



# Challenger Institute of Technology Annual Report 2010



**Challenger**  
Institute of Technology

<b>TABLE OF CONTENTS</b>	<b>2</b>
<b>STATEMENT OF COMPLIANCE</b>	<b>3</b>
<b>OVERVIEW</b>	<b>4</b>
EXECUTIVE SUMMARY	4
AGENCY SNAPSHOT	5
MESSAGE FROM THE CHAIR AND MANAGING DIRECTOR	6
KEY PROJECTS AND ACHIEVEMENTS	8
OPERATIONAL STRUCTURE	11
PERFORMANCE MANAGEMENT FRAMEWORK	17
<b>AGENCY PERFORMANCE</b>	<b>18</b>
REPORT ON OPERATIONS	18
<b>SIGNIFICANT ISSUES IMPACTING THE AGENCY</b>	<b>28</b>
ECONOMIC AND SOCIAL TRENDS	28
LIKELY DEVELOPMENTS AND FORECAST RESULTS OF OPERATIONS	28
CHANGES IN WRITTEN LAW	28
<b>FINANCIAL STATEMENTS</b>	<b>29</b>
CERTIFICATION OF FINANCIAL STATEMENTS	29
<b>KEY PERFORMANCE INDICATORS</b>	<b>64</b>
CERTIFICATION OF KEY PERFORMANCE INDICATORS	64
DESIRED OUTCOME	65
KEY EFFECTIVENESS PERFORMANCE INDICATORS	65
KEY EFFICIENCY PERFORMANCE INDICATOR	70
<b>DISCLOSURES AND LEGAL COMPLIANCE</b>	<b>71</b>
MINISTERIAL DIRECTIVES	71
OTHER FINANCIAL DISCLOSURES	71
GOVERNANCE DISCLOSURES	72
OTHER LEGAL REQUIREMENTS	72
GOVERNMENT POLICY REQUIREMENTS	73
SECTION 40 ESTIMATES FOR 2011	78



HON PETER COLLIER MLC  
MINISTER FOR TRAINING AND WORKFORCE DEVELOPMENT

In accordance with section 63 of the *Financial Management Act 2006*, we hereby submit for your information and presentation to Parliament, the Annual Report of Challenger Institute of Technology for the financial year ended 31 December 2010.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and the *Vocational Education and Training Act 1996*.

A handwritten signature in dark ink, appearing to read 'Paddi Creevey'.

Paddi Creevey  
Chair of Governing Council  
Challenger Institute of Technology

Date: 10 March 2011

### Contact Details

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A handwritten signature in dark ink, appearing to read 'Liz Harris'.

Liz Harris  
Managing Director  
Challenger Institute of Technology

Date: 10 March 2010

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### EXECUTIVE SUMMARY

#### Vision

Challenger Institute of Technology will be a high performing and visionary provider of workforce skills development and community capacity building.

#### Mission

To provide the highest quality vocational training, assessment and related services in support of individual career aspirations and workforce development.

#### Values

At Challenger we believe that to achieve our vision we require commitment, good practice and shared values. At all levels of Challenger our activities will be guided by the principles we value:

- Excellence – by achieving high quality outcomes in the development and delivery of all our programs and services.
- Innovation – by developing new and improved ways of doing business.
- Integrity – through ethical and honest behaviour in all activities.
- Empowerment – through devolved decision-making and accountability.
- Accountability – by accepting responsibility for individual actions and outcomes.
- Collaboration – by building positive working relationships both inside and outside the Institute.

#### Strategic Objectives

Our strategic objectives for 2010 were:

- A skilled workforce providing industry-driven training to meet workforce development needs.
- Flexible and contemporary apprenticeship and traineeship delivery.
- Individual participation in training, expanding the community's access to relevant vocational education and training.
- Support for regional communities.
- A strong enterprising culture generating commercial and international business.
- A capable and flexible training organisation.

"Our purpose is to support individual aspirations and meet workforce development needs."

### AGENCY SNAPSHOT

Challenger Institute of Technology consolidated its position as a leading provider of vocational education and training in 2010. Over 23,000 students chose Challenger last year for its industry-relevant, specialised training.

Student and employer satisfaction with Challenger remained extremely high. This was demonstrated through the Australian Quality Training Framework (AQTF) Employer and Learner Surveys which revealed that 92 per cent of employers were satisfied with the training delivered by Challenger - an increase in the satisfaction rate of 11 percentage points compared to 2009. Ninety four per cent of the students surveyed agreed that Challenger's training focused on relevant industry skills and that the trainers had an excellent knowledge of the subject content.

A continued focus on flexible training delivery saw a significant increase in the number of students who undertook Recognition of Prior Learning (RPL) to have their skills formally recognised. In 2010, more than 1,405 students obtained RPL, an increase of 31 per cent on 2009 - making Challenger the second largest provider of skills recognition in the state.

The Institute engaged in a number of public-private training partnerships, particularly with the resources sector, to provide workforce skills development and community capacity building. Challenger's ongoing commitment to expanding these partnerships has ensured that training has remained industry-responsive and relevant.

In working to meet its priority to achieve increased numbers of Aboriginal students in training and employment, 469 Aboriginal students were enrolled in 2010, a 21 per cent increase on 2009. Of particular note, 212 Aboriginal students studied a Certificate III or higher level qualification, which is a 31 per cent increase on the previous year.

Challenger increased its international service delivery and reputation through the provision of off-shore commercial training and research activity to organisations in 10 countries including: Chile, East Timor, India, Indonesia, Mauritius, Papua New Guinea, Singapore, South Africa, Sri Lanka and United Arab Emirates, and signed partnering agreements with Tianjin Medical College and Wei Hai Vocational College in China – both among the top 100 vocational institutes in that country.

Challenger continued to grow the capability of its workforce by providing more than 10,025 hours of internal and external professional development. In line with the Institute's commitment to staff development, more than three per cent of the expenditure of the salaries budget was focused on building a culture of learning and innovation within the organisation.





### MESSAGE FROM THE CHAIR AND MANAGING DIRECTOR

It is our pleasure to present Challenger Institute of Technology's Annual Report for 2010.

Challenger Institute of Technology has experienced a year of significant achievement. Public-private training partnerships were expanded upon to address the needs of the Western Australian workforce. These partnerships enabled Challenger to meet industry needs with collective energy and innovation.

Challenger has utilised the industry experience and knowledge of its Governing Council and advisory boards to ensure training continued to be industry-responsive. A record number of partnerships have been formed with numerous high profile organisations particularly in the oil and gas sector with companies such as BHP Billiton, Woodside, Premier Oil, ConocoPhillips and Chevron. In a unique partnership, Challenger joined with BHP Billiton and Chevron to sponsor scholarships for women to undertake civil and structural engineering training.

In a major training collaboration between Challenger Institute, Woodside and Sage Technology, oil and gas workers were trained at Challenger's Australian Centre for Energy and Process Training (ACEPT) to increase skills and workplace safety in the industry. This innovative initiative reduces the potential hazards faced by oil and gas workers and address the industry shortage of skilled workers.

Challenger's Automotive Technology Skills Centre in Kwinana continued to increase its public-private partnerships to meet the needs of this developing industry. In a major industry partnership, GMH Holden provided vehicles and lecturers for our training delivery, while Lexus of Perth delivered training in hybrid fuel technology to our lecturers. The Centre has also introduced a WA-first LPG course to equip automotive technicians with new skills in alternate fuel technology.

In another successful training collaboration, Challenger Institute and the Mirvac Group teamed together to support the development of a hospitality and tourism workforce for the growing Peel region. This partnership between the public and private sector benefits Challenger's students, as well as the hospitality industry in Peel, by increasing the number of hospitality workers in the area through specialised training in a simulated work environment.

Our ongoing dedication to Aboriginal training was demonstrated through our aquaponics training program in conjunction with the Armadale Noongar Corporation (ANC), which teaches Aboriginal students about sustainable cultivation of fruit and vegetables. This program gives the ANC members both training opportunities and a means to develop an income stream. This is one of a number of programs that has contributed to the 31 per cent increase in Aboriginal learners studying at Certificate III and above at Challenger.



Challenger's reputation for leading aquaculture research and training was evident when it transported 180,000 live barramundi a record 2,500 kilometres as part of a commercial contract with Marine Produce Australia, a West Australian company farming barramundi in sea cages off the Derby coast. This record breaking journey set a benchmark for live fish transport in Australia. This partnership is one of many commercial contracts for Challenger's nationally renowned Australian Centre for Applied Aquaculture Research.

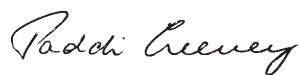
There were many highlights and successes during 2010. Challenger's Maritime Training Centre in particular enjoyed great success and was inducted into the WA Tourism Hall of Fame for its outstanding marine tourism program. The accolades didn't end there, with Quinlan's Hospitality and Tourism Centre winning gold at the WA Tourism Awards, in addition to winning a third Gold Plate Award, cementing Challenger's reputation as WA's leading hospitality trainer.

Challenger's reputation for training excellence was evident when international students from 33 countries graduated with a range of Challenger qualifications. In addition, the number of onshore international students studying engineering in 2010 increased by 60 per cent, with Challenger becoming Western Australia's leading training provider of engineering qualifications to international students.

Similarly we were greatly encouraged that in the AQTF national survey, 92 per cent of employers reported satisfaction with our training, 94 per cent reported that our training reflected current practice and 93 per cent reported that they felt the training was an effective investment for their organisation. These are great results for Challenger, for our students and for the Western Australian workforce.

We would like to extend our sincere appreciation to Challenger's Governing Council for its ongoing support and contribution this past year and to the members of the Institute's industry advisory boards and subcommittees.

Thanks must also go to the Hon. Peter Collier MLC, Minister for Training and Workforce Development, for his continued dedication to training and his support for Challenger Institute of Technology over the past year.



Paddi Creevey  
Chair of Governing Council  
Challenger Institute of Technology



Liz Harris  
Managing Director  
Challenger Institute of Technology



## KEY PROJECTS AND ACHIEVEMENTS

### Oil and Gas Training

ACEPT expanded its training and workforce development partnerships with major oil and gas companies and miners including BHP Billiton, Woodside, Apache and Birla Nifty - providing flexible on and off-site training. Internationally, ACEPT established contracts with global oil and gas company ConocoPhillips, Oil Search in Papua New Guinea and the Institute of Applied Technology in the United Arab Emirates.

Challenger Institute signed a new contract with global exploration company Premier Oil to train Indonesian oil and gas workers. ACEPT provided process plant training for more than 100 Premier Oil employees, including 12 engineering graduates and 75 process technicians.

A major training collaboration between Challenger, Woodside and Sage Technology increased the skills and workplace safety of oil and gas workers. Workers were trained at ACEPT in a web-based permit-to-work system that is poised to become an industry benchmark. The software, developed by Sage Technology, is a key component of Woodside's Integrated Safe System of Work. The initiative reduces the potential hazards faced by oil and gas personnel and addresses the industry's shortage of skilled workers.

Eleven women were given a unique opportunity to pursue rewarding careers in engineering through new Challenger scholarships sponsored by BHP Billiton and Chevron. The scholarships in civil and structural engineering were designed to encourage more women to enter careers in the still largely male-dominated field of engineering and provide foundation skills for employment in construction industries associated with WA's expanding resources industry.



*Training and Workforce Development Minister, the Hon. Peter Collier, Woodside Executive Vice President Health, Safety and Security Eve Howell, Challenger Institute Managing Director Liz Harris, and Sage Technology Managing Director Lynda Bertoli*

### Aboriginal Training Initiatives

Technology training was introduced to the One Sky Many Paths program to enable the delivery of the training to students in their home communities. This program provides training for young Aboriginal men and women to develop self-awareness, self-esteem and leadership qualities by meeting Aboriginal leaders and participating in team building activities. The introduction of remote delivery technologies such as Illuminate and video conferencing, enabled students to learn essential leadership knowledge and skills.

A unique Challenger Institute training program taught Aboriginal students about sustainable cultivation of fruit and vegetables. Challenger, in conjunction with the Armadale Noongar Corporation, ran a pilot commercial aquaponics system that gave ANC members both training opportunities and a means to develop an income stream.



### Automotive Industry

Challenger Institute partnered with Lexus of Perth to prepare students for future industry demands relating to hybrid technology. Automotive lecturers from the Automotive Technology Skills Centre in Kwinana received training from Lexus in hybrid fuel technology to provide students with an insight into this developing technology.

Challenger Institute became the first training provider in WA approved to deliver the Restricted E Class LPG training course to experienced automotive technicians wanting to update their skills in alternate fuel technology. Automotive technicians can now receive qualifications in the repair and servicing of LPG-equipped vehicles under a specialised training program at our Automotive Technology Skills Centre.

### Training the Navy

Challenger Institute signed a multi-million dollar contract to provide vital training services to the Royal Australian Navy. The agreement saw Challenger deliver courses in systems and communications, computer numerically controlled machining and control and monitoring instrumentation to the RAN's Western Fleet personnel. The five-year contract is the second training package Challenger has signed with the RAN - the first commenced in 2007.

### International Partnerships

More than 80 students in Mauritius were presented with Challenger awards for their training and education achievements in 2010. Students undertook Challenger diplomas in tourism, human resources management, marketing, children's services, management and certificates in children's services and hairdressing. The partnership provides an annual student scholarship, with Challenger Institute also expanding its provision of business and childcare training in Mauritius.

Seventy United Arab Emirates students were awarded certificates in engineering and electro-technology last year as part of a training partnership between Challenger and Abu Dhabi's Institute of Applied Technology. Challenger delivered training to the Adu Dhabi Institute in 17 electrical engineering and electro-technology qualifications.

Challenger signed two new partnership agreements with training institutes in Tianjin and Weihai – both of which are among the top 100 colleges in China.

### Aquaculture Research

In a national first, Challenger's Australian Centre for Applied Aquaculture Research (ACAAR) - formerly known as the Aquaculture Development Unit - trucked 180,000 live barramundi almost 2,500 kilometres to one of the most remote locations in Australia. The Centre grew the commercial barramundi for Marine Produce Australia, a West Australian company farming barramundi in sea cages off the Derby coast. The partnership with Marine Produce Australia is one of the Centre's many commercial contracts.

ACAAR won the Environment Award at the 2010 Western Australian Seafood Industry Awards. The Centre was recognised by Fisheries Minister Norman Moore for its aquaculture and restocking research.



*Challenger students Bill Hansen and Craig Hansen and lecturer Tony Bart pictured with the aquaponics system*

### Maritime Training

In an Australia-first, Challenger Institute trained a crew of oil and gas workers from ConocoPhillips on-board an offshore drilling rig as it was towed to an oilfield in the Timor Sea. The WA Maritime Training Centre delivered bridge resource management training – an accredited course available only in WA, Victoria and Tasmania – on board the moving semi-submersible vessel during its two-week journey.

Three Qataris studying at Challenger Institute became the first cohort of Arabian Gulf maritime students to graduate as part of a unique international outreach training program. The trio from the Gulf state of Qatar was among the first batch of students to complete the rigorous Advanced Diploma of Transport and Distribution at Challenger's WA Maritime Training Centre. Each student became a Master Class I and eligible to work anywhere in the world as a Chief Mate and, with some further sea service, as Ship Masters.

Challenger's WA Maritime Training Centre was inducted into the WA Tourism Hall of Fame after winning the tourism training award for three consecutive years for its outstanding marine tourism program.

### Hospitality and Tourism Training

Quinlan's Training Restaurant won its third Gold Plate Award in October, cementing Challenger's reputation as WA's leading hospitality trainer. Quinlan's Restaurant claimed the inaugural Gold Plate Training Restaurant prize in 2004 and again in 2007. Its win saw Challenger Institute become the only training provider in WA to win a prestigious Gold Plate Award three times.

Challenger won gold at the WA Tourism Awards in November last year for its hospitality and tourism training. Quinlan's Hospitality and Tourism Training Centre received the top prize in the education and training category for its industry-driven, community focused training program.

### Peel Region

The Peel Education and Training Campus, housing Challenger Institute, Murdoch University and Mandurah Senior College, celebrated its 10th anniversary. The campus produced significant improvements in local education and training outcomes, with a 250 per cent increase in the amount of training delivered at Challenger's Peel site. Premier Colin Barnett was guest of honour at the anniversary celebration last year.

Challenger Institute and Mirvac Group teamed together to support the development of a hospitality and tourism workforce for the growing Peel region. The public-private partnership improved existing skill levels in the Peel region through a state-of-the-art Mirvac-sponsored training facility at Challenger's Peel campus.



### OPERATIONAL STRUCTURE

#### Agency Profile

Challenger Institute of Technology is a statutory authority delivering vocational education and training.

Established in 1996 under Section 35 of the *Vocational Education and Training Act 1996*, the Institute is a body corporate with functions conferred by the Minister for Training and Workforce Development and consists of a Governing Council, staff and enrolled students.

Public training institutions are the primary providers of publicly-funded vocational education and training in Western Australia offering:

- nationally recognised qualifications
- apprenticeship and traineeship training
- entry and bridging courses leading into mainstream courses; commercial training – customised training and short courses, and
- lifestyle and leisure courses.

Funding for delivery of this training is negotiated with the Department of Training and Workforce Development each calendar year.

There are twelve dedicated training locations, with several additional community-based sites, that provide flexible training in the Perth south-west metropolitan and Peel regions in an area of 6,220 square kilometres.

Challenger has a strong consultative culture hosting industry advisory boards and sub-committees that provide advice on industry directions and requirements.

Challenger's focus on industry and the community is supported and strengthened through its Industry Training Centre model of training delivery. There are 12 centres specialising in a spread of industries that include maritime, applied engineering and shipbuilding, energy and process training, automotive and construction, horticulture and environmental science and hospitality and tourism, as well as a broad range of lifestyle and leisure programs and re-entry to learning programs.

#### Enabling Legislation

Challenger Institute of Technology was established as a Statutory Authority in 1996 under section 35 of the *Vocational Education and Training Act 1996*.

