

EDUCATION SERVICES AUSTRALIA

ANNUAL REPORT

2010–11



Education
Services
Australia

Education Services Australia Limited
ABN 18 007 342 421

Education Services Australia Annual Report
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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

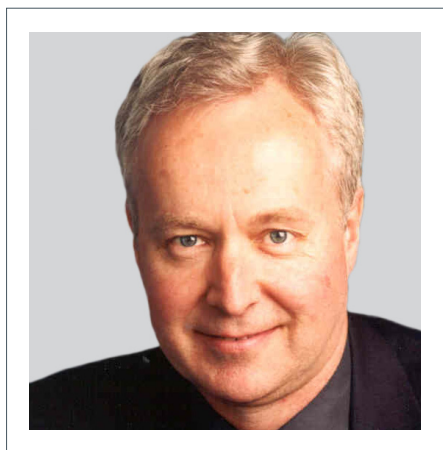
This Annual Report presents an account of the activities of Education Services Australia from 1 March 2010 to 30 June 2011.

On 12 June 2009 the Ministerial Council of Education, Early Childhood Development and Youth Affairs (MCEECDYA) approved the consolidation of Curriculum Corporation and Education.au, and agreed to use the Curriculum Corporation base structure as the legal 'shell' for the new company. The consolidation was completed on 28 February 2010 and Education Services Australia commenced operation as a legal entity on 1 March 2010.

Education.au ceased operations on 28 February 2010 and was de-registered as a company on 26 January 2011.

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 2010 to 30 June 2011.

FROM THE CHAIR



I am very pleased to present the first Annual Report of Education Services Australia, which covers operations in the final four months of 2009–10 following the consolidation of Curriculum Corporation and Education.au, as well as the 2010–11 financial year.

Education Services Australia has developed a strategic framework to guide the successful achievement of the Ministers' expectations, reduced its dependence on core fees through corporate efficiencies, and delivered innovative, cost-effective products and national services for the Schools, Vocational Education and Training (VET) and Higher Education sectors.

Over 200 projects were conducted covering careers education, curriculum and assessment material development, print and digital resources production and procurement, school library support, domain registration, research and evaluation, web services and information systems development.

Services are being provided for the Australian Curriculum, Assessment and Reporting Authority (ACARA), the Australian Institute of 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 key focus of work is the provision of infrastructure, resources, services and standards to integrate information and communication technologies into teaching and learning. Working closely with AITSL and ACARA, Education Services Australia is supporting the school reform agenda, particularly through the procurement, sharing and distribution of digital curriculum and professional learning resources linked to the Australian Curriculum and professional standards.

In all endeavours Education Services Australia recognises the importance of encouraging the active engagement of key stakeholders and is mindful that it must add unique value to the work taking place in jurisdictions across Australia.

Education Services Australia has made significant progress in achieving its objectives and is proud of its achievements to date. With a dedicated Board and a skilled and committed staff, Education Services Australia looks forward to continuing to collaboratively develop technology-based solutions, products and services that support national and jurisdiction initiatives and the work of education and training agencies.

Dr Tom Stubbs
Chair, Education Services Australia

EDUCATION SERVICES AUSTRALIA REPORT

1 MARCH 2010 – 30 JUNE 2011



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 Ministerial Council on Education, Early Childhood Development and Youth Affairs (MCEEDYA) appointed the Directors on a transitional basis to govern and direct policy from 1 March to 30 November 2010. The 2010 Annual General Meeting approved the formal appointment of Directors, commencing on 1 December 2010. All Directors were eligible for re-appointment.

The Board met three times prior to Education Services Australia commencing operations to monitor the consolidation of Curriculum Corporation and Education.au and to discuss business plans and strategy for the 2010–11 financial year. The Board met seven times from 1 March 2010 to 30 June 2011 to establish and monitor the company's strategic direction and financial and overall performance.

Directors as at the 30 June 2011

Dr Tom Stubbs

Independent Chair

Ms Sharyn O'Neill

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

Dr Evan Arthur

Australian Government nominee

Dr Brian Croke

Non-government schools sector nominee

Professor Ian Goulter

Universities Australia nominee

Dr Richard Eden

Independent expert

Ms Fran Hinton

Independent expert

Ms Helga Kolbe

Independent expert

Ms Leslie Loble

Independent expert

There is a vacancy for a National Senior Officials Committee (NSOC) nominee.

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, Vocational Education and Training (VET) and Higher Education. 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 Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA).

The Ministers' Letter of Expectation outlines a pivotal support role for the company in initiatives that are contributing to 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 sector initiatives to improve the delivery of education.

The Letter of Expectation 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*.

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, Audit and Risk 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 MCEECDYA.

LOCATION

Education Services Australia has offices in Melbourne and Adelaide.

REVENUE

Revenue is primarily generated through commissioned or tendered projects for MCEECDYA, 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. Less than 5 per cent of revenue is provided through government core funding.

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 Schools, VET and Higher Education sectors to ensure that products and services directly meet owners' needs

Leverage 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.

ENGAGEMENT

Education Services Australia works with the Australian Education, Early Childhood Development and Youth Affairs Senior Officials Committee (AEEYSOC), the Australian Government, states and territories, education and training authorities, ACARA and AITSL to ensure it delivers products, projects and services that meet the needs and requirements of its owners, clients and stakeholders.

REPORT ON OPERATIONS

In Education Services Australia's first sixteen months of operation:

- The Board of Directors has been constituted and the company governance structures have been developed.
- The inaugural Chief Executive Officer, Ms Susan Mann was appointed.
- The consolidation of Curriculum Corporation and Education.au was appropriately managed and corporate efficiencies have been realised.
- The Strategic Plan, budget and workplan have been developed and agreed.
- Strong strategic working partnerships and service arrangements have been established 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 National Childcare Accreditation Council (NCAC).
- More than 200 projects have been managed and a range of services provided that have supported national, jurisdiction and stakeholder priorities.

CORPORATE EFFICIENCIES

Ministers required that the consolidation of Curriculum Corporation and Education.au would achieve efficiencies. The Board initiated a strategic review in March 2010 to ensure a financially viable company.

The review initially involved collaboration with key stakeholders and clients to identify opportunities and understand current and future service requirements. A new financial strategy, risk-management plan, organisational structure, corporate website and strategic plan were then developed.

This activity was followed by a rationalisation of the business to match anticipated future revenue with resources.

Consolidation of corporate services from the Adelaide office to the larger Melbourne office further reduced fixed running costs, as did the payroll tax exemption in South Australia and a reduction in accommodation requirements in both Melbourne and Adelaide.

All costs related to the consolidation have been absorbed by Education Services Australia.

