

Education Services Australia Limited

ANNUAL REPORT

2011-12



Education
Services
Australia

Education Services Australia Limited
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As used in this Annual Report, 'Education Services Australia' means Education Services Australia Limited and 'Education.au' means Education.au Limited.

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INTRODUCTION

This Annual Report presents an account of the activities of Education Services Australia from 1 July 2011 to 30 June 2012.

Education Services Australia is a national company owned by the Australian Government and state and territory Education Ministers. The company commenced operations as a legal entity on 1 March 2010.

Education Services Australia aims to be the national e-service provider of choice for the education and training sector, providing cost-effective and competitive e-services to advance the national agenda for all education and training Ministers. The company understands the business of education and training and is able to take on demands and meet deadlines to achieve ministerial and jurisdiction requirements.

Education Services Australia has extensive national and international networks, and understands the application of digital technologies to education and training, the importance of reusing online systems and digital resources and the need to manage intellectual property so there are no ongoing copyright remuneration costs for jurisdictions and education institutions.

The Directors' Report is presented as a section of this report. In compliance with the *Corporations Act 2001*, it includes the general purpose financial statements applying from 1 July 2011 to 30 June 2012.

www.esa.edu.au

FROM THE CHAIR



It is my pleasure to present the 2011–2012 Annual Report of Education Services Australia.

More than 160 projects were delivered over the year covering curriculum and assessment, digital resource production and procurement, school library support, careers education, domain registration, web services and information systems development.

Key technology-based services were provided for the Australian Curriculum, Assessment and Reporting Authority (ACARA), the Australian Institute for Teaching and School Leadership (AITSL), the Australian Skills Quality Authority (ASQA), the VET sector Flexible Learning Advisory Group (FLAG) and the Australian Children's Education and Care Quality Authority (ACECQA).

A major focus has been on the procurement, sharing and distribution of digital curriculum and professional learning resources directly linked to the Australian Curriculum and the National Professional Standards for Teachers, involving close, ongoing collaboration with AITSL and ACARA.

Education Services Australia is mindful of the value it must add to the work taking place in education jurisdictions across Australia and actively engages key stakeholders in all its work. I would like to acknowledge the great support we have had from all jurisdictions and our ACARA and AITSL colleagues.

Education Services Australia is proud of its achievements in collaboratively developing products and services to support national priorities in education and training. These achievements would not have been possible without the support of an excellent Board and the skills and dedication of the Chief Executive, Ms Susan Mann, and her remarkable staff.

A handwritten signature in blue ink that reads "Thomas Stubbs". The signature is written in a cursive style.

Dr Tom Stubbs
Chair, Education Services Australia



Education Services Australia Report

1 JULY 2011 – 30 JUNE 2012

BOARD OF DIRECTORS

Education Services Australia is governed by a Board of Directors. The Board is led by an independent chairperson and comprises five members nominated by key stakeholder groups and four independent expert members.

The Directors bring diverse professional experience and expertise across the schools, higher education and vocational education and training (VET) sectors. They also bring specialist expertise across all aspects of company operations.

The Ministers appointed the Directors on a transitional basis to govern and direct policy from 1 March 2010 to 30 November 2011. The 2011 Annual General Meeting approved the formal appointment of Directors, commencing on 1 December 2011.

The Board met four times from 1 July 2011 to 30 June 2012 to steer and monitor the company's strategic direction and financial and overall performance.

As at 30 June 2012 there is a vacancy for a National Senior Officials Committee (NSOC) nominee and for an independent expert member.

Directors as at 30 June 2012

Dr Tom Stubbs

Independent Chair

Ms Sharyn O'Neill

Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee (AEEYSOC) nominee

Ms Louise Hanlon

Australian Government nominee

Dr Brian Croke

Non-government schools sector nominee

Professor Barney Glover

Universities Australia nominee

Ms Fran Hinton

Independent expert

Ms Helga Kolbe

Independent expert

Ms Leslie Loble

Independent expert

The Directors' Report provides further information on Directors' qualifications, experience and responsibilities.

OVERVIEW

Role

Education Services Australia supports the delivery of national and state and territory priorities for schools, higher education and vocational education and training (VET). The company objects are as follows:

- to advance key nationally agreed education initiatives, programs and projects by providing services such as:
 - researching, testing and developing effective and innovative technologies and communication systems for use in education
 - devising, developing and delivering curriculum and assessment, professional development, career and information support services
 - facilitating the pooling, sharing and distribution of knowledge, resources and services to support and promote e-learning
 - supporting national infrastructure to ensure access to quality-assured systems and content and interoperability between individuals, entities and systems
- to create, publish, disseminate and market curriculum and assessment materials, ICT-based solutions, products and services to support learning, teaching, leadership and administration
- to act as required as the legal company for the Standing Council on School Education and Early Childhood (SCSEEC).

The Ministers' Letter of Expectation outlines a pivotal support role for the company in initiatives that are contributing to implementation of the Australian Curriculum and the National Professional Standards for Teachers and sustainable change in Australian schools. These include:

- Australian Curriculum and national reporting initiatives being delivered by the Australian Curriculum, Assessment and Reporting Authority (ACARA)
- national teacher quality initiatives being delivered by the Australian Institute for Teaching and School Leadership (AITSL)
- Australian governments' initiatives to support the integration of information and communication technologies in teaching and learning
- state and territory and non-government school sectors' initiatives to improve the delivery of education.

The Letter of Expectation 2010–11 also directed the work of the company for the 2011–12 financial year. It is at Appendix 1.

Establishment

Education Services Australia Limited was formed through the consolidation of Curriculum Corporation and Education.au. It commenced operations on 1 March 2010 as a not-for-profit company limited by guarantee under the *Corporations Act 2001*.

Location

Education Services Australia has offices in Melbourne and Adelaide.

Governance

Education Services Australia operates under its own constitution with a Board of Directors that has decision-making authority. Directors are appointed by company members.

The Board is responsible for developing policies and governing operations and performance in accordance with the company objects, the Ministers' Letter of Expectation and relevant legislation. The Board has established a Finance, Risk and Audit Committee and a Remuneration Committee to assist it to fulfil its obligations.

Education Services Australia reports its performance to company members at its Annual General Meeting. It reports its progress to Ministers at each meeting of SCSEEC.

Revenue

Revenue is primarily generated through commissioned or tendered projects for SCSEEC, the Australian Government, state and territory departments, ACARA, AITSL, education and training bodies, government agencies and community organisations and through the sale of products and services. Government core funding provided less than 3 per cent of revenue in the 2011–12 financial year. This funding will not be required in 2012–13.

Operating principles

Education Services Australia operates by four principles: innovation, engagement, leverage capital and efficiency.

Innovation: delivering high-quality, innovative products and services to meet the requirements of the education and training sectors

Engagement: engaging closely with all jurisdictions and systems in the higher education and VET sectors to ensure that products and services directly meet owners' needs

Leverage existing capital: leveraging existing national and jurisdiction investment in resources, tools and infrastructure and the expertise in jurisdictions and the non-government sector

Efficiency: delivering competitive, cost-effective products and services.

Strategic Plan

The Strategic Plan is developed and reviewed on an annual basis to ensure the company can quickly adapt to changing priorities and stakeholder requirements.

Summaries of the 2012–13 Strategic Plan and the 2011–12 Strategic Plan can be accessed from the Education Services Australia website at www.esa.edu.au.

REPORT ON OPERATIONS

In 2011–12 Education Services Australia has:

- maintained strong strategic working partnerships and service arrangements with the Australian Curriculum Assessment and Reporting Authority (ACARA), the Australian Institute for Teaching and School Leadership (AITSL), the Australian Skills Quality Authority (ASQA) and the Australian Children’s Education and Care Quality Authority (ACECQA)
- worked collaboratively with jurisdictions
- managed and delivered national projects that have increased the digital resource coverage of the Australian Curriculum for English, mathematics, science and history for years Foundation to 10
- managed more than 160 projects and provided a range of services that has supported national, jurisdiction and stakeholder priorities
- developed strategic working partnerships with the Department of Industry, Innovation, Science, Research and Tertiary Education (DIISRTE) and the Australian Broadcasting Commission (ABC)
- achieved National Carbon Offset Standard (NCOS) accreditation.
- achieved corporate efficiencies that have resulted in the cessation of core fees from the end of 2011–12
- secured a strong financial position for 2012–13
- developed the 2012–13 Strategic Plan, budget and work plan.

Corporate efficiencies

At its establishment in March 2012, Ministers required that Education Services Australia retain and build its capacity to respond to market opportunities for the Standing Councils on School Education and Early Childhood (SCSEEC), the Australian Government, state and territory governments, ACARA, AITSL and other key stakeholders and to achieve efficiencies in core service fees into the future.

The Board initiated a strategic review in March 2010 to ensure a financially viable company. This activity was followed by a rationalisation of the business to match anticipated future revenue with resources. Total annual future savings generated in the company’s first 16 months was \$2,114,143

In order to achieve further efficiencies, the Board agreed in February 2012 to expand the Melbourne office, to transfer projects and services delivered by the Adelaide office to Melbourne and to close the Adelaide office in December 2012. These efficiencies will generate total annual future savings of \$831,711. Office closure and business transition costs are being absorbed by the company.

During 2011–12 core fees were reduced by 50 per cent from \$2,168,164 to \$1,098,000, representing a \$1,070,164 direct saving per annum to the Australian and state and territory governments. This occurred 12 months earlier than required. Ministers were advised in April 2012 that Education Services Australia would not require core fees beyond the 2011–12 financial year, representing a further \$1,098,000 direct saving per annum.

There has been no loss of business or disruption to customers as a result of the implementation of these corporate efficiency measures and the company has ensured a strong financial position for 2012–13.

Stakeholder engagement

Collaborating with company owners, clients and stakeholders to identify opportunities and service requirements is central to the work of the company.

During 2011–12, the Board Chair and the Chief Executive Officer met regularly with Ministers and key personnel in the Department of Education, Employment and Workplace Relations (DEEWR), jurisdictions, the Australian Curriculum and Assessment Authority (ACARA), the Australian Institute for Teaching and School Leadership (AITSL), the Australian Children's Education and Care Quality Authority (ACECQA), Technical Vocational Education and Training Australia Limited (TVET) and other relevant agencies.

