

# 2016 HALF YEAR REPORT

BUILDING PEOPLE

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# 2016 HALF YEAR REPORT

BUILDING PEOPLE

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## OUR CHIEF EXECUTIVE



WARWICK QUINN  
CHIEF EXECUTIVE

**I am pleased to be able to bring you 2016's half-yearly report for BCITO. This report provides you with an interim view of how our organisation is performing, as well as reporting our financial position. While the enclosed financial statements are unaudited, we are confident we are on track to deliver our forecast outcomes at year end.**

It will be no surprise to anyone that the construction sector is booming. The last twelve months have seen the highest level of activity since 2003-2004 and we have to refer back over 40 years to the mid-1970s before we exceed those numbers. However, growth is not consistent around the country. The demand north of Taupo is significant while we see some regions retracting and the predicted slow-down in Canterbury occurring as the residential rebuild tapers off.

Notwithstanding regional variations, our apprentice numbers have continued to grow and we are now above 10,100 in active training - the highest number we have ever had. Numbers are steady in most of the trades we manage with new sign ups replacing completions or withdrawals. TEC has increased our funding so we can sign up more apprentices but we have already used up that extra allocation.

On the other side of the ledger the number of apprentices completing their qualifications continues to grow as well. We are delighted with this - it's what we're all about!

While our results are on target or above budget, all sectors face skill shortages and we have to work even harder to attract and retain as many apprentices as we can. To that end we have undertaken a significant amount of work in developing our Workforce Development Strategies that we will launch at the BCITO October 2016 Summit. These are a unique look at the 15 trade sectors we cover and identify not only the number of apprentices each one needs, but specific strategies on how to attain them. I have colloquially called these strategies the "4 Rs" - Right Skills, Right Place, Right Time, Right Numbers.

Promotion and awareness of construction and related trades continues to be a key focus for us. We were recently heavily involved in "Got a Trade Week" which is a campaign by eight ITOs to lift the profile of trades as a genuine career option for school leavers. In addition our Not Your Average Shed campaign provided us great exposure and

prominence and our Big Construction Tour was up-sized this year and showcased many workplaces and trades to more than 1,000 students from 127 schools in 14 cities and towns throughout New Zealand. Our Build-Ability Challenge for schools now involves 19 schools and continues to gain momentum. Our website registrations have grown by 185% and BCITO.TV has enabled tens-of-thousands of people to watch apprentices in action on line. The challenge going forward is to keep our profile up and maintain the momentum these initiatives have generated.

We continue to be involved in celebrating the very best of the best along with our sector partners by awarding high performers as "Top Trainees" or "Apprentices of the Year". Celebrating excellence in our apprentices and those who train them is an important part of what we do. It's extremely rewarding to be part of these celebrations. These events really are the culmination of everything we are about at BCITO. Celebrating excellence in our young achievers after years of dedication and hard work is heart-warming to us and really reflects what we want every apprentice under our wing to aspire to.

As we look forward to 2017, we must continue to challenge ourselves in how we think about and deliver skills to the industries we cover. Firm specialisation and segmentation of traditional qualifications is happening at a faster rate and we need to respond to these changes to remain relevant. How skills are delivered in a fast-paced digital environment is a major strategic focus of our Digital Engagement Strategy. Our learners and the industry have been looking to engage us through digital mediums such as phones, tablets and apps for some time and we have now commenced that journey.

Finally, the organisation has undergone two substantial reviews in the last six months. The first was by the Tertiary Education Commission (TEC) and the other was an External Evaluation and Review (EER) by the New Zealand Qualifications Authority (NZQA). These reviews are carried out every five years and are necessary in order for us to continue to operate as an ITO. The TEC review found us in very good stead and we await the outcome of NZQA's EER. Thank you all for your ongoing commitment to BCITO and your interest in the work that we do.

## KEY PERFORMANCE INDICATORS FOR THE SIX MONTHS ENDED 30 JUNE 2016

BCITO's strategic plan in 2016 is supported by four strategic priorities. The strategic priorities focus on BCITO's core activities relating to: apprentice training, stakeholder engagement, qualification development and people capabilities.

- Apprentice training
- Stakeholder engagement
- Qualification development
- People capabilities

The plan sets the direction for the organisation to continually improve its service to industries to meet their future needs.