The total annual future savings generated in the company's first 16 months is \$2,114,143.

These efficiencies were designed to improve competitiveness and service provision. They have already reduced the dependency on the core fees provided by the Australian and the state and territory governments by 50 per cent, 12 months earlier than required.

There has been no loss of business or disruption to customers as a result of the implementation of these corporate efficiency measures.

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 2010–11 Strategic Plan and the 2011–12 Strategic Plan can be accessed from the Education Services Australia website at www.esa.edu.au.

STAKEHOLDER ENGAGEMENT

The Board is committed to collaborating with existing and potential future clients and stakeholders to identify opportunities and service requirements.

The Chair and Chief Executive Officer met regularly with key personnel in the Department of Education, Employment and Workplace Relations (DEEWR), jurisdictions, ACARA, AITSL, Skills Australia, Technical Vocational Education and Training Australia Limited (TVET), the Flexible Learning Advisory Group (FLAG), the Australian Learning and Teaching Council (ALTC) and other relevant agencies.

PROJECTS AND SERVICES

Education Services Australia managed more than 220 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 stakeholder needs and requirements.

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

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

Significant large-scale national projects managed by Education Services Australia include the National Digital Learning Resources Network, the my future national online career information and exploration service, the Australian Curriculum Connect project linking the curriculum with digital resources, the Improve formative assessment system and Digital Education Revolution projects, Teaching Teachers for the Future and ICT in Everyday Learning – Teacher Online Toolkits. These projects involved extensive consultation with steering committees and reference groups and collaboration with education and training authorities, teachers, schools, industry and professional associations.

This Annual Report features some national projects and services. Additional information on national projects and a selection of projects supporting jurisdiction initiatives is available at www.esa.edu.au.

SERVICING NATIONAL AGENCIES

Management of large-scale national projects requires technology systems and services to enable speed and accuracy of operations and national reach. In 2010–11, Education Services Australia developed innovative technology solutions and implemented services that supported national education and training agencies and organisations in implementing Ministers' priorities.

Australian Curriculum and Assessment Authority (ACARA)

ACARA was supported with technical initiatives including the Australian Curriculum website, machine-readable curriculum, the curriculum consultation website, iPhone applications and online development of the phase 1 Foundation–10 Australian Curriculum for English, history, mathematics and science and applications. The technical design of the Australian Curriculum website was updated to support the senior secondary years curriculum for English, history, mathematics and science. Ongoing support continues to be provided for the curriculum writing, consultation and publishing phases of version 2.0 of the Australian Curriculum.

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

The Department of Education, Employment and Workplace Relations (DEEWR) was assisted in the selection and management of the software vendor contracted to deliver the National Quality Agenda IT system for ACECQA, the new childcare regulatory agency. This included contract management, technical advice and project support for the life of the project. Extensive consultation with states and territories has been undertaken to ensure the system meets national and jurisdiction requirements.

Australian Institute for Teaching and School Leadership (AITSL)

AITSL was supported with technology initiatives including the corporate website, the National Teaching Standards website, the online research clearinghouse website and the database system for the Assessment for Migration program. The collaboration portal and online feedback tools were developed to support the review of draft standards documents. iPad and iPhone applications were developed to provide mobile access to the draft National Professional Standards for Principals.

Australian Skills Quality Authority (ASQA)

The ASQA Regulatory Management System is being developed in three phases, with the first to be released in July 2011. The first two phases of the ASQA website are being developed with the first phase launched in April 2011.

Flexible Learning Advisory Group (FLAG)

Technical services were provided to the VET sector through FLAG projects. These included delivery of the LORN project and supporting the flexiblelearning.net.au website under the Access to e-Learning Knowledge and Know-how project (AEKK).

Ministerial Council for Employment, Early Childhood Development and Youth Affairs (MCEEDYA)

Education Services Australia acts as the legal entity for MCEEDYA and provides legal and human resources services as required. Finance and IT services are provided through the Education Services Australia services contract.

SUPPORTING GOVERNMENT PARTNERSHIPS

Digital Education Revolution

Education Services Australia is supporting the Digital Education Revolution Partnership between the Australian Government and the state and territory governments and non-government education systems. The partnership is delivering system-wide reforms to equip students for learning in a digital environment and providing schools with better access to technology.

Education Services Australia is managing significant national projects providing digital resources, national infrastructure and web services.

National Digital Learning Resources Network

The national collection of digital curriculum resources and the distribution infrastructure funded by MCEECDYA has been hosted and enhanced. This Network forms the basis for

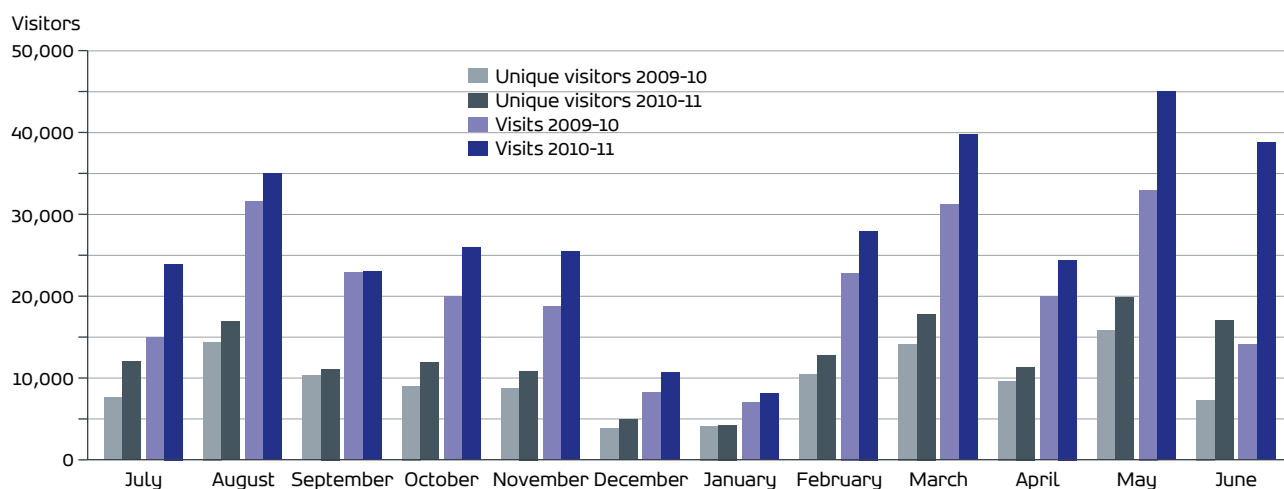
the national provision of digital resources to support jurisdictions to implement the Australian Curriculum.

