utilities		490	407
Other expenses		320	138
<b>Total other expenses</b>		<b>7,262</b>	<b>6,543</b>
<b>NOTE 11 - DEPRECIATION</b>			
Depreciation			
Buildings		1,090	899
Plant and equipment		391	491
Motor vehicles		139	154
Library collections		135	134
<b>Total depreciation</b>		<b>1,755</b>	<b>1,678</b>
<b>Total depreciation</b>		<b>1,755</b>	<b>1,678</b>
<b>NOTE 12 - GAIN/(LOSS) ON DISPOSAL OF NON CURRENT ASSETS</b>			
Proceeds on sale of property, plant & equipment.		385	458
Less written down value		(461)	(466)
<b>Gain/(loss) on disposal of non current assets</b>		<b>(76)</b>	<b>(8)</b>

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2008 \$000	2007 \$000
<b>NOTE 13 - GOVERNMENT CONTRIBUTIONS EXPENDITURE</b>			
Plant & Equipment		503	396
		<b>503</b>	<b>396</b>
<b>NOTE 14 - CASH AND CASH EQUIVALENTS</b>			
Cash at bank and on hand		5,259	5,227
Deposits at call		3,055	-
<b>Total cash and cash equivalent assets</b>		<b>8,314</b>	<b>5,227</b>
Reconciliation to cash at the end of the year			
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows.			
Balances as above		8,314	5,227
<b>Balance as per cash flow statement</b>		<b>8,314</b>	<b>5,227</b>
<b>Cash at bank and on hand</b>			
These are non interest bearing			
<b>Deposits at call</b>			
The deposits are bearing floating interest rates between 5.50% and 5.60%			
These deposits have an average maturity of 106 days.			
<b>NOTE 15 - RECEIVABLES</b>			
Current			
Trade receivables		972	1,009
Allowance for doubtful debts		(15)	(40)
Revenue receivable		172	824
GST receivable from ATO		483	122
<b>Total current receivables</b>		<b>1,612</b>	<b>1,915</b>
Non-current			
There are no non-current receivables			
<b>Total receivables</b>		<b>1,612</b>	<b>1,915</b>
Impaired receivables			
The Institute considers that the carrying amount of trade receivables exceeds the recovery amount by \$15,000. Impaired receivables are therefore shown within the accounts as an Allowance for doubtful debts.			
<b>NOTE 16 - INVENTORIES</b>			
Current			
Cafeteria		2	2
Bookshop		134	83
Cabins		42	152
		<b>178</b>	<b>237</b>
Supplies and consumables - at cost		2	2
Inventories held for sale:			
at cost		176	235
<b>Total current inventories</b>		<b>178</b>	<b>237</b>

NOTE	2008	2007
	\$000	\$000
<b>NOTE 17 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>		
Interest in joint venture partnerships	30	21
Total investment accounted for using the equity method	30	21
<b>Total investment accounted for using the equity method</b>	<b>30</b>	<b>21</b>
<b>Reconciliation</b>		
<b>Balance at 1 January</b>	21	23
Share of profit (deficit) for the year	10	(2)
<b>Balance at 31 December</b>	<b>31</b>	<b>21</b>
<b>Financial Position</b>		
Total assets	62	42
<b>Net assets</b>	62	42
<b>Share of associates' net assets</b>	31	21
<b>Financial Performance</b>		
Total Revenue	39	26
Profit/(loss)	20	(4)
Share of associates' profit/(loss)	10	(2)
	Ownership Interest %	
<b>Jointly controlled entities - Florence Collins Day Care Centre</b>		
South West Institute of TAFE	50%	50%
Warrnambool City Council	50%	50%
Capital commitments and contingent liabilities arising from the Group's interests in joint ventures are disclosed in Notes 25 and 34 respectively.		
<b>NOTE 18 - OTHER NON FINANCIAL ASSETS</b>		
<b>Current</b>		
Prepayments	157	70
Investments - Other	23	14
<b>Total current other assets</b>	<b>180</b>	<b>84</b>
<b>Non-current</b>		
There are no non-current financial assets		
<b>Total other assets</b>	<b>180</b>	<b>84</b>
<b>NOTE 19 - BIOLOGICAL ASSETS</b>		
Animals		
	Livestock	Value
<b>2007</b>	#	\$
	300	508
<b>2008</b>		
Opening livestock 1 January 2008	300	508
Cost of livestock sold	(43)	(77)
Deaths	(19)	(36)
Natural increases	80	100
Revaluation to fair value at 31 December 2008	-	32
	318	527
<b>Profit and Loss for 2008</b>		
Sales		27
Costs of sales		(77)
Gross profit		(50)
Gain on revaluation		70
Net profit from livestock		20