 STRATEGIC PRIORITY 1 <b>PROACTIVELY MANAGE TARGETED AND SUSTAINABLE GROWTH</b>		
 Objective	 Key Performance Indicator	 Achievement Progress
<b>Use research information in conjunction with Workforce Development Strategy to develop an understanding of "sustainable supply" of numbers across all sectors.</b>	→ Draft Sector Strategies developed and agreed by National Advisory Groups.	✓ Draft Sector Strategies are prepared and currently under review by National Advisory Groups. The project is on target.
<b>Develop an implementation programme for the Return on Investment (ROI) of the value of apprentices research and the findings of the mentoring project.</b>	→ Customer satisfaction survey informs of high level acceptance of ROI and mentoring in apprentice signup decisions.	✓ Additional research into ROI for four industries underway and nearing completion.
<b>BCITO schools presence and contribution to Government's Youth Guarantee programmes.</b>	→ Building & Construction and Allied Trades Skills (BCATS) Level 1 & 2 standards reviewed, Level 3 developed and approved/listed by NZQA. → Communications plan developed to support Gateway package replacement for 2017.	✓ On target.

# #2

STRATEGIC  
PRIORITY 2

## REVIEW AND REFINE OUR SERVICE DELIVERY MODELS TO ENHANCE CUSTOMER SATISFACTION AND EDUCATIONAL EXCELLENCE

 Objective	 Key Performance Indicator	 Achievement Progress
<p><b>Standard Operating Procedures (SOPs) are finalised and implementation plan developed to ensure specific sector requirements are understood, communicated and supported by an advertised service promise.</b></p>	<ul style="list-style-type: none"> <li>→ <i>Service promises defined, published and implemented.</i></li> <li>→ <i>SOPs are accepted by each sector as being best practice as shown by satisfaction surveys.</i></li> <li>→ <i>Positive customer satisfaction surveys show improvement in employer Net Promoter Score (NPS) (2015 56%, target 2016 60%).</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ SOP for Apprentice Training Group developed and is in end user testing stage.</li> </ul>
<p><b>Refine and promote the use of off-job training requirements for relevant sectors both at a national and regional level, refining the offerings based on regular monitoring of the sector needs and the educational outcomes.</b></p>	<ul style="list-style-type: none"> <li>→ <i>Off-job training meets industry sector expectations (determined through customer satisfaction surveying) and contributes to learner achievement progression.</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Consultation continues with relevant sectors with changes to off-job training made as appropriate to achieve industry objectives and optimal educational outcomes.</li> </ul>
<p><b>Further build our capacity in learning resource design and delivery to ensure we respond to learner needs including use of digital opportunities that are part of the Digital Engagement Strategy (“DES”).</b></p>	<ul style="list-style-type: none"> <li>→ <i>Applicable staff receive full and timely training in implementation of new learning and assessment resources.</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Carpentry project on track including 3-dimensional drawings for later digital delivery.</li> <li>✓ Brick &amp; Block Laying textbook and resources about to launch.</li> <li>✓ Joinery resources under development.</li> <li>✓ In-house capability increasingly utilised for technical projects.</li> </ul>
<p><b>Meet the educational and regulatory requirements of NZQA and TEC.</b></p>	<ul style="list-style-type: none"> <li>→ <i>Positive External Evaluation &amp; Review (“EER”) reports etc. are achieved and TEC requirements met.</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ EER completed and awaiting outcome.</li> <li>✓ TEC requirements fully met.</li> </ul>