The company reports on progress and strategic issues to each meeting of the Standing Council on School Education and Early Childhood (SCSEEC), the Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee (AEEYSOC) and the Strategic Policy Working Group.

Extensive consultation with steering committees and reference groups and collaboration with education and training authorities, teachers, schools, industry and professional associations is central to delivering national projects and services.

Projects and services

Education Services Australia managed more than 160 projects on behalf of the Australian Government, state and territory governments, education and training bodies, government agencies, schools and the private sector. Innovative services were developed and implemented to meet stakeholders' needs and requirements.

Projects and services supported national priorities and policy initiatives and encompassed:

- curriculum, assessment, and professional learning digital resources
- careers services
- development of digital systems and services
- production, publication and distribution of print, digital and online resources
- school library services
- domain registration
- research and evaluation services.

Significant large-scale national projects managed by Education Services Australia in 2011–12 include the National Digital Learning Resources Network, Supporting the Australian Curriculum Online, the Improve formative assessment tool, the ABC Education Portal, projects funded through the Digital Education Revolution fund, the myfuture national online career information and exploration service, and the My Skills website.

This Annual Report features examples of national projects and services. Additional information on the full range of national projects and a selection of projects supporting jurisdictions' initiatives is available at Education Services Australia's website www.esa.edu.au.

Servicing national agencies

In 2011–12, Education Services Australia developed innovative technology solutions and implemented services that supported national education and training agencies and organisations to implement Ministers' priorities.

Australian Curriculum and Assessment Authority (ACARA)

Education Services Australia provided technical development support for the Australian Curriculum Online website and the Australian Curriculum consultation portal. Functionality improvements were made to the website and Version 3.0 of the Australian Curriculum Online was published.

Australian Institute for Teaching and School Leadership (AITSL)

Technical services provided for the AITSL corporate website and intranet and the National Professional Standards for Teachers website. Twenty video Illustrations of Practice were developed for the release of National Professional Standards for Teachers website. The National Professional Standards for Teachers website was enhanced to enable teachers to access the Illustrations of Practice through Scootle and jurisdiction portals. A machine-readable version of the National Professional Standards for Teachers was developed for consultation.

Australian Children's Education and Care Quality Authority (ACECQA)

Education Services Australia has supported DEEWR with their management of the Fujitsu Australian Limited contract to deliver the ACECQA National Quality Agenda IT System (NQAITS). Version 1.0 was released in February 2012 and training was provided to support jurisdictions to roll-out the application to regulatory authorities. Version 2.0 of NQAITS is scheduled for release in August 2012.

Australian Skills Quality Authority (ASQA)

Education Services Australia was contracted by ASQA in 2011 to develop the ASQA Regulatory Management System. The first version of the system was delivered in August 2011. Additional functionality was developed and included in subsequent releases in November 2011 and March 2012 releases. Design and development of the functionality for the November 2012 release of ASQAnet has commenced.

Flexible Learning Advisory Group (FLAG)

Technical services were provided to the VET sector through FLAG projects. This included hosting and maintaining the LORN website until project closure in August 2011 and the flexiblelearning.net.au website under the new VET eLearning Strategy 2012–15.

Standing Council on School Education and Early Childhood (SCSEEC)

Education Services Australia acts as the legal entity for SCSEEC and provides legal and human resources services as required. Finance and IT services are provided through a service contract. Education Services Australia delivered myfuture and the National Digital Learning Resources Network projects for SCSEEC, and is also managing the development of the program, sponsorship and all logistics for the Ministers' National Biennial Forum in August 2012.

Technical Vocational Education and Training Australia (TVET)

The Ministerial Council of Tertiary Education and Employment (MCTEE) announced the closure of TVET in March 2012. Education Services Australia is overseeing the management of the TVET legacy fund with all projects scheduled for completion in 2012.

Resourcing the Australian Curriculum

Australia is the only country that provides teachers with a national curriculum online directly aligned with digital learning resources.

National Digital Learning Resources Network

The national collection of digital learning resources and the distribution infrastructure funded by SCSEEC has been hosted and enhanced. This Network forms the basis for the national provision of digital resources to support jurisdictions to implement the Australian Curriculum and the National Professional Standards for Teachers.

The National Digital Learning Resources Network contains over 15,000 digital learning resources that are free for use in Australian schools. More than 5,000 resources have been aligned to the first phase of the Australian Curriculum for English, mathematics, history and science for years Foundation to 10.

The digital learning resources are provided in a variety of formats including:

- interactive multimedia resources
- audio, photographic and video resources that result from partnerships with national private and public cultural and collection agencies
- open-ended tools for teachers and students to create learning resources
- interactive assessment resources
- work samples
- collections of curriculum resources
- teachers' ideas and units of work.

The digital learning resources are made available to teachers through state portals in New South Wales, Queensland, Western Australia and Victoria and through Scootle for teachers in the Australian Capital Territory, the Northern Territory, South Australia, Tasmania, the Catholic sector and independent schools. Victoria and Western Australia also use the Scootle search facility to provide teachers with access to resources stored locally in their content repositories. Pre-service teachers can access the resources through eContent.

Education Services Australia continues to develop Scootle – the Schools Online Teaching and Learning Environment – with new features for browsing and searching for digital resources via the Australian Curriculum, and plans are under way for new tools to support teachers in their lesson planning and classroom delivery. Scootle is also being upgraded to produce more accurate and dynamic search results based on teachers' usage and feedback.

The adoption of Scootle continued to increase during 2011–12, with a large number of visits and page downloads.

National infrastructure enhancement

DEEWR funding is supporting projects to extend and future-proof the national infrastructure.

In 2011–12, Education Services Australia:

- completed integration of the Australian Curriculum in Scootle so teachers can browse the Australian Curriculum, explore resources matched to curriculum content descriptions, save resources and create learning paths for students

- continued to work with jurisdictions to bridge the connection between the Australian Curriculum and national and local resources available through their local digital environments
- scaled-up to Scootle to serve a national user base of 200,000 and established teacher help desk services
- reviewed the metadata requirements for Australian Curriculum implementation in Scootle and jurisdiction systems and released this for national consultation
- developed a machine-readable form of the National Professional Standards for Teachers and released this for national consultation.

Research and consultation on teachers' requirements for tools to enhance the Scootle website, a publishers' portal, cloud computing, identity and access management and paradata were conducted to inform development and implementation of systems and services in 2012–13.

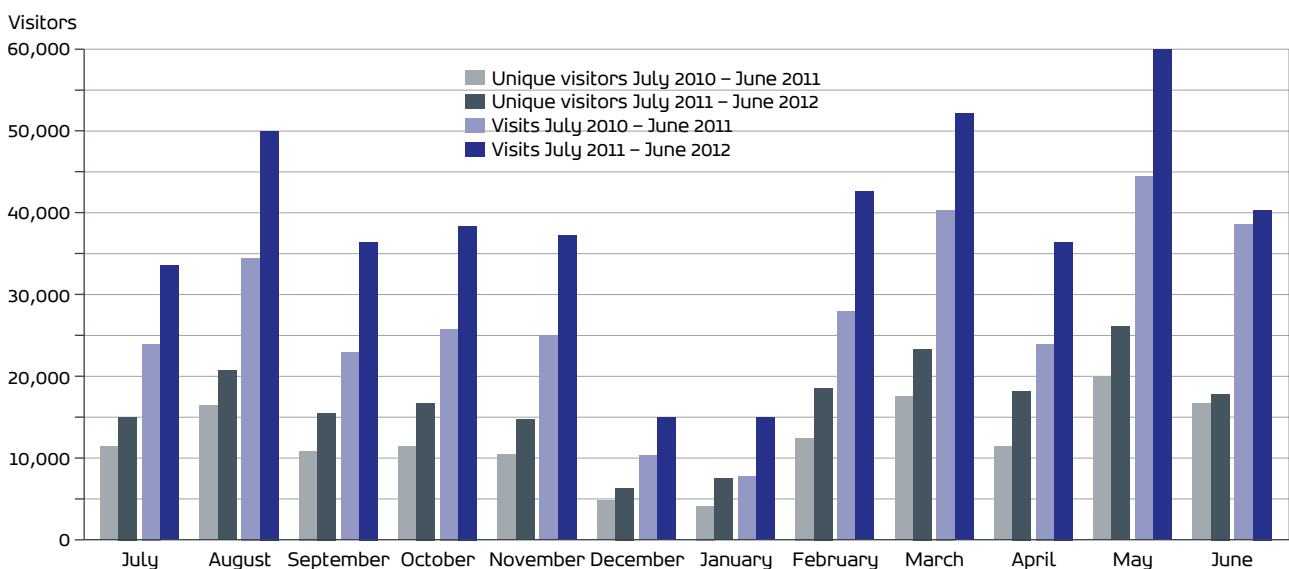
Improve

DEEWR is funding the enhancement of the Improve online formative assessment tool in 2011–13.

In 2011–12 Education Services Australia scaled up Improve to serve a potential national user base of 200,000, refreshed the Improve interface and developed and published online support materials prior to the national release of Improve in December 2011 at <http://improve.edu.au>. Teachers nationally can access Improve through Scootle and jurisdiction portals. Online and help desk services have been established to provide additional support for teachers

Improve has been populated with English, mathematics and science test items from NAPLAN and Western Australian testing programs. The test items are linked to corresponding student learning resources. Additional test items from a range of programs will be published in 2012–13.

Figure 1: Scootle traffic July 2010 – June 2012



Australian Curriculum digital resources

DEEWR funding is increasing the digital resource coverage of the Australian Curriculum and developing digital teacher support materials. The new nationally available resources will assist jurisdictions and teachers to implement the Australian Curriculum and the Professional Standards for Teachers.

Education Services Australia released an Expression of Interest in November 2011 and subsequently engaged 42 organisations, including professional associations, to licence or procure the development of student digital resources and teacher support materials. Resource priorities are agreed through consultation with DEEWR, jurisdictions, ACARA and AITSL.

Resource coverage of the Australian Curriculum for English, mathematics, science and history for years Foundation to 10 has increased, with 88.7 per cent of content descriptions supported by at least one student-focused digital resource, and 72 per cent supported by multiple resources. Education Services Australia will publish additional digital student resources in 2012–13 to further increase the coverage for these subjects, to provide coverage of the Australian Curriculum for languages, geography and the arts and to support the implementation of the Australian Curriculum general capabilities and the cross-curriculum priorities.