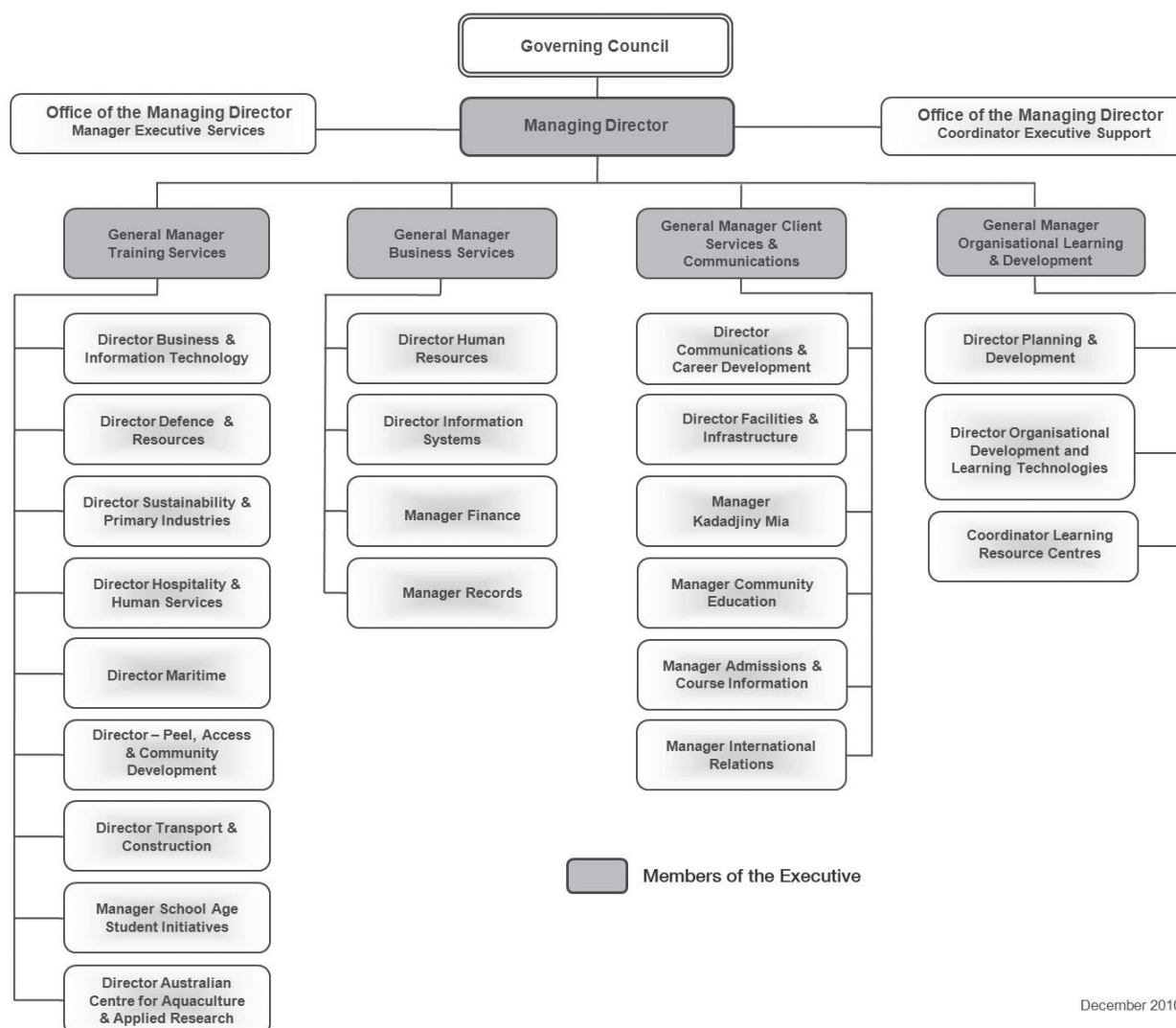
#### Responsible Minister

The Hon. Peter Collier MLC, Minister for Energy; Training and Workforce Development and Indigenous Affairs.

## Organisational Chart

The Accountable Authority for Challenger Institute of Technology is the Governing Council. The Managing Director is the chief executive officer and is supported by an executive comprising the general managers of the organisation's four directorates. The largest of the directorates is Training Services, the Institute's training delivery arm. Business Services and Client Services and Communications provide corporate and client support, with Organisational Learning and Development responsible for staff learning and development, quality and continuous improvement functions.

### Challenger Institute Organisational Structure



December 2010



## Executive Team



**Centre:** Liz Harris, Managing Director  
**From left to right:** Terry Durant, General Manager Client Services and Communications  
 Jill Jamieson, General Manager Training Services  
 Melanie Sorensen, General Manager Organisational Learning and Development  
 Michael Juliff, General Manager Business Services

## Governing Council

Each member of the Governing Council is appointed by the Minister for Training and Workforce Development to serve for a period of up to three years and is eligible for re-appointment. Members are appointed for their experience and expertise in education and training or industry and community affairs, and for their ability to contribute to the strategic direction of the Institute.



### **Paddi Creevey OAM (Chairwoman)**

*Appointed 2002*

Ms Creevey is the Mayor of Mandurah and has an extensive background in social and community health work. She is a member of the Peel Region Planning Committee, a local government representative on the Peel Development Commission Board and Regional Development Australia Peel, and chairs the Women in Local Government ministerial advisory committee. She is a member of the Federal Government's Climate Change and the Coast reference group and serves on an advisory group on higher education in regional Australia.



### **Mike Deeks (Deputy Chairman)**

*Appointed 2006*

Commodore Deeks served for 32 years in the Royal Australian Navy, retiring in 2005. He is Vice Patron of the Australian American Association of WA, a councillor of the Royal United Services Institute of WA, a Governor of the Leeuwin Ocean Adventures Foundation, former president and current board member of the Submarine Institute of Australia and member of the State Training Board. Cdre Deeks is presently WA site executive for Raytheon Australia, a technology and engineering company.



### **Selma Allix**

*Appointed 2008*

Professor Allix is Dean of the University of Notre Dame's School of Nursing. Prof Allix's area of expertise is nursing education and qualitative research. She has worked in all areas of nursing and has current nursing experience as a community health nurse. Prior to teaching at the University of Notre Dame in Fremantle, Prof Allix was the professional standards nursing adviser for the Nurses Board of Western Australia. Prof Allix has nursing education experience both in Australia and overseas.



### **Kaye Butler**

*Appointed 2007*

Ms Butler is Human Resources Manager for the Australasian Strategic Business Unit of Chevron Australia. Ms Butler has worked in the resources industry for most of the past 18 years and has a strong background in organisational psychology and human resource management. She has been involved in projects on people development and organisational improvement across a number of countries, covering a broad range of issues. Ms Butler holds board positions on Palmerston Association and the Curriculum Council of WA.



### **Stephen Cain**

*Appointed 2006*

Mr Cain is Chief Executive Officer of the City of Cockburn. During the past 20 years he has held senior management positions in the private and government sectors. He served for 11 years as an Officer in the Australian Regular Army and is a graduate of the Royal Military Institute, Duntroon. He continues to serve in the Reserve Forces and holds the rank of Colonel. Mr Cain is a fellow of the Chartered Institute of Transport and Logistics and Governor of the Corps of Commissionaires.



### **Angus Callander**

*Appointed 2002 and 2008*

Mr Callander was chairman of Central West College of TAFE between 1995 and 1997 and chaired the Institute's Maritime Industry Board for seven years. Mr Callander is currently working as a consultant to the fishing and seafood industry in which he has more than 25 years of experience, including as Chief Executive Officer of Vinci Seafoods and General Manager for MG Kailis. He is a director of the Western Australian Fishing Industry Council and Seafood Experience Australia.



### **Helen Cattalini OAM**

*Appointed 2003*

Ms Cattalini is a former Commissioner of Multicultural and Ethnic Affairs with the Western Australian Government. She was awarded an Order of Australia Medal in 1998 for services to the community. Since 1987, she has been a director of Helen Cattalini Consultancy Services, which specialises in social research and policy and program development in the government, local government and community sectors.



### **Tony Evans**

*Appointed 2009*

Mr Evans is General Manager and secretary of the WA Planning Commission. He has extensive financial and commercial management and board experience in the oil and gas, mining and mineral processing, government, university and not-for-profit sectors. Mr Evans has held management positions with Perth Diocesan Trustees, WA Petroleum, Chevron Corporation, Murdoch University and Iluka Resources. He is Deputy Chairman of the Joint Accreditation System of Australia and New Zealand and the Council of Chartered Institute of Company Secretaries Australia.



**Liz Harris**

*Appointed 2007*

Ms Harris was appointed Managing Director of Challenger Institute of Technology in 2007. Ms Harris has acquired diverse experience during her 20-year career in vocational education and training and higher education, working in VET internationally, including in Fiji, Sri Lanka and Japan, and lecturing and researching in organisational learning and development at Murdoch University. She worked as a National Director with the former Australian National Training Authority and at executive level within the TAFE system prior to being appointed Managing Director of Challenger.



**David Holland**

*Appointed 2003*

Mr Holland is Principal Strategist and Director of Brighthouse urban designers and tourism development consultants. He is a specialist in environmentally sustainable accommodation developments for the tourism, resource and retirement sectors. He has considerable experience in tourism operations and has served as Chairman of the Peel Region Tourism Association, president of the Caravan Industry Australia (WA), and as a member of the WA Hospitality and Tourism Industry Training Council. Mr Holland is Chairman of judges for the WA Tourism Awards.



**Rod Ogilvie**

*Appointed 2006*

Mr Ogilvie is a Yamatji man from Naanda County in Western Australia. He has extensive knowledge of and expertise on social issues and a strong commitment to social justice. Mr Ogilvie has held several government and non government management positions in WA and NSW. Since 2007 he has been manager of Indigenous employment with Macmahon Holdings. Mr Ogilvie has worked with SMYL Community Services on projects in the Perth metropolitan area and Kimberley region of Western Australia.



**Kevin Woods**

*Appointed 2009*

Mr Woods is the Managing Director of Woods Matson, a consultancy that specialises in business development. He has extensive senior management experience in secondary and tertiary education institutions, including as Chief Executive Officer for Excel Education and Alexander Education Group and pro-vice chancellor resources at Murdoch University. He has served on the governing boards of several corporate and public sector organisations, including Murdoch Institute, MS Biotechnology and Uni Super.

### Administered Legislation

The Minister for Training and Workforce Development administers the *Vocational Education and Training Act 1996* (the Act).

### Other Key Legislation Impacting on Activities

Other key legislation impacting on Challenger Institute of Technology's activities and with which the Institute complies are the following:

*Auditor General Act 2006;*  
*Disability Services Act 1993;*  
*Corruption and Crime Commission Act 2003;*  
*Education Service Providers (Full Fee Overseas Students) Registration Act 1991;*  
*Equal Opportunity Act 1984;*  
*Financial Management Act 2006;*  
*Freedom of Information Act 1992;*  
*Industrial Relations Act 1979;*  
*Minimum Conditions of Employment Act 1993;*  
*Occupational Safety and Health Act 1984;*  
*Public Sector Management Act 1994;*  
*Salaries and Allowances Act 1975;*  
*School Education Act 1999;*  
*State Records Act 2000;*  
*State Supply Commission Act 1991;*  
*Workers Compensation and Injury Management Act 1981; and*  
*Working with Children (Criminal Record Checking) Act 2004.*



## PERFORMANCE MANAGEMENT FRAMEWORK

### Outcome Based Management Framework

Government goals are supported at agency level by specific desired outcomes. Agencies deliver services to achieve these outcomes, which ultimately contribute to meeting the higher level government goals.

In late 2010, the State Government released *Skilling WA*, a whole of government response to workforce development issues. Embedded within *Skilling WA* is the Government's 10-year plan for the training sector, *Training WA*.

The following illustrates the relationship between Challenger's outcomes and the most appropriate government goals. It includes the major goals set out in the 10-year *Training WA* plan released by the Minister for Training and Workforce Development in 2009. *Training WA* incorporates public and private registered training organisations.

Government Goal	<i>Training WA</i> Goals (Training Sector)	Desired Outcome Challenger (Agency level)	Services
<b>Outcomes Based Service Delivery</b>  Greater focus on achieving results in key service delivery areas for the benefit of all West Australians.	<ul style="list-style-type: none"> <li>An increase of 17,500 working aged West Australians undertaking accredited training by 2012</li> <li>An increase in the proportion of workplace and/or flexible training from 27% to 40% by 2012</li> </ul>	Provision of education and training services to meet the community and industry training needs.	1. Training programs for nationally recognised qualifications 2. Apprenticeship and traineeship training 3. Entry and bridging courses leading into mainstream courses 4. Commercial training – customised training and short courses

### Changes to Outcome Based Management Framework

There was no change to Challenger's Outcome Based Management Framework in 2010.

### Shared Responsibilities with Other Agencies

Challenger receives its annual funding allocation from the State Government through a resource agreement (Delivery and Performance Agreement) with the Department of Training and Workforce Development. The Institute reports to the Department for outcomes under that agreement.

## REPORT ON OPERATIONS

Our mission is to:

Provide the highest quality vocational training, assessment and related services in support of individual career aspirations and workforce development.

In 2009, Challenger Institute of Technology reviewed its Strategic Plan to align it with *Training WA*, the State Government's ten-year plan for vocational education and training in Western Australia.

The following is a summary of outcomes attained in relation to Challenger's 2010 Strategic Objectives and Key Performance Indicators.

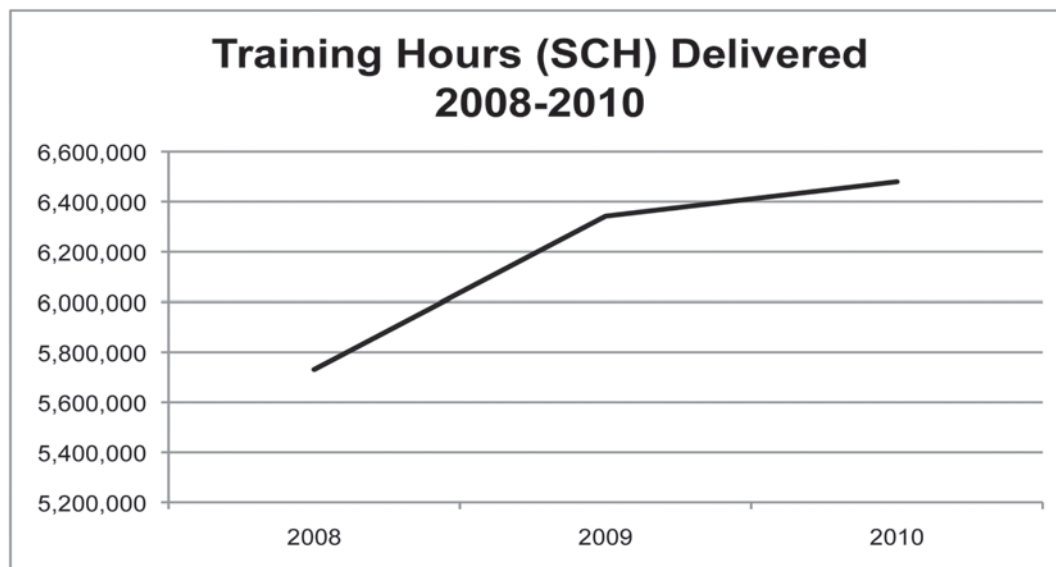
### Context

In 2010, flow-on effects of the economic downturn were reflected in shifts in the pattern of demand for Challenger Institute's programs and services. Subdued employment conditions and contraction in certain industry sectors led to continuing slow demand for employment-based training and increased demand for institution based programs in some areas.

The rapid growth in training delivery which Challenger Institute experienced in 2009, eased. The Institute responded by reallocating resources to areas of higher demand and achieving steady results in state priority areas as outlined in this report on operations.

### Training Effort

Figure 1 - Training Hours (SCH) Delivered



Source: Challenger Institute of Technology AVETMISS collection

In 2010 Challenger increased its total service delivery to 6,479,786 training hours (SCH), an increase of 2.2 per cent or 137,790 training hours compared to 2009. This represented training programs provided to a total of 23,052 students, a marginal decrease of 0.2 per cent compared with 23,098 students in 2009.

### A skilled workforce providing industry driven training to meet workforce development needs

Consistent with state and national policies aimed at developing a modern, highly skilled and flexible workforce, Challenger focuses on strategies to better meet workforce needs including:

- improving and growing RPL services.
- increasing training for higher level qualifications and pathways into higher education.
- increasing the amount of training delivered in the workplace.

Challenger Institute administers the Australian Quality Training Framework (AQTF) Learner and Employer Surveys each year to assess the extent to which students are engaging in activities likely to promote high-quality skills outcomes. Participation in the survey program is a requirement for all registered training organisations under the AQTF. A total of 4,551 survey responses were completed by Challenger students and 333 employers across a wide range of industry areas and demographics in 2010.

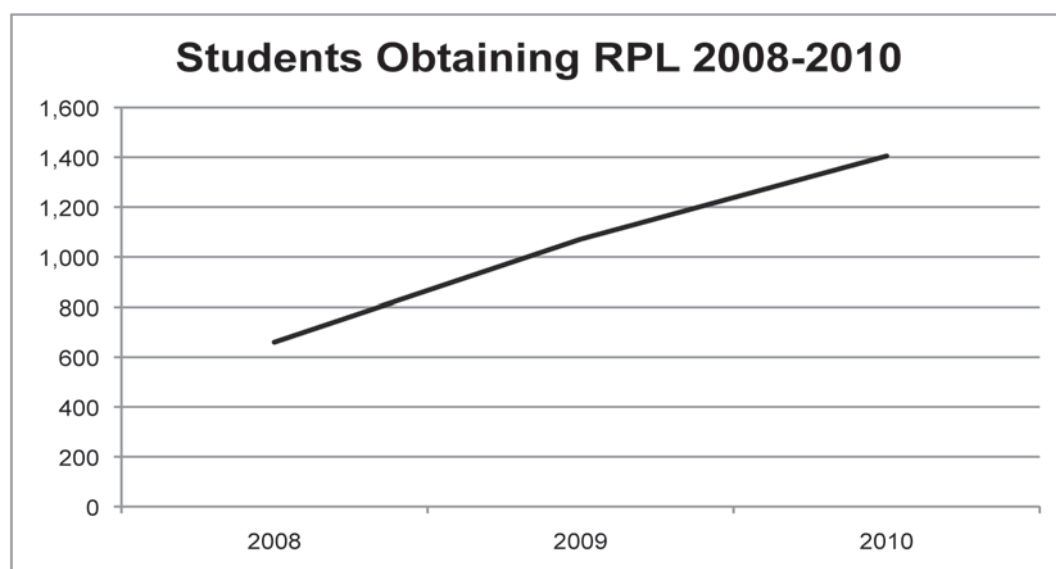
## Highlights:

- 94 per cent of students and 94 per cent of employers agreed the training focused on relevant skills.
- 96 per cent of students agreed that they developed the skills expected from their training.
- 93 per cent of employers agreed that they would recommend Challenger to others.
- 93 per cent of employers agreed that the training was an effective investment.