# #3

STRATEGIC  
PRIORITY 3

## PROVIDE OUR STAKEHOLDERS INDUSTRY LEADERSHIP FOR SKILLS WHILE PREPARING FOR FUTURE CHANGES IN INDUSTRY STRUCTURE

 Objective	 Key Performance Indicator	 Achievement Progress
<p><b>Build our network of National Advisory Groups (NAGs) who effectively represent all our sectors and end users.</b></p>	<ul style="list-style-type: none"> <li>→ <i>Increased attendance at Regional Advisory Groups (RAGs) (where applicable) and NAGs compared to 2015 levels.</i></li> <li>→ <i>Recognition by industry as its skills partner and confirmed via stakeholder surveying.</i></li> <li>→ <i>Industry satisfaction with new qualifications confirmed via stakeholder surveying.</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ NAG participation has increased through engagement by Industry Advocates.</li> <li>✓ Stable or increased satisfaction across industry sectors with engagement.</li> </ul>
<p><b>Develop strategies to influence industry understanding and adaption to changes in the structure and shape of industry including changes in off-site and on-site construction.</b></p>	<ul style="list-style-type: none"> <li>→ <i>Strategy developed and implemented.</i></li> <li>→ <i>Measure industry satisfaction via NAG and industry groups as appropriate.</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Industry Sector Strategies are providing a focus for engagement with industry in regard to changes in work demands including on-job and off-job.</li> </ul>

# #4

STRATEGIC  
PRIORITY 4

## MAXIMISE OUR PEOPLE AND OUR CULTURE AS OUR STRENGTH

 Objective	 Key Performance Indicator	 Achievement Progress
<p><b>Ongoing review of our people management strategies.</b></p>	<ul style="list-style-type: none"> <li>→ <i>Employee engagement score through IBM Kenexa survey of at least 80%</i></li> <li>→ <i>Employee turnover &lt;11% (2015 - 5.63%) (NZ average 12 - 20%)</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Survey conducted in 2016 exceeded 80% target.</li> <li>✓ Employee turnover currently 4.11%</li> </ul>
<p><b>Refine Health &amp; Safety (H&amp;S) policies and procedures to meet requirements of new legislation.</b></p>	<ul style="list-style-type: none"> <li>→ <i>Safety culture survey results show 20 or above for each category.</i></li> <li>→ <i>Incidents are reviewed and analysed to determine any necessary corrective action.</i></li> <li>→ <i>H&amp;S policies reflect legislative requirements.</i></li> <li>→ <i>ACC Tertiary Workplace Safety Management Practices (WSMP) achieved.</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Safety culture survey conducted exceeding targets.</li> <li>✓ All policies and procedures reviewed.</li> <li>✓ (H&amp;S) Committees working effectively with ongoing promotion to reduce areas of risk.</li> <li>✓ ACC audit planned for September.</li> </ul>
<p><b>Ensure we have appropriate tools and systems to support our employees to be fully effective in their roles.</b></p>	<ul style="list-style-type: none"> <li>→ <i>All staff have individual development plans.</i></li> <li>→ <i>Change management processes fully implemented to build confidence in and support of changes resulting from Digital Engagement implementation.</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Individual development plans now form part of Performance Management process.</li> <li>✓ Change Management Processes are now part of Digital Engagement Strategy Workstream 2.</li> </ul>