NOTE 20 - PROPERTY, PLANT & EQUIPMENT

	LAND	BUILDINGS	CONSTRUCTION IN PROGRESS	PLANT & EQUIPMENT	MOTOR VEHICLES	LIBRARY	TOTAL
Institute	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>At 1 January 2007</b>							
- Cost	-	-	1,555	7,761	912	1,345	11,573
- Valuation	10,009	22,482	-	-	-	-	32,491
Accumulated depreciation	-	(14)	-	(5,715)	(245)	(927)	(6,901)
<b>Net book amount</b>	<b>10,009</b>	<b>22,468</b>	<b>1,555</b>	<b>2,046</b>	<b>667</b>	<b>418</b>	<b>37,163</b>
<b>Year ended 31 December 2007</b>							
Opening net book amount	10,009	22,468	1,555	2,046	667	418	37,163
Revaluation surplus	1,935	2,938	-	-	-	-	4,873
Additions	-	161	1,257	456	466	106	2,446
Assets classified as held for sale and other disposals	(130)	(74)	-	(22)	(240)	-	(466)
Depreciation charge	-	(899)	-	(491)	(154)	(134)	(1,678)
Prior year adjustment	-	2,254	(2,254)	772	-	0	772
<b>Closing net book amount</b>	<b>11,814</b>	<b>26,848</b>	<b>558</b>	<b>2,761</b>	<b>739</b>	<b>390</b>	<b>43,110</b>
<b>At 1 January 2008</b>							
- Cost	-	-	558	8,304	1,021	1,313	11,196
- Valuation	11,814	26,848	-	-	-	-	38,662
Accumulated depreciation	-	-	-	(5,543)	(282)	(923)	(6,748)
<b>Net book amount</b>	<b>11,814</b>	<b>26,848</b>	<b>558</b>	<b>2,761</b>	<b>739</b>	<b>390</b>	<b>43,110</b>
<b>Year ended 31 December 2008</b>							
Opening net book amount	11,814	26,848	558	2,761	739	390	43,110
Additions	-	1,011	11,813	443	557	225	14,049
Assets classified as held for sale and other disposals	-	-	-	(68)	(393)	-	(461)
Depreciation charge	-	(1,090)	-	(391)	(139)	(135)	(1,755)
<b>Closing net book amount</b>	<b>11,814</b>	<b>26,769</b>	<b>12,371</b>	<b>2,745</b>	<b>764</b>	<b>480</b>	<b>54,943</b>
<b>At 31 December 2008</b>							
- Cost	-	-	12,371	8,489	1,022	1,433	23,315
- Valuation	11,814	27,859	-	-	-	-	39,673
Accumulated depreciation	-	(1,090)	-	(5,744)	(258)	(953)	(8,045)
<b>Net book amount</b>	<b>11,814</b>	<b>26,769</b>	<b>12,371</b>	<b>2,745</b>	<b>764</b>	<b>480</b>	<b>54,943</b>

\* Property, plant & equipment includes all operational and non operational assets.

**VALUATIONS OF LAND AND BUILDINGS**

Land and buildings are carried at fair value.

The Institute holds \$2,164,000 worth of properties listed as heritage assets. These heritage assets cannot be modified or disposed of without Ministerial approval.

**RESTRICTIVE ASSETS**

Freehold land and buildings are carried at fair value.