## Recognition of Prior Learning (RPL)

In 2010, Challenger continued to strongly grow its skills recognition services recording a 31.2 per cent increase in the number of students who obtained RPL. 1,405 individuals obtained skills recognition in 2010 compared to 1,071 in 2009.

**Figure 2 - Students Obtaining RPL 2008 - 2010**



Source: Challenger Institute of Technology AVETMISS collection

## Highlights:

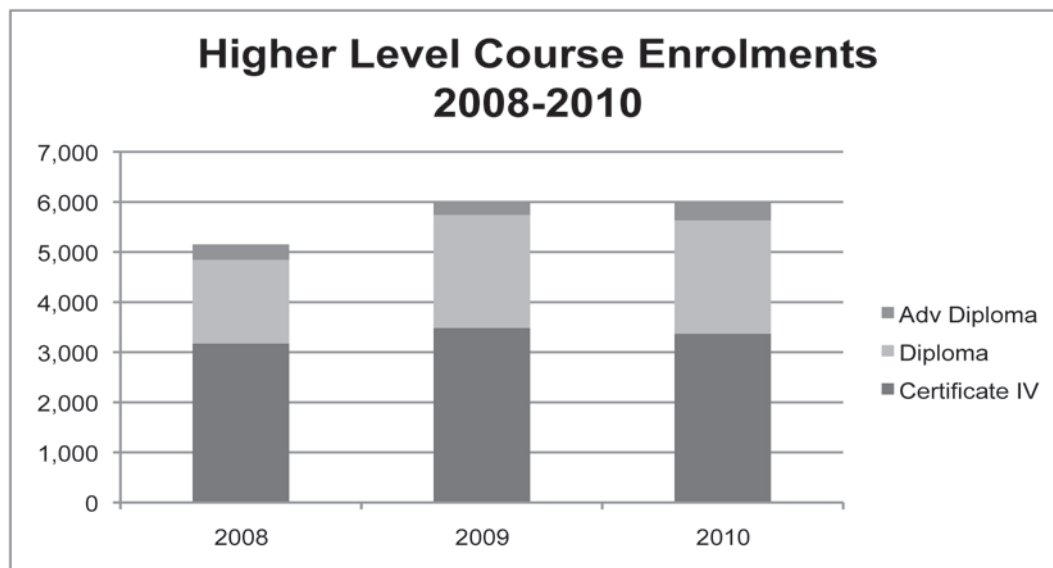
- 322 students obtained RPL within Challenger's defence and resource division including oil and gas and engineering qualifications.
- 98 students obtained RPL in the maritime division.
- 42 students obtained full electrical trade certification through RPL.
- 92 per cent of students and 93 per cent of employers completing the 2010 AQTF Surveys agreed Challenger gave appropriate recognition of existing knowledge and skills.

## Higher Level Qualifications

Increasing the proportion of workers with higher level qualifications is a state and national VET priority. Challenger has expanded the range and depth of qualifications it offers to meet these requirements.

In 2010, there were 5,990 course enrolments at Certificate IV, Diploma and Advanced Diploma levels; a marginal 0.1 per cent or 7 less enrolments than the previous year. This represents moderation of the strong growth of recent years, including a 16.2 per cent increase in Certificate IV and above enrolments recorded in 2009.

Figure 3 - Higher Level Course Enrolments 2008 - 2010



Source: Challenger Institute of Technology AVETMISS collection

#### Highlights:

- 31 per cent increase in Aboriginal students enrolled in Certificate III and higher level courses.
- First intake of students for Diploma of Events management pathway into applied degree under regional campuses project with Murdoch University.
- Accreditation obtained to offer Certificate IV Warehousing and Diploma of Logistics as new high level traineeships.

#### Workplace Training Services

In line with the State Government's *Training WA* goals, Challenger Institute places a high priority on boosting workplace training. In 2010, Challenger delivered 1,998,552 training hours in the workplace, compared with 2,027,241 in 2009. The slight decrease of 1.4 per cent reflected subdued demand and constrained activity in some non-resource industry sectors.

Figure 4 - Training Delivered in Workplace 2008 - 2010



Source: Challenger Institute of Technology AVETMISS collection

Challenger maintained and established new contracts with large enterprises to provide extensive workforce development strategies.



## Highlights:

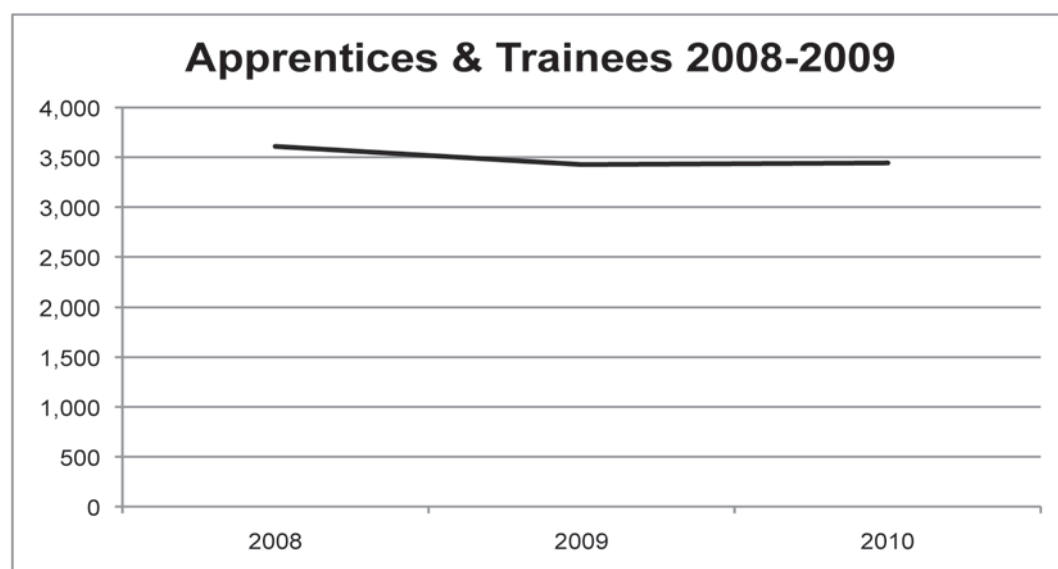
- Through its Australian Centre for Energy and Process Training (ACEPT), Challenger partnered with Woodside and Sage Technology to provide innovative workplace safety training for oil and gas workers.
- Company and site specific workforce development programs provided in conjunction with major employers including St John of God Hospital, Town of Cambridge, Apache, Woodside, BHP steel division, BP, Birla Nifty Copper and ConocoPhillips.
- 90 per cent of employers completing the 2010 AQTF survey agreed that Challenger's training was effectively integrated into their workplace.
- 91 per cent of employers agreed that Challenger provided good support for workplace training and assessment.

## Flexible and Contemporary Apprenticeship and Traineeship Delivery

### *Apprenticeships and Traineeships*

In 2010, there was a slight recovery in apprenticeships and traineeships. Training was provided to 3,443 apprentices and trainees compared to 3,427 in 2009, an increase of 0.5 per cent.

**Figure 5 - Apprentices & Trainees 2008 - 2009**



Source: Challenger Institute of Technology AVETMISS collection

It became apparent in the course of the year that the effect of improving economic conditions was not uniform across industries. Those industries related to mineral resources extraction generated stronger demand for training.

## Highlights:

- Fast track apprenticeships introduced in automotive, electrical, bricklaying and lock-smithing trades.
- Apprenticeship and traineeship targets met in automotive industries, electrical trades and oil and gas.
- Apprenticeship and traineeship targets exceeded in information technology and business, and hospitality and human services.

## Other Skills in Demand

In 2010, there was good demand for institution based training in skills shortage areas as defined by the Department of Training and Workforce Development, with the Institute meeting or exceeding its skills shortage targets in the following industry (WADT) groups.

Building and Construction	Surveying and Building
Finance Insurance Property Service Workers	Forestry Farming and Landcare
Horticulture	Process Manufacturing
Retail	Tourism
Transport Trades, Storage and Associated	Electrical and Electronic Engineering
Accounting and Other Business Services	Science and Technical Workers

### Highlight:

- Established new Women in Engineering program, with the support of Chevron and BHP Billiton in the form of scholarships and industry visits.

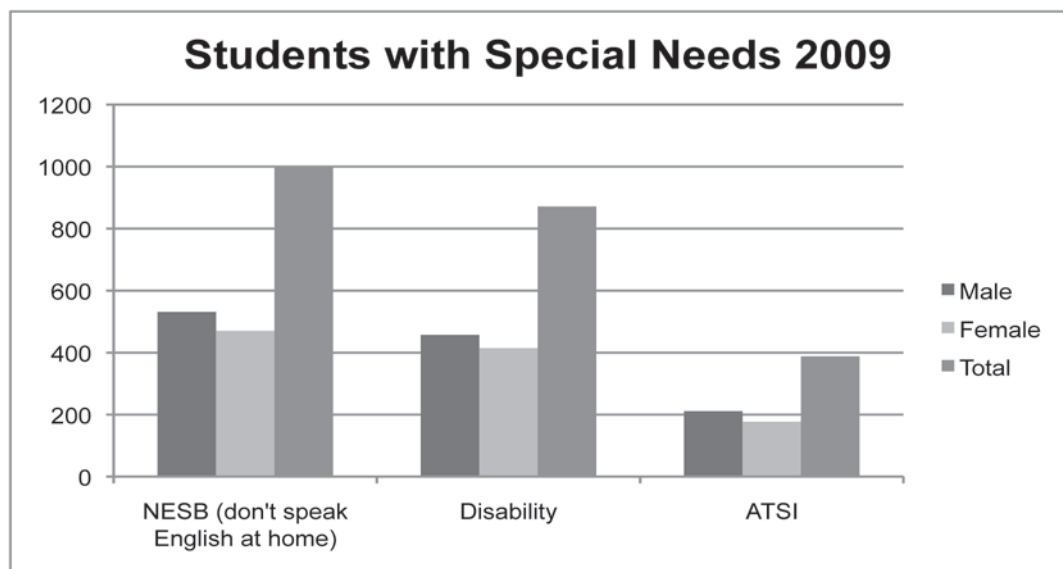
## Individual Participation in Training expanding the Community's Access to Relevant Vocational Education and Training

### Students with Special Needs

In 2010 Challenger Institute continued to provide specialised access and participation programs and strategies to support disadvantaged clients to achieve training and employment outcomes.

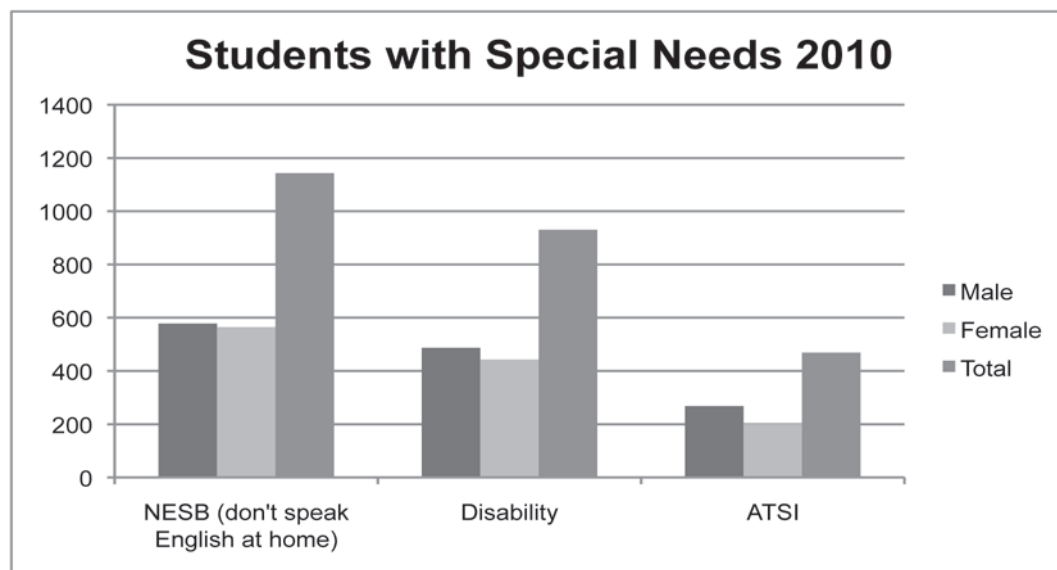
Challenger's Aboriginal programs (ATSI) and access and participation areas provided innovative training and employment programs to boost student retention, completion and progression into higher levels of study and employment. A major focus was the provision of customised bridging courses to meet the needs of target groups such as youth-at-risk, people with disabilities, women returning to the workforce, adults with literacy and numeracy needs, and people needing to learn English as a second language (NESB).

Figure 6a - Students with Special Needs 2009



Source: Challenger Institute of Technology AVETMISS collection

Figure 6b - Students with Special Needs 2010



Source: Challenger Institute of Technology AVETMISS collection

In 2010, there was increased participation of students with special needs in a range of Challenger programs. Enrolments by Aboriginal students increased by 81 or 20.9 per cent; students with a disability by 59 or 6.8 per cent; and students from non-English speaking backgrounds by 142 or 14.2 per cent.

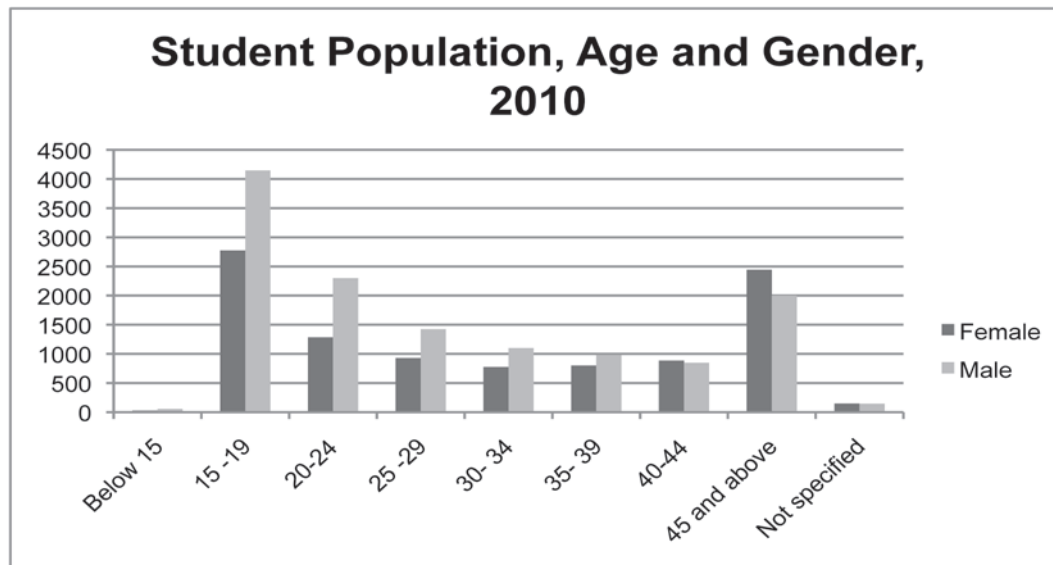
#### Highlights:

- New program in aquaponics for food production provided to Aboriginal students in partnership with Armadale Noongar Corporation.
- In its second year, the One Sky Many Paths program provided mentoring and leadership skills for community development to 40 Aboriginal students leading to the award of a Certificate II in Leadership.
- Industry based English language training delivered in partnership with Austal ships.
- New program supported migrant workers to enhance their occupational opportunities.
- New community based program for people with an intellectual disability delivered in partnership with Cockburn Youth Services.
- 93 per cent of students completing the 2010 AQTF Learner Survey agreed that Challenger staff respected their background and needs.

#### Young People

In 2010, Challenger maintained its strong share of the youth training market with 6,999 or 30.4 per cent of Challenger's student population aged 19 years or younger. This was comparable with 7,093 or 30.7 per cent of the student population in this age group in 2009.

Figure 7 - Student Population, Age and Gender 2010



Source: Challenger Institute of Technology AVETMISS collection

#### Highlights:

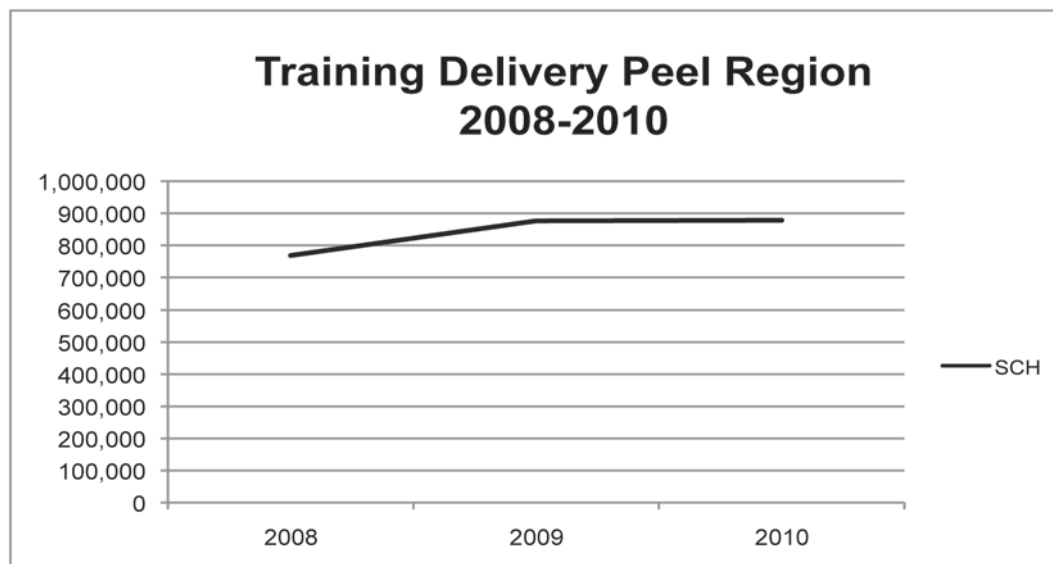
- Partnered with Rockingham Police and Citizens Youth Centre to provide accredited welding program to 33 youth-at-risk participants.
- Community based programs to re-engage young pregnant women in education and training provided in Rockingham, Kwinana and Cockburn.
- 40 students engaged by Youth Access Re-engagement Program to enhance their capacity to undertake further vocational training.

#### Support for Regional Communities

In 2010, course enrolments in the Peel region increased by 1.6 per cent from 3,336 in 2009 to 3,389 in 2010. This represented a slight increase of 0.2 per cent or 1,859 training hours delivered compared to 2009.

Challenger continued its collaboration with local governments and industry on regional development projects, including the South West Corridor Workforce Development Plan. The Institute continued to increase the number of VET courses offered which have formal pathways into Murdoch degree programs.