# 9,875

LEARNERS ACROSS 15 SECTORS

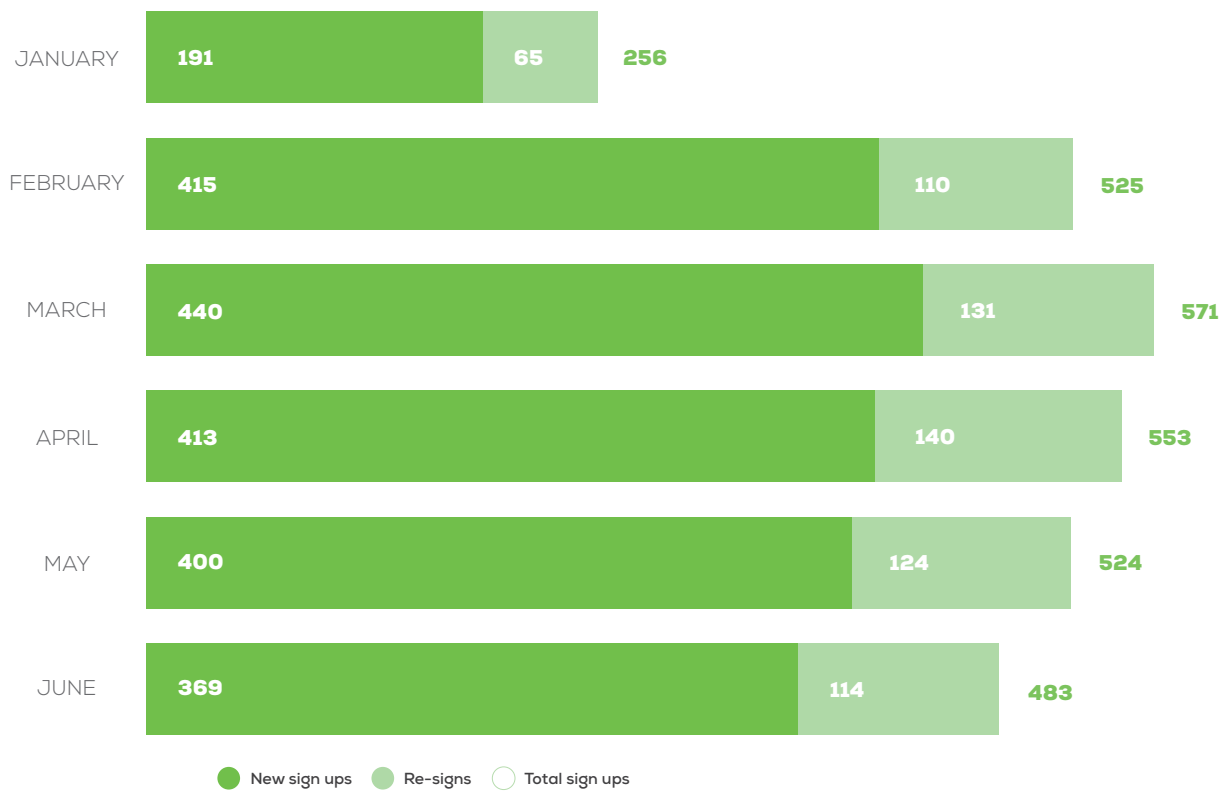
## APPRENTICE NUMBERS BY INDUSTRY AS AT 30 JUNE 2016





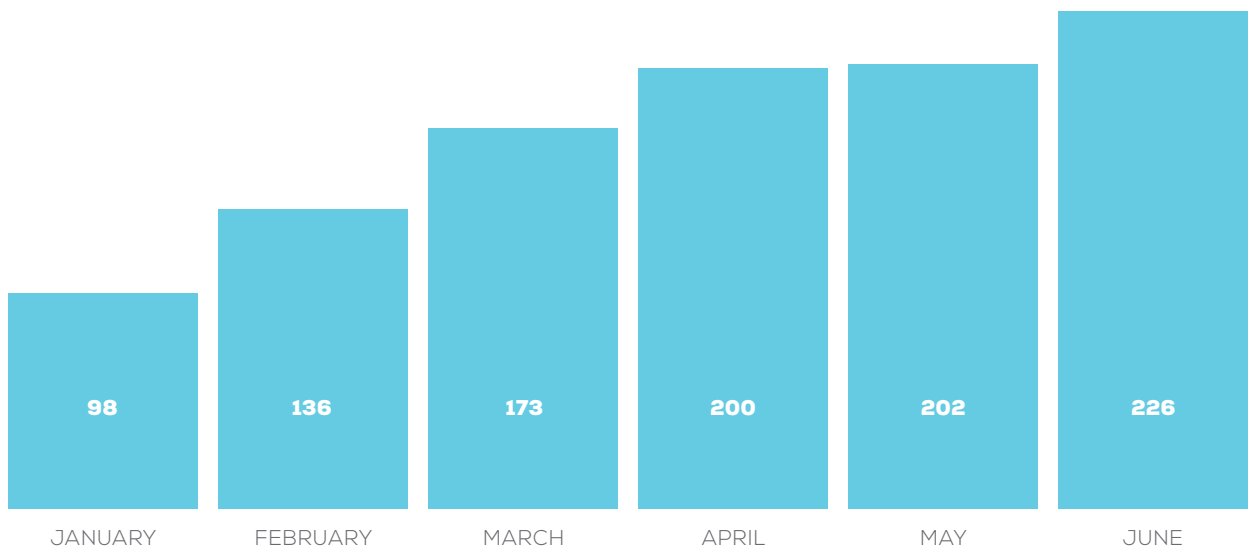
## SIGN UPS AND RE-SIGNS 2016

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## APPRENTICES WHO COMPLETED THEIR QUALIFICATION TO 30 JUNE 2016

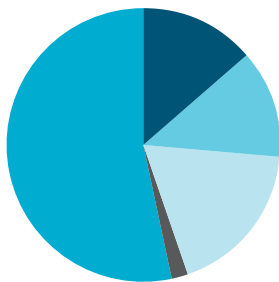
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## FINANCIALS CLEAR AND SIMPLE