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

NOTE	2008	2007
	\$000	\$000

### NOTE 21 - TRADE AND OTHER PAYABLES

#### Current

Creditors and accruals (other than salaries)	2,821	1,004
Fees in advance	183	31
Trust funds	537	176
Accrued salaries	152	545
GST payable	26	34
<b>Total trade and other payables</b>	<b>3,719</b>	<b>1,790</b>

#### Foreign currency risk

The carrying amounts of the Institute's trade and other payables are denominated in the following currencies:

Australian Dollars	3,719	1,790
	<u>3,719</u>	<u>1,790</u>

### NOTE 22 - PROVISIONS

#### Current provisions expected to be settled within 12 months

Employee benefits		
Annual leave	913	1,000
Current long service leave less than 12 months	98	68
Current long service leave greater than 12 months	2,040	1,416
Performance payments	-	31
Provision - Inventory	448	422
<b>Total current provisions</b>	<b>3,499</b>	<b>2,937</b>

#### Non-current

Employee benefits:		
Long service leave	394	527
<b>Total non-current provisions</b>	<b>394</b>	<b>527</b>

#### Total provisions

<b>3,893</b>	<b>3,464</b>
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#### 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 (Inventory - Cattle)	422	268
Additional provisions recognised	26	154
<b>Carrying amount at end of year</b>	<b>448</b>	<b>422</b>

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2008 \$000	2007 \$000
<b>NOTE 23 - EQUITY</b>			
<b>Contributed capital</b>			
Balance at 1 January		3,618	3,618
<b>Balance at 31 December</b>		<b>3,618</b>	<b>3,618</b>
<b>Reserves</b>			
<b>Composition of Reserves</b>			
Asset revaluation reserve			
Land		10,806	10,806
Buildings		17,417	17,417
		<b>28,223</b>	<b>28,223</b>
<b>Movements in Provisions</b>			
<b>Asset Revaluation Reserve - Land</b>			
Balance at 1 January		<b>10,806</b>	<b>8,871</b>
Revaluation increment on non-current assets		-	1,935
<b>Balance at 31 December</b>		<b>10,806</b>	<b>10,806</b>
<b>Asset Revaluation Reserve - Buildings</b>			
Balance at 1 January		17,417	14,479
Revaluation increment on non-current assets		-	2,938
<b>Balance at 31 December</b>		<b>17,417</b>	<b>17,417</b>
<b>Accumulated surplus / (deficit)</b>			
Balance at 1 January		13,986	12,537
Net operating result for the year		12,315	677
Prior year adjustment	1.34	-	772
<b>Balance at 31 December</b>		<b>26,301</b>	<b>13,986</b>
<b>Total equity</b>		<b>58,142</b>	<b>45,827</b>

### NOTE 24 - CASH FLOW INFORMATION

#### Reconciliation of operating result after income tax to net cash provided by/(used in) operating activities

<b>Net operating result for the year</b>		<b>12,315</b>	<b>677</b>
Depreciation and amortisation of non-current assets	11	1,755	1,678
Allowance for doubtful debts	15	(15)	(40)
Net (gain)/loss on sale of non-current assets	12	76	8
Change in operating assets and liabilities			
Decrease (increase) in receivables	15	318	(344)
Decrease (increase) in inventories	16	59	239
Decrease (increase) in biological assets	19	(19)	(201)
Decrease (increase) in other assets	18	(96)	(52)
Increase (decrease) in payables	21	2,322	246
Increase (decrease) in employee benefits	21	(393)	103
Increase (decrease) in provisions	22	429	365
<b>Net cashflows provided by / (used in) operating activities</b>		<b>16,751</b>	<b>2,679</b>

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

NOTE	2008	2007
	\$000	\$000

### NOTE 25 - COMMITMENTS

#### Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

At the reporting date the Institute had the following capital commitments: Stage 3 project (\$7,000,000) and ICT upgrade (\$450,000). The stage 3 project is a replacement building for one demolished in a prior year; which is funded by Skills Victoria and is expected to be completed in 2009.

#### *Property, Plant and Equipment*

Payable:

Within one year	7,450	150
	<b>7,450</b>	<b>150</b>

#### Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	212	199
Later than one year but not later than five years	83	439
Later than five years	39	-
	<b>334</b>	<b>638</b>

Representing:

Non-cancellable operating leases	334	638
	<b>334</b>	<b>638</b>

#### *Operating leases*

Mount Gambier Office	6	14
Adelaide Office	11	22
Arts Department	152	426
Hall	-	8
Land	121	65
Hamilton	29	71
Portland	15	26
Storage Sheds	-	6
	<b>334</b>	<b>638</b>

As at the reporting date leased property, centrally managed and paid on behalf of the Institute by the Office of Training and Tertiary Education were as follows:

There was no Leased Property centrally managed and paid on behalf of the Institute by Skills Victoria as at 31 December 2008.