Teacher support materials being developed through partnerships with professional associations will be published in 2012–13.

Examples of resources that will be delivered in teacher support material packages include videos, documents, interactive resources, units of work, student work samples, teaching rubrics, audio tracks and web links.

Education Services Australia has commenced work on a digital exchange that will be published in 2012–13. The exchange will assist teachers to share information and ideas nationally to support their implementation of the Australian Curriculum and the National Professional Standards for Teachers.

ABC education portal – ABC Splash

The ABC and Education Services Australia are jointly developing the online portal ABC Splash and its resources. ABC Splash will deliver a free, online library of educational media resources, making available over 1,100 archival clips and 250 hours of contemporary resources and interactive resources that have been chosen for their educational value and aligned to the Australian Curriculum. The project is funded by the Department of Broadband, Communications and the Digital Economy and DEEWR.

For the initial release of ABC Splash in October 2012, 150 contemporary and 150 archival resources aligned to the Australian Curriculum for English, mathematics, science and history and some initial teacher resources will be available, with additional digital resources published for the launch of ABC Splash in February 2013. Teachers will be able to access the digital resources from Scootle and jurisdiction portals.

Releases of ABC Splash in 2013–14 will include digital resources aligned to the Australian Curriculum for geography, the arts and languages.

Teaching Teachers for the Future

Education Services Australia managed the lead contract for the Teaching Teachers for the Future project delivered in partnership with the Australian Council of Deans of Education, AITSL and the Australian Council for Computers in Education. The DEEWR-funded project was delivered in 2010–12.

Education Services Australia developed 12 exemplar packages of digital professional learning and curriculum materials in collaboration with the universities to support the implementation of the Australian Curriculum for English, mathematics, science and history and the National Professional Standards for Teachers. These resources are aligned to the Australian Curriculum and are available to teachers, pre-service teachers and university educators through the National Digital Learning Resources Network.

ICT in Everyday Learning – Teacher Online Toolkit

Education Services Australia managed the ICT in Everyday Learning – Teacher Online Toolkit project, working in partnership with the Victorian Information Technology Teachers Association, the Australian Association of Mathematics Teachers, the History Teachers' Association of Australia, the Victorian Association for the Teaching of English, the Australian Science Teachers Association,

Deakin University and Macquarie University. The DEEWR-funded project was delivered in 2010–12.

The project developed 112 professional support digital resources to assist teachers to incorporate ICT as they implement the Australian Curriculum for English, mathematics, science and history, the Australian Curriculum cross-curriculum perspectives and general capabilities, and the National Professional Standards for Teachers.

The professional support digital resources have been made available to teachers and pre-service teachers through the National Digital Learning Resources Network.

Language Learning Space

Education Services Australia is developing a digital language learning space to provide teachers nationally with digital resources and tools to support the delivery of the Australian Curriculum for Mandarin Chinese. The DEEWR-funded project is being delivered in 2011–13.

Digital curriculum resources and tools will be trialled in a national pilot in September and October 2012. The Language Learning Space will be released in 2013.

Delivering national services

Career services

Education Services Australia managed national career services on behalf of the Australian and state and territory governments during 2011–12.

myfuture, the free national online career information and exploration service that supports students and young people with career planning, was hosted and enhanced. Use of this site by the education and training community has continued to increase during 2011–12.

Career advisers were supported through the DEEWR-funded Australian Career Service (ACS), the ACS Judith Leeson Award for Excellence in Career Teaching and the Scholarships for Career Advisers programs, which were managed by Education Services Australia.

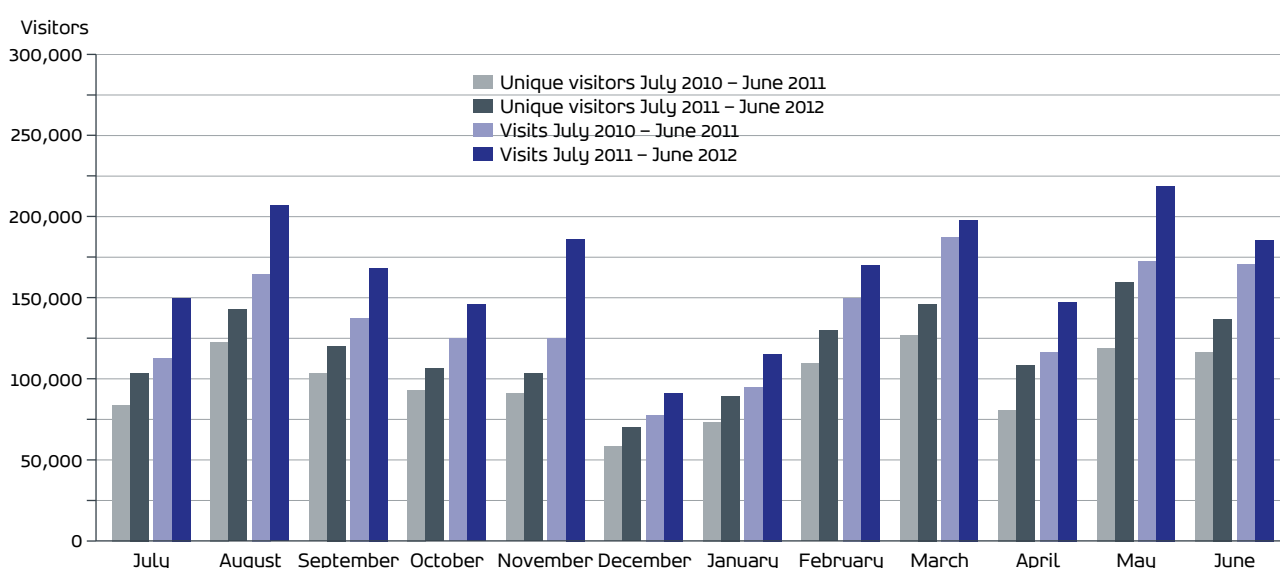
Work commenced on the development of the My Skills website for the Department of Industry, Innovation, Science, Research and Tertiary Education. (DIISRTE). My Skills will supply information about training providers and qualifications. It will include details about accredited courses and statistics related to VET graduate outcomes. DIISRTE will launch the website in September 2012.

.edu.au domain service

Education Services Australia is the Registrar for the .edu.au domain. In 2011–12 the Registrar:

- implemented the domain policies determined by the Australian ICT in Education Committee (AICTEC) and au Domain Administration (auDA)
- licensed domain names to education and training organisations
- reduced the number of unofficial registries
- provided customer services to maintain current domain name information
- hosted and enhanced the.edu.au website.

Figure 2: myfuture traffic July 2010 – June 2012



Library services

The Schools Catalogue Information Service (SCIS) is an online national subscription service managed by Education Services Australia that produces school-specific library catalogue records for curriculum resources for download to school library systems. The SCIS database contains over 1.5 million catalogue records of educational materials including digital and multimedia resources, books, and websites. Up to 2,000 schools logged on to SCIS each day and more than 8.16 million records were downloaded from the SCIS library service by 9,800 school libraries in 2011–12.

The Schools Online Thesaurus (ScOT) enables search and discovery of national and international digital curriculum resources. ScOT is maintained in collaboration with jurisdictions. It was progressively updated in 2011–12 to include new Australian Curriculum terms and more than 6,900 digital curriculum resources were aligned to the Australian Curriculum for English, mathematics, science and history for years Foundation to 10.

The ScOT website and web services enable jurisdictions and education vendors who integrate ScOT within their portals to automatically update the thesaurus.

Professional services

Education Services Australia hosted and maintained more than 80 websites to support the professional work of teachers and trainers.

Curriculum Press, Education Services Australia's commercial online and print publication unit, listed approximately 1,500 print and online resources in its online catalogue for sale or subscription. These included teacher professional resources for English, mathematics, science, history, languages, information and communication technology, studies of Asia, inquiry learning and leadership.

Free online journals and newsletters were distributed to educators and school leaders and made available for download:

- Curriculum Leadership Journal, covering policy and issues of interest to school leaders, reached 6,400 registered readers on a fortnightly basis, with 1,475 registered followers on Twitter
- SCIS newsletters, featuring practical ideas, strategies and topical information, were provided to most Australian schools on a quarterly basis.

Environmental sustainability

Education Services Australia is committed to implementing policies and practices supporting environmental sustainability.

The company gained accreditation under the Australian Government National Carbon Offset Standard (NCOS) scheme in March 2012.



DIRECTORS' REPORT
1 JULY 2011 – 30 JUNE 2012

Corporations Act 2001

Education Services Australia is owned by the Australian and state and territory Ministers with responsibility for education. It is governed by a Board of Directors.

The Directors' Report for the financial year that ended on 30 June 2012 includes the General Purpose Financial Statements. This complies with the *Corporations Act 2001*.

Directors

The Board is led by an independent chairperson. It comprises members nominated by the Australian Government, the Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee (AEEYSOC), the National Senior Officials Committee (NSOC), the non-government schools sector, Universities Australia and four independent expert members. The NSOC position and one independent expert member position were vacant as at 30 June 2012.

Committees

The Board of Directors has established two committees with agreed terms of reference. The Board retains the responsibility for performance and decisions and receives regular reports from its committees.

The Finance, Risk and Audit Committee assists the Board to fulfil its responsibilities for the oversight and accountability of the company under the *Corporations Act 2001* and provides independent advice and assistance on risk control and compliance.

The Remuneration Committee advises the Board of Directors on the salary, conditions and performance of the Chief Executive Officer.

Directors' qualifications and experience

Directors as at 30 June 2012



Dr Tom Stubbs

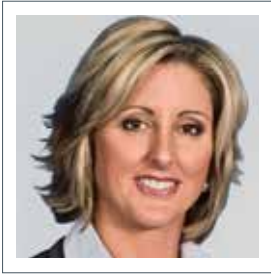
BSc (Hons), PhD, Dip Ed, L Mus A, FAICD, FAIM

Chair

Director: March 2010 – current

Remuneration Committee chair

Tom Stubbs is Managing Director, Executive Advisory Services Pty Ltd. He previously held many senior executive roles in the South Australian Government, most recently Chief Executive of the Government Reform Commission. Earlier he was involved in physics lecturing and research at the University of Adelaide.