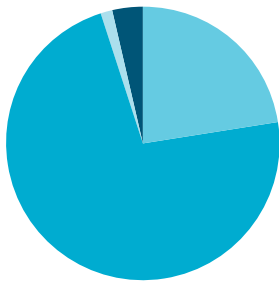


### → HOW WE USED OUR RESERVES



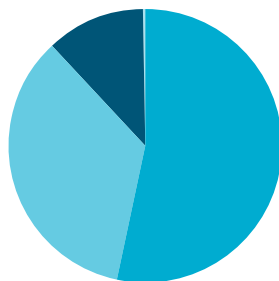
SCHOLARSHIP AND EMPLOYER DEVELOPMENT FUND		\$2,567,000
LEARNING SUPPORT FUND		\$2,449,000
ICT AND E-LEARNING DEVELOPMENT FUND		\$3,404,000
MĀORI, PASIFIKA AND MIGRANT POPULATION FUND		\$394,000
CONTINGENCY RESERVE FUND		\$10,000,000
<b>TOTAL SPECIAL AND RESERVE FUNDS</b>	<b>=</b>	<b>\$18,814,000</b>

### → MONEY IN



SUBSCRIPTIONS AND FEES		\$4,282,000
GOVERNMENT GRANTS		\$13,814,000
INTEREST		\$276,000
SUNDRY INCOME		\$659,000
<b>TOTAL OPERATING INCOME</b>	<b>=</b>	<b>\$19,031,000</b>

### → MONEY OUT



PERSONNEL EXPENSES		\$9,493,000
OPERATING EXPENSES		\$6,176,000
ADMINISTRATION EXPENSES		\$2,111,000
OTHER EXPENSES		\$12,000
<b>TOTAL EXPENDITURE</b>	<b>=</b>	<b>\$17,792,000</b>

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	JUN 2016 \$000	JUN 2015 \$000
<b>OPERATING INCOME</b>		
Subscriptions and Fees	4,282	4,049
Government Grants	13,814	13,641
Interest	276	265
Sundry Income	659	175
<b>Total Operating Income</b>	<b>19,031</b>	<b>18,130</b>
<b>EXPENDITURE</b>		
Personnel Expenses	9,493	8,408
Operating Expenses	6,176	5,339
Administration Expenses	2,111	2,111
Other Expenses	12	11
<b>Total Expenditure</b>	<b>17,792</b>	<b>15,869</b>
<b>OPERATING SURPLUS</b>	<b>1,239</b>	<b>2,261</b>
Interest from Special and Reserve Funds	71	254
Expenses from Special and Reserve Funds	(265)	(132)
<b>Special and Reserve Funds</b>	<b>(194)</b>	<b>122</b>
<b>Surplus for Period</b>	<b>1,045</b>	<b>2,383</b>
Other Comprehensive Income	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1,045</b>	<b>2,383</b>

## STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 30 JUNE 2016

	JUN 2016 \$000	DEC 2015 \$000	JUN 2015 \$000
<b>RETAINED EARNINGS</b>			
Opening Retained Earnings	433	-	-
Surplus for the Period	1,239	3,372	2,261
Other Comprehensive Income	-	-	-
Prior year adjustment - TEC refund	919	-	-
Transfer from/(to) Special and Reserve Funds	-	(2,939)	-
<b>Closing Retained Earnings</b>	<b>2,591</b>	<b>433</b>	<b>2,261</b>
<b>SPECIAL AND RESERVE FUNDS</b>			
Opening Special and Reserve Funds	19,008	15,828	15,828
Interest on Special and Reserve Funds	71	465	254
Special and Reserve Funds Expenditure	(265)	(215)	(132)
Transfer from Retained Earnings	-	2,689	-
Transfer - Te Puni Kokiri Cadetships	-	241	-
<b>Closing Special and Reserve Funds</b>	<b>18,814</b>	<b>19,008</b>	<b>15,950</b>
<b>TOTAL MEMBERS' EQUITY</b>	<b>21,405</b>	<b>19,441</b>	<b>18,211</b>