#### *Finance leases*

There were no Finance Lease Liabilities

There were no other expenditure commitments.

#### Remuneration commitments

There were no other remuneration commitments.

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2008	2007
		\$000	\$000
<b>NOTE 26 - LEASED ASSETS</b>			
As at the reporting date the Institute leased out the following assets		4	4
Gross amount of leased assets		4	4
<b>Finance Lease Receivables</b>			
<b>Non-cancellable operating lease receivables</b>			
Payments due			
Within one year		4	4
Later than one year but not later than five years		4	8
		<b>8</b>	<b>12</b>

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

### NOTE 27 - CONTINGENCIES

The Institute has recognised as a liability the full value of the new Teachers Multi Business Agreement. The proportion relating to 2008 has been included in employee benefits at the reporting date. It is anticipated that some supplementation towards the cost of the implementation of the new MBA will be received from Skills Victoria in 2009. The amount and timing of the payment of that supplementation has not been confirmed.

### NOTE 28 - ECONOMIC DEPENDENCY

Other than Skills Victoria funding, which is separately disclosed, the Institute is not dependent on another entity for a significant volume of revenue or financial support.

### NOTE 29 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

### NOTE 30 - AUDITORS REMUNERATION

Remuneration of Victorian Auditor General's Office for:

Audit of the financial report	12	11
	<b>12</b>	<b>11</b>

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

	NOTE	2008	2007
		\$000	\$000
<b>NOTE 31 - SUPERANNUATION</b>			
The Institute contributes to both defined benefit and defined contribution plans. Contributions are included as part of employee benefits in the Operating Statement. The names and details of the major superannuation funds and contributions made by the Institute are as follows:			
<b>Emergency Services and State Super</b>		301	306
Revised Scheme 17.3%			
New Scheme 7.30% to 10.20%			
<b>Victorian Superannuation Fund</b>			
Vic Super Scheme 9%		1085	950
<b>Other Superannuation Schemes</b>			
Superannuation Trust of Australia		17	13
Summit		8	5
Asgard		-	5
Cbus		10	-
MLC		13	10
Plum		7	6
Hesta		17	-
Host Plus		9	5
Optimum		4	5
UniSuper		33	30
Woolbrook		5	5
Other		34	103
<b>Total Contributions to all Funds</b>		<b>1,543</b>	<b>1,443</b>

As at the reporting date there were no outstanding contributions payable to the above funds.

As at the reporting date there were no loans to the Institute from any fund.

# OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

## NOTE 32 - KEY MANAGEMENT PERSONNEL DISCLOSURES

### Responsible persons related disclosures

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

#### Minister

The relevant Minister is Ms Jacinta Allan, Minister for Skills and Workforce Participation. 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.

#### Names of responsible persons and executive officers

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

Wayne Krause (President)	Bill Hewett (appointed 23/4/08)
David Jones	Craig Imlach
Chris How	John Sutherland (Student Rep appointed 1/4//08)
Julie Amor (appointed 24/11/08)	Judy Smith (term expired 30/6/08)
Josie Black	John Verhoeven (term expired 31/8/08)
Jenny Madden (appointed 11/2/08)	Christine Jones (resigned 9/4/08)
Jennifer Jenz	Patricia Varley (term expired 31/8/08)
Bill Vistarini	Vicki Thorpe (Student Rep to 31/3/08)
Joe Piper (CEO)	

#### Other key management personnel

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

Joe Piper (Chief Executive Officer)  
 Maurice Molan (Executive Manager - Teaching & Learning)  
 Mark Fidge (Executive Manager - Corporate Services)  
 Julie Kean (Executive Manager - Organisational Development)

All of the above persons were also key management persons during the year ended 31 December 2008.