Figure 8 - Training Delivery Peel Region 2008 - 2010

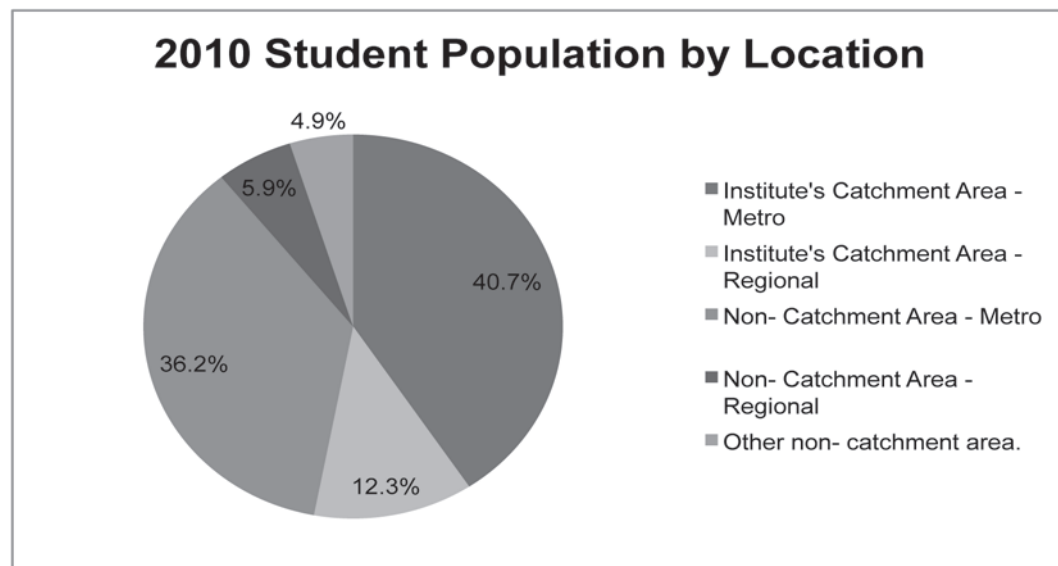


Source: Challenger Institute of Technology AVETMISS collection



In 2010, 18.2 per cent of Challenger students lived in regional locations, including 12.3 per cent in the Peel region.

**Figure 9 - 2010 Student Population by Location**



Source: Challenger Institute of Technology AVETMISS collection

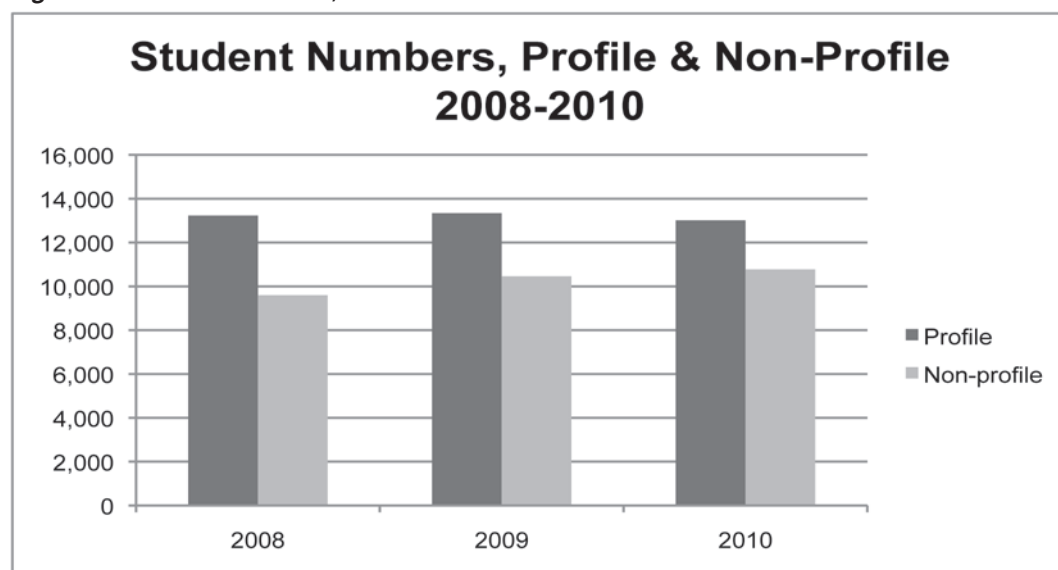
**Highlights:**

- Partnered with Mirvac Group to deliver specialised hospitality and tourism training in the Peel region.
- Partnered with Workability to build capacity for those living with disabilities in Peel, by offering generic employability skills training with a range of industry specific taster courses.
- Tenth anniversary of Peel campus partnership with Murdoch University and Mandurah Senior College offering articulation pathways and skills training in the Peel region.

**A strong enterprising culture generating commercial and international business**

Challenger was able to capitalise on the relative strength of resource related industries to grow its delivery in the competitive and open training market. In 2010, there were 10,770 students enrolled in fee-for-service or non-profile programs, a 3.0 per cent increase compared with 10,456 students in 2009. Contracts with major companies as outlined above were a key factor in this result.

**Figure 10 - Student Numbers, Profile & Non-Profile 2008 - 2010**



Source: Challenger Institute of Technology AVETMISS collection

### Highlights:

- 93 per cent of employers responding to the 2010 AQTF Survey agreed that the training provided by Challenger was an effective investment.

### A capable and flexible training organisation

Challenger continued to grow the capability of its workforce by providing more than 10,025 hours of internal and external professional development. In line with the Institute's commitment to staff development, more than three per cent of the expenditure of the salaries budget was focused on building a culture of learning and innovation within the organisation.

### Highlights:

- 91 per cent of students completing the 2010 AQTF Survey agreed the training Challenger provided was flexible enough to meet their needs.
- 95 per cent of employers completing the 2010 Survey agreed that Challenger trainers were effective in their teaching.

### Actual Results versus Targets

The following performance information (financial and non-financial) is the subject of the Delivery and Performance Agreement between Challenger Institute of Technology and the Department of Training and Workforce Development.

Resources are provided for the delivery of three services, which are linked to Challenger's agency level outcome:

- Training programs for nationally recognised qualifications;
- Apprenticeship and traineeship training; and
- Entry and bridging courses leading into mainstream courses.

### Summary of Financial Targets (further detail is provided in the Financial Statements)

	2010 Target	2010 Actual	Variation	Reason for Significant Variation
Total cost of services (sourced from Statement of Comprehensive Income)	\$84,761,498	\$84,619,746	\$141,752	
Net cost of services (sourced from Statement of Comprehensive Income)	\$60,984,511	\$60,724,415	\$260,096	
Total Equity (sourced from Statement of Financial Position)	\$205,492,945	\$188,351,774	\$17,141,171	Due to devaluation in value of land and buildings held by the Institute.
Net increase/(decrease) in cash held (sourced from Statement of Cash Flows)	\$1,460,508	\$846,095	\$614,413	An additional \$3M has been invested in short term deposits and therefore not reflected in the increase in cash held shown in the Statement of Cash Flows
Approved average Full time Equivalent (FTE) staff level	677	688	11	Due to increase in lecturing staff required to meet demand.

**Summary of Key Performance Indicators (further detail is provided in Disclosures and Legal Requirements)**

Outcome	2010 Target	2010 Actual	Variation	Reason for Significant Variation
<i>Provision of vocational education and training services to meet community and industry training needs</i>				
<b>Key Effectiveness Indicators:</b>				
Overall Student Satisfaction Rating	WA Average 86.7%	85.3%	1.4%	
Graduate Achievement Rating (Main Reason for Training) <sup>1</sup>	n.a.	n.a.	n.a.	
Graduate Destination (Rating) <sup>1</sup>	n.a.	n.a.	n.a.	
Profile Analysis for Challenger	4,616,419 SCH	4,888,062 SCH	271,643 SCH 5.9%	Conservative initial planned delivery target established in context of unstable global and local economic conditions. Addendums to original agreement brought final agreed target for 2010 to 4,835,290 SCH, an increase of 218,871.
Profile Achievement	-	105.88%	-	As above.
Key Efficiency Indicator:				
Overall Cost per SCH	\$14.45	\$13.06	\$1.39	Reduction in cost per SCH was due to a 10% growth in delivery (compared to initial planned delivery targets), which exceeded the growth in employee and other expenses.

<sup>1</sup> Survey administered biennially and not available in 2010.

### **ECONOMIC AND SOCIAL TRENDS**

Challenger's 2011 planning is informed by an economic outlook of upward growth for the State and national economies based on resurgent resource investment, and forecast improvements in the WA labour market from mid-2010 onwards. Ongoing and long-term high demand for tradespeople, including requirements of the local and regional construction, mining and manufacturing industries, continues to be a consistent factor in the Institute's planning. In the medium term a re-emergence of labour shortages is anticipated with the expansion in resources-led activity.

The Institute's strategic directions are also shaped by demographic and social trends within the Peel region, which has a lower qualifications profile and higher unemployment compared to state averages.

### **LIKELY DEVELOPMENTS AND FORECAST RESULTS OF OPERATIONS**

As the pre-eminent provider of training for workers in the oil and gas and minerals processing sectors in the southern hemisphere, Challenger Institute will continue to assist these industries prepare their workforces for major projects which are underway or planned.

Expansion of the maritime component of the oil and gas industry is expected to result in greater demand for marine operations and marine engineering programs. Increased enrolments are also likely in civil structural, mechanical and electrotechnology engineering due to increased mining activity.

Challenger will also respond to the training needs of the human services industries in the South West metropolitan and Peel regions. The opening of the Fiona Stanley Hospital at Murdoch in 2014 underlines the importance of the Institute's programs for training nursing and allied health workers in the region.

Increased participation rates and employment outcomes for Indigenous clients, the long-term unemployed and other groups under-represented in the workforce will remain a strong focus of Institute programs, consistent with state and south west corridor workforce development priorities.

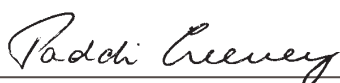
### **CHANGES IN WRITTEN LAW**

There were no changes in any written law that affected the Institute during 2010.

## CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of Challenger Institute of Technology have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 31 December 2010 and the financial position as at 31 December 2010.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Chair of Governing Council

4 March 2011

Dated



Managing Director (member of Governing Council)

4 March 2011

Dated



Chief Financial Officer

3 March 2011

Dated





## Auditor General

### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### CHALLENGER INSTITUTE OF TECHNOLOGY

#### Report on the Financial Statements

I have audited the accounts and financial statements of the Challenger Institute of Technology.

The financial statements comprise the Statement of Financial Position as at 31 December 2010, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

#### *Governing Council's Responsibility for the Financial Statements*

The Governing Council is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Governing Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Governing Council, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Challenger Institute of Technology at 31 December 2010 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

## **Challenger Institute of Technology**

### **Report on Controls**

I have audited the controls exercised by the Challenger Institute of Technology. The Governing Council is responsible for ensuring that adequate control is maintained over the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Governing Council based on my audit conducted in accordance with Australian Auditing Standards.

### ***Opinion***

In my opinion, the controls exercised by the Challenger Institute of Technology are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

### **Report on the Key Performance Indicators**

I have audited the key performance indicators of the Challenger Institute of Technology. The Governing Council is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions.

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing Standards.

### ***Opinion***

In my opinion, the key performance indicators of the Challenger Institute of Technology are relevant and appropriate to assist users to assess the Institute's performance and fairly represent indicated performance for the year ended 31 December 2010.

### **Independence**

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and the Australian Auditing Standards, and other relevant ethical requirements.



COLIN MURPHY  
AUDITOR GENERAL  
16 March 2011

**Challenger Institute of Technology**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**2010**

**2009**

	Notes	\$	\$
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	6	56,010,815	52,974,015
Supplies and services	7	18,336,907	16,782,313
Depreciation and amortisation expense	8	4,574,842	5,425,428
Grants and subsidies	9	52,153	49,143
Cost of sales	14	682,779	627,870
Loss on disposal of non-current assets	18	34,219	34,395
Other expenses	10	4,928,031	5,021,246
<b>Total cost of services</b>		<b>84,619,746</b>	<b>80,914,410</b>
<b>Income</b>			
<b>Revenue</b>			
Fee for service	11	12,836,351	11,851,379
Student fees and charges	12	7,505,036	8,327,708
Ancillary trading	13	956,569	1,170,154
Sales	14	752,312	777,862
Commonwealth grants and contributions	15	128,220	1,912,536
Interest revenue	16	685,176	214,944
Other revenue	17	1,031,667	1,476,036
<b>Total revenue</b>		<b>23,895,331</b>	<b>25,730,619</b>
<b>Total income other than income from State Government</b>		<b>23,895,331</b>	<b>25,730,619</b>
<b>NET COST OF SERVICES</b>		<b>60,724,415</b>	<b>55,183,791</b>
<b>INCOME FROM STATE GOVERNMENT</b>	19		
Service appropriation		59,393,213	55,925,807
Resources received free of charge		948,652	1,119,954
<b>Total income from State Government</b>		<b>60,341,865</b>	<b>57,045,761</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(382,550)</b>	<b>1,861,970</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation surplus		(3,065,490)	(12,610,931)
<b>Total other comprehensive income</b>		<b>(3,065,490)</b>	<b>(12,610,931)</b>
<b>TOTAL COMPREHENSIVE INCOME/(DEFICIT) FOR THE PERIOD</b>		<b>(3,448,040)</b>	<b>(10,748,961)</b>

Refer to note 44 Schedule of Income and Expenses by Service.

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**Challenger Institute of Technology**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

	Notes	2010	2009
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	32	10,434,350	7,585,043
Restricted cash and cash equivalents	20, 32	1,117,029	3,120,241
Inventories	21	229,622	313,586
Receivables	22	2,700,854	2,381,448
Other financial assets	23	3,086,203	-
Other assets	24	460,668	523,498
<b>Total Current Assets</b>		<b>18,028,726</b>	<b>13,923,816</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	25, 27	185,749,123	191,982,633
<b>Total Non-Current Assets</b>		<b>185,749,123</b>	<b>191,982,633</b>
<b>TOTAL ASSETS</b>		<b>203,777,849</b>	<b>205,906,449</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	28	2,823,872	2,281,888
Provisions	29	7,974,671	7,868,462
Other current liabilities	30	552,590	447,758
<b>Total Current Liabilities</b>		<b>11,351,133</b>	<b>10,598,108</b>
<b>Non-Current Liabilities</b>			
Provisions	29	4,074,942	3,513,066
<b>Total Non-Current Liabilities</b>		<b>4,074,942</b>	<b>3,513,066</b>
<b>TOTAL LIABILITIES</b>		<b>15,426,075</b>	<b>14,111,174</b>
<b>NET ASSETS</b>		<b>188,351,774</b>	<b>191,795,275</b>
<b>EQUITY</b>			
Contributed equity	32	42,597,011	42,592,471
Reserves		106,563,557	109,629,047
Accumulated surplus/(deficit)		39,191,206	39,573,757
<b>TOTAL EQUITY</b>		<b>188,351,774</b>	<b>191,795,275</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

**Challenger Institute of Technology**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

		Contributed Equity	Reserves	Accumulated Surplus/(Deficit)	Total Equity
	Notes	\$	\$	\$	\$
Balance at 1 January 2009	32	42,592,471	122,239,978	37,711,787	202,544,236
Total comprehensive income for the year		-	(12,610,931)	1,861,970	(10,748,961)
Balance at 31 December 2009		<u>42,592,471</u>	<u>109,629,047</u>	<u>39,573,757</u>	<u>191,795,275</u>
Total comprehensive income for the year		-	(3,065,490)	(382,550)	(3,448,040)
Transaction with owners in their capacity as owners					
Capital appropriations		4,540	-	-	4,540
Balance at 31 December 2010		<u>42,597,011</u>	<u>106,563,557</u>	<u>39,191,206</u>	<u>188,351,774</u>

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



**Challenger Institute of Technology**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

		2010	2009
	Notes	\$	\$
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Service appropriation - Department of Training and Workforce Development		54,775,100	51,764,719
<b>Net cash provided by State Government</b>		54,775,100	51,764,719
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Employee benefits		(50,583,826)	(46,764,204)
Supplies and services		(16,868,906)	(17,013,744)
Grants and subsidies		(52,153)	(49,143)
GST payments on purchases		(2,022,094)	(1,766,561)
GST payments to taxation authority		(546,367)	(627,574)
Other payments		(5,499,331)	(5,719,920)
<b>Receipts</b>			
Fee for service		12,897,291	11,780,667
Student fees and charges		7,242,629	7,938,118
Ancillary trading		956,569	1,170,154
Commonwealth grants and contributions		128,220	1,912,536
Interest received		612,890	218,897
GST receipts on sales		532,390	625,499
GST receipts from taxation authority		2,007,962	1,774,797
Other receipts		1,785,247	2,260,383
<b>Net cash provided by/(used in) operating activities</b>	33	(49,409,479)	(44,260,096)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		109,346	131,633
Purchase of non-current physical assets		(1,542,670)	(835,392)
Investment in Other current financial assets		(3,086,203)	-
<b>Net cash provided by/(used in) investing activities</b>		(4,519,526)	(703,759)
<b>Net increase/(decrease) in cash and cash equivalents</b>		846,095	6,800,864
Cash and cash equivalents at beginning of period		10,705,284	3,904,420
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	33	11,551,379	10,705,284

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 1 Australian equivalents to International Financial Reporting Standards

#### (a) General

The Institute's financial statements for the year ended 31 December 2010 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

The Institute has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.

#### (b) Early adoption of standards

The Institute cannot early adopt an Australian Accounting Standard unless specifically permitted by Treasurer's Instruction (TI) 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Australian Accounting Standards that have been issued or amended but are not yet effective have been early adopted by the Institute for the annual reporting period ended 31 December 2010.

### 2 Summary of significant accounting policies

The following accounting policies have been adopted in the preparation of these financial statements. Unless otherwise stated, these policies are consistent with those adopted in the previous year.

#### (a) General statement

The financial statements constitute a general purpose financial statement which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the TIs. Several of these are modified by the TIs to vary application, disclosure, format and wording.

The Financial Management Act and the TIs are legislative provisions governing the preparation of financial statements and take precedence over the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

#### (b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land, buildings and infrastructure which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars (\$).

The judgements that have been made in the process of applying the Institute's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at note 3 'Judgements made by management in applying accounting policies'.

The key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed at note 4 'Key sources of estimation uncertainty'.

#### (c) Reporting entity

The reporting entity comprises the Institute and entities listed at note 41 'Related bodies'.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### (d) Contributed equity

AASB Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers, other than as a result of a restructure of administrative arrangements, in the nature of equity contributions to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions. Capital appropriations are designated as contributions by owners per TI 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

Transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by/distributions to owners where the transfers are non-discretionary and non-reciprocal. See note 32 'Equity'.