Ms Sharyn O'Neill

Dip Tch, BEd, MEd Edith Cowan University

Director: February 2011 – current

Sharyn O'Neill is Director General, Department of Education, Western Australia. She is responsible for providing quality education for all Western Australians who choose public schooling.



Ms Louise Hanlon

B Maths, Dip Ed, FACE

Director: March 2012 – current

Louise Hanlon is Group Manager, Schools Funding Review Task Force, Department of Education, Employment and Education. She is responsible for managing the Australian Government's response to the Review of Funding for Schooling. Prior to this, she headed the secretariat for the Gonski Review of Funding for Schooling.



Dr Brian Croke

BA (Hons), Dip Ed Macquarie, DPhil Oxford

Director: March 2010 – current

Brian Croke is the Executive Director Catholic Education Commission, New South Wales, Deputy Chair of the National Catholic Education Commission and a member of the Board of the Australian Curriculum, Assessment and Reporting Authority (ACARA). He is also Adjunct Professor in History at Macquarie University.



Professor Barney Glover

Professor Barney Glover

BSc (Hons), MSc, Dip Ed, PhD Melbourne, MAICD

Director: December 2011 – current

Professor Barney Glover is Vice Chancellor of Charles Darwin University. He has held previous positions as Deputy Vice-Chancellor, Research, at The University of Newcastle and Pro Vice-Chancellor, Research and Development at Curtin University of Technology. Barney has an extensive research record in applied mathematics, particularly optimisation and operations research and mathematics education.



Ms Fran Hinton

BA, Dip Ed New England, FACE, FAIM, FACEL

Director: March 2010 – current

Finance, Risk and Audit Committee member

Remuneration Committee member

Fran Hinton is an independent education policy advisor who has held senior executive education policy and management positions including Chief Executive Officer of the ACT Department of Education Youth and Family services and Chief Executive of Teaching Australia.



Ms Helga Kolbe

BEC Adelaide, CPA

Director: March 2010 – current

Finance, Risk and Audit Committee chair

Helga Kolbe is an independent policy advisor who has held both private and public sector executive positions in South Australia, NSW and Queensland, including Deputy Chief Executive of the South Australian Department of Education and Children Services.



Ms Leslie Loble

BSci Cornell, MPA Harvard

Director: March 2010 – current

Leslie Loble is the Chief Executive of the Office on Education in the NSW Department of Education and Communities. She leads strategy and policy on cross-sector, state-wide and national developments in education spanning early childhood education, schooling, training and higher education.

Directors who retired 2011–12



Professor Ian Goulter

BE (Hons) Canterbury, MS Illinois, PhD Illinois, FIEAust, FASCE, FAIM

Director: March 2010 – December 2011

Ian Goulter was Vice-Chancellor of Charles Sturt University. He was the Chair of UNILINC, a Director of AARNet and a Director of the World Association for Cooperative Education.



Dr Evan Arthur

BA (Hons) Newcastle, PhD Cambridge

Director: March 2010 – February 2012

Finance, Risk and Audit Committee member

Evan Arthur was the Group Manager, National Schools and Youth Partnerships, Department of Education, Employment and Workplace Relations. He was responsible for managing the implementation of the Digital Education Revolution and coordinating the Australian Governments' involvement in issues associated with the use of information and communications technology (ICT) in education.



Dr Richard Eden

BSurv (Hons), PhD Queensland

Director: March 2010 – May 2012

Richard Eden was the Associate Director-General, Operations in the Queensland Department of Education and Training. He was responsible for central and regional operations, including efficient professional services in all finance, human resources, information technology and corporate procurement functions. This included the management of the department's seven regions.

Benefits

Directors have been paid fees for their services providing they were not prohibited from receiving remuneration as a result of their employment conditions. Directors also received reimbursement for reasonable out-of-pocket expenses.

Disclosure relating to Directors' remuneration is included in Note 14 of the Financial Report.

Conflict of interest

No Director had any interest in any contract or proposed contract with Education Services Australia.

Meeting attendance

The number of meetings attended by Directors is shown in the table.

Directors and Alternates		Directors' meetings		Finance, Risk and Audit Committee meetings		Remuneration Committee meetings	
		Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr Tom Stubbs	Independent Chair	4	4			5	5
Dr Evan Arthur	Australian Government nominee (retired)	3	0	2	1		
Ms Louise Hanlon	Australian Government nominee	1	1				
Ms Sharyn O'Neill	AEEYSOC nominee	4	3				
Dr Brian Croke	Non-government schools sector nominee	3	3				
Mr William Daniels	Non-government schools sector alternate	1	1				
Professor Ian Goulter	Universities Australia nominee (retired)	3	2				
Professor Barney Glover	Universities Australia	1	1				
Dr Richard Eden	Independent expert	4	2				
Ms Fran Hinton	Independent expert	4	4	4	4	5	5
Ms Helga Kolbe	Independent expert	4	4	4	4		
Ms Leslie Loble	Independent expert	4	3				

Dr Tom Stubbs attended all the Finance, Risk and Audit Committee meetings as an observer.

Mr Sam Spadavecchia attended three Finance, Risk and Audit Committee meetings as a Board-endorsed member of the committee.

Principal activities

Education Services Australia was established to support the delivery of national and state and territory priorities for the schools, higher education and VET sectors. Ministers' priorities and expectations, including how the company will work with its owners and stakeholders, are outlined in the constitution and the Letter of Expectation (see Appendix 1).

Principal activities during 2011–12 have been directed to the long-term objective of being a leading provider of choice for the education and training sectors, providing cost-effective and competitive services to advance the national agenda for all education Ministers.

The short-term objective of addressing the Ministers' priorities through the Strategic Plan was met by:

- providing high-quality, cost-effective services and products to the schools sector and, where appropriate, to the higher education and VET sectors
- building communication and collaboration between key stakeholders and with networks to create efficiencies, share good practice and achieve national goals
- building a capable, agile and sustainable organisation.

Over the 12 months from July 2011 to June 2012, Education Services Australia has:

- held four Board meetings
- developed and implemented the 2011–12 Strategic Plan
- managed significant projects for the Australian Government, national education and training agencies, jurisdictions and organisations

- delivered services to ACARA and AITSL, enabling online delivery of the Australian Curriculum and the National Professional Standards for Teachers
- facilitated sharing and distribution of knowledge, resources and services to support e-learning
- developed ICT-based solutions, products and services to support national and jurisdiction initiatives and education and training agencies
- managed the National Digital Learning Resources Network, ensuring interoperability access to quality-assured systems, and digital resources aligned to the Australian Curriculum
- provided curriculum, assessment, career and information support services
- realised financial efficiencies, enabling core fees to be discontinued from the end of the 2011–12 financial year
- transferred systems, projects and services from Adelaide to Melbourne in preparation for the December 2012 closure of the Adelaide office
- secured a strong financial position for the 2012–13 financial year
- achieved National Carbon Offset Standard (NCOS) accreditation.

Performance was reported to company owners at the October 2011 Annual General Meeting and to Ministers at each meeting of the Standing Council on School Education and Early Childhood (SCSEEC).

Progress against the Strategic Plan and the financial budget was reported to each meeting of the Board of Directors. Performance against the financial strategy was also monitored by the Finance, Risk and Audit Committee. Executive staff and managers monitored progress against the operational plans and staff performance management plans that were implemented to achieve Strategic Plan outcomes.

The first Annual Report and Environment Report were published in November 2011. The 2011–12 Annual Report will be published in November 2012.

Senior officers

Chief Executive Officer

Ms Susan Mann held the position of Chief Executive Officer for the financial year ended 30 June 2012. She was appointed to the position on 1 March 2010.

Company Secretary

Mr Michael Collins held the position of Company Secretary at 30 June 2012.

SCSEEC

Education Services Australia acts as the legal entity for the Standing Council on School Education and Early Childhood (SCSEEC).

SCSEEC's financial results are included within the financial statements.

Proceedings on behalf of the company

No person has applied for leave of court to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not party to any such proceedings during the year.

Changes in state of affairs

There were no significant changes in the state of affairs during 2011–12.

Members' guarantee

The company is limited by guarantee, with only one class of member, and nine members. Each member undertakes to contribute to company assets in the event of the company being wound up while the person is a member, or within one year of the person ceasing to be a member. Amounts may be required not exceeding one hundred dollars (\$100) per member.

Operating result

The company reported an operating surplus of \$154,295 for 2011–12.

The statement of comprehensive income in the Financial Report provides further information on the operating result.

Environmental regulations

Education Services Australia's operations are not subject to any particular and significant environmental regulation under the law of Australia or of any state or territory.

Events subsequent to the end of the financial year

No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the company, and the results of those operations.

Future developments

The Board has set the following strategic directions through to 30 June 2013:

- support communication and collaboration between key stakeholders and with networks to create efficiencies, share good practice and achieve national goals
- provide high quality, cost-effective technology services and products to the schools sector and, where appropriate, to the higher education and VET sectors
- deliver services to the Standing Council on School Education and Early Childhood (SCSEEC)
- work closely with the Australian Curriculum, Assessment and Reporting Authority (ACARA) and the Australian Institute for Teaching and School Leadership (AITSL) and the Australian Children's Education and Care Quality Authority (ACECQA)
- procure and develop digital curriculum resources, aligned to the Australian Curriculum and the National Professional Standards for Teachers, and make discoverable through Scootle and jurisdiction online learning environments

- support the work of the Australian Skills Quality Authority (ASQA) and education and training initiatives
- continue to build a capable, agile and financially sustainable organisation
- finalise the closure of the Adelaide office.

Indemnification of directors and officers

The company paid insurance premiums to indemnify its Directors and Officers for the professional risks associated with their responsibilities and roles as Director or Officer.

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and is included at page 25.

Signed in accordance with a resolution of the Board of Directors



Dr Tom Stubbs

Chair of the Board of Directors

Dated this 20th day of September 2012

Auditor's independence declaration



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Auditor's Independence Declaration

To the Directors of Education Services Australia Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Education Services Australia Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink that reads "S.C. Trivett".