The National Digital Learning Resources Network contains over 12,000 digital 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–10.

The digital 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
- teacher ideas and units of work.

Figure 1: Scootle traffic July 2009 – June 2011



The digital resources are made available to teachers through state portals in Queensland, New South Wales, Victoria, Tasmania and Western Australia and through Scootle for teachers in the Australian Capital Territory, South Australia, Northern Territory, the Catholic sector and independent schools. Pre-service teachers can access the resources through eContent.

A register detailing nationally available digital resources for phase 1 learning areas of the Australian Curriculum has been developed to help jurisdictions collaboratively identify the areas for which resources need to be acquired through national sharing or licensing. States and territories continue to be supported to share their digital resources and Education Services Australia has procured and licensed digital curriculum resources from private, cultural and collection agencies, government bodies and international institutions.

Scootle has been upgraded as part of the Australian Curriculum Connect project. Teachers from jurisdictions that use Scootle can now browse the Australian Curriculum, explore resources matched to curriculum content descriptions, save resources and create learning paths for their students.

The national infrastructure has been enhanced to support the implementation of the Australian Curriculum. Regular consultation with the National Schools Interoperability Program (NSIP) has ensured that the infrastructure and standards align with jurisdiction requirements.

The National Digital Learning Resources Network website has been published to inform the education community about the national standards and processes that support the alignment of digital resources to the Australian Curriculum and the sharing of resources. Education Services Australia is working with publishers to expose their resources to teachers.

Teaching Teachers for the Future

Education Services Australia is leading the Teaching Teachers for the Future project, working in partnership with the Australian Council of Deans of Education, AITSL, the Australian Learning and Teaching Council and the Australian Council for Computers in Education.

Teaching Teachers for the Future, funded by DEEWR, targets systematic change in the ICT proficiency of pre-service teachers and is building the capacity of teacher educators and a national support network of ICT expertise. The project is funding:

- professional networks in 39 Higher Education institutions providing teacher education
- a framework to assist pre-service teachers map their ICT proficiency against the National Professional Standards for Graduate Teachers
- 12 exemplar packages of digital professional learning and curriculum resources to support the implementation of the first phase of the Australian Curriculum for English, mathematics, science and history.

Education Services Australia has developed exemplar packages of digital resources in collaboration with the universities. The resources will be trialled and reviewed in the second half of 2011 and made available to teachers, pre-service teachers and university educators through the National Digital Learning Resources Network in 2012.

ICT in Everyday Learning – Teacher Online Toolkit

Education Services Australia is leading 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 ICT in Everyday Learning – Teacher Online Toolkit project is funded by DEEWR and targets change in classroom practice by increasing teachers' capacity to incorporate ICT into teaching and learning as they implement the Australian Curriculum.

The digital resources developed through the project will include examples of teachers incorporating ICT into the teaching of English, mathematics, science, history, cross-curriculum perspectives and general capabilities. The resources will also include strategies for leading ICT change in schools and using digital content, mobile devices, collaboration tools, game-based technologies and communication tools.

Writers have been trained and are working closely with subject associations to develop the professional learning resources that will be finalised in 2011. The resources will be trialled in 20 schools across Australia in the first term of 2012, and will be made available to teachers and pre-service teachers through the National Digital Learning Resources Network.

Literacy and numeracy

Education Services Australia is supporting the National Literacy and Numeracy Partnership between the Australian Government and the state and territory governments and non-government education systems. This partnership is delivering improved literacy and numeracy outcomes. Approximately 1,700 literacy and numeracy resources and teacher reference materials have been made available to teachers and pre-service teachers through the National Digital Learning Resources Network.

Improve is an online formative assessment tool developed by Education Services Australia. It enables teachers to access and develop literacy and numeracy tests, provides feedback to students that is digitally linked to curriculum and learning resources for remediation, and enables teachers to capture evidence of students' achievements and to use data to inform program development.

Education Services Australia has managed a national trial involving 67 schools across all states and territories to review Improve's usability and effectiveness in supporting teaching and learning. Further development of the tool is expected in 2011–12.

An online evidence base in literacy and numeracy, funded by DEEWR, will be developed for publication in early 2012. Education Services Australia will support schools, jurisdictions, education systems and agencies, universities and professional associations to share strategies for successful literacy and numeracy interventions. The website will enable submission of strategies, review against an assessment framework developed by experts from universities and the school sector and the sharing of strategies.

DELIVERING NATIONAL SERVICES

Career services

Education Services Australia managed national career services on behalf of the Australian and state and territory governments during 2010–11.

myfuture, the free national online career information and exploration service that supports students and young people with career planning, was hosted and enhanced.

CoursePlus, the key national database for careers, job and course data, was managed in partnership with Hobson Press. The collection service provided up-to-date national data for the Australian Government, states and territories, the myfuture website and other education and training providers.

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 that were managed by Education Services Australia.

.edu.au domain service

Education Services Australia is the Registrar for the .edu.au domain. The Registrar:

- licenses domain names to education and training organisations eligible under policies set by the Australian ICT in Education Committee (AICTEC) and the au Domain Administration (auDA)
- provides services to customers to maintain current domain names information
- implements the domain policies determined by AICTEC and auDA.

A new website and administration system that has increased efficiencies in registration and renewal has been implemented. The .edu.au domain terms and conditions have been updated and incorporated as policy and the secure e-transaction gateway system was hosted. Education Services Australia continued work with jurisdictions and sectors to prepare data in unofficial domains for migration to the national system.

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 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 7.6 million records were downloaded from the SCIS library service by 9,800 school libraries in 2010–11.

The Schools Online Thesaurus (ScOT) was developed by Education Services Australia to enable search and discovery of national and international digital curriculum resources. It was updated in 2010–11 to include Australian Curriculum terms for English, mathematics, science and history. The new ScOT terms have been integrated into Scootle and jurisdiction portals to support teachers' search and discovery of resources relating to the Australian Curriculum. ScOT will continue to be progressively updated as the Australian Curriculum is developed.

ScOT has been maintained through collaboration with national networks. 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 90 websites to support the professional work of teachers and trainers.

Curriculum Press, Education Services Australia's commercial online and print publication unit, listed approximately 1,700 print and online resources in its online catalogue for sale or subscription. These included teacher professional resources for English, mathematics, science, history, literacy, numeracy, 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 6,200 registered readers on a fortnightly basis, with 600 registered followers on Twitter
- edna newsletters, providing information on online resources, online projects, professional networks, events and conferences, reached 2,500 registered teachers and 3,300 early registered childhood educators on a fortnightly basis
- SCIS newsletters, featuring practical ideas, strategies and topical information, were provided to most Australian schools on a quarterly basis.