### (e) Income

#### *Revenue recognition*

Revenue is measured at the fair value of consideration received or receivable.

The majority of operating revenue of the Institute represents revenue earned from student fees and charges, fee for service, ancillary services, trading activities and Commonwealth grants and contributions.

#### *Sale of goods*

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser and can be measured reliably.

#### *Provision of services*

Revenue is recognised on delivery of the service to the client or by reference to the stage of completion of the transaction.

#### *Interest*

Revenue is recognised as the interest accrues. The effective interest method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset, is used where applicable.

#### *Grants, donations, gifts and other non-reciprocal contributions*

Revenue is recognised at fair value when the Institute obtains control over the assets comprising the contributions, usually upon their receipt.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

#### *Service appropriations*

Service Appropriations are recognised as revenues at nominal value in the period in which the Institute gains control of the appropriated funds.

The Institute gains control of appropriated funds at the time those funds are deposited to the bank account.

#### *Gains*

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

### (f) Property, plant and equipment and infrastructure

#### *Capitalisation/Expensing of assets*

Items of property, plant and equipment and infrastructure costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Where applicable in accordance with TI 1101, the capitalisation threshold has been applied to the aggregate value of a group or network of assets where the cost of individual item may be below the threshold but collectively the cost of the items in the group or network exceeds the threshold. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### *Initial recognition and measurement*

All items of property, plant and equipment and infrastructure are initially recognised at cost. For items of property, plant and equipment and infrastructure acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

### *Subsequent measurement*

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land, buildings and infrastructure and the cost model for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation on buildings and accumulated impairment losses.

All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Where market-based evidence is not available, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Where the fair value of buildings is dependent on using the depreciated replacement cost, the gross carrying amount and the accumulated depreciation are restated proportionately.

Independent valuations of land and buildings are provided annually by the Western Australian Land Information Authority (Landgate Valuation Services) and recognised with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets. Refer to note 25 'Property, plant and equipment' for further information on revaluations.

### *Derecognition*

Upon disposal or derecognition of an item of property, plant and equipment and infrastructure, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

### *Asset revaluation surplus*

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets as described in note 25 'Property, plant and equipment'.

### *Depreciation*

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner which reflects the consumption of their future economic benefits.

Land is not depreciated. Depreciation on other assets is calculated on the straight line method over its useful life, using rates which are reviewed annually.

Estimated useful lives for each class of depreciable asset are:

Buildings	40 to 94 years
Leasehold Improvements	2 to 10 years
Motor vehicles, caravans and trailers	4 to 13 years
Plant, furniture and general equipment	5 to 23 years
Computing, communications and software <sup>(a)</sup>	1 to 15 years
Marine craft	8 to 19 years

<sup>(a)</sup> Software that is integral to the operation of related hardware.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### **(g) Intangible assets**

#### *Capitalisation/Expensing of assets*

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more, are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are recognised as an expense in the Statement of Comprehensive Income.

All acquired and internally developed intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life) on the straight line basis using rates which are reviewed annually. All intangible assets controlled by the Institute have a finite useful life and zero residual value. The expected useful lives for each class of intangible asset are:

Software <sup>(a)</sup> 3 to 4 years

<sup>(a)</sup> Software that is not integral to the operation of any related hardware.

#### *Licences*

Licences have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

#### *Research and development costs*

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future recoverability can reasonably be regarded as assured and the total project costs are likely to exceed \$50,000. Other development costs are expensed as incurred.

#### *Computer software*

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

#### *Web site costs*

Web site costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised.

### **(h) Impairment of assets**

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Institute is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life.

Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of assets' future economic benefits and to evaluate any impairment risk from falling replacement costs or a significant change in useful life.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

See note 27 'Impairment of assets' for the outcome of impairment reviews and testing. See note 2(o) 'Receivables' and note 22 'Receivables' for impairment of receivables.

### (i) Non-current assets (or disposal groups) classified as held for sale

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell and are presented separately from other assets in the Statement of Financial Position. Assets classified as held for sale are not depreciated or amortised.

### (j) Leases

The Institute has entered into operating lease arrangements for buildings and motor vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased buildings and motor vehicles.

### (k) Financial instruments

In addition to cash and bank overdraft, the Institute has two categories of financial instruments:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

#### Financial assets

- cash and cash equivalents (including restricted cash and cash equivalents)
- receivables
- term deposits

#### Financial liabilities

- payables

Initial recognition and measurement of financial instruments is at fair value. Usually the transaction cost or face value is equivalent to fair value and sub-sequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

### (l) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include restricted cash and cash equivalents. These are comprised of cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

### (m) Accrued salaries

The accrued salaries suspense account (see note 20 'Restricted cash and cash equivalents') consists of amounts paid annually into a suspense account over a period of ten financial years to largely meet the additional cash outlay in each eleventh year when 27 pay days occur instead of the normal 26.

Accrued salaries (see note 28 'Payables') represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Institute considers the carrying amount of accrued salaries to be equivalent to its net fair value.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### **(n) Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

Inventories not held for resale are valued at cost unless they are no longer required, in which case they are valued at net realisable value.

See note 21 'Inventories'.

### **(o) Receivables**

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts (impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off against the allowance account. The provision for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Institute will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 2(k) 'Financial instruments' and note 22 'Receivables'.

A provision for impairment of receivables is only raised if there is objective evidence of impairment.

### **(p) Payables**

Payables are recognised at the amounts payable when the Institute becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See note 2(k) 'Financial instruments' and note 28 'Payables'.

### **(q) Provisions**

Provisions are liabilities of uncertain timing and/or amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period. See note 29 'Provisions'.

#### **(i) Provisions - employee benefits**

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

##### *Annual leave*

The liability for annual leave expected to be settled within twelve months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Annual leave not expected to be settled within 12 months after the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Institute does not have an unconditional right to the defer settlement of the liability for at least 12 months after the reporting period.

##### *Long service leave*

An actuarial assessment of long service leave undertaken by Price Waterhouse Coopers Actuaries at 31 December 2009 determined that the liability measured using the short hand measurement technique above was not materially different from the liability determined using the present value of expected future payments. This calculation is consistent with the Institute's experience of employee retention and leave taken.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Unconditional long service leave provisions are classified as current liabilities as the Institute does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Conditional long service leave provisions are classified as non-current liabilities because the Institute has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

### *Deferred Leave*

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional twelve months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. The liability is measured on the same basis as annual leave. Deferred leave is reported as a non current provision until the fifth year.

### *Superannuation*

The Government Employees Superannuation Board (GESB) in accordance with legislative requirements administers public sector superannuation arrangements in WA.

Eligible employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members since 1995.

The Institute has no liabilities for superannuation charges under those schemes, as the liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits due to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Institute to the GESB. The concurrently funded part of the GSS is a defined contribution scheme as these contributions extinguish all liabilities in respect of the concurrently funded GSS obligations.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS became non-contributory members of the West State Superannuation (WSS) Scheme. Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Institute makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS.

The GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

See also note 2(r) 'Superannuation expense'.

### **(ii) Provisions - other**

#### *Employment on-costs*

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as expenses and liabilities when the employment, to which they relate, has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Institute's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'. (See note 10 'Other expenses' and note 29 'Provisions'.)

### **(r) Superannuation expense**

The superannuation expense in the Statement of Comprehensive Income comprises of employer contributions paid to the GSS (concurrent contributions), the West State Superannuation Scheme (WSS), and the GESB Super Scheme (GESBS).

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Institute to GESB extinguish all of the Institute's obligations to the related superannuation liability.

### **(s) Resources received free of charge or for nominal cost**

Resources received free of charge or for nominal cost that can be reliably measured are recognised as income and as assets or expenses, as appropriate, at fair value.

Where assets or services are received from another State Government agency, these are separately disclosed under Income from State Government in the Statement of Comprehensive Income .

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### (t) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

### 3 Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Institute evaluates these judgements regularly.

#### *Operating Lease Commitments*

The Institute has entered into commercial leases and has determined that the lessors' retain substantially all the significant risks and rewards incidental to ownership of the property. Accordingly, the leases have been classified as operating leases.

### 4 Key sources of estimation uncertainty

The Institute makes key estimates and assumptions concerning the future. These estimates and assumptions are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

- Estimating useful life and residual value of key assets
- Estimating depreciated replacement cost
- Long service leave - retention rates and discount rates
- Annual land and building valuations

### 5 Disclosure of changes in accounting policy and estimates

#### *Initial application of an Australian Accounting Standard*

The Institute has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 January 2010 that impacted on the Institute.

AASB 2008-13 - Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110].

This Standard amends AASB 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the classification, presentation and measurement of non-current assets held for distribution to owners in their capacity as owners. This may impact on the presentation and classification of Crown land held by the Institute where the Crown land is to be sold by the Department of Regional Development and Lands (formerly Department for Planning and Infrastructure). There is no financial impact resulting from the Standard being first applied prospectively.

#### **Voluntary changes in accounting policy**

There have been no voluntary changes in accounting policy.

#### **Future impact of Australian Accounting Standards not yet operative**

The Institute cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Institute has not applied early the following Australian Accounting Standards that have been issued and which may impact the Institute but are not yet effective. Where applicable, the Institute plans to apply these Australian Accounting Standards from their application date:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Title	Operative for reporting periods
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 & 1038 and Interpretations 10 & 12]. The amendment to AASB 7 'Financial Instruments: Disclosures' requires modification to the disclosure of categories of financial assets. The Institute does not expect any financial impact when the Standard is first applied. The disclosure of categories of financial assets in the notes will change	1-Jan-13
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. The Standard does not have any financial impact on the Institute. However it may affect disclosures in the financial statements of the Institute if the reduced disclosure requirements apply. The Department of Treasury and Finance (DTF) has not yet impact of the new Standard for agencies determined the application or the potential.	1-Jul-13
AASB 2010-2 - Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements into these pronouncements for application by certain types of entities. The Standard is not expected to have any financial impact on the Institute. However this Standard may reduce some note disclosures in the financial statements of the Institute. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.	1-Jul-13

### Changes in Accounting Estimates

There have been no changes in accounting estimates.

### 6 Employee benefits expense

	2010 \$	2009 \$
Wages and salaries (a)	51,392,702	48,812,927
Superannuation - defined contribution plans (b)	4,618,113	4,161,088
	<b>56,010,815</b>	<b>52,974,015</b>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution component and redundancy payments.

(b) Defined contribution plans include West State, and Gold State and GESB Super Scheme (contributions paid). Employment on-costs such as workers' compensation insurance are included at note 10 'Other expenses'. The employment on-costs liability is included at note 29 'Provisions'.

### 7 Supplies and services

Consumables and minor equipment	4,061,181	4,222,912
Communication expenses	603,758	673,468
Utilities expenses	1,614,907	1,575,806
Consultancies and contracted services	5,898,024	5,679,433
Minor works	3,218,896	1,900,069
Repairs and maintenance	389,289	215,816
Operating lease and hire charges	1,081,710	1,367,935
Travel and passenger transport	192,085	182,202
Advertising and public relations	594,980	404,420
Supplies and services - other	682,078	560,251
	<b>18,336,907</b>	<b>16,782,313</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 \$	2009 \$
<b>8 Depreciation and amortisation expense</b>		
Depreciation		
Buildings	2,427,799	2,745,355
Leasehold improvements - buildings	730,216	1,241,286
Motor vehicles, caravans and trailers	72,426	113,859
Plant, furniture and general equipment	1,069,360	1,086,672
Computers and communication network	213,050	177,011
Marine craft	61,990	61,245
<b>Total depreciation and amortisation</b>	<b>4,574,842</b>	<b>5,425,428</b>
<b>9 Grants and subsidies</b>		
<i>Recurrent</i>		
Adult and community education organisations		
Payments to non-TAFE providers for VET service delivery	47,797	23,161
Other	4,356	25,982
	<b>52,153</b>	<b>49,143</b>
<b>10 Other expenses</b>		
Building maintenance	1,164,755	913,979
Doubtful debts expense	43,611	(117,658)
Employment on-costs (a)	3,513,901	3,800,561
Donations	1,100	500
Student prizes and awards	44,419	28,471
Losses and write-offs	9,035	7,193
Other (c)	151,210	388,200
	<b>4,928,031</b>	<b>5,021,246</b>
<p>(a) Includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 29 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.</p> <p>(b) Non-current assets available for sale are measured at lower of carrying amount and fair value less selling costs.</p> <p>(c) Includes shared library operating costs, foreign exchange loss etc.</p>		
<b>11 Fee for service</b>		
Fee for service - general	6,356,038	6,402,446
Fee for service - Department of Training and Workforce Development	451,941	362,638
Fee for service - Government (other than Department of Training and Workforce Development)	87,394	79,498
Adult community education fees	590,638	620,199
International division fees	5,350,340	4,386,598
	<b>12,836,351</b>	<b>11,851,379</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 \$	2009 \$
<b>12 Student fees and charges</b>		
Tuition fees	4,078,365	4,310,669
Enrolment fees	35,975	29,009
Resource fees	3,292,240	3,847,646
Other Institute fees	98,456	140,384
	<b>7,505,036</b>	<b>8,327,708</b>
<b>13 Ancillary trading</b>		
Live works (not a trading activity)	937,056	887,511
Contracting and consulting	-	258,459
Other ancillary revenue	19,513	24,184
	<b>956,569</b>	<b>1,170,154</b>
<b>14 Trading profit/(loss)</b>		
Bookshop:		
Sales	752,312	777,862
Cost of sales:		
Opening inventory	(313,729)	(209,344)
Purchases	(600,550)	(732,255)
	(914,279)	(941,599)
Closing inventory	231,500	313,729
Cost of goods sold	(682,779)	(627,870)
<b>Trading profit - Bookshop</b>	<b>69,532</b>	<b>149,992</b>
See note 2(n) 'Inventories' and note 21 'Inventories'.		
<b>15 Commonwealth grants and contributions</b>		
Commonwealth specific purpose grants and contributions	128,220	1,912,536
	<b>128,220</b>	<b>1,912,536</b>
These grants include Better TAFE Facilities Funds, as well as Fuel Rebate.		
<b>16 Interest revenue</b>		
Interest revenue (from funds on deposit at the Bank)	685,176	214,944
	<b>685,176</b>	<b>214,944</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	\$	\$
<b>17 Other revenue</b>		
Rental and facilities fees	166,412	131,942
Copyright and royalties revenue	-	422
Sponsorship and donations revenue	52,040	15,902
Miscellaneous revenue	813,215	1,327,770
	<b>1,031,667</b>	<b>1,476,036</b>
<b>18 Net (loss) on disposal of non-current assets</b>		
Costs of disposal of non-current assets		
Land		
Buildings		
Motor vehicles, caravans and trailers	(72,214)	(168,801)
Plant, furniture and general equipment	(45,574)	(5,214)
Computers and communication network	(9,244)	(8,545)
Total cost of disposal of non-current assets	(127,033)	(182,560)
Proceeds from disposal of non-current assets		
Motor vehicles, caravans and trailers	69,682	148,091
Plant, furniture and general equipment	23,017	74
Computers and communication network	114	-
Total proceeds from disposal of non-current assets	92,813	148,165
<b>Net (loss)</b>	<b>(34,219)</b>	<b>(34,395)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 \$	2009 \$
<b>19 Income from State Government</b>		
<u>Appropriation received during the year</u>		
<u>Service appropriation (a) (State funds received from Department of Training and Workforce Development):</u>		
Delivery and Performance Agreement (DPA)	54,249,174	51,648,637
Superannuation	4,618,113	4,161,088
Other recurrent funds	525,926	116,082
<b>Total State funds</b>	<b>59,393,213</b>	<b>55,925,807</b>
<u>Resources received free of charge determined on the basis of the following estimates provided by agencies (d):</u>		
Department of Training and Workforce Development		
- Corporate systems support	793,725	483,876
- Marketing and publications	136,876	155,814
- Human resources, and industrial relations support	17,556	210,731
- Other	495	269,533
<b>Total resources received free of charge</b>	<b>948,652</b>	<b>1,119,954</b>
<b>Total income from State Government</b>	<b>60,341,865</b>	<b>57,045,761</b>

- (a) Service appropriations are accrual amounts reflecting the net cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.
- (b) In 2008, the reporting of the notional superannuation expense and equivalent notional income has been discontinued. Where the Treasurer or other entity has assumed a liability, the Institute recognises revenues equivalent to the amount of the liability assumed and an expense relating to the nature of the event or events that initially gave rise to the liability.
- (c) Discretionary transfers of assets between State Government agencies are reported as assets assumed/(transferred) under Income from State Government. Non discretionary non reciprocal transfers of net assets (i.e.. restructuring of administrative arrangements) have been classified as Contributions by Owners (CBOs) under TI 955 and are taken directly to equity.
- (d) Where assets or services have been received free of charge or for nominal cost, the Institute recognises revenues equivalent to the fair value of the assets and/or the fair value of those services that can be reliably measured and which would have been purchased if they were not donated, and those fair values shall be recognised as assets or expenses, as applicable. Where the contribution of assets or services are in the nature of contributions by owners, the Institute makes an adjustment direct to equity.

## 20 Restricted cash and cash equivalents

Better TAFE facilities funding (a)	-	1,721,782
Specific capital equipment and minor works (b)	61,325	474,891
Provision for 27th Pay (c)	1,055,703	923,568
	<b>1,117,029</b>	<b>3,120,241</b>

- (a) Commonwealth Government funding of Better TAFE facilities
- (b) Capital equipment funding received from the Department of Training and Workforce Development can only be spent on the nominated purpose.
- (c) Provision of the 27th Pay - over a period of ten financial years cash is set aside to meet the additional cash outlay in each eleventh year when 27 pay days occur instead of the normal 26.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 \$	2009 \$
<b>21 Inventories</b>		
<u>Inventories held for resale:</u>		
Bookshop (at cost)	231,500	313,729
	231,500	313,729
Less: Provision for obsolete stock	(1,878)	(142)
	229,622	313,586
<b>Total</b>	<b>229,622</b>	<b>313,586</b>

See also note 2(n) 'Inventories' and note 14 'Trading profit/(loss)'.