S.C. Trivett
Director – Audit & Assurance
Melbourne, 20 September 2012

FINANCIAL REPORT 2011–12

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Project income		38,199,219	32,837,874
Revenue from sales and subscriptions		4,552,665	4,607,884
Other income		2,306,112	2,806,870
Total revenue	2(a)	45,057,996	40,252,628
Project expenses		(20,391,538)	(15,284,301)
Publication and subscription product expenses		(1,542,568)	(1,479,893)
Employee benefits expense		(16,990,198)	(15,347,720)
Depreciation and amortisation expense		(493,286)	(617,855)
Other expenses		(5,486,111)	(6,929,777)
Total expenditure	2(b)	(44,903,701)	(39,659,546)
Profit before income tax		154,295	593,082
Income tax expense			
Profit from operations attributable to members of the company		154,295	593,082
Other comprehensive income		-	-
Total comprehensive income attributable to members of the company		154,295	593,082

The accompanying notes on pages 30 to 56 form part of this financial statement.

Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
Current assets			
Cash and cash equivalents	17(b)	59,348,483	55,573,743
Trade and other receivables	3	30,007,256	19,124,396
Inventories	4	34,839	140,940
Financial assets	5	6,660,315	6,033,479
Other assets	6	1,133,584	1,924,183
Total current assets		97,184,477	82,796,741
Non-current assets			
Financial assets	5	–	2,772,000
Property, plant and equipment	7	1,499,334	1,549,436
Total non-current assets		1,499,334	4,321,436
Total assets		98,683,811	87,118,177
Current liabilities			
Trade and other payables	8	5,350,344	8,131,062
Provisions	10	2,795,400	1,944,745
Other	9	73,190,603	59,852,836
Total current liabilities		81,336,347	69,928,643
Non-current liabilities			
Provisions	10	840,345	836,710
Total non-current liabilities		840,345	836,710
Total liabilities		82,176,692	70,765,353
Net assets		16,507,119	16,352,824
Equity			
Reserves	11	3,700,000	3,700,000
Net contribution from administrative restructure		1,418,429	1,418,429
Retained profits		11,388,690	11,234,395
Total equity		16,507,119	16,352,824

The accompanying notes on pages 30 to 56 form part of this financial statement.

Statement of changes in equity for the year ended 30 June 2012

	Note	Contributions \$	Retained earnings \$	Capital reserve \$	Total \$
Balance at 1 July 2010		1,344,026	10,641,313	3,700,000	15,685,339
Profit or loss		-	593,082	-	593,082
Total comprehensive income for the year		-	593,082	-	593,082
Net contribution from administrative restructure		74,403	-	-	74,403
Balance as at 30 June 2011		1,418,429	11,234,395	3,700,000	16,352,824
Profit or loss		-	154,295	-	154,295
Total comprehensive income for the year		-	154,295	-	154,295
Balance at 30 June 2012		1,418,429	11,388,690	3,700,000	16,507,119

The accompanying notes on pages 30 to 56 form part of this financial statement.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Receipts from operating activities		47,499,120	69,085,972
Payments to suppliers and employees		(46,563,485)	(32,932,963)
Grants received (or refunded) for distribution to schools		11,137	774,775
Payment of grants direct to schools		(576,875)	(465,000)
Goods and services tax recovered from the ATO		(2,266,638)	2,411,245
Goods and services tax paid to the ATO		2,680,495	(3,507,086)
Net cash (used in) or provided by operating activities	17(a)	783,754	35,366,943
Cash flows from investing activities			
Proceeds from (or payment for) investments		2,152,259	(6,000,000)
Payment for property, plant and equipment		(447,659)	(179,259)
Interest received from investments		1,279,045	1,438,216
Proceeds from sale of property, plant and equipment		7,341	71,883
Net cash provided by or (used in) investing activities		2,990,986	(4,669,160)
Cash flows from financing activities			
Deeds of gift – administrative restructure		–	74,403
Net cash provided by (or used in) financing activities		–	74,403
Net increase in cash held		3,774,740	30,772,186
Cash and cash equivalents at the beginning of the financial year		55,573,743	24,801,557
Cash and cash equivalents at the end of the financial year	17(b)	59,348,483	55,573,743

The accompanying notes on pages 30 to 56 form part of this financial statement.

Notes to the financial statements for the financial year ended 30 June 2012

- 1 Summary of accounting policies
- 2 Profit from operations
- 3 Trade and other receivables
- 4 Inventories
- 5 Financial assets
- 6 Other assets
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- 21 Adoption of new and revised accounting standards
- 22 Company details

1. Summary of accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Basis of preparation of the financial report

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements have been prepared on an accrual basis and are based on historical cost modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair-value basis of accounting has been applied.

In the application of standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making judgements. Actual results may differ from these estimates.

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

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

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012; the comparative information presented in these financial statements is for the year ended 30 June 2011.

Accounting policies

1(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

1(b) Bad debts

Provision is made for debts that are outstanding beyond 90 days with the exception of project-related debtors. All amounts receivable from project grants were assessed to be recoverable. All of the company's receivables have been reviewed for indicators of impairment.

1(c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits are categorised between current and non-current on the basis of the employees' right to access entitlements. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

1(d) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a net basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1(e) Comparative figures

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

1(f) Impairment of assets

Assets are assessed annually for indications of impairment. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to profit or loss except to the extent that the write-down can be debited to an asset revaluation reserve (as other comprehensive income) amount applicable to that specific asset.

The recoverable amount for assets is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

1(g) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise.

1(h) Inventories

Inventories held for resale are measured at the lower of cost or net realisable value. For inventory of publications for sale, the company has a policy of fully providing for inventory where the publishing date is greater than three years and the quantity on hand is greater than twice the most recent level of annual sales. In addition, provision is also made for stock that has a publication date of less than three years when sales are significantly below projected levels.

1(i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer all the substantial risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits derived from the leased property.

1(j) Financial instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

The company classifies its investments into the following categories: held-to-maturity investments and available-for-sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Assets held to maturity

Where the company has the positive intent and ability to hold investments to maturity, they are stated at amortised cost less impairment losses.

Available-for-sale financial assets

The investments held by the company that are classified as being available-for-sale are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income reported within the available-for-sale reserve within equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date the company makes an assessment where there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the profit or loss.

1(k) Revenue recognition

Project income is recognised as revenue when the company gains control of the underlying assets. Where project funding is reciprocal, revenue is recognised as performance occurs under the contract. Non-reciprocal project funding is recognised as revenue when the project income is received.

Subscription revenue is recognised evenly across the period of the subscription.

Interest revenue is recognised on a time-proportionate basis that takes into account the effective yield on the financial asset.

Income from the sale of goods and the disposal of other assets is recognised when the company has passed control of the goods or other assets to the buyer.

Income from a contract to provide services is recognised by reference to the stage of completion of the contract.

Royalty income is recognised as earned.

Income of \$744,476 (included in Project revenue) from the contract to manage the edu.au domain registry is recognised on a cash basis.

1(l) Make-good provision

Provisions are recognised when the company has legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The company holds lease agreements to occupy premises at levels 5, 6 and 7, 440 Collins Street Melbourne, at 31 Pelham Street Carlton (Melbourne) and the ground floor of 182 Fullarton Road Dulwich (Adelaide). These leases contain clauses to make-good on the company vacating the premises. These costs include the costs of dismantling and removing an asset and restoring the site on which the asset was created, together with recognition of a provision at present value in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

1(m) Non-current physical assets

Plant and equipment are measured at cost less depreciation and impairment losses.

In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the recoverable amount, and impairment losses are recognised in the profit or loss. A formal assessment of recoverable amount is made when the impairment indicators are present. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal.

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

1(n) Depreciation

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

The following estimated useful lives are used in the calculation of depreciation:

	2012	2011
Leasehold improvement	10 years	10 years
Plant and equipment	3 years	3 years
Fixtures and fittings	10 years	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

1(o) Income tax

The company has received endorsement as an income-tax-exempt charity under Subdivision 50-B of the *Income Tax Assessment Act 1997*, and accordingly no taxation has been provided for in these accounts.

1(p) Grants in advance

The company invoices in advance of project work and recognises associated revenue as project work is completed. The company invoices in advance for subscriptions to products and services issued over a 12-month period and associated revenue is recognised evenly over the period to which the subscription relates.

At 30 June 2012 amounts shown as other liabilities represent the unrecognised revenue for projects invoiced or received in advance and for future subscription activities. It is possible that on completion of project work, balances that have not been fully expended could be returned to clients dependent on the particulars of the specific client contracts.

1(q) Critical accounting estimates and judgements

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

Key estimates – impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts are incorporated where appropriate. No indicators of impairment were noted at reporting date.

Key judgements – doubtful debts provision

Receivables in respect of publication and subscription sales outstanding in excess of 90 days were deemed to be impaired and a provision of \$8,817 (2011: \$11,640) has been recorded accordingly. All amounts receivable from project grants were assessed to be recoverable.

Key judgements – available-for-sale assets

In November 2005 the company subscribed to 500,000 \$1.00 units in an unlisted property trust. These units were transferred to a publically listed property trust as of 4 January 2011 and these units could therefore be freely traded on a public securities market. At 30 June 2011 the latest published market information in respect of the valuation of these units set the price at \$0.94 per unit. The units were all sold during the period.

Key judgements – make-good provision

On 1 June 2008 the company obtained a quote for the make-good on the premises at levels 5, 6 and 7, 440 Collins St Melbourne, and this figure was used as the basis for the provision shown in the Statement of financial position. This quotation has been indexed in order to reflect the make-good liability at 30 June 2012. Industry standard fit-out rates have been used as the basis for the make-good provision for the 182 Fullarton Road Dulwich (Adelaide) and 31 Pelham St Carlton (Melbourne) premises.

1(r) Restructuring of administrative arrangements

Net assets received from another entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

1(s) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest dollar.