Resourcing the Australian Curriculum

In 2010–11 Education Services Australia worked with DEEWR, jurisdictions, ACARA, AITSL and NSIP to develop the technology and processes required to link the Australian Curriculum with digital curriculum resources through the DEEWR-funded Australian Curriculum Connect (ACC) project.

Integration in Scootle is complete and as a result, teachers in jurisdictions that use Scootle can browse the Australian Curriculum, explore resources matched to curriculum content descriptions, save resources and create learning paths for students. Integration phase work with states to determine the best way to link the curriculum and resources in state repositories commenced in June 2011.

ENVIRONMENTAL SUSTAINABILITY

Education Services Australia is committed to implementing policies and practices supporting environmental sustainability. In June 2010 the Board agreed to invest in carbon neutrality and accreditation under the Australian Government National Carbon Offset Standard (NCOS) scheme. Carbon offsets will be purchased to achieve neutrality for 2010–11 and application for NCOS accreditation will be made in 2011–12.

The Environment Report 2010–11 provides a public account of the work undertaken by the company. It includes:

- results of the emissions inventory
- achievements to date
- details on purchased offsets
- information on external assurance
- opportunities to reduce emissions
- targets for 2011–12.

Annual reduction targets are set to ensure accurate claims about future reduction.

The report can be downloaded from www.esa.edu.au/aboutus/reports/environment

ENVIRONMENT TARGETS 2011–12

- 8% reduction in electricity consumption per full-time equivalent staff (FTE)
- 6% reduction in emissions per FTE.

DIRECTORS' REPORT
1 JULY 2010 – 30 JUNE 2011



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 2011 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 Senior Officials Committee (AEEYSOC), the National Senior Officials Committee (NSOC), the non-government schools sector, Universities Australia and four independent expert members. The NSOC nominee position is vacant as at 30 June 2011.

COMMITTEES

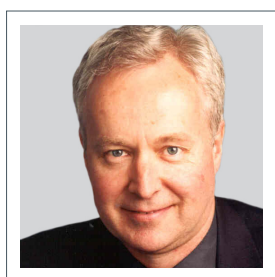
The Board of Directors has established two committees with agreed terms of reference. The Board retains the responsibility for performance and decisions and receives regular reports from its committees.

The Finance, Audit and Risk 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 2011



Dr Tom Stubbs

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

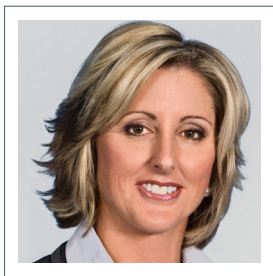
Chair

Director: March 2010 – current

Finance, Audit and Risk Committee member

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.



Dr Evan Arthur

BA (Hons) Newcastle, PhD Cambridge

Director: March 2010 – current

Finance, Audit and Risk Committee member

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



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 Ian Goulter

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

Director: March 2010 – current

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



Dr Richard Eden

BSurv (Hons), PhD Queensland

Director: March 2010 – current

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



Ms Fran Hinton

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

Director: March 2010 – current

Finance, Audit and Risk 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, Audit and Risk 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 of Education in the NSW Department of Education and Communities. She oversees public policy development and corporate planning and performance across schooling, vocational education and training and higher education and leads national engagement in education and training on behalf of the NSW Government.

Directors who retired 2010–11



Mr Gary Barnes

Dip Tchg, BEd Southern Queensland

Director: March 2010 – November 2010

Remuneration Committee member

Gary Barnes is the Chief Executive, Department of Education and Training, Northern Territory. He is responsible for childcare regulation, school education and adult training.



Mr Chris Robinson

BAgrE, PGDipSocSc

Director: March 2010 – September 2010

Finance, Audit and Risk Committee member

Chris Robinson was the Chief Executive of Department of Education and Children's Services, South Australia.

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 12 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 and alternates is shown in the table.

Directors and Alternates		Directors' meetings		Finance, Audit and Risk 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	5	5			2	2
Dr Evan Arthur	Australian Government nominee	5	3	5	2		
Ms Rhyan Bloor	Australian Government alternate	1	1				
Ms Sharyn O'Neill	AEEYSOC nominee	2	1				
Mr Christopher Robinson	AEEYSOC nominee (retired)	2	1	3	1		
Mr Gary Barnes	NSOC nominee (retired)	2	1				
Dr Brian Croke	Non-government schools sector nominee	5	2				
Mr William Daniels	Non-government schools sector alternate	2	2				
Professor Ian Goulter	Universities Australia nominee	5	4				
Dr Richard Eden	Independent expert	5	4				
Ms Fran Hinton	Independent expert	5	5	2	1	2	2
Ms Helga Kolbe	Independent expert	5	5	5	5		
Ms Leslie Loble	Independent expert	5	3				

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

Mr William Daniels deputised for Dr Brian Croke while he was on leave of absence.

PRINCIPAL ACTIVITIES

Education Services Australia was established to support the delivery of national and state and territory priorities for the Schools, Vocational Education and Training (VET) and Higher Education 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 2010–11 have been directed to the long-term objective of being a leading provider of choice for education and training, delivering cost-effective and competitive services.

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

- providing high-quality services for the Schools, VET and Higher Education sectors
- building communication, collaboration and working partnerships with key stakeholders.
- building a capable, agile and sustainable organisation.

Over the 12 months from July 2010 to June 2011, Education Services Australia has:

- held five Board meetings
- established relationships and consulted with key stakeholders
- developed and implemented the 2010–11 Strategic Plan
- realised financial efficiencies resulting from the consolidation of Curriculum Corporation and Education.au

- 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 the work of education and training agencies
- managed the National Digital Learning Resources Network, which ensures access to quality-assured systems, content and interoperability
- provided curriculum, assessment, professional development, career and information support services
- created, published and marketed curriculum and assessment materials.

Performance was reported to company owners at the November 2010 Annual General Meeting and to Ministers at each meeting of the Ministerial Council for Education, Early Childhood Education and Youth Affairs (MCEECDYA).

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, Audit and Risk 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 will be published in November 2011.

SENIOR OFFICERS

Chief Executive Officer

Ms Susan Mann held the position of Chief Executive Officer for the financial year ended 30 June 2011. She was appointed to the position on 1 March 2010.

Company Secretary

Mr Michael Collins held the position of Company Secretary at 30 June 2011.

CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs during 2010–11.

The 2009–10 report highlighted the consolidation between Curriculum Corporation (renamed to Education Services Australia) and Education.au (ACN 058028876) that occurred on 1 March 2010. The 2009–10 financial year statement included only four months of assumed activities.

The 2010–11 statement of comprehensive income includes a full 12 months of assumed activities.