## 22 Receivables

### Current

Receivables - trade	1,171,581	1,225,370
Receivables - students	1,450,129	1,128,597
Accrued income	584,576	552,937
Allowance for impairment of receivables	(733,469)	(739,361)
GST receivable	228,038	213,905
	2,700,854	2,381,448
<b>Total current</b>	<b>2,700,854</b>	<b>2,381,448</b>

### Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of year	(739,361)	(933,301)
Doubtful debts expense recognised in the Statement of Comprehensive Income	(43,611)	117,658
Amount written off during the year	52,805	76,395
Amount recovered during the year	(3,332)	(112)
<b>Balance at end of year</b>	<b>(733,469)</b>	<b>(739,361)</b>

The Authority does not hold any collateral as security or other credit enhancements relating to receivables.

See also note 2(o) 'Receivables' and note 38 'Financial instruments'.

## 23 Other financial assets

### Current

Cash investments (a)	3,086,203	-
(a) Term deposit for six months at the Bank		

## 24 Other assets

### Current

Prepayments	460,668	523,498
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 \$	2009 \$
<b>25 Property, plant and equipment</b>		
<u>Land</u>		
At fair value (a)	78,660,000	78,560,000
	<u>78,660,000</u>	<u>78,560,000</u>
<u>Buildings</u>		
At fair value (a)	91,540,000	97,110,000
	<u>91,540,000</u>	<u>97,110,000</u>
<u>Buildings under construction</u>		
Construction costs	1,289,398	622,131
	<u>1,289,398</u>	<u>622,131</u>
<u>Leasehold improvements</u>		
At cost	9,181,189	9,181,189
Accumulated depreciation	(4,139,704)	(3,409,488)
	<u>5,041,484</u>	<u>5,771,701</u>
<u>Motor vehicles, caravans and trailers</u>		
At cost	557,191	677,416
Accumulated depreciation	(393,143)	(370,104)
	<u>164,048</u>	<u>307,312</u>
<u>Plant, furniture and general equipment</u>		
At cost	12,936,362	12,875,599
Accumulated depreciation	(45,249,988)	(3,755,355)
	<u>8,411,364</u>	<u>9,120,243</u>
<u>Computer equipment, communication network</u>		
At cost	2,368,387	2,056,311
Accumulated depreciation	(1,816,523)	(1,721,163)
	<u>551,864</u>	<u>335,148</u>
<u>Marine craft</u>		
At cost	910,361	920,633
Accumulated depreciation	(819,395)	(764,535)
	<u>90,965</u>	<u>156,098</u>
	<u><b>185,749,123</b></u>	<u><b>191,982,633</b></u>

- (a) Freehold land and buildings were revalued as at 1 July 2010 by the Western Australian Land Information Authority (Landgate). The valuations were performed during the year ended 31 December 2010 and recognised at 31 December 2010. In undertaking the revaluation, fair value was determined by reference to the market value of land \$12,600,000. For the remaining balance, fair value of land and buildings was determined on the basis of depreciated replacement cost. See note 2(f) 'Property, plant and equipment'.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out below.

	Land	Buildings	Construction in progress	Leasehold improvements	Motor vehicles, caravans and trailers	Plant, furniture and general equipment	Computer equipment, communication network	Marine craft	Total
2010	\$	\$	\$	\$	\$	\$	\$	\$	\$
Carrying amount at start of year	78,560,000	97,110,000	622,131	5,771,701	307,312	9,120,243	335,148	156,098	191,982,633
Additions	-	23,290	1,055,972	-	-	239,740	205,766	3,227	1,527,995
Transfers	-	-	(388,705)	-	-	164,705	224,000	-	-
Disposals	-	-	-	-	(70,838)	(43,964)	-	(6,371)	(121,173)
Revaluation increments/ (decrements)	100,000	(3,165,490)	-	-	-	-	-	-	(3,065,490)
Depreciation expense	-	(2,427,799)	-	(730,216)	(72,426)	(1,069,360)	(213,050)	(61,990)	(4,574,842)
Carrying amount at end of year	78,660,000	91,540,000	1,289,398	5,041,484	164,048	8,411,364	551,864	90,965	185,749,123

	Land	Buildings	Construction in progress	Leasehold improvements	Motor vehicles, caravans and trailers	Plant, furniture and general equipment	Computer equipment, communication network	Marine craft	Total
2009	\$	\$	\$	\$	\$	\$	\$	\$	\$
Carrying amount at start of year	81,260,000	109,676,508	459,669	7,012,986	586,075	9,777,657	391,319	209,138	209,373,352
Additions	-	-	521,300	-	-	170,271	120,840	8,205	820,614
Transfers	-	89,779	(358,837)	-	-	269,058	-	-	-
Disposals	-	-	-	-	(164,904)	(10,071)	-	-	(174,975)
Revaluation increments/ (decrements)	(2,700,000)	(9,910,931)	-	-	-	-	-	-	(12,610,931)
Depreciation expense	-	(2,745,355)	-	(1,241,286)	(113,859)	(1,086,672)	(177,011)	(61,245)	(5,425,428)
Carrying amount at end of year	78,560,000	97,110,000	622,131	5,771,701	307,312	9,120,243	335,148	156,098	191,982,633

- (a) Recognised in the Statement of Comprehensive Income. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in the Statement of Comprehensive Income. Where an asset measured at fair value is written down to recoverable amount, the loss is accounted for as a revaluation decrement.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 \$	2009 \$
<b>26 Intangible assets</b>		
<u>Computer software</u>		
At cost	144,909	144,909
Accumulated amortisation	(144,909)	(144,909)
	-	-
<b>27 Impairment of assets</b>		
There were no indications of impairment of property plant, equipment and intangibles as at 31 December 2010.		
The Institute held no goodwill or intangible assets with indefinite useful life during the reporting period and at the end of the reporting period there were no intangible assets not yet available for use.		
All surplus assets as at 31 December 2010 have either been classified as assets held for sale or written off.		
<b>28 Payables</b>		
<u>Current</u>		
Trade payables	27,458	1,147
GST payable	33,769	47,746
Accrued expenses	1,745,551	1,356,693
Accrued salaries and related costs	1,017,094	876,302
<b>Total current</b>	<b>2,823,872</b>	<b>2,281,888</b>
See also note 2(p) 'Payables' and note 38 'Financial Instruments'.		
<b>29 Provisions</b>		
<u>Current</u>		
Employee benefits provision		
Annual leave (a)	4,041,619	4,154,417
Long service leave (b)	3,453,801	3,084,490
Salary deferment	13,228	133,950
	7,508,648	7,372,856
Other provisions		
Employment on-costs (c)	466,022	495,606
	466,022	495,606
<b>Total current</b>	<b>7,974,671</b>	<b>7,868,462</b>
<u>Non-current</u>		
Employee benefits provision		
Annual leave		
Long service leave (b)	3,631,816	3,144,820
Salary deferment	215,074	139,915
	3,846,890	3,284,735
Other provisions		
Employment on-costs (c)	228,052	228,331
	228,052	228,331
<b>Total non-current</b>	<b>4,074,942</b>	<b>3,513,066</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 \$	2009 \$
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follow:		
Within 12 months of the end of the reporting period	3,339,460	2,825,474
More than 12 months after the end of the reporting period	702,159	1,328,942
	<b>4,041,619</b>	<b>4,154,416</b>

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:		
Within 12 months of the end of the reporting period	952,565	2,185,429
More than 12 months after the end of the reporting period	6,133,052	4,043,881
	<b>7,085,617</b>	<b>6,229,310</b>

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in note 10 'Other expenses'

### Movements in other provisions

Movements in each class of provisions during the financial year, other than employee benefits, are set out below.

### Employment on-cost provision

Carrying amount at start of year	723,937	560,402
Additional provisions recognised	285,930	394,412
Payments/other sacrifices of economic benefits	(315,793)	(230,877)
<b>Carrying amount at end of year</b>	<b>694,074</b>	<b>723,937</b>

## 30 Other liabilities

### Current

Income received in advance (a)	131,805	38,873
Money/deposits held in trust	46,905	43,989
Other	373,880	364,896
<b>Total current liabilities</b>	<b>552,590</b>	<b>447,758</b>
(a) Income received in advance comprises:		
Fee for service	20,301	19,033
Student fees and charges	111,504	19,840
	<b>131,805</b>	<b>38,873</b>

## 31 Derivatives

Foreign exchange forward contract	-	24,378
Amount due to the Treasurer	-	<b>24,378</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2010  
\$

2009  
\$

The Institute had an exposure to changes in foreign exchange rates resulting from the contract to purchase a binary distillation column from Canada. This required the payment for the tower to be made in Canadian Dollars. The Institute used a forward exchange contract, transacted with the Western Australian Treasury Corporation, in Canadian Dollars to hedge this risk.

At the balance sheet date the net fair value of the contract was an asset of \$0 (2009 \$24,378) and a liability of \$0 (2009 : \$24,378).

At balance sheet date, the details of outstanding foreign exchange contracts are:

	2010 \$	2009 \$	2010 \$	2009 \$
	Sell AUD	Sell AUD	Average Exchange Rate	Average Exchanged Rate
Buy Canadian Dollars				
Maturity				
0-6 Months	-	28,817	-	0.7925

### 32 Equity

Equity represents the residual interest in the net assets of the Institute. The Government holds the equity interest in the net assets of the Institute. The Government holds the equity interest in the Institute on behalf of the community. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

#### Contributed equity

Balance at start of year	42,592,471	42,592,471
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#### Contributions by owners

Capital appropriation (a)	4,540	-
<b>Total contributions by owners</b>	<b>4,540</b>	<b>-</b>

#### **Balance at end of year**

<b>42,597,011</b>	<b>42,592,471</b>
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(a) Treasurer's instruction TI 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities' designates Capital Appropriations as contributions by owners in accordance with AASB. Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

#### Reserves

Asset revaluation surplus

Balance at start of year	109,629,047	122,239,978
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Net revaluation increments/(decrements)

Land	100,000	(2,700,000)
Buildings	(3,165,490)	(9,910,931)
	<b>106,563,557</b>	<b>109,629,047</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	\$	\$
<u>Accumulated surplus/(deficit)</u>		
Balance at start of year	39,573,757	37,711,787
Result for the period	(382,550)	1,861,970
<b>Balance at end of year</b>	<b>39,191,206</b>	<b>39,573,757</b>

### 33 Notes to the Statement of Cash Flows

#### Reconciliation of cash

Cash at the end of the financial year, as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand	15,588	16,139
Cash advances	778	3,229
Cash at bank	5,764,804	6,066,651
Short term deposits (At call and Term Deposit maturing 14/1/2011)	4,653,180	1,499,023
	10,434,350	7,585,043
Restricted cash and cash equivalents (refer to note 20 'Restricted cash and cash equivalents')	1,117,029	3,120,241
	<b>11,551,379</b>	<b>10,705,284</b>

#### Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

Net cost of services	(60,724,415)	(55,183,791)
Non-cash items:		
Depreciation and amortisation expense	4,574,842	5,425,428
Doubtful debts expense	43,611	(117,658)
Superannuation expense	4,618,113	4,161,088
Resources received free of charge	953,192	1,119,954
Net (gain)/loss on sale of property, plant and equipment	34,219	34,395
Losses and write-offs (excludes cash shortages/thefts of money)	8,814	7,193
(Increase)/decrease in assets:		
Current receivables (c)	(365,418)	(112,455)
Current inventories	83,964	(104,243)
Other assets	62,830	(146,053)
Increase/(decrease) in liabilities		
Current payables (c)	555,962	(880,661)
Current provisions	106,208	641,872
Other current liabilities	104,832	(147,906)
Non-current provisions	561,877	1,036,580

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 \$	2009 \$
Other non-current liabilities		
Net GST receipts/(payments) (a)	(1,489,704)	(1,141,062)
Change in GST in receivables/payables (b)	1,461,594	1,147,224
Net cash provided by/(used in) operating activities	<b>(49,409,479)</b>	<b>(44,260,096)</b>
(a) This is the net GST paid/received, i.e. cash transactions		
(b) This reverses out the GST in receivables and payables		
(c) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included as they are not reconciling items.		

At the end of the reporting period, the Authority had fully drawn on all financing facilities, details of which are disclosed in the financial statements .

### 34 Commitments

#### Capital expenditure commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

Within 1 year	222,114	155,628
	<b>222,114</b>	<b>155,628</b>
The capital commitments include amounts for:		
Plant & Equipment	<b>222,114</b>	<b>155,628</b>

#### Lease commitments

Commitments in relation to leases contracted for at the end of the reporting period but not recognised in the financial statements, are payable as follows:

Within 1 year	1,042,473	938,652
Later than 1 year and not later than 5 years	2,287,836	2,347,057
Later than 5 years	1,367,044	1,739,863
	<b>4,697,353</b>	<b>5,025,572</b>
Representing:		
Non-cancellable operating leases	4,697,353	5,025,572
	<b>4,697,353</b>	<b>5,025,572</b>

#### Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

Within 1 year	1,042,473	938,652
Later than 1 year and not later than 5 years	2,287,836	2,347,057
Later than 5 years	1,367,044	1,739,863
	<b>4,697,353</b>	<b>5,025,572</b>

The non-cancellable operating leases relate and State Fleet motor vehicle leases.

The main property lease relates to the Fleet Street Fremantle facility leased from the Fremantle Port Authority, with seven years remaining, with rent payable monthly in advance. Contingent rent provisions within the lease agreement require the minimum lease payments shall be reviewed three yearly with the next review due on 31 October 2012.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	\$	\$
<u>Other expenditure commitments contracted for at the end of the reporting period date but not recognised as liabilities are payable as follows:</u>		
Within 1 year	1,210,067	1,834,414
	<b>1,210,067</b>	<b>1,834,414</b>

These commitments are inclusive of GST.

### 35 Contingent liabilities and contingent assets

There are no contingent assets or contingent liabilities.

### 36 Events occurring after the reporting period

No events occurred after balance date that would have a significant impact on the Institute's financial position as at 31 December 2010.

### 37 Explanatory statement

Significant variations between estimates and actual results for income and expense are shown below. Significant variations are considered to be those greater than \$500,000.

#### Significant variances between estimated and actual result for the financial year 2010

	2010 Estimate	2010 Actual	Variance
Expense	\$	\$	\$
1. Employee expenses	53,777,401	56,010,815	2,233,414
2. Supplies and services	19,560,788	18,336,907	(1,223,881)
3. Depreciation and amortisation expense	5,142,940	4,574,842	(568,098)
4. Other expenses	5,471,399	4,928,031	(543,368)
<b>Revenue</b>			
5. Fee for service	12,198,380	12,836,351	637,971
6. Other revenue	1,604,570	1,031,667	(572,903)
7. Service appropriation	53,436,062	59,393,213	5,957,151
8. Resources received free of charge	1,540,000	948,652	(591,348)

1. Employee expenses - increased expenditure on salaries due to growth in delivery.
2. Supplies and services - decreased as the Resources Provided Free of Charge plus Contracted and Consultancy services were significantly below the estimates.
3. Depreciation and amortisation expense - decreased due to the reduction in building valuations and amortisation of a vacated property's leasehold improvements in 2009.
4. Other expenses - decreased as workers compensation insurance and payroll tax were less than Estimated, offset by increased building maintenance expense.
5. Fee for service - increased due to additional International Student enrolments.
6. Other revenue - decreased due to reduced recoups from external parties.
7. Service appropriation - increased funding due to growth in profile delivery.
8. Resources received free of charge - reduction in resources provided by the Department of Training and Workforce Development.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### Significant variances between actual 2010 and prior year actual 2009

Expense	2010 \$	2009 \$	Variance \$
9. Employee expenses	56,010,815	52,974,015	3,036,800
10. Supplies and services	18,336,907	16,782,313	1,554,594
11. Depreciation and amortisation expense	4,574,842	5,425,428	(850,586)
<b>Revenue</b>			
12. Fee for service	12,836,351	11,851,379	984,972
13. Student fees and charges	7,505,036	8,327,708	(822,672)
14. Commonwealth grants and contributions	128,220	1,912,536	(1,784,316)
15. Service appropriation	59,393,213	55,925,807	3,467,406

9. Employee expenses - increased expenditure on salaries due to growth in delivery.

10. Supplies and Services - increased minor works expenditure due to the Better TAFE facilities funding and investment in Information Systems switches and wireless networks.

11. Depreciation and amortisation expense - decreased due to the reduction in building valuations and amortisation of a vacated property's leasehold improvements in 2009.

12. Fee for service - increased due to additional International Student enrolments.

13. Student fees and charges - decreased due to changes in the mix of delivery to students.

14. Commonwealth grants and contributions - decreased as \$1.9 M received in 2009 and \$0.1 M in 2010 as part of the Better TAFE facilities funding.

15. Service appropriation - increased funding from Department of Training and Workforce Development for increased profile delivery.

## 38 Financial instruments

### (a) Financial risk management objectives and policies

Financial instruments held by the Institute are cash and cash equivalents, restricted cash and cash equivalents, receivables and payables. The Institute has limited exposure to financial risks. The Institute's overall risk management program focuses on managing the risk identified below:

#### Credit risk

Credit risk arises when there is the possibility of the Institute's receivables defaulting on their contractual obligations resulting in financial loss to the Institute.

The maximum exposure to credit risk at end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment as shown in the table at note 38(c) 'Financial instruments disclosures' and note 22 'Receivables'.

Credit risk associated with the Institute's financial assets is minimal because the main receivable is the amounts receivable for services. For receivables other than government, the Institute trades only with recognised, creditworthy third parties.

The Institute has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

In addition, receivable balances are monitored on an ongoing basis with the result that the Institute's exposure to debt is minimal.

There are no significant concentrations of credit risk.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### *Liquidity risk*

Liquidity risk arises when the Institute is unable to meet its financial obligations as they fall due.

The Institute is exposed to liquidity risk through its trading in the normal course of business.

The Institute has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

### *Market risk*

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Institute's income or the value of its holdings of financial instruments.

The Institute was exposed to foreign risks arising from currency exposure to the Canadian dollar.

Forward contracts transacted with the WATC were used to manage these risks. The purpose of the foreign currency contracts is to protect against the risk that eventual dollar outflows in respect of purchases in foreign currency may be adversely affected by changes in the exchange rate.

### **(b) Categories of financial instruments**

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

	2010	2009
	\$	\$
<u>Financial Assets</u>		
Cash and cash equivalent	10,434,350	7,585,043
Restricted cash and cash equivalent	1,117,029	3,120,241
Receivables (a)	2,472,816	2,167,543
Other financial assets	3,086,203	-
<u>Financial Liabilities</u>		
Payables	2,823,872	2,281,888

(a) The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable).

### **(c) Financial instrument disclosures**

#### Credit risk and interest rate exposures

The following table discloses the Institute's maximum exposure to credit risk, interest rate exposure and the ageing analysis of financial assets. The Institute's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Institute.