2. Profit from operations

2(a) Income

	Note	2012 \$	2011 \$
	2(c)		
Project income		38,199,219	32,837,874
Subtotal – project income		38,199,219	32,837,874
Schools Cataloguing Information Service subscriptions		2,790,721	2,782,240
Publication sales		1,149,675	1,167,061
Maths 300 subscriptions		326,969	308,997
Education Quarterly subscriptions		11	–
Resourcebank subscriptions		21,716	30,759
Other subscriptions and product sales		263,573	318,827
Subtotal – revenue from sales and subscriptions		4,552,665	4,607,884
Royalties		171,557	281,062
Interest – at bank and other short-term investments		1,013,104	567,066
Interest – investments current		219,894	399,724
Interest – investments non-current		318,201	547,658
Other (2011: includes ed.au domain fees of \$458,922)		264,067	699,393
Sub-lease rental income		312,194	311,888
Gain on investment		7,095	79
Subtotal – other income		2,306,112	2,806,870
Total income		45,057,996	40,252,628

2(b) Expenditure

The net result has been arrived at after charging the following items:

	2012 \$	2011 \$
Employee benefits	(16,990,198)	(15,347,720)
Project-related expenses	(20,391,538)	(15,284,301)
Publication and subscription product expenses	(1,542,568)	(1,479,893)
Depreciation on non-current assets	(493,286)	(617,855)
Make-good expenses	(46,500)	(140,000)
Write-back on make good	(8,565)	(11,470)
Administration and secretariat	(2,216,570)	(2,874,374)
Occupancy	(1,855,832)	(2,293,484)
IT maintenance and services	(1,361,508)	(1,623,401)
Loss on disposal of property, plant and equipment	2,864	12,952
Total expenditure	(44,903,701)	(39,659,546)
Profit from operations	154,295	593,082

2(c) Grants to schools

Note: an amount of \$576,875 (2011: \$465,000) was recognised as revenue for distribution of grants direct to schools. All of this revenue was distributed to schools during the financial year and recognised as a reduction to revenue rather than an expense. The company has elected to treat the grants in this manner so as not to misrepresent the financial operations in the Statement of comprehensive income and therefore the gross value of these grants is not shown as an income or expenditure item. Revenue from contracts for the management and distribution of these grants are included within project grants.

2(d) Employee benefits

Employee benefits includes payment for staff redundancies in the sum of \$608,086.

3. Trade and other receivables

	2012 \$	2011 \$
Receivables		
Receivables – relating to projects	29,731,068	18,843,521
Other ordinary receivables	285,005	292,515
Allowance for doubtful debts	(8,817)	(11,640)
Receivables	30,007,256	19,124,396
Doubtful debts movement		
Balance at beginning	(11,640)	(9,862)
Bad debts written off	274	33,188
Reduction (or increase) in provision	2,549	(34,966)
Balance at end of year	(8,817)	(11,640)

At 30 June 2012 all amounts shown as receivables are considered to be short term, with the carrying values a reasonable approximation of the fair value.

4. Inventories

	2012 \$	2011 \$
Inventories		
Inventory – publications at cost	614,581	712,974
Allowance for obsolescence	(579,742)	(572,034)
Inventories	34,839	140,940
Obsolescence movement		
Balance at beginning	(572,034)	(640,187)
Inventory written off or disposed of	(804)	45,669
Additional provision	(6,904)	22,484
Balance at end of year	(579,742)	(572,034)

5. Financial assets

	2012 \$	2011 \$
Current assets		
Investments held to maturity	6,660,315	5,700,000
Available-for-sale – shares in listed property trust	–	333,479
Total current financial assets	6,660,315	6,033,479
Non-current assets		
Investments held to maturity	–	2,772,000
Total non-current financial assets	–	2,772,000
Total financial assets	6,660,315	8,805,479

6. Other assets

	2012 \$	2011 \$
Other assets		
Prepayments	327,841	514,463
Accrued revenue	805,743	1,409,720
Total other assets	1,133,584	1,924,183

7. Property, plant and equipment

	2012 \$	2011 \$
Leasehold improvements at cost	1,747,683	1,656,527
Accumulated depreciation and amortisation	(750,719)	(534,942)
Total	996,964	1,121,585
Fixtures and fittings at cost	251,381	335,810
Accumulated depreciation	(216,997)	(294,810)
Total	34,384	41,000
Plant and equipment at cost	4,334,837	4,358,583
Accumulated depreciation	(3,866,851)	(3,971,732)
Total	467,986	386,851
Total property, plant and equipment	1,449,334	1,549,436

Movement in carrying amounts	Leasehold improvements \$	Fixtures and fittings at cost \$	Plant and equipment \$	Total \$
Balance at beginning of year 1 July 2011	1,121,585	41,000	386,851	1,549,436
Additions	91,152	998	355,512	447,662
Disposals	-	(85,427)	(379,253)	(464,680)
Depreciation write back on disposal	-	85,427	374,775	460,202
Depreciation expense	(215,773)	(7,614)	(269,899)	(493,286)
Carrying amount at end of year 30 June 2012	996,964	34,384	467,986	1,499,334

Movement in carrying amounts	Leasehold improvements \$	Fixtures and fittings at cost \$	Plant and equipment \$	Total \$
Balance at beginning of year 1/07/10	1,345,907	40,379	660,679	2,046,965
Additions	–	8,226	171,034	179,260
Disposals	(70,108)	–	(226,235)	(296,343)
Depreciation write back on disposal	18,449	–	218,960	237,409
Depreciation expense	(172,663)	(7,605)	(437,587)	(617,855)
Carrying amount at end of year 30 June 2011	1,121,585	41,000	386,851	1,549,436

8. Trade and other payables

	2012 \$	2011 \$
Current		
Amounts payable suppliers	3,019,577	3,551,840
ATO – GST	2,330,767	4,579,222
Total trade and other payables	5,350,344	8,131,062

At 30 June 2012 all amounts shown as Trade and other payables are considered to be short term, with the carrying values a reasonable approximation of the fair value.

9. Other liabilities

	2012 \$	2011 \$
Current		
Project funds in advance	71,663,212	58,328,903
Subscriptions received in advance	1,527,391	1,523,933
Total other liabilities	73,190,603	59,852,836

10. Provisions

	2012 \$	2011 \$
Current		
Employee benefits – annual leave	916,901	834,584
Employee benefits – long service leave	1,116,927	858,704
Employee benefits – salaries and wages	618,605	251,457
Make good on premises	142,967	–
Total current provisions	2,795,400	1,944,745
Non-current		
Employee benefits – long service leave	467,189	382,019
Make good on premises (see 10a)	373,165	454,691
Total non-current provisions	840,345	836,710
Total provisions	3,635,745	2,781,455

10(a) Make-good provision

	2012 \$	2011 \$
Balance at beginning of financial year	454,691	446,463
Addition or (reduction) to provision – Adelaide	–	(113,533)
Melbourne	61,441	121,761
Balance at end of financial year	516,132	454,691

11. Reserves

	2012 \$	2011 \$
Capital reserve		
Capital reserve at the beginning of the financial year	3,700,000	3,700,000
Transfer from retained earnings	–	–
Balance at the end of the financial year	3,700,000	3,700,000

As a company limited by guarantee, Education Services Australia has no formal issued capital and therefore must fund its capital requirements from retained earnings. At 30 June 2005 the Directors established a Capital reserve to fund the fixed-asset infrastructure requirements and to meet working capital requirements.

12. Lease commitments

Operating leases

Operating leases relate to the tenancies at levels 5, 6 and 7, 440 Collins Street Melbourne, level 3, 31 Pelham Street Carlton (Melbourne) and ground floor 182 Fullarton Road Dulwich (Adelaide). The facilities have remaining lease terms of between one and six years. The Collins Street operating lease contracts contain market review clauses in the event that the company exercises its option to renew. The company does not have an option to purchase the leased asset at the expiry of the lease period.

	2012 \$	2011 \$
Non-cancellable operating leases		
Not longer than 1 year	1,284,902	1,444,628
Longer than 1 year and not longer than 5 years	5,474,496	5,371,604
Longer than 5 years	500,315	1,943,532
Total	7,259,713	8,759,764

The lease commitments relate to office accommodation at levels 5, 6 and 7, 440 Collins Street Melbourne and level 3, 31 Pelham Street Carlton (Melbourne). The lease tenancy at levels 5, 6 and 7, 440 Collins Street Melbourne are secured to October 2017. Level 3, 31 Pelham Street Carlton (Melbourne) is secured to July 2012 and the ground level of 182 Fullarton Road Dulwich (Adelaide) is secured until February 2013.

13. Members' guarantee

The company is limited by guarantee, with only one class of member, and nine members. Each member undertakes to contribute to company assets in the event of the company being wound up while the person is a member, or within one year of the person ceasing to be a member. Amounts may be required not exceeding one hundred dollars (\$100) per member.

14. Remuneration of Directors and executives

Directors are remunerated for their services providing the Directors are not prohibited from receiving such remuneration as a result of employment conditions with their own employers (not Education Services Australia Limited).

Several factors have affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year and renegotiated and a number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.

	2012 \$	2011 \$
Remuneration		
Short-term employee benefits – executives	1,329,956	1,937,495
Directors' remuneration	71,005	43,841
Total remuneration of Directors and executives*	1,400,961	1,981,336

* includes \$52,801 (2011: \$538,083) in severance and redundancy payments

15. Remuneration of auditors

	2012 \$	2011 \$
Remuneration		
Audit or review of the financial report	74,000	70,750
Total auditor remuneration	74,000	70,550

16. Subsequent events

There were no subsequent events.

The financial report was authorised for issue by the Board of Directors on the 20th day of September 2012.

17. Notes to statement of cash flows

17(a) Reconciliation of net result for the year to net cash flows from operating activities

	2012 \$	2011 \$
Net result for the financial year	154,295	593,082
(Gain) or loss on sale or disposal of non-current assets	(2,865)	(12,951)
(Gain) or loss on revaluation of financial assets	(7,095)	(79)
Reclassify interest as investing cash flow	(1,279,045)	(1,438,217)
Depreciation and amortisation of non-current assets	493,286	617,855
Net result after adjustments	(641,424)	(240,310)
Changes in net assets and liabilities (increase) or decrease in assets		
Trade and other receivables	(10,882,860)	(2,766,907)
Inventories	106,101	(34,243)
Other current assets	790,599	(22,469)
Increase or (decrease) in liabilities		
Current trade and other payables	(2,780,718)	1,134,198
Current provisions	850,655	167,535
Current income in advance	13,337,767	37,133,258
Non-current provisions	3,634	(4,119)
Net cash provided by or (used in) operating activities	783,754	35,366,943

17(b) Cash and cash equivalents

	2012 \$	2011 \$
Cash on hand	1,140	1,100
Cash at bank	56,759,832	49,340,898
Cash not available for company use	587,511	631,745
Investments at call	2,000,000	5,000,000
Total	59,348,483	55,573,743

18. Related party transactions

Every Australian State and Territory government education department and the Australian Government education department is represented on the company's Board, either through direct membership of the board by senior staff of those government departments or through the representative of the Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee (AEEYSOC), who is a member of the Board. These governments can therefore exert significant influence over the company. Of the company's total revenue, 88 per cent was earned from these related entities during the period for the provision of products and services. All transactions relating to organisations in which Directors may be employed are completed at arms length and the Directors cannot personally benefit from these transactions.