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.

MCEECDYA

Education Services Australia acts as the legal entity for the Ministerial Council for Education, Early Childhood Development and Youth Affairs (MCEECDYA).

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

OPERATING RESULT

The company reported an operating surplus of \$593,083 for 2010–11.

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.

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.

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 2012:

- build communication and collaboration between key stakeholders and with networks to create efficiencies and achieve national goals
- provide high-quality, cost-effective services and products to the Schools sector and, where appropriate, to the VET and Higher Education sectors

- work closely with the Australian Curriculum, Assessment and Reporting Authority (ACARA) and the Australian Institute of School Leadership (AITSL)
- make digital resources available through national and jurisdiction portals to support the implementation of the Australian Curriculum and teacher standards
- support the work of the Australian Skills Quality Authority (ASQA), the National Childcare Accreditation Council (NCAC) and government initiatives supporting the integration of information and communication technologies in teaching and learning
- build a capable, agile and financially sustainable organisation.

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 2011 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 29th day of September 2011

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 2011, 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 black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to be "D. Ashmore".

D. Ashmore
Director – Audit & Assurance
Melbourne, 29 September 2011

FINANCIAL REPORT 2010–11

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Project income		32,837,874	27,859,588
Revenue from sales and subscriptions		4,607,884	4,692,390
Other income		2,806,870	2,174,805
Total revenue	2(a)	40,252,628	34,726,783
Project expenses		(15,284,301)	(12,785,359)
Publication and subscription product expenses		(1,479,893)	(1,608,953)
Employee benefits expense		(15,347,720)	(13,145,281)
Depreciation and amortisation expense		(617,855)	(583,943)
Other expenses		(6,929,777)	(5,741,117)
Total expenditure	2(b)	(39,659,546)	(33,864,653)
Profit before income tax		593,082	862,130
Income tax expense			
Profit from operations attributable to members of the company		593,082	862,130
Other comprehensive income		–	–
Total comprehensive income attributable to members of the company		593,082	862,130

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	18(b)	55,573,743	24,801,557
Receivables	4	19,124,396	12,773,540
Inventories	5	140,940	106,697
Financial assets	6	6,033,479	1,700,000
Other assets	7	1,924,183	1,734,968
Total current assets		82,796,741	41,116,762
Non-current assets			
Financial assets	6	2,772,000	1,105,400
Property, plant and equipment	8	1,549,436	2,046,965
Total non-current assets		4,321,436	3,152,365
Total assets		87,118,177	44,269,127
Current liabilities			
Trade and other payables	9	8,131,062	3,261,807
Provisions	11	1,944,745	1,777,211
Other	10	59,852,836	22,703,941
Total current liabilities		69,928,643	27,742,959
Non-current liabilities			
Provisions	11	836,710	840,829
Total non-current liabilities		836,710	840,829
Total liabilities		70,765,353	28,583,788
Net assets		16,352,824	15,685,339
Equity			
Reserves	12	3,700,000	3,700,000
Net contribution from administrative restructure	3	1,418,429	1,344,026
Retained profits		11,234,395	10,641,313
Total equity		16,352,824	15,685,339

Statement of changes in equity for the year ended 30 June 2011

	Note	Contributions \$	Retained earnings \$	Capital reserve \$	Total \$
Balance at 1 July 2009			9,779,183	3,700,000	13,479,183
Profit or loss		–	862,130	–	862,130
Total comprehensive income for the year		–	862,130	–	862,130
Net contribution from administrative restructure	3	1,344,026	–	–	1,344,026
Transactions with members		1,344,026	–	–	1,344,026
Balance as at 30 June 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	3	74,403	–	–	74,403
Transactions with members		74,403	–	–	74,403
Balance at 30 June 2011		1,418,429	11,234,395	3,700,000	16,352,824

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from operating activities		69,085,972	29,839,793
Payments to suppliers and employees		(32,932,963)	(35,318,443)
Grants received (or refunded) for distribution to schools		774,775	(91,408)
Payment of grants direct to schools		(465,000)	(1,903,522)
Goods and services tax recovered from the ATO		2,411,245	2,540,342
Goods and services tax paid to the ATO		(3,507,086)	(1,730,225)
Net cash (used in) or provided by operating activities	18(a)	35,366,943	(6,663,463)
Cash flows from investing activities			
Proceeds from (or payment for) investments		(6,000,000)	8,246,200
Payment for property, plant and equipment		(179,259)	(221,577)
Interest received from investments		1,438,216	1,437,353
Proceeds from sale of property, plant and equipment		71,883	250
Net cash provided by or (used in) investing activities		(4,669,160)	9,462,226
Cash flows from financing activities			
Deeds of gift – administrative restructure		74,403	3,273,000
Net cash provided by (or used in) financing activities		74,403	3,273,000
Net increase in cash held		30,772,186	6,071,763
Cash and cash equivalents at the beginning of the financial year		24,801,557	18,729,794
Cash and cash equivalents at the end of the financial year	18(b)	55,573,743	24,801,557

The notes to the financial statements for the financial year ended 30 June 2011 on pages 30 to 58 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

- 1 SUMMARY OF ACCOUNTING POLICIES
- 2 PROFIT FROM OPERATIONS
- 3 RESTRUCTURING
- 4 TRADE AND OTHER RECEIVABLES
- 5 INVENTORIES
- 6 FINANCIAL ASSETS
- 7 OTHER ASSETS
- 8 PROPERTY, PLANT AND EQUIPMENT
- 9 TRADE AND OTHER PAYABLES
- 10 OTHER LIABILITIES
- 11 PROVISIONS
- 12 RESERVES
- 13 LEASE COMMITMENTS
- 14 MEMBERS GUARANTEE
- 15 REMUNERATION OF DIRECTORS AND EXECUTIVES
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- 18 NOTES TO THE STATEMENT OF CASH FLOWS
- 19 RELATED PARTY TRANSACTIONS
- 20 CONTINGENT LIABILITIES
- 21 FINANCIAL INSTRUMENTS
- 22 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS
- 23 COMPANY DETAILS

1. Summary of accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out in the following notes. 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 circumstances, the results of which form the basis for 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 for 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 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 2011. The comparative information presented in these financial statements is for the year ended 30 June 2010.

Accounting policies

1(a) Cash and cash equivalents

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

1(b) Bad debts

Provision is made for debts that are outstanding beyond 90 days with the exception of project-related debtors. Project-related debtors are service charges raised in respect of grant funding and are enforceable by means of legal contract. All of the company's receivables have been reviewed for indicators of impairment. Receivables in respect of publication and subscription sales outstanding in excess of 90 days were deemed to be impaired and a provision of \$11,640 (2010: \$9,862) has been recorded accordingly.