**STATEMENT OF FINANCIAL POSITION**  
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	JUN 2016 \$'000	DEC 2015 \$'000	JUN 2015 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	5,752	1,856	1,541
Term Deposits	20,000	20,500	22,500
Trade Debtors and Other Receivables	2,008	1,710	1,732
Prepayments and Resource Production Inventory	283	591	124
Interest Receivable	163	280	234
<b>Total Current Assets</b>	<b>28,206</b>	<b>24,937</b>	<b>26,131</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	685	884	829
Intangible Assets	106	162	215
<b>Total Non-Current Assets</b>	<b>791</b>	<b>1,046</b>	<b>1,044</b>
<b>TOTAL ASSETS</b>	<b>28,997</b>	<b>25,983</b>	<b>27,175</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade Creditors and Other Payables	6,295	5,296	7,835
Employee Entitlements	1,297	1,246	1,129
<b>Total Current Liabilities</b>	<b>7,592</b>	<b>6,542</b>	<b>8,964</b>
<b>NET ASSETS</b>	<b>21,405</b>	<b>19,441</b>	<b>18,211</b>
<b>MEMBERS' EQUITY</b>			
Retained Earnings	2,591	433	2,261
Special and Reserve Funds	18,814	19,008	15,950
<b>TOTAL MEMBERS' EQUITY</b>	<b>21,405</b>	<b>19,441</b>	<b>18,211</b>

## STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	JUN 2016 \$000	DEC 2015 \$000
Net Cash Flows from Operating Activities	3,512	1,730
Net Cash Flows from Investing Activities	385	(911)
Net Cash Flows from Financing Activities	-	-
<b>Net increase in cash held</b>	<b>3,896</b>	<b>819</b>
Add Cash at start of year	1,856	1,037
<b>Cash Balance at End of Year</b>	<b>5,752</b>	<b>1,856</b>
<b>CASH AND CASH EQUIVALENTS INCLUDE:</b>		
Cash and Bank	5,737	1,841
Short Term Deposits	20,015	20,515
Less Short Term Deposits held for more than 90 Days	(20,000)	(20,500)
<b>TOTAL CASH BALANCE</b>	<b>5,752</b>	<b>1,856</b>



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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED 30 JUNE 2016

#### REPORTING ENTITY

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These financial statements are for the Building and Construction Industry Training Organisation (BCITO) (previously known as the New Zealand Federated Builders and Contractors Industry Association of Employers (Inc.)). BCITO is registered as a charitable entity under the Charities Act 2005 on 13 March 2008 and is exempt from paying income tax.

The BCITO is recognised by the New Zealand Qualifications Authority as the standard setting body for the carpentry and associated trades within the building and construction sector. Rather than making a financial return, it operates to promote and facilitate industry training within the

building and construction industry and provides nationally recognised training for trainees within the trades of carpentry, interior systems, solid plastering, floor and wall tiling, cement and concrete work, brick and block, monumental masons and proprietary plaster cladding systems, architectural aluminium joinery, flooring, glass and glazing, timber joinery, kitchen and bathroom design, and painting and decorating.

The unaudited financial statements of BCITO are for the six months ended 30 June 2016.

#### BASIS OF PREPARATION

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##### (a) Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for a Tier 1 public benefit entity as defined by the External Reporting Board in its Accounting Standards Framework (XRB-A1).

BCITO is defined as a public benefit entity as its primary objective is to provide services for community or social benefit and the entity has been established with a view to supporting that primary objective rather than for financial return.

##### (b) Basis of measurement

The Financial Statements have been prepared on a historical cost basis, except for financial assets and liabilities that have been measured at fair value.

Accrual accounting is used to recognise revenue and expenses.

The Financial Statements have been prepared on a going concern basis.

##### (c) Presentation currency

The Financial Statements are presented in New Zealand dollars (\$), which is BCITO's functional currency.

All financial information presented has been rounded to the nearest thousand.

##### (d) Accounting policies

The accounting policies adopted in the financial statements for the six months ended 30 June 2016 are consistent with those of the previous financial year, except that the BCITO has adopted new and amended New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations since 1 January 2012.