In addition, the Minister for Education, Employment and Workplace relations in the Australian Government is the sole member of the Australian Curriculum, Assessment and Reporting Authority (ACARA) and the Australian Institute for Teaching and School Leadership (AITSL) as well as being one of nine members of Education Services Australia Limited. Of the company's total revenue, 2 per cent was earned from these two related entities during the period.

19. Contingent liabilities

The company has provided a registered mortgage debenture over its assets in respect of security on the leasehold properties at levels 5, 6 and 7, 440 Collins Street Melbourne, and the ground and first floor at 182 Fullarton Road Dulwich (Adelaide).

	2012 \$	2011 \$
Contingent liabilities		
Bank guarantee – tenancy lease Collins St Melbourne	700,000	700,000
Bank guarantee – tenancy lease Fullarton Rd Dulwich	280,000	280,000
Total contingent liabilities	980,000	980,000

20. Financial instruments

20(a) Significant accounting policies

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

20(b) Categorisation of financial instruments

	Note	Category	Carrying amount 2012	Carrying amount 2011
Financial assets				
Receivables	3	Loans and receivables (at amortised cost)	30,007,256	19,124,396
Financial assets	5	Held-to-maturity investments (at cost)	6,660,315	8,472,000
Financial assets	5	Available-for-sale financial assets (at fair value)	–	333,479
Financial liabilities				
Payables	8	Trade and other payables measured at amortised cost	5,350,344	8,131,062

20(c) Fair-value hierarchy

	2012 \$	2011 \$
Categorisation of financial instruments at fair value		
Level 1 – quoted prices in active markets*	–	333,479
Level 2 – inputs other than quoted prices that are observable for the asset	–	–
Level 3 – inputs that are not based on market data	–	–
Total fair-value financial instruments	–	333,479

* 500,000 \$1.00 units in a publicly listed property trust classified as available-for-sale financial assets were sold during the period.

20(d) Credit risk

Credit risk arises from the financial assets of the company, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets and investments held to maturity. The company's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the company. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the company's financial assets is minimal because the main debtors are government instrumentalities. For debtors other than government, it is the company's policy to only deal with entities with high credit ratings.

In addition, the company does not engage in hedging for its financial assets and mainly obtains financial assets that are on a fixed-interest basis.

Provision of impairment for financial assets is calculated based on past experience, and current and expected changes in client credit ratings.

The carrying amount of financial assets recorded in the Financial statements net of any allowances for losses, represents the company's maximum exposure to credit risk.

20(e) Financial assets that are either past due or impaired

Currently, the company does not hold any collateral as security or credit enhancements relating to any of its financial assets.

As at the reporting date, the company provided for doubtful debts amounting to \$8,817 against non-project-related sales activity. All other receivables are expected to be collected in full.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The following tables disclose the ageing of financial assets that are past due.

Ageing analysis of financial assets

	Not past due and not impaired	Past due but not impaired			Impaired financial assets	Total
		less than 1 month	1-3 months	3-12 months		
2012						
Receivables						
Project debtors	28,184,410	761,198	522,615	262,845		29,731,068
Other receivables	175,262	84,353	16,573	-	8,817	285,005
Other financial assets						
Investments held to maturity	6,660,315	-	-	-	-	6,660,315
Available-for-sale investments	-	-	-	-	-	-
Total	35,019,987	845,551	539,188	-	8,817	36,676,388
2011						
Receivables						
Project debtors	18,016,663	273,818	553,040	-	-	18,843,521
Other receivables	240,181	28,571	12,123	-	11,640	292,515
Other financial assets						
Investments held to maturity	8,472,000	-	-	-	-	8,472,000
Available-for-sale investments	333,479	-	-	-	-	333,749
Total	27,062,323	302,389	565,163	-	11,640	27,941,515

20(f) Liquidity risk

Liquidity risk arises when the company is unable to meet its financial obligations as they fall due. The company operates under a policy of settling financial obligations within 30 days and, in the event of a dispute, makes payment within 30 days from the date of resolution. The company has a policy of retaining funds equivalent to five months of fixed operating cost plus working capital. The company's capital reserve of \$3,700,000 represents the working capital requirements.

The company's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from the liquidation of investments held to maturity.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities.

Maturity analysis of financial liabilities

	Not past due	Maturity dates			Total
		less than 1 month	1-3 months	3-12 months	
2012					
Financial liabilities					
Payables	5,307,807	18,476	18,580	5,481	5,350,344
Total	5,307,807	18,476	18,580	5,481	5,350,344
2011					
Financial liabilities					
Payables	8,009,681	65,994	54,327	1,060	8,131,062
Total	8,009,681	65,994	54,327	1,060	8,131,062

20(g) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect the future cash flows or the fair values of the fixed-rate financial instruments. The company's exposure to interest rate risk and effective weighted-average interest rate by maturity is set out in the following table.

Interest rate exposure analysis of financial assets

	Interest rate* %	Carrying amount \$	Interest rate exposure \$		
			Fixed interest rate	Variable interest rate	Non-interest bearing
2012					
Cash					
Cash and cash equivalents	3.37	59,347,343	2,000,000	57,347,343	-
Receivables					
Project debtors	-	29,731,068	-	-	29,731,068
Other receivables	-	276,191	-	-	276,191
Other financial assets					
Investments held to maturity	5.41	6,660,315	6,660,315	-	-
Available-for-sale assets	-	-	-	-	-
Total		96,014,917	8,660,315	57,347,343	30,007,259
2011					
Cash					
Cash and cash equivalents	4.33	55,573,743	5,000,000	50,572,643	1,100
Receivables					
Project debtors	-	18,843,521	-	-	18,843,521
Other receivables	-	280,875	-	-	280,875
Other financial assets					
Investments held to maturity	6.31	8,472,000	8,472,000	-	-
Available-for-sale investments	-	333,479	-	-	-
Total		83,503,618	13,472,000	50,572,643	19,125,516

* Weighted-average effective interest rate.

Interest rate exposure analysis of financial liabilities

	Interest rate* %	Carrying amount \$	Interest rate exposure \$		
			Fixed interest rate	Variable interest rate	Non-interest bearing
2012					
Financial liabilities					
Payables	-	5,350,344	-	-	5,350,344
Total	-	5,350,344	-	-	5,350,344
2011					
Financial liabilities					
Payables	-	8,131,062	-	-	8,131,062
Total	-	8,131,062	-	-	8,131,062

* Weighted-average effective interest rate.

The following table sets out the company's sensitivity to interest rate change and market changes, holding all other variables constant. A sensitivity of 200 basis points has been selected as the interest rate change that is reasonable given the current level of both short-term and long-term Australian interest rates. A sensitivity of 10 per cent has been selected for market movements given the current volatility of Australian share markets.

Market risk exposure

Carrying amount	Interest rate risk				Other price risk				
	-2.00% (200 basis points)		2.00% (200 basis points)		-10.00%		10.00%		
	Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity	
2012									
Financial assets									
Cash and cash equivalents	57,347,343	(1,146,947)	(1,146,947)	1,146,947	1,146,947	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-
Financial liabilities									
Payables	-	-	-	-	-	-	-	-	-
Total increase or (decrease)		(1,146,947)	(1,146,947)	1,146,947	1,146,947	-	-	-	-

20(h) Fair value

The fair values and net fair values of financial assets and financial liabilities are determined as the fair value of financial assets and financial liabilities with standard terms and conditions, and when traded in active liquid markets are determined with reference to quoted market prices.

The company considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements to be a fair approximation of their fair values because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

21. Adoption of new and revised accounting standards

The company has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, which are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance of the company.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory have not been adopted by the company for the reporting period ending 30 June 2012. The company has assessed the impact of these new or amended but not yet effective Accounting Standards and Interpretations and has determined that these standards will not affect the measurement but may result in additional disclosures.

22. Company details

The company's registered office is level 5, 440 Collins Street Melbourne; the company operates its business from level 5, 440 Collins Street Melbourne, 182 Fullarton Road Dulwich (Adelaide) and 31 Pelham Street Carlton (Melbourne).

Directors' declaration

The Directors declare that:

1. The financial statements and notes for Education Services Australia Limited as set out on pages 26 to 56 have been prepared in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards;
 - b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Dr Tom Stubbs

Chair of the Board of Directors

Education Services Australia Limited

Dated this 20th day of September 2012

Auditor's report



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Independent Auditor's Report

To the Members of Education Services Australia Limited

We have audited the accompanying financial report of Education Services Australia Limited (the 'Company'), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the company .

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Electronic presentation of audited financial report

This auditor's report relates to the financial report of Education Services Australia Limited and controlled entities for the year ended 30 June 2012 included on Education Services Australia Limited's web site. The Company's Directors are responsible for the integrity of Education Services Australia Limited's web site. We have not been engaged to report on the integrity of Education Services Australia Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

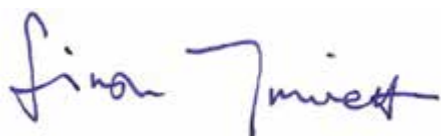
Auditor's opinion

In our opinion:

- a the financial report of Education Services Australia Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S.C. Trivett
Director – Audit & Assurance
Melbourne, 20 September 2012

APPENDIXES

Appendix 1: Letter of Expectation

Ministerial Council for Education,
Early Childhood Development and Youth Affairs
PO Box 202, Carlton South VIC 3053, Australia
3rd Floor, 15–31 Pelham Street, Carlton VIC 3053, Australia

Tel: +61 3 9639 0588

Fax: +61 3 9639 1790

Email: enquiries@mceecdya.edu.au

Web: <http://www.mceecdya.edu.au/mceecdya/>

23 June 2011

2010–11 LETTER OF EXPECTATION

Dr Tom Stubbs
Chair
Education Services Australia
PO Box 177
CARLTON SOUTH VIC 3053

Dear Dr Stubbs

I am writing on behalf of the Ministerial Council on Education, Early Childhood Development and Youth Affairs (MCEECDYA), as company owners, to set out the priorities and expectations for Education Services Australia (ESA) in 2010–11.