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 as current or 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 the 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 cash flow statement 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 Australian 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 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 transactions 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 on trade date where the purchase or sale of an investment is under a contract with terms that 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 in two categories: held-to-maturity investments and those 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.

The extent of the impairment of these assets is detailed in Note 6.

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 or receivable.

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.

Dividend revenue is recognised on a receivable basis.

Income from the sale of goods and 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 or received.

Income of \$458,922 (included in Other 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 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'. The company relinquished its lease over the 1st floor of 182 Fullarton Road, Dulwich during the period and settled its make-good obligation for the 1st floor of 182 Fullarton Road, Dulwich in full during the period.

1(m) Non-current physical assets

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

The carrying amount of plant and equipment is reviewed annually to ensure it does not exceed the recoverable amount from these assets. 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 group 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:

	2011	2010
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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 2011 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.

Key judgements – doubtful debts provision

In calculating a doubtful debt provision, project grants are excluded from the calculation. Projects grants are excluded because they relate to projects entered into with legal contracts, principally with government authorities or bodies. Included in accounts receivable at 30 June 2011 is an amount receivable from project grants amounting to \$18,843,521. All other receivables that are 90 days past their invoice date are provided for at 100 per cent of their value. All project grants are still reviewed to ascertain whether specific debts require a provision. No such specific provisions were required as at 30 June 2011.

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 can therefore be freely traded on a public securities market. The company may exercise the right to sell these units at an appropriate time.

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 Street Melbourne. 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 2011. Industry standard fit-out rates have been used as the basis for the make-good provision for the 182 Fullarton Road Dulwich (Adelaide) premises. This provision was made as of 30 June 2010 and adjusted as of 30 June 2011.

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 report have been rounded to the nearest dollar.

2. Profit from operations

2(a) Income

	Note	2011 \$	2010 \$
	2(c)		
Project income		32,837,874	27,859,588
Subtotal – project income		32,837,874	27,859,588
Schools Cataloguing Information Service subscriptions		2,782,240	2,772,295
Publication sales		1,167,061	1,239,021
Maths 300 subscriptions		308,997	289,785
Education Quarterly subscriptions		–	45,115
Resourcebank subscriptions		30,759	43,691
Other subscriptions and product sales		318,827	302,483
Subtotal – revenue from sales and subscriptions		4,607,884	4,692,390
Royalties		281,062	221,020
Interest – at bank and other short-term investments		567,066	317,328
Interest – investments current		399,724	448,761
Interest – investments non-current		547,658	347,822
Other (includes ed.au domain fees of \$458,922)		699,393	768,510
Sub-lease rental income		311,888	71,364
Gain on investment		79	–
Subtotal – other income		2,806,870	2,174,805
Total income		40,252,628	34,726,783

2(b) Expenditure

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

	Note	2011 \$	2010 \$
Employee benefits		(15,347,720)	(13,145,281)
Project-related expenses		(15,284,301)	(12,785,359)
Publication and subscription product expenses		(1,479,893)	(1,608,953)
Depreciation on non-current assets		(617,855)	(583,943)
Make-good expenses		(140,000)	(210,000)
Write-back on make good		(11,470)	(10,074)
Administration and secretariat		(1,868,414)	(1,365,466)
Occupancy		(2,293,484)	(1,475,524)
IT maintenance and services		(1,623,401)	(1,416,478)
Other		(1,005,960)	(1,262,186)
Loss on disposal of property, plant and equipment		12,952	(1,389)
Total expenditure		(39,659,546)	(33,864,653)
Profit from operations		593,082	862,130

2(c) Note: an amount of \$465,000 (2010: \$1,903,521) 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 is included within project grants.

2(d) Employee benefits includes payment for staff redundancies in the sum of \$538,083 (accrual included in 2010: \$250,791).

3. Restructuring

As a result of an administrative restructure directed by the owners of both Education Services Australia and Education.au, Education Services Australia assumed responsibility for the business of Education.au (ACN 058028876) during the prior 2010 period.

This was done by Education Services Australia acquiring the net assets of Education.au as at 1 March 2010 at their book value. This was achieved through a business sale agreement and two deeds of gift. A final deed of gift was paid to Education Services Australia during this 2011 period in the sum of \$74,403 and Education.au was subsequently de-registered.

Business sale

	2011 \$	2010 \$
Assets recognised from Education.au		
Accrued income	–	268,246
Prepaid expenses	–	5,645
Property, plant and equipment	–	282,380
Total assets recognised from Education.au	–	556,270
Liabilities recognised from Education.au		
Accrued expenditure	–	113,487
Income received in advance	–	1,708,088
Employee leave provisions	–	663,669
Total liabilities recognised from Education.au	–	(2,485,244)
Total net liabilities assumed at 1 March 2010	–	(1,928,974)

Separate to the transfer of assets and liabilities, the Memorandum of Association of Education.au permits the distribution of property to an entity that has objects similar to that of Education.au upon dissolution. As such, the following deeds of gift were made by Education.au to Education Services Australia.

Gift arrangements

	2011 \$	2010 \$
Cash transferred from Education.au on 4 May 2010	–	2,400,000
Cash transferred from Education.au on 30 June 2010	–	873,000
Cash transferred from Education.au on 11 Nov 2010	74,403	–
Total cash transferred	74,403	3,273,000
Total of net assets assumed	74,403	1,344,026

Income and expenses from the activities attributed to the transferred activities for the period were as follows:

	2011 \$	2010 \$
Revenue		
Recognised by Education Services Australia	–	3,711,412
Recognised by Education.au	–	6,652,300
Total revenue	–	10,363,712
Expenses		
Recognised by Education Services Australia	–	3,583,091
Recognised by Education.au	–	6,691,403
Total expenses	–	10,274,494

AASB1004 – Contributions has been adopted for the presentation of the impact of the consolidation between Education Services Australia and Education.au. The consolidation has been treated as a restructure of administrative arrangements between two government-controlled not-for-profit entities. As such, the assets transferred from Education.au to Education Services Australia have been shown as a contribution to reserves.

4. Trade and other receivables

	2011 \$	2010 \$
Receivables		
Receivables – relating to projects	18,843,521	12,659,832
Other ordinary receivables	292,515	123,570
Allowance for doubtful debts	(11,640)	(9,862)
Receivables	19,124,396	12,773,540
Doubtful debts movement		
Balance at beginning	(9,862)	(18,988)
Bad debts written off	33,188	–
Reduction (or increase) in provision	(34,966)	9,126
Balance at end of year	(11,640)	(9,862)

At 30 June 2011 all amounts shown as receivables are considered to be short term, with the carrying values a reasonable approximation of the fair value.