The Institute does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

The Institute does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### Interest rate exposure and ageing analysis of financial assets

	Weighted Average Effective Interest Rate	Interest rate exposure				Past due but not impaired					Impaired Financial Assets
		Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non- Interest Bearing	Within 1 year	1-2 Years	2-5 Years	More than 5 years		
	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Financial Assets</b>											
<b>2010</b>											
Cash and cash equivalent	4.8%	10,434,350	-	10,434,350	-	-	-	-	-	-	
Restricted cash and cash equivalent	4.8%	1,117,029	-	1,117,029	-	-	-	-	-	-	
Receivables (a)		2,472,816	-	-	2,472,816	2,179,064	233,204	59,199	1,350	733,469	
Other financial instruments	4.8%	3,086,203	-	3,086,203	-	-	-	-	-	-	
		<b>17,110,398</b>	<b>-</b>	<b>14,637,582</b>	<b>2,472,816</b>	<b>2,179,064</b>	<b>233,204</b>	<b>59,199</b>	<b>1,350</b>	<b>733,469</b>	
<b>2009</b>											
Cash and cash equivalent	2.9%	7,585,043	-	7,585,043	-	-	-	-	-	-	
Restricted cash and cash equivalent	2.9%	3,120,241	-	3,120,241	-	-	-	-	-	-	
Receivables (a)		2,167,543	-	-	2,167,543	1,970,922	147,223	47,528	1,870	(739,361)	
		<b>12,872,827</b>	<b>-</b>	<b>10,705,284</b>	<b>2,167,543</b>	<b>1,970,922</b>	<b>147,223</b>	<b>47,528</b>	<b>1,870</b>	<b>(739,361)</b>	

(a) The amount of receivables excludes the GST receivables from the ATO (statutory receivable).

### Liquidity risk

The following table details the contractual maturity for financial liabilities. The contractual maturity amounts are representative of the undiscounted amounts as at the end of the reporting period. The table includes interest and principal cash flows. An adjustment has been made where material.

### Interest rate exposure and maturity analysis of financial liabilities

	Weighted Average Effective Interest Rate	Interest rate exposure						maturity date			
		Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non- Interest Bearing	Adjustment for discounting	Total Nominal Amount	Within 1 year	1-2 Years	2-5 Years	More than 5 years
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Financial Liabilities</u>											
<b>2010</b>											
Payables	4.8%	2,823,872	-	-	2,823,872	-	-	2,823,872	-	-	-
		2,823,872	-	-	2,823,872	-	-	2,823,872	-	-	-
<b>2009</b>											
Payables	2.9%	2,281,888	-	-	2,281,888	-	-	2,281,888	-	-	-
		2,281,888	-	-	2,281,888	-	-	2,281,888	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Institute's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	- 100 Basis Points			+ 100 Basis Points	
	Carrying amount	Surplus	Equity	Surplus	Equity
2010	\$	\$	\$	\$	\$
<u>Financial Assets</u>					
Cash and cash equivalent	10,434,350	(104,344)	(104,344)	104,344	104,344
Restricted cash and cash equivalent	1,117,029	(11,170)	(11,170)	11,170	11,170
Other financial assets	3,086,203	(30,862)	(30,862)	30,862	30,862
Total Increase/(Decrease)	14,637,582	(146,376)	(146,376)	146,376	146,376

	- 100 Basis Points			+ 100 Basis Points	
	Carrying amount	Surplus	Equity	Surplus	Equity
2009	\$	\$	\$	\$	\$
<u>Financial Assets</u>					
Cash and cash equivalent	7,585,043	(75,850)	(75,850)	75,850	75,850
Restricted cash and cash equivalent	3,120,241	(31,202)	(31,202)	31,202	31,202
Total Increase/(Decrease)	10,705,284	(107,052)	(107,052)	107,052	107,052

### Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 39 Remuneration of members of the Institute and senior officers

#### Remuneration of members of the Institute

The number of members of the Institute whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$	2010	2009
\$0 - \$10,000	13	11
\$180,001 - \$190,000	-	1
\$190,001 - \$200,000	1	-

	\$	\$
The total remuneration of the members of the Institute is:	<u>214,158</u>	<u>193,620</u>

Total remuneration includes the superannuation expense incurred by the Institute in respect of members of the Institute.

#### Remuneration of senior officers

The number of senior officers other than senior officers reported as members of the Institute, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

\$	2010	2009
\$50,001 - \$60,000	-	1
\$130,001 - \$140,000	-	2
\$140,001 - \$150,000	2	-
\$150,001 - \$160,000	1	1
\$160,001 - \$170,000	1	-
\$180,001 - \$190,000	-	1

	\$	\$
The total remuneration of senior officers is:	<u>604,149</u>	<u>663,311</u>

The total remuneration includes the superannuation expense incurred by the Institute in respect of senior officers other than senior officers reported as members of the Institute.

No senior officers are members of the Pension Scheme.

### 40 Remuneration of auditor

Remuneration payable to the Auditor General in respect to the audit for the current financial year is as follows:

	2010	2009
\$	\$	
Auditing the accounts, financial statements and performance indicators	<u>122,000</u>	<u>115,000</u>

The expense is included in note 10 'Other expenses'.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 41 Related bodies

The Institute has no related bodies.

### 42 Affiliated bodies

The Institute has no affiliated bodies.

### 43 Supplementary financial information

	2010	2009
	\$	\$
<u>Write-Offs</u>		
Public property	8,815	7,193
Bad debts	52,835	77,612
Inventory	709	6,751
Other (cash shortages)	220	-
	<hr/>	<hr/>
<u>Losses through theft, defaults and other causes</u>		
Losses of public and other moneys and public and other property through theft, default or otherwise	-	-
Amount recovered	-	-
	<hr/>	<hr/>
<u>Gifts of Public Property</u>		
Gifts of Public Property provided by the Institute	-	-
	<hr/>	<hr/>

### 44 Schedule of income and expenditure by service

The Institute provides only one service (as defined by Treasurer's Instruction 1101 (g) and that is Vocational Education and Training Delivery.

### CERTIFICATION OF KEY PERFORMANCE INDICATORS

We hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the performance of Challenger Institute of Technology, and fairly represent the performance of Challenger Institute of Technology for the financial year ended 31 December 2010.



Paddy Creevey  
Chair of Governing Council  
Challenger Institute of Technology

Date: 10 March 2011



Liz Harris  
Managing Director  
Challenger Institute of Technology

Date: 10 March 2011

## DESIRED OUTCOME

Challenger's agency level desired outcome is the provision of vocational education and training services to meet community and industry training needs.

The Institute's mission is to 'provide the highest quality vocational training, assessment and related services in support of individual career aspirations and workforce development'.

## KEY EFFECTIVENESS PERFORMANCE INDICATORS

To gauge our performance against our desired outcome and mission, the Institute measures its success against two independently run student satisfaction surveys – the WA Student Satisfaction Survey and the National Centre for Vocational Education Research (NCVER) Student Outcomes Survey. They have been used for three of the Institute's Key Effectiveness Performance Indicators reported below.

The more recent Australian Quality Training Framework (AQTF) survey is also used by the Institute to measure performance and gauges our performance against all Registered Training Organisations (RTOs) in Australia. This data is also used by the Training Accreditation Council (TAC) to measure performance, however it is not currently part of the Key Performance Indicators used for the annual reporting process.

### 1. 2010 Student Satisfaction Survey

The 2010 Student Satisfaction Survey was administered on behalf of the Department of Training and Workforce Development (formerly known as "Department of Education and Training") by Patterson Market Research. This survey is carried out on an annual basis with its key focus being to attain an understanding of students' training requirements and to measure the quality of training and services delivered by Challenger. Full-time and part-time students enrolled in a course and/or qualifications at a Training WA Institute were asked to participate in the survey. To obtain optimal response rates data collection included an online survey, mass market mail out and telephone interviews.

To obtain an overall student satisfaction rating (our key performance indicator) students were asked 'Overall, how satisfied were you with your course?' Responses were on a five-point scale where one is 'very satisfied' to five being 'very dissatisfied'. The rating was the total number of 'satisfied' and 'very satisfied' respondents from the Institute.

**Table 1: Overall Student Satisfaction Rating**

	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Target	2010 Actual	Variation 2010 Actual vs Target
Challenger	82.2%	84%	85%	83.4%	84.9%	84%	WA average	85.3%	1.4%
Western Australia	84.7%	85%	86%	86.8%	85.4%	85.6%	n.a.	86.7%	

Notes:

**Source:** Department of Training and Workforce Development (Patterson Market Research) Student Satisfaction Survey.

**Derivation:** 3,452 students were contacted to take part in the Student Satisfaction Survey. Of these students, 1,571 participated. This represented a response rate for Challenger of 45.7% (i.e.  $n=1,571 / N=3,452$ ). The Confidence Interval for the survey is  $\pm 1.6\%$  with a 95% level of confidence. The Standard Error is calculated at 0.81%.

**Variation:** The WA Average of 86.7% falls within Challenger's confidence interval range of  $\pm 1.6\%$ . The difference is not statistically significant. Challenger's 2010 overall student satisfaction rating increased by 1.3% compared to 2009.

## 2. NCVER Student Outcomes Survey

The Student Outcomes Survey is conducted by the Social Research Centre on behalf of NCVER. The survey focuses on students' outcomes and satisfaction with vocational education and training. This encompasses personal and training characteristics, employment outcomes, further study activity, satisfaction with the training, whether they achieved their main reason for undertaking the training, and how relevant it was to their current employment.

Surveys are sent to a sample of Challenger graduates who had successfully completed a qualification in the previous reporting year. This is stratified by study location, field of education, gender and age.

### 2.1 Graduate Achievement Rating

The following effectiveness key performance indicator measures the extent to which Challenger graduates have fully or partly achieved their main reason for undertaking their training (course/qualification).

**Table 2: Graduate Achievement Rating (Main Reason for Training)**

	2004	2005	2006	2007	2008	2009	2010
Challenger	n.a.	81%	n.a.	83.5%	n.a.	84.5%	n.a.
Western Australia	n.a.	84%	n.a.	86.9%	n.a.	87.8 %	n.a.
Australia	n.a.	86%	n.a.	86.7%	n.a.	86.4%	n.a.

Notes:

Source: Student Outcomes Survey, NCVER.

**Explanatory Note:** The Institute is unable to provide statistically valid Institute level data for 2004, 2006, 2008 and 2010 as it was not available. Commencing from 2005 statistically reliable Institute level data has been available from NCVER. This is available biennially.

### 2.2 Graduate Destination Rating

The Graduate Destination Rating measures the extent to which the Institute is providing relevant quality training that improves student employability.

**Table 3.1: Graduate Destination Rating (Employed)**

	Employed						
	2004	2005	2006	2007	2008	2009	2010
Challenger	n.a.	76%	n.a.	79.6%	n.a.	78.0%	n.a.
Western Australia	n.a.	78%	n.a.	83%	n.a.	78.9%	n.a.
Australia	n.a.	79%	n.a.	81%	n.a.	77.8%	n.a.

**Table 3.2: Graduate Destination Rating (Unemployed)**

	Unemployed						
	2004	2005	2006	2007	2008	2009	2010
Challenger	n.a.	11%	n.a.	5.7%	n.a.	9.3%	n.a.
Western Australia	n.a.	9%	n.a.	6.2%	n.a.	10.1%	n.a.
Australia	n.a.	10%	n.a.	8.7%	n.a.	11.3%	n.a.

**Table 3.3: Graduate Destination Rating (Not in Labour Force)**

		Not in Labour Force					
	2004	2005	2006	2007	2008	2009	2010
Challenger	n.a.	12%	n.a.	14.6%	n.a.	12.3%	n.a.
Western Australia	n.a.	13%	n.a.	10.6%	n.a.	10.7%	n.a.
Australia	n.a.	11%	n.a.	9.9%	n.a.	10.4%	n.a.

Notes:

**Source:** Student Outcomes Survey, NCVER.

**Explanatory Note:** The Institute is unable to provide statistically valid Institute level data for 2004, 2006, 2008 and 2010 as it was not available. Commencing from 2005 statistically reliable Institute level data has been available from NCVER. This is available on a biennial basis.

### 3. Achievement of Institute Profile

This performance indicator reports the effectiveness of the Institute in meeting Delivery and Performance Agreement targets through which Challenger is resourced to deliver courses under Government purchased funding guidelines. This purchased delivery took into consideration the needs of the local community, individuals and the training plans of industry. The diversity of the delivery indicates the extent to which the Institute has met strategic training needs of the State as defined in the State Training Profile.

#### 3.1 Profile Analysis for Challenger

Profile Analysis for Challenger (Effectiveness Indicator) details the total number of Student Curriculum Hours (SCH) delivered against the Delivery and Performance Agreement.

**Table 4: Profile Analysis for Challenger**

WADT Industry Groups		2008	2009	2010			
		Actual Profile (SCH)	Actual Profile (SCH)	Initial Planned Profile (SCH)	Actual Profile (SCH)	Variation Planned vs Actual (SCH)	Variation Planned vs Actual %
01A	Recreation Sports and Entertainment	106,621	105,861	91,280	100,744	9,464	10.4%
01B	Visual and Performing Arts	45,027	42,182	45,208	43,799	-1,409	-3.1%
02A	Automotive	105,217	161,548	160,891	121,124	-39,767	-24.7%
03A	Building and Construction	289,806	416,455	316,102	380,125	64,023	20.3%
03B	Surveying and Building	18,470	16,080	0	6,100	6,100	
04A	Community Service Workers	229,970	289,490	175,620	160,537	-15,083	-8.6%
04B	Education and Childcare	216,081	220,999	199,825	248,687	48,862	24.5%
04C	Health	94,437	165,903	221,420	308,806	87,386	39.5%
05A	Finance Insurance Property Service Workers	20,176	18,668	34,462	42,471	8,009	23.2%
06A	Food Trades and Processing	10,030	10,514	10,740	0	-10,740	-100.0%
07A	Clothing Footwear and Soft Furnishings	36,431	42,110	39,710	45,480	5,770	14.5%
09A	Engineering and Drafting	161,602	155,279	146,028	171,034	25,006	17.1%
09B	Metal and Mining	377,266	289,523	271,334	256,634	-14,700	-5.4%
10A	Animal Care	45,601	68,040	54,464	65,015	10,551	19.4%
10B	Forestry, Farming and Landcare	111,465	102,440	132,997	104,710	-28,287	-21.3%
10C	Fishing	35,298	30,875	21,714	26,069	4,355	20.1%
10D	Horticulture	210,381	236,713	194,262	232,331	38,069	19.6%
11A	Process Manufacturing	200,288	167,042	219,288	287,772	68,484	31.2%
12A	Personal Service	180,250	185,470	192,432	166,381	-26,051	-13.5%
12B	Retail	51,564	49,941	53,467	68,776	15,309	28.6%
13A	Cooking	59,378	74,124	63,988	86,699	22,711	35.5%
13B	Hospitality	69,705	137,544	122,588	155,841	33,253	27.1%
13C	Tourism	64,236	66,045	51,524	60,564	9,040	17.5%
14A	Transport Trades, Storage and Associated	249,238	265,713	257,072	256,982	-90	0.0%
15A	Electrical and Electronic Engineering	94,519	97,449	134,628	131,408	-3,220	-2.4%
15B	Electrical Trades	168,927	155,917	123,360	145,978	22,618	18.3%
16A	Accounting and Other Business Services	132,205	157,095	155,865	190,480	34,615	22.2%
16B	Management	99,240	117,810	116,731	88,664	-28,067	-24.0%
16C	Office and Clerical	179,985	200,475	189,565	174,785	-14,780	-7.8%
17A	Computing	214,725	236,605	244,462	217,950	-26,512	-10.8%
18A	Science and Technical Workers	83,640	168,529	144,843	125,260	-19,583	-13.5%
19B	Adult Literacy/ESL	180,055	240,875	260,320	269,950	9,630	3.7%
19E	Targeted Access and Participation Courses	257,928	174,766	170,229	146,906	-23,323	-13.7%
	<b>Total</b>	<b>4,399,762</b>	<b>4,868,080</b>	<b>4,616,419</b>	<b>4,888,062</b>	<b>271,643</b>	<b>5.9%</b>



## Notes:

- a. **Source:** Challenger Institute Delivery and Performance Agreement 2010 and the College Management Information System (CMIS).
- b. **Definition:** The table indicates the quota and actual achievement of SCH in the profiled Department of Training and Workforce Development Group categories. The classification of these Industry Groups is based on the occupation or outcome the course is intended to serve, and highlights the Institute's performance in achieving industry delivery targets.
- c. **Derivation:** DPA data represents the actual achievement of SCH in respective years. 'Planned' data is obtained from the DPA, and 'actual' SCH from the College Management Information System (CMIS).
- d. **Variation:** The initial Delivery Target for 2010 agreed with the Department of Training and Workforce Development was 4,616,419 SCH. During 2010 a number of increases were negotiated with the Department so that Addendums to the original agreement brought the final agreed target for 2010 to 4,835,290 SCH, an increase of 218,871 SCH.

In planning delivery targets for 2010 it was evident that global and local economic conditions and confidence levels were still fragile, therefore, their impact on the various industry sectors and thus on demand for training was uncertain. As a result the Institute took a relatively prudent position in establishing its initial delivery target.

During 2010 it emerged that the impact of improving economic conditions was not uniform across the whole economy. Those industries more directly related to mineral resources extraction generated stronger demand for training.

The Institute structures its delivery planning to provide a flexible and responsive approach to industry need. As the broader economic pattern of demand firmed during 2010 the Institute sought to adjust its delivery in response by either shifting resources to areas of higher demand or seeking additional resources to support demand in these areas. For example, the Institute significantly increased its targets for training in the categories of Building and Construction, Engineering and Drafting and Process Manufacturing. Significant increases were made to allocations for Health and Education and Child Care to support extra demand resulting from structural adjustments in those sectors. Appropriate adjustments were also made in response to prevailing demand conditions in other sectors.

It should be noted that individual variations between planned and actual in the WADT industry groups, as shown in the preceding table, do not necessarily reflect the accuracy of the planning process but can result from variations caused by the data reporting rules. All courses are linked to the various WADT Industry groups by rules external to the Institute's control. For example, a small shift in pattern of demand by an employer or industry in the choice of course may result in the delivery being calculated in a different group. Variations in the preceding table between planned and actual do not necessarily mean less training for a particular industry or employment type.