	2008	2007
	\$000	\$000
<b>Remuneration of Responsible Persons</b>		
The number of Responsible Persons whose remuneration from the Institute was within the specified bands are as follows:		
Income range 150,000 - 159,999	1	1
<b>Retirement Benefits of Responsible Persons</b>		
No retirement benefits have been paid by the Institute in connection with the retirement of Responsible Persons.		
<b>Executive Officers' Remuneration</b>		
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.		
<b>Income range</b>		
The number of executive officers whose remuneration from the Institute was within the specified bands are as follows:		
	No.	No.
Base remuneration 120,000 - 129,999	3	3
	\$000	\$000
Total remuneration for the reporting period of executive officers included above amounted to:	<b>378</b>	<b>366</b>

#### 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 any key management personnel.

#### Other transactions

There were no transactions between one related party of a Responsible Persons and the Institute.

### NOTE 33 - INSTITUTE DETAILS

The registered office of the Institute is: South West Institute of Technical & Further Education

The principle place of business is: 197-205 Timor Street, Warrnambool, Victoria 3280

### NOTE 34 - FINANCIAL INSTRUMENTS

Terms, conditions and accounting policies

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

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents - cash at bank and on hand	14	Cash at bank is carried at the nominal amount.	Cash is invested as funds permit at varying interest rates between 3% and 6.99% (2007 6.18% and 6.80%).
Cash and cash equivalents - deposits at call	14	Deposits at call are carried at their nominal amounts. Interest revenue is recognised in the operating statement when it is earned.	The institute has held deposits at call during 2008.
Receivables - Debtors	15	Trade debtors are carried at nominal amounts due less any allowance for doubtful debts. An allowance for doubtful debts is maintained to recognise that collection of the full nominal amount is no longer probable.	Credit sales are on 30 day terms.
Receivables: Other debtors	15	Other debtors are carried at the nominal amounts.	Credit is allowed for a 30 day term.
Receivables: Loans to related parties	15	Loans to related parties are stated at amortised cost using the effective interest rate method.	The institute had no loans to related parties during 2008.
Receivables: Loans to other parties	15	Loans to other parties are stated at amortised cost using the effective interest rate method.	The institute had no loans to other parties during 2008.
Other Financial Assets: Long Term Deposits	17	Long term deposits are stated at their amortised cost or fair value depending on their classification on initial recognition. Interest revenue is recognised in the operating statement when it is earned.	The institute has not held Long Term Deposits during 2008.
Other Financial Assets: Held to maturity	17	Other financial assets the Institute holds to maturity are stated at amortised cost using the effective interest rate method.	The institute has not held other financial assets during 2008.
Other Financial Assets: Assets available for sale	18	Available for sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.	The institute has not held assets available for sale during 2008.
<b>FINANCIAL LIABILITIES</b>			
Payables: Creditors and Accruals	25	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not invoiced to the Institute.	Trade liabilities are settled as required
Borrowings: Bank Overdraft	26	Bank overdrafts are carried at the principal amount. Bank interest is charged as an expense as it accrues.	The institute did not require overdraft facilities during 2008.
Borrowings: Bank loans	26	Bank loans are carried at the principal amount. Interest is charged as an expense as it accrues.	The institute did not require Bank Loans during 2008.
Borrowings: Other loans	26	Other loans are carried at their principal amounts	The Institute did not require other loans during 2008.
Derivative instruments		Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.	The institute did not have derivative instruments during 2008.

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

### NOTE 34 - FINANCIAL INSTRUMENTS CONTINUED

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

FINANCIAL INSTRUMENTS	FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING IN ONE YEAR OR LESS		NON-INTEREST BEARING		TOTAL CARRYING AMOUNT PER STATEMENT OF FINANCIAL POSITION	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
FINANCIAL ASSETS								
Cash assets - Cash at Bank	5,259	5,227	-	-	-	-	5,259	5,227
Cash assets - Deposits at Call	-	-	3,055	-	-	-	3,055	-
Receivables - Debtors	-	-	-	-	957	969	957	969
Receivables - Other Debtors	-	-	-	-	655	946	655	946
<b>Total Financial Assets</b>	<b>5,259</b>	<b>5,227</b>	<b>3,055</b>	<b>-</b>	<b>1,612</b>	<b>1,915</b>	<b>9,926</b>	<b>7,142</b>
FINANCIAL LIABILITIES								
Payables - Creditors & Accruals	-	-	-	-	3,719	1,790	3,719	1,790
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,719</b>	<b>1,790</b>	<b>3,719</b>	<b>1,790</b>

### Summarised sensitivity analysis

The following table summarises the sensitivity of the Institute's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk.