5. Inventories

	2011 \$	2010 \$
Inventories		
Inventory – publications at cost	712,974	746,884
Allowance for obsolescence	(572,034)	(640,187)
Inventories	140,940	106,697
Obsolescence movement		
Balance at beginning	(640,187)	(618,960)
Inventory written off or disposed	45,669	(21,227)
Additional provision	22,484	–
Balance at end of year	(572,034)	(640,187)

6. Financial assets

	2011 \$	2010 \$
Current assets		
Investments held to maturity	5,700,000	1,700,000
Available-for-sale – shares in listed property trust*	333,479	–
Total current financial assets	6,033,479	1,700,000
Non-current assets		
Investments held to maturity	2,772,000	772,000
Available-for-sale – shares in unlisted property trust – at fair value (cost \$500,000) *	–	333,400
Total non-current financial assets	2,772,000	1,105,400
Total financial assets	8,805,479	2,805,400

* In November 2005 the company subscribed to 500,000 \$1.00 units in an unlisted property trust. The company fully subscribed to the property trust in December 2006 at a cost of \$1.00 per unit. These units were transferred to a publically listed property trust as of 4 January 2011. These units can therefore be freely traded on a public securities market and the company may exercise the right to sell these units at an appropriate time. 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. Distribution during the period amounted to \$9,756.

7. Other assets

	2011 \$	2010 \$
Other assets		
Prepayments	514,463	491,994
Accrued revenue	1,409,720	1,242,974
Total	1,924,183	1,734,968

8. Property, plant and equipment

	2011 \$	2010 \$
Leasehold improvements at cost	1,656,527	1,529,509
Accumulated depreciation and amortisation	(534,942)	(183,602)
Total	1,121,585	1,345,907
Fixtures and fittings at cost	335,810	327,585
Accumulated depreciation	(294,810)	(287,206)
Total	41,000	40,379
Plant and equipment at cost	4,358,583	4,576,369
Accumulated depreciation	(3,971,732)	(3,915,690)
Total	386,851	660,679
Total property, plant and equipment	1,549,436	2,046,965

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)	(303,948)
Depreciation write back on disposal	18,449	–	218,960	237,409
Depreciation expense	(172,663)	(7,605)	(437,587)	(610,250)
Carrying amount at end of year 30/06/11	1,121,585	41,000	386,851	1,549,436

Movement in carrying amounts	Leasehold improvements \$	Fixtures and fittings at cost \$	Plant and equipment \$	Total \$
Balance at beginning of year 1/07/09	1,529,509	52,996	546,084	2,128,589
Additions	–	–	221,579	221,579
Additions due to restructure	–	–	282,380	282,380
Disposals	–	–	(290,939)	(290,939)
Depreciation write back on disposal	–	–	289,299	289,299
Depreciation expense	(183,602)	(12,617)	(387,724)	(583,943)
Carrying amount at end of year 30/06/10	1,345,907	40,379	660,679	2,046,965

9. Trade and other payables

	2011 \$	2010 \$
Current		
Amounts payable suppliers	3,551,840	2,433,279
ATO – GST	4,579,222	828,528
Total trade and other payables	8,131,062	3,261,807

At 30 June 2011 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.

10. Other liabilities

	2011 \$	2010 \$
Current		
Project funds in advance	58,328,903	21,195,644
Subscriptions received in advance	1,523,933	1,508,297
Total other liabilities	59,852,836	22,703,941

11. Provisions

	2011 \$	2010 \$
Current		
Employee benefits – annual leave	834,584	829,318
Employee benefits – long service leave	858,704	850,333
Employee benefits – salaries and wages	251,457	97,560
Total current provisions	1,944,745	1,777,211
Employee benefits – long service leave	382,019	394,366
Make good on premises (see 11a)	454,691	446,463
Total non-current provisions	836,710	840,829
Total provisions	2,781,455	2,618,040

11(a) Make-good provision

	2011 \$	2010 \$
Balance at beginning of financial year	446,463	226,389
Addition or (reduction) to provision – Adelaide	(113,533)	210,000
Melbourne	121,761	10,074
Balance at end of financial year	454,691	446,463

12. Reserves

	2011 \$	2010 \$
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 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.

13. Lease commitments

Operating leases

Operating leases relate to the tenancies at levels 5, 6 and 7 at 440 Collins Street Melbourne, level 3 at 31 Pelham Street Carlton (Melbourne), and ground floor and level 1 at 182 Fullarton Road Dulwich (Adelaide). The facilities have remaining lease terms of between two and seven years. All operating lease contracts contain market review clauses in the event that the entity exercises its option to renew. The entity does not have an option to purchase the leased asset at the expiry of the lease period.

	2011 \$	2010 \$
Non-cancellable operating leases		
Not longer than 1 year	1,444,628	1,789,392
Longer than 1 year and not longer than 5 years	5,371,604	6,115,930
Longer than 5 years	1,943,532	3,331,240
Total	8,759,764	11,236,562

The lease commitments relate to office accommodation at levels 5, 6 and 7, 440 Collins Street Melbourne and level 3, 31 Pelham Street Carlton. The lease tenancy at levels 5, 6 and 7, 440 Collins Street are secured to October 2017 and level 3, 31 Pelham Street is secured to July 2012, while the ground level of 182 Fullarton Road Dulwich is secured until February 2013. The company relinquished its lease over the 1st floor of 182 Fullarton Road Dulwich during the period.

14. 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.

15. Remuneration of Directors and executives

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.

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. The bonus payments depend on the terms of individual employment contracts.

	2011 \$	2010 \$
Remuneration		
Short-term employee benefits	1,937,495	1,514,318
Long-term employee benefits	–	5,400
Directors' remuneration	43,841	43,223
Total remuneration of Directors and executives*	1,981,336	1,562,941

* includes \$538,083 (2010: \$119,470) in severance and redundancy payments

16. Remuneration of auditors

	2011 \$	2010 \$
Remuneration		
Audit or review of the financial report	70,750	71,250
Total	70,750	71,250

17. Subsequent events

There were no subsequent events.

The financial report was authorised for issue by the Board of Directors on the 29th day of September 2011.