PURPOSE

This Letter of Expectation is an agreement between MCEECDYA and ESA. It outlines the roles and responsibilities of ESA and sets out the high-level performance expectations and strategic priorities for ESA in 2010–11. It will be reviewed annually and updated, as required.

This Letter of Expectation should inform the development of ESA's corporate and strategic planning. All annual reporting from ESA should be consistent with this Letter.

CONTEXT

The Commonwealth and state and territory governments, with non-government education authorities and providers, are working towards a world-class education system in Australia. All governments agreed in 2008, under the *Melbourne Declaration on Educational Goals for Young Australians*, to '[support] all young Australians to become successful learners, confident and creative individuals and active and informed citizens'. In working towards that goal, all Australian governments are undertaking a broad agenda of reform for Australian schools.

The national education reform agenda is contributing to sustainable and meaningful change in Australian schools. The Australian Curriculum, Assessment and Reporting Authority (ACARA) is developing the Australian Curriculum, with the four key learning areas of English, mathematics, the sciences and history to be delivered online from 2011. ACARA is also implementing national frameworks for assessment, through the National Action Plan – Literacy and Numeracy testing, and reporting, through the *My School* website.

Australian governments are also implementing reforms focused on teacher quality. A key element of teaching reforms includes the National Partnership on Improving Teacher Quality, to deliver world-leading professional development and support, which will empower school leaders and principals to better manage their schools to achieve improved students results and higher quality teaching. The Australian Institute for Teaching and School Leadership (AITSL), which came into being on 1 January 2010, has a leadership role in the teacher quality initiatives.

Australian governments are also undertaking initiatives to support the effective integration of Information & Communication Technologies (ICT) into teaching and learning.

In addition to these reforms, state and territory governments and non-government education authorities are also undertaking a range of other initiatives to improve the delivery of education in Australia.

This broad education reform agenda has provided context for ESA becoming operational, resulting from the merger of *Education.au limited* and Curriculum Corporation. It is expected that ESA will provide vital support for the reform agenda, including the initiatives listed above that are currently being implemented.

PRINCIPLES

MCEECDYA expects ESA to operate by the following four principles:

- *innovation*. ESA should deliver high-quality and innovative products and services and creatively work, through innovative engagement models, to meet the requirements of the education sector in implementing the broader reform agenda
- *engagement*. MCEECDYA expects ESA to engage closely with all jurisdictions and systems in the schools sector to ensure that ESA products and services directly meet owners' needs
- *leveraging existing capital*. Wherever possible, ESA should work to leverage:
 - existing investment in resources, tools and infrastructure that is either owned nationally or by states or territories
 - existing knowledge, expertise and capacity in jurisdictions and the non-government education sector, where practical and mutually beneficial.
- *efficiency*. Products and services should be cost-effective and delivered competitively.

MCEECDYA envisages that cost efficiencies will be able to be achieved following the company merger. It is expected that ESA will work to realise potential efficiencies, and retain the capability to support the long-term reform agenda.

ENGAGEMENT

As owners of ESA, MCEECDYA expects that ESA will deliver products and services that directly meet the needs and requirements of all jurisdictions, systems and schools in the education sector. To ensure close alignment between required and provided services, it is envisaged that ESA will engage closely with all education authorities, ACARA and AITSL, to determine the sector's requirements as consumers.

MCEECDYA requests that ESA report to each MCEECDYA meeting, and provide an Annual Report to MCEECDYA, outlining the activities of ESA during the period and its relationship with and responsiveness to the annual Letter of Expectation. MCEECDYA also asks that ESA consult with and be responsive to the Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee (AEEYSOC).

In the development and implementation of its projects and activities, MCEECDYA considers it critical that ESA seek to engage collaboratively with and gain support from key stakeholders, including bodies such as ACARA, AITSL programs such as the National Schools Interoperability Program (NSIP), state and territory government authorities, the non-government education sector and Commonwealth government authorities. Formal consultation mechanisms such as project steering groups and project reference groups should be employed for this engagement and collaboration. ESA should also engage with public organisations active in the eLearning and digital resources space, including large lending libraries and universities, and the broader eLearning industry, including providers of digital tools, resources and infrastructure, where appropriate.

A strong collaborative approach to service delivery will have benefits for both ESA and all parts of the education system with whom it engages. While keeping national core teams tight, a more distributed and collaborative model of operation will improve information flows within the sector, enabling ESA to be more aware of and responsive to the needs of the sector, while at the same time strengthening capacity in jurisdictions, systems and schools.

PRIORITIES

It is envisaged that 2010–11 will be a planning year for ESA. MCEECDYA expects that, during 2010–11, ESA will work to ensure that the company continues hosting, maintaining and providing services that were previously delivered by *Education.au* and Curriculum Corporation, including services related to its cross-sectoral responsibilities, having regard to their continued currency and as directed by owners. During this year, company owners will review and discuss ongoing services to ensure that ESA continues to provide services that provide a high degree of support for national priorities in the education sector.

In providing support for national education initiatives in 2010–11, it is envisaged that ESA will work in the four priority areas agreed under the ESA company objects, in line with the principles listed above. These are:

- researching, testing and developing effective and innovative ICT systems for education, in line with national eLearning initiatives
- devising, developing and delivering curriculum and assessment, professional development and career and information support services, consistent with the work of ACARA, AITSL, states, territories and other key stakeholders

- facilitating the pooling, sharing and distribution of knowledge, resources and services to support and promote eLearning, across jurisdictions, sectors and internationally
- supporting the NSIP program of work to ensure access to quality assured systems and content and interoperability between individuals, entities and systems.

MCEECDYA notes that ESA has been engaged by a number of organisations, including the Commonwealth Government, to undertake specific projects and activities in line with the four priority areas in the ESA company objects.

This initial 12 month period will provide an ideal opportunity to clarify the extent of ESA's ongoing involvement in higher education and in the vocational education and training sector. It is anticipated that there will be consultation with key stakeholders, including the Ministerial Council on Tertiary Education and Employment and the National Senior Officials Committee, and that, where appropriate, some specific Memoranda of Understanding and work plans will be developed.

FUNDING

It is noted that, on 12 March 2010, AEEYSOC agreed on behalf of MCEECDYA to maintain the core service fees previously received by *Education.au* and Curriculum Corporation for ESA until and inclusive of 2011–12.

It is noted that a key element of ESA's purpose is to seek opportunities for commissioned work and provide products and services commercially. The first year of operation will provide an opportunity to clarify and assess the extent of ESA's market, its dependency on commissioned work and the actual and potential demand levels for the company's services.

It is expected that ESA will retain and build capacity to respond to market opportunities, as undertaken by MCEECDYA, the Commonwealth Government, state and territory governments, ACARA, AITSL or other key stakeholders and will continue to use core funds in the maintenance of this capacity, until reviewed in the context of a developed business case before the commencement of 2012–13.

MCEECDYA expects that ESA's responses to market opportunities, combined with two years of maintenance funding, will provide a stable financial basis for the company to position itself well after 2011–12. MCEECDYA asks that, during 2010–11, ESA examine, identify and report to MCEECDYA on any potential opportunities for achieving efficiencies in core service fees into the future.

Annual provision of core funding for ESA will be subject to a detailed Program of Work, approved by the Board and provided to MCEECDYA and AEEYSOC. Provision of core funding after 2011–12 will be determined by AEEYSOC by the end of 2011. MCEECDYA asks that, following the provision of interim core funding, ESA prepare a more substantial, ongoing work plan that builds on the annual Letter of Expectation and details ESA's proposed relationships, services and engagements in relation to all jurisdictions and relevant existing programs of work. It is envisaged this work plan would be annually revised and form the basis for future reporting.

REPORTING

As outlined, MCEECDYA requests that ESA provide an Annual Report within three months of the conclusion of the financial year that outlines ESA's activity during the preceding financial year and how the activities relate to this Letter. The first Annual Report, for 2010–11, should incorporate activities conducted from the commencement of the company until 30 June 2011. MCEECDYA asks that this Annual Report specifically include:

- a report on what consultation ESA has undertaken with states, territories and key education stakeholders regarding the sector's requirements, what ESA determined as the key requirements and what activities ESA undertook to aim meeting these requirements
- what steps ESA has taken to examine, identify and reporting on corporate efficiencies
- a strategic plan for a sustainable, long-term reduction in core service fees
- detailed information on the financial position of ESA
- progress against ESA's work plan / program of work
- potential opportunities to leverage and build on existing work led by other key stakeholders and possible future areas of work for ESA to pursue to support the national reform agenda, subject to agreement by the Commonwealth Government and all states and territories.

MCEECDYA asks that ESA also provide a separate version of the Annual Report for the ESA website that provides a high-level update on the strategic and financial positions of ESA and ESA's work.

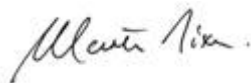
In addition, MCEECDYA asks that ESA report against its work plan/program of work at each MCEECDYA meeting.

CONCLUSION

MCEECDYA looks forward to hearing about ESA's operations in line with these expectations, and the progress towards positioning ESA to effectively deliver the long-term education reform agenda.

MCEECDYA asks that ESA provides a copy of this letter to all the Directors on the Board and looks forward to working with you towards the future success of ESA.

Yours sincerely



The Hon Martin Dixon, MP
Chair, MCEECDYA

Appendix 2: Glossary

ACARA	Australian Curriculum, Assessment and Reporting Authority
ACECQA	Australian Children’s Education and Care Quality Authority
ACS	Australian Career Service
AEEYSOC	Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee
AICTEC	Australian ICT in Education Committee
AITSL	Australian Institute for Teaching and School Leadership
ALTC	Australian Learning and Teaching Council
ASQA	Australian Skills Quality Authority
auDA	au Domain Administration
COAG	Council of Australian Governments
DEEWR	Department of Education, Employment and Workplace Relations
DIISRTE	The Department of Industry, Innovation, Science, Research and Tertiary Education
FLAG	Flexible Learning Advisory Group
ICT	Information and communication technologies
MCTEE	Ministerial Council of Tertiary Education and Employment
NQAITS	National Quality Agenda IT System
NSIP	National Schools Interoperability Program
NSOC	National Senior Officers Committee
NCOS	National Carbon Offset Standard
SCSEEC	Standing Council on School Education and Early Childhood
ScOT	Schools Online Thesaurus
VET	Vocational Education and Training