## 3.2 Profile Achievement

This performance indicator shows the percentage of Student Curriculum Hours (SCH) achieved for activities as contracted with the Department of Training and Workforce Development for vocational education and training delivery through the Delivery and Performance Agreement.

$$\text{Profile Achievement} = \frac{\text{Actual Delivery and Performance Agreement SCH Achieved}}{\text{Target SCH contained within the Delivery and Performance Agreement (first agreement)}}$$

**Table 5: Profile Achievement**

2006	2007	2008	2009	2010
103.82%	100.60%	109.85%	116.10%	105.88%

## Notes:

**Source:** Challenger Institute Delivery and Performance Agreement (DPA).

**Derivation:** DPA data represents the actual achievement of SCH in respective years.

**Explanatory Note:** Data previous to 2007 for Actual Profile (SCH) represents commencements, due to changes in reporting procedures Actual Profile (SCH) from 2007 signifies end of study. The significance of the change has been to move from recording student data from the date they commence to recording the data to the date students' study is completed. The overall shift in total value in SCH between the two methods is minimal.

## KEY EFFICIENCY PERFORMANCE INDICATOR

### 4. Overall Cost per SCH

The overall cost per SCH demonstrates the efficiency with which Challenger manages its resources to enable the provision of vocational education and training programs.

$$\text{Overall Cost} = \frac{2010 \text{ Actual Costs} = \text{Total Cost of Services}}{\text{Total SCH}}$$

Table 6: Cost per SCH

2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Target	2010 Actual	Variation 2010 Actual vs Target #
\$15.22	\$14.81	\$14.16	\$12.74	\$14.45	\$13.06	-\$1.39

# Variation: The reduction in cost per SCH was due to a 10% growth in delivery exceeding the growth in employee and other expenses to meet the increasing growth.

Notes:

- Source:** Financial statements and the College Management Information System.
- Derivation:** The total delivery cost per SCH is calculated by dividing the total cost of services measured on an accrual basis by the total SCH delivered. The total SCH is the total number of enrolments multiplied by the hourly duration of these modules as registered in the College Management Information System in accordance with the Australian Vocational Education and Training Management Information Statistical Standard. Delivery from all funding sources is included. The total cost of services figure is obtained from the annual Financial Statements.
- Explanatory Note:** Data previous to 2007 for Actual Profile (SCH) represents commencements. Due to changes in reporting procedures Actual Profile (SCH) from 2007 signifies end of study. The significance of the change has been to move from recording student data from the date they commence to recording the data to the date the students' study is completed. The overall shift in total value in SCH between the two methods is minimal.

## Glossary of Terms Used In the Key Performance Indicators

### Delivery and Performance Agreement (DPA)

Constitutes a resource agreement under the *Vocational and Training Act 1996*, between the Department of Training and Workforce Development representing the Minister for Training and Workforce Development and Challenger Institute of Technology Governing Council for the delivery of vocational education and training for the agreed calendar year.

### Student Curriculum Hours (SCH)

The nominal hours assigned to a program of study by the curriculum or, in the absence of an endorsed curriculum, by common agreement with the Department of Training and Workforce Development's Statistical Unit.

### WADT

WADT groups are industry categories originally derived from Australian Bureau of Statistic's industry categories. Although the naming, WADT, no longer refers to WA Department of Training, the grouping arrangements for analysing training delivery, funding of training hours and Delivery and Performance Agreement rules has remained.

### MINISTERIAL DIRECTIVES

No Ministerial directives were received during the financial year.

### OTHER FINANCIAL DISCLOSURES

#### Pricing Policies of Services Provided

Fees and charges levied by the Institute were in accordance with the requirements of the following:

*Vocational Education and Training Act, 1996.*

*Vocational Education and Training Regulations, 1996.*

Policy Guidelines for Publicly Funded Registered Training Organisations (RTO).

#### Capital Works

##### ***Capital Works Incomplete***

###### Rockingham Building Trades Project

Construction of a new facility will enable the transfer of building/construction, plumbing/gasfitting and electrical trades from the Beaconsfield to Rockingham campus. Indicative budget is \$28.6 million.

A project definition plan was completed in July 2010 and architect appointed to begin detailed design and documentation during 2011 with building completion timetable for late 2013.

##### ***Capital Projects Completed***

###### Distillation Column Project

This project, to enhance oil and gas training capacity at the ACEPT campus, reached practical completion in September 2010 at a total cost of \$1.3M.

#### Employment and Industrial Relations

	2010	2009
Average full-time equivalent including casual staff	688	676
Average headcount	877	877

#### Staff Development

Challenger has a commitment to the professional development of its employees. Our strategies are to build a highly skilled, professional and adaptable workforce with the ability to respond to workforce development needs, as well as the needs of the community and individuals.

In 2010, Challenger employees received 10,025 hours of in-house and external training. (This number is reflective of training completed by 23 December 2010.)

#### Workers' Compensation

16 claims for workers compensation were lodged in 2010, of which four were lost time injuries. In 2009 there were 20 compensation claims, including five lost time injuries. This is a 20 per cent reduction in claims on the previous year.

## GOVERNANCE DISCLOSURES

### Contracts with Senior Officers

At the date of reporting, other than normal contracts of employment of service, no Senior Officers, or firms of which Senior Officers are members, or entities in which Senior Officers have substantial interests had any interests in existing or proposed contracts with the Institute and Senior Officers.

## OTHER LEGAL REQUIREMENTS

### Compliance with Public Sector Management Act Section 31(1)

1. Challenger Institute of Technology has complied with the Public Sector Standards in Human Resource Management, the West Australian Public Sector Code of Ethics and Challenger Institute of Technology's Code of Conduct.
2. The Institute has put in place procedures designed to ensure such compliance and conducted appropriate internal assessments.
3. The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

Number lodged:	2
Number of breaches found, including details of multiple breaches per application:	0
Number still under review:	0

### Electoral Act 1907 section 175ZE

In compliance with section 175ZE of the *Electoral Act 1907*, Challenger Institute of Technology is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

Details are as follows:

#### Expenditure with Advertising Agencies

Adcorp Australia	\$29,046
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<b>Expenditure with Market Research Agencies</b>	\$0
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<b>Expenditure with Polling Agencies</b>	\$0
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#### Expenditure with Direct Mail Agencies

PMP Print Pty Limited	\$6,652
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#### Expenditure with Media Advertising Agencies

Media Decisions	\$230,023
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Cine Ads Australia	\$2,000
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Digital Union	\$1,500
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<b>TOTAL EXPENDITURE</b>	<b>\$269,221</b>
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## GOVERNMENT POLICY REQUIREMENTS

### Disability Access and Inclusion Plan Outcomes

The *Disability Services Act 1993* was amended in December 2004, creating a requirement for public authorities to develop and implement Disability Access and Inclusion Plans (DAIPs) and to report on its implementation in their annual report.

The following outlines Challenger's current initiatives to address DAIP outcomes.

#### ***People with disabilities have the same opportunities as other people to access the services of, and any events organised by, Challenger***

- Access issues are addressed in procedures for excursions with links to the Disabilities Services Accessible Events Checklist.
- Appropriate adjustments are made at events such as live captioning or sign interpreters and portable ramps.
- DAIP is incorporated into directorate business plans.
- DAIP continually promoted to all new and current staff.
- DAIP available to students.

#### ***People with disabilities have the same opportunities as other people to access the buildings and other facilities of Challenger***

- Access to facilities is audited and feedback obtained from staff and students at least once during the five year period of DAIP.
- Signage at campuses is improved, including large campus maps at entrances.
- Student support advisor is on the OSH committee.
- Evacuation procedures are reviewed for wheelchair users at double story campuses.
- Campuses being prepared for the arrival of higher support need students.
- Emergency buttons monitored in disabled toilets.
- Courses are located in accessible venues.

#### ***People with disabilities receive information from Challenger in a format that will enable them to access the information as readily as other people***

- All forms and applications are available electronically.
- Accessible information available on the intranet.
- Accessible information training is included as part of the induction of new staff.

#### ***People with disabilities receive the same level and quality of service from the staff at Challenger***

- Establishing the course in Underpinning Skills for Industry Qualifications (USIQ) program for students with disabilities.
- Lecturers prepared for the arrival of higher support need students by providing training.
- Induction training for new staff being established.
- Lecturing staff given practical guidance to reasonable adjustment in assessment of candidates with disability.
- Appropriate adjustments provided in classroom environments on request to improve student with disabilities learning.
- Students with disabilities provided with individual support by Challenger specialist staff to complete their studies.

#### ***People with disabilities have the same opportunities as other people to make complaints to Challenger***

- Customer comment form made accessible, i.e. verbal customer comment form completed at front counter of each campus.

### ***People with disabilities have the same opportunities as other people to participate in any public consultation with Challenger***

- External organisations associated with people with disabilities are consulted to address training and employment pathways for students with disabilities.
- Community organisations have input into future courses at Challenger.
- All disability information is accessible to the community through maintenance and improvement of Challenger's disability webpage.

### **Compliance with Public Sector Standards and Ethical Codes**

In accordance with S31(1) of the *Public Sector Management Act 1995*, Challenger Institute of Technology implemented the following measures to ensure compliance with public sector standards, the WA Code of Ethics and our own agency code of conduct.

- Misconduct and Complaints Management Framework in place.
- Challenger Code of Conduct and Code of Ethics aligned with WA Public Sector Conduct Guide and made available on the intranet.
- All managers attended a Human Resource workshop which included a refresher section on the Code of Conduct and its application.
- Accountable and Ethical Decision Making training was undertaken by 459 staff members throughout 2010.
- 100 per cent compliance with Crime and Corruption Commission requirements for investigations.
- Conflict Of Interest Toolkit available to all staff.

### **Recordkeeping Plan**

Challenger Institute of Technology has an approved Recordkeeping Plan as prescribed by the *State Records Act 2000*. Moreover, as prescribed by the State Records Commission Principles and Standards 2002 (Standard 2, Principle 6) Challenger is required to report on:

#### ***The efficiency and effectiveness of the Record Keeping system***

An organisation's record keeping system is to be evaluated not less than once in every five years. In 2006, a Records Management Baseline Audit was conducted by the Department of Education and Training (Internal Assurance Directorate) across all TAFE Institutes including Challenger. The objectives of this audit were to determine compliance with:

- the State Records Commission Standard 2 Record Keeping Plans; and
- the policies relating to government record keeping.

Although the audit highlighted some areas of improvement, most of these have either been addressed or in the process of development/completion. For example:

- TRIM (Electronic Document and Records Management System) has been rolled out to over 190 staff (up 63 per cent on previous year).
- Training and awareness in records management is being achieved not only in terms of TRIM training but also through the online record keeping awareness training course. This is being progressively rolled out across the Institute.
- Draft Key Performance Indicators (KPI's).
- All campus mail is now captured by Records Services and business records registered into TRIM.
- Email policy enhanced.
- Records Management policy enhanced.
- Student files registered at the point of creation.
- Compactus shelving for the management of archival records.

### ***Record Keeping Training Program***

In 2008, Challenger implemented an online record keeping awareness training course so that staff could be made aware of their record keeping responsibilities. The final group of staff to be included in this roll-out phase was the lecturers. This program is now in its final stages. Moreover, some workshops have been conducted at various campuses to emphasise the importance of recordkeeping and the need to capture significant business records into TRIM.

### ***The efficiency and effectiveness of the record keeping training program***

The efficiency of the online record keeping training program in terms of delivery is highly efficient given that it is easily accessible by Institute staff online and the pace of the course can be to a level determined by the candidate. Most candidates complete the course in one sitting (about 30 minutes) with nearly 100 per cent completing the assessment correctly. In terms of effectiveness, 67 per cent of staff have completed the course with a further 4 per cent in progress.

### ***The organisation's induction program***

The online record keeping awareness training course which addresses employee roles and responsibilities in regard to their record keeping responsibilities has now been fully integrated with the Institute's formal induction program.

## **Occupational Safety and Health and Injury Management**

Challenger is committed to achieving a workplace with zero injuries by providing and maintaining a healthy and safe working environment for staff, clients and visitors. Staff, students and visitors have a collective responsibility and duty of care to comply with the Institute's occupational safety and health policies, procedures and guidelines.

In fulfilling its objectives, management is committed to regular consultation with staff to ensure that policies operate effectively, that safety and health issues are regularly reviewed and adequate resources allocated to give them effect.

### ***Formal mechanism for consultation with employees on OSH and Injury Management matters***

In accordance with the Occupational Safety and Health Act, safety and health committees have been established as a means of providing consultation and cooperation between managers and staff. This means that each works actively with the common aim of improving safety and health standards in the workplace as well as facilitating an effective injury management system and associated return-to-work programs.

Safety committees have been established to oversee the implementation and ongoing management of OSH and ensure that all staff have the opportunity to have issues addressed. There are six campus-based OSH Safety Leadership Committees that meet monthly and are responsible for fostering consultation and cooperation between staff at all levels and for involving staff in decision making processes about OSH issues in the workplace. These campus Committees comprise management representatives and site Safety and Health Representatives.

In addition there is an overriding Institute Safety Leadership Steering Group Committee that oversees the implementation and review of the OSH Management Plan as well as its development, implementation and review against the Institute's strategic direction.

### ***Statement of compliance with the injury management requirements of the Workers' Compensation and Injury Act 1981***

Challenger Institute of Technology provides injury management and rehabilitation support to all workers who sustain a work related injury or illness, with an increased focus on safety and early return to work through compliance with the *Workers Compensation and Injury Management Act 1981*.

The aim is to provide effective injury management and occupational rehabilitation for injured employees with the aim of returning them to meaningful and productive work as soon as possible following a work related injury, illness or disability. Through a systematic approach to injury management, that combines expert assistance from external providers and support from supervisors and HR/OSH staff, the aim of the rehabilitation process is the early and safe return to suitable duties.



***Statement confirming that a self evaluation (annual) or external accredited assessment (within previous three years) of OSH management systems has been completed that includes a summary of findings***

Challenger Institute of Technology continues to make improvements to its OSH Management System. To identify the system's strengths and weakness over the past three years the Institute has performed one internal and two external audits. In 2007 an external WorkSafe plan assessment was conducted by an Occupational Safety and Health Consultant. In 2008 an Occupational Safety and Health AS/NZS 4801: 2001 Gap Analysis was performed by SAI Global. In 2009 an internal WorkSafe plan assessment was conducted by the Principal Occupational Safety and Health Advisor. The 2007 audit findings were the basis for establishing the Institute's 2007-2009 OSH management plan. Recent audit improvement findings have been placed as actions for the 2010 – 2012 OSH management plan. A follow-up internal review, based on the WorkSafe plan, was conducted in 2010 to audit Challenger's OSH management system. It is intended that an external assessment will be carried out next year to acquire a recognised WorkSafe Plan Certificate of Achievement.

***Summary of findings***

- Challenger managers demonstrate a strong commitment to occupational health and safety.
- Well-established processes are in place for OSH planning, consultation, hazard management and training.
- Systems exist in which staff have access to occupational safety and health documentation and plans.
- OSH training has been identified and opportunities are being provided for all employees.
- Staff are regularly represented and consulted via management, safety representatives, and safety and health committees.
- Strategies have been implemented to ensure a safe learning environment for students.

***Annual performance for 2009/10 against the following targets***

***Number of fatalities***

Target: 0

Actual 2009/10 fatalities: 0

***Lost time injury incident rate***

Target: 0 or 10% reduction on previous year

Actual 2009/10 LTI incident rate: 0.57

Outcome: 3.4% reduction

***Lost time injury severity rate***

Target: 0 or 10% improvement on previous year

Actual 2009/10 LTI severity rate: 50%

Outcome: 100% increase

***Injury management and return to work***

100%

***Percentage of managers trained in OSH and injury management responsibilities***

68%

### ***2009/10 Occupational Safety and Health initiatives***

Occupational Safety and Health initiatives in 2009/10 included:

- Staff having access to occupational safety and health documentation and plans.
- Identification of OSH training and opportunities, including Senior First Aid, Ergonomic assessments, duress and emergency evacuation (warden training), management training.
- Development of Bullying policy and review of Grievance/Harassment policy.
- ChemWatch training and continual maintenance of chemical management system.
- Asbestos management plan and register.
- Development of 'Take 5' booklet for use by construction students.
- Election and training of eight new Safety Representatives.
- Implementation of no smoking program across all sites.
- Review of all OSH related policies for compliance for next three years.

## SECTION 40 ESTIMATES FOR 2011

In accordance with Treasurer's Instructions 953 the annual estimates for the current financial year (i.e.2011) are hereby included in the annual report. These estimates do not form part of the financial statement and are not subject to audit..

<b>Challenger Institute of Technology</b>	
<b>INCOME STATEMENT</b>	
	<b>2011</b>
	\$
<b>COST OF SERVICES</b>	
<b>Expenses</b>	
Employee benefits expense	55,775,237
Supplies and services	17,910,550
Depreciation and amortisation expense	5,123,305
Grants and subsidies	36,932
Cost of sales	690,836
Other expenses	5,300,316
<b>Total cost of services</b>	<b>84,837,176</b>
<b>Income</b>	
<b>Revenue</b>	
Fee for service	11,777,207
Student fees and charges	8,553,316
Ancillary trading	1,188,739
Sales	735,655
Commonwealth grants and contributions	50,000
Interest revenue	554,133
Other revenue	732,155
<b>Total revenue</b>	<b>23,591,205</b>
<b>Total income other than income from State Government</b>	<b>23,591,205</b>
<b>NET COST OF SERVICES</b>	<b>(61,245,971)</b>
<b>INCOME FROM STATE GOVERNMENT</b>	
Service Appropriation	55,632,868
Resources received free of charge	1,277,801
<b>Total income from State Government</b>	<b>56,910,669</b>
<b>(DEFICIT) FOR THE PERIOD</b>	<b>(4,335,302)</b>

## Challenger Institute of Technology BALANCE SHEET

	\$
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	6,438,644
Restricted cash and cash equivalents	2,200,000
Inventories	360,000
Receivables	2,200,000
Other current assets	3,500,000
<b>Total Current Assets</b>	<b>14,698,644</b>
<b>Non-Current Assets</b>	
Property, plant and equipment	184,784,439
<b>Total Non-Current Assets</b>	<b>184,784,439</b>
<b>TOTAL ASSETS</b>	<b>199,483,083</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Payables	2,629,138
Provisions	7,540,000
Other current liabilities	400,000
<b>Total Current Liabilities</b>	<b>10,569,138</b>
<b>Non-Current Liabilities</b>	
Other non-current liabilities	3,700,000
<b>Total Non-Current Liabilities</b>	<b>3,700,000</b>
<b>TOTAL LIABILITIES</b>	<b>14,269,138</b>
<b>NET ASSETS</b>	<b>185,213,945</b>
<b>EQUITY</b>	
Contributed equity	42,592,471
Reserves	109,629,047
Accumulated surplus	32,992,427
<b>TOTAL EQUITY</b>	<b>185,213,945</b>