18. Notes to statement of cash flows

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

	2011 \$	2010 \$
Net result for the financial year	593,082	862,130
(Gain) or loss on sale or disposal of non-current assets	(12,951)	1,389
(Gain) or loss on revaluation of financial assets	(79)	21,500
Reclassify interest as investing cashflow	(1,438,217)	(1,437,353)
Depreciation and amortisation of non-current assets	617,855	583,943
Net result after adjustments	(240,310)	31,609
Changes in net assets and liabilities (increase) or decrease in assets		
Trade and other receivables	(2,766,907)	(2,392,929)
Inventories	(34,243)	42,328
Other current assets	(22,469)	28,867
Increase or (decrease) in liabilities		
Current trade and other payables	1,134,198	(260,905)
Current provisions	167,535	(1,329,882)
Current income in advance	37,133,258	(3,115,433)
Non-current provisions	(4,119)	332,882
Net cash provided by or (used in) operating activities	35,366,943	(6,663,463)

18(b) Cash and cash equivalents

	2011 \$	2010 \$
Cash on hand	1,100	2,000
Cash at bank	49,940,898	17,747,587
Cash not available for company use	631,745	1,051,970
Investments at call	5,000,000	6,000,000
Total	55,573,743	24,801,557

19. Related party transactions

Every Australian state and territory government department with responsibility for education and the Australian Government department with responsibility for education is represented on the company's Board. This is either through direct membership of the board by senior staff of those government departments or through the nominee of the Australian Education, Early Childhood Development and Youth Officials Committee, who is a member of the board. Governments can therefore exert significant influence over the company. Of the company's total revenue, 89 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 Australian Government Minister for Education, Employment and Workplace Relations 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. Of the company's total revenue, 4 per cent was earned from these two related entities during the period.

20. 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 at 440 Collins Street Melbourne and the ground and first floors at 182 Fullarton Road Dulwich (Adelaide).

	2011 \$	2010 \$
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	980,000	980,000

21. Financial instruments

21(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.

21(b) Categorisation of financial instruments

			Carrying amount 2011	Carrying amount 2010
Note	Category			
Financial assets				
Receivables	4	Loans and receivables (at amortised cost)	19,124,396	12,773,540
Financial assets	6	Held-to-maturity investments (at cost)	8,472,000	2,472,000
Financial assets	6	Available-for-sale financial assets (at fair value)	333,479	333,400
Financial liabilities				
Payables	9	Trade and other payables measured at amortised cost	8,131,062	3,261,807

21(c) Fair-value hierarchy

	2011 \$	2010 \$
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 *	–	333,400
Level 3 – inputs that are not based on market data	–	–
Total fair-value financial instruments	333,479	333,400

* 500,000 \$1.00 units in a property trust were classified as level 2 in 2010 because they were part of an unlisted property trust for which the National Australia Bank published regular results of valuations of this structured property investment on which the fair-value estimate is based but there was no active market for the instrument. As of 4 January 2011, these units were transferred to a publically listed property trust, hence their reclassification to level 1, as there is an active market.

21(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 deal only 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 company's maximum exposure to credit risk.

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

Currently the company does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, the company provided for doubtful debts amounting to \$11,640 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
		less than 1 month	1-3 months	3-12 months	
2011					
Receivables					
Project debtors	18,016,663	273,818	553,040	–	–
Other receivables	240,181	28,571	12,123	–	11,640
Other financial assets					
Investments held to maturity	8,472,000	–	–	–	–
Available-for-sale investments	333,479	–	–	–	–
Total	27,062,323	302,389	565,163	–	11,640
2010					
Receivables					
Project debtors	11,108,383	1,439,692	76,126	35,631	–
Other receivables	41,631	55,551	16,526	–	9,862
Other financial assets					
Investments held to maturity	2,472,000	–	–	–	–
Available-for-sale investments	–	–	–	–	333,400
Total	13,622,014	1,495,243	92,652	35,631	343,262

21(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 5 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		
		less than 1 month	1-3 months	3-12 months
2011				
Financial liabilities				
Payables	8,009,681	65,994	54,327	1,060
Total	8,009,681	65,994	54,327	1,060
2010				
Financial liabilities				
Payables	3,256,769	4,819	219	–
Total	3,256,769	4,819	219	–

21(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
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	–	–	–
Other receivables	–	280,875	–	–	–
Other financial assets					
Investments held to maturity	6.31	8,472,000	8,472,000	–	–
Available-for-sale assets	–	333,479	–	–	–
Total		83,503,618	13,472,000	50,572,643	1,100
2010					
Cash					
Cash and cash equivalents	4.62	24,801,557	6,000,000	18,799,556	2,000
Receivables					
Project debtors	–	12,659,832	–	–	12,659,832
Other receivables	–	113,708	–	–	113,708
Other financial assets					
Investments held to maturity	5.67	2,472,000	2,472,000	–	–
Available-for-sale investments	8.00	333,400	–	333,400	–
Total		40,380,497	8,472,000	19,132,956	12,775,540

* 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
2011					
Financial liabilities					
Payables	–	8,131,062	–	–	8,131,062
Total	–	8,131,062	–	–	8,131,062
2010					
Financial liabilities					
Payables	–	3,261,807	–	–	3,261,807
Total	–	3,261,807	–	–	3,261,807

* 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

		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
2011									
Financial assets									
Cash and cash equivalents	55,573,743	(1,111,475)	(1,111,475)	1,111,475	1,111,475	-	-	-	-
Receivables	19,124,396	-	-	-	-	-	-	-	-
Other financial assets	8,805,479	-	-	-	-	(33,348)	(33,348)	33,348	33,348
Financial liabilities									
Payables	8,131,062	-	-	-	-	-	-	-	-
Total increase or (decrease)		(1,111,475)	(1,111,475)	1,111,475	1,111,475	(33,348)	(33,348)	33,348	33,348

21(i) 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 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.

22. Adoption of new and revised accounting standards

New and amended Australian Accounting Standards and Interpretations, which became applicable from 1 July 2010 and which the company has not adopted in previous accounting periods, did not have any effect on the financial performance or position of the company.

Australian Accounting Standards that have been recently issued or amended but are not yet effective have not been applied to the financial report for the current period. The company does not expect these accounting standards to have a material effect on the financial performance or position of the company.

23. 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 and 182 Fullarton Road Dulwich (Adelaide).

DIRECTORS' DECLARATION

The Directors declare that:

1. The financial statements and notes for Education Services Australia Limited as set out on pages 26 to 58 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 2011 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 29th day of September 2011

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 2011, 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 2011 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 2011 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



D. Ashmore
Director – Audit & Assurance
Melbourne, 29 September 2011

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

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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
AEYSOC	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
FLAG	Flexible Learning Advisory Group
ICT	Information and communication technologies
MCEECDYA	Ministerial Council for Education, Employment, Early Childhood Development and Youth Affairs
MCTEE	Ministerial Council of Tertiary Education and Employment
NSIP	National Schools Interoperability Program
NSOC	National Senior Officers Committee
NCOS	National Carbon Offset Standard
ScOT	Schools Online Thesaurus
VET	Vocational Education and Training