To ensure consistency with the current year certain comparative information has been restated or reclassified as appropriate.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

### FINANCIAL REPORTING REQUIREMENTS

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The External Reporting Board (XRB) is currently introducing a revised Accounting Standards Framework. The revised Framework is based on a multi-sector, multi-tiered reporting approach.

The revised framework will see the introduction of accounting standards for Public Benefit Entities (PBEs) based on International Public Sector Accounting Standards (IPSAS) that have been modified, as appropriate, for New Zealand circumstances.

Management have an initial assessment on the impact of the standard on the amount of revenue that is currently being recorded by BCITO each reporting period.

BCITO has been assessed initially as Tier 2 PBE IPSAS. The initial assessment highlights the following as a key impacting change:

treatment adopted previously under NZ IFRS (PBE), the impact on transition to PBE IPSAS can be significant. This is nowhere more evident in respect to the treatment of income in advance which now requires very specific criteria to be met when deferring income received to the balance sheet. Where these criteria are not met, revenue received is taken to income on receipt.

### REVENUE

PBE IPSAS contains significant guidance, with recognition and measurement principles being dependent on whether revenue is classified as “revenue arising from an exchange transaction” or “revenue arising from a non-exchange transaction”.

Where revenue is classified as an exchange transaction, differences between the treatments typically adopted under NZ IFRS (PBE) versus that applied under PBE IPSAS are minimal. However for revenue classified as a non-exchange transaction, depending on the accounting

## OPERATING LEASE COMMITMENTS

### FOR THE SIX MONTHS ENDED 30 JUNE 2016

Terms of the accommodation leases are different at each location. Costs shown are GST exclusive.

	JUN 2016 \$000	JUN 2015 \$000
Not later than one year	1,035	834
One year and not later than two years	698	722
Two years and not later than five years	700	894
Over five years	427	539
<b>TOTAL ACCOMMODATION LEASE COMMITMENTS</b>	<b>2,860</b>	<b>2,989</b>

Operating leases in respect of leased equipment and motor vehicles for regional training staff are as follows:

	JUN 2016 \$000	JUN 2015 \$000
Not later than one year	1,003	1,573
One year and not later than two years	431	880
Two years and not later than five years	224	289
<b>TOTAL EQUIPMENT AND VEHICLE LEASE COMMITMENTS</b>	<b>1,658</b>	<b>2,742</b>

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## RELATED PARTY TRANSACTIONS

### FOR THE SIX MONTHS ENDED 30 JUNE 2016

Related parties arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of the group.

#### PARENT AND ULTIMATE CONTROLLING PARTY

The Building and Construction Industry Training Organisation is the ultimate controlling party of the BCITO.

#### RELATED PARTIES

BCITO has a related party relationship with its board members, key management personnel and association members. Other than transactions with key management personnel (disclosed below) there have been no other transactions with related parties in the period (June 2015: \$Nil).

#### KEY MANAGEMENT PERSONNEL

Key management personnel include members of the Board, executive officers and other key management personnel.

	JUN 2016 \$000	JUN 2015 \$000
Board Member Fees	63	34
Salaries and other Short-term Employee Benefits	625	494

Total remuneration paid to key management personnel is made up of short-term employee benefits and no other post-employment benefits, termination benefits or long-term benefits arrangements have been expensed in the years reported.

#### OTHER RELATED PARTY TRANSACTIONS

Except as stated above there are no other related party transactions.

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## SUBSEQUENT EVENTS

There were no significant events after balance date requiring reporting or adjustment in these financial statements (June 2015: \$Nil).

#1

STRATEGIC  
PRIORITY 1

**PROACTIVELY MANAGE TARGETED  
AND SUSTAINABLE GROWTH**

#2

STRATEGIC  
PRIORITY 2

**REVIEW AND REFINE OUR SERVICE DELIVERY  
MODELS TO ENHANCE CUSTOMER SATISFACTION  
AND EDUCATIONAL EXCELLENCE**

#3

STRATEGIC  
PRIORITY 3

**PROVIDE OUR STAKEHOLDERS INDUSTRY  
LEADERSHIP FOR SKILLS WHILE PREPARING  
FOR FUTURE CHANGES IN INDUSTRY STRUCTURE**

#4

STRATEGIC  
PRIORITY 4

**MAXIMISE OUR PEOPLE AND OUR  
CULTURE AS OUR STRENGTH**