31 DECEMBER 2008	CARRYING AMOUNT	Interest rate risk			
		-1%	EQUITY	1%	EQUITY
	\$000	RESULT	\$000	RESULT	\$000
<b>Financial assets</b>					
Cash and cash equivalents	8,314	(83)	(83)	83	83
Receivables	1,612	(16)	(16)	16	16
<b>Financial liabilities</b>					
Payables	3,719	(37)	(37)	37	37
<b>Total increase/ (decrease)</b>	<b>6,207</b>	<b>(62)</b>	<b>(62)</b>	<b>62</b>	<b>62</b>
31 DECEMBER 2007	CARRYING AMOUNT	Interest rate risk			
		-1%	EQUITY	1%	EQUITY
	\$000	RESULT	\$000	RESULT	\$000
<b>Financial assets</b>					
Cash and cash equivalents	5,227	(52)	(52)	52	52
Other financial assets	1,915	(19)	(19)	19	19
<b>Financial liabilities</b>					
Payables	1,790	(18)	(18)	18	18
<b>Total increase/ (decrease)</b>	<b>5,352</b>	<b>(53)</b>	<b>(53)</b>	<b>53</b>	<b>53</b>

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

### NOTE 34 - FINANCIAL INSTRUMENTS CONTINUED

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Institute has not traded in financial instruments in active markets either in 2008 or 2007.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Institute uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The 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:

	Carrying amount		Net fair value	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>FINANCIAL ASSETS</b>				
Cash assets - Cash at Bank	5,259	5,227	5,259	5,227
Cash assets - Deposits at Call	3,055	-	3,055	-
Receivables - Debtors	1,612	1,915	1,612	1,915
<b>Total Financial Assets</b>	<b>9,926</b>	<b>7,142</b>	<b>9,926</b>	<b>7,142</b>
<b>FINANCIAL LIABILITIES</b>				
Payables	4,550	1,790	4,550	1,790
<b>Total Financial Liabilities</b>	<b>4,550</b>	<b>1,790</b>	<b>4,550</b>	<b>1,790</b>

Fair values are materially in line with carrying values.

# OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

## NOTE 34 - FINANCIAL INSTRUMENTS CONTINUED

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

### (i) Financial risk management objectives

The Institute's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Institute's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Institute by adhering to principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Institute does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

The Institute's treasury function provides services to its business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market (including currency risk and fair value interest rate risk), credit risk and liquidity risk.

### (ii) Financial risk exposures and management

The Institute's financial instruments consist mainly of deposits with banks, 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.

#### Market risk

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

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

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

#### Foreign currency risk

The Institute is exposed to fluctuations in foreign currencies arising from the delivery of services in currencies other than \$A. 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 to 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.

# OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

## NOTE 34 - FINANCIAL INSTRUMENTS CONTINUED

### Concentrations of credit risk

#### Credit risk

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

There are no material amounts of collateral held as security at 31 December 2008.

Credit risk is managed on an Institute basis and reviewed regularly by the Finance Committee. It arises from exposures to customers as well as through certain derivative financial instruments and deposits with financial institutions.

The Finance Committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

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

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

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.

#### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the institute's governing body, which has built an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity requirements.

The institute manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

## OUR FINANCIAL REPORTS - NOTES TO THE FINANCIAL STATEMENTS

NOTE	2008	2007
	\$000	\$000

### NOTE 35 – SUBSEQUENT EVENTS

To the Institute's knowledge there are no subsequent events

### NOTE 36 – EX GRATIA PAYMENTS

There was one ex gratia payment made in 2008

	<b>15</b>	<b>10</b>
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# DISCLOSURE INDEX

The Institute's 2008 Annual Report has been prepared in accordance with the *Financial Management Act 1994* and the Directions of the Minister of Finance. This index has been prepared to demonstrate that the Institute has complied with statutory disclosure requirements.

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