

2012 ELTHAM COLLEGE CONSOLIDATED ANNUAL REPORT

Incorporating
NOTICE OF ANNUAL GENERAL MEETING

ABN 31 004 992 750



NOTICE OF ANNUAL GENERAL MEETING

ELTHAM COLLEGE (ABN 31 004 992 750)

NOTICE IS HEREBY GIVEN that the FORTY FIRST ANNUAL GENERAL MEETING of the Members of the College will be held at Eltham College, 1660 Main Road, Research, on Monday the 29th April 2013 at 8.00 p.m. The meeting will be held in the D.D. Davey Library Auditorium.

1. Ordinary Business

- to ratify the Minutes of the AGM held on 23rd April 2012.
- To ratify the Minutes of the General Meeting held on 25th February 2013.
- to receive and adopt the Financial Statements for the year ended 31st December 2012.
- to appoint Deloitte Touche Tohmatsu as Auditor for the ensuing year.

2. Election of Directors

To elect seven members of the College to the College Board of Directors, in accordance with Clause 7.4(a).

Ms Lane and Messrs Heysen and Clarke have completed their tenure of office, and being eligible, offer themselves for re-election. Three additional vacancies have been created by the changes to our Constitution at the General Meeting on 25th February 2013. A vacancy also exists as a result of the resignation of Mr Pattison in December 2012.

3. Procedure for Nomination of Directors

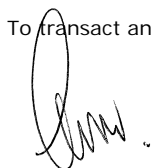
Nominations of Directors are made under Clause 7.4(b) of the Constitution.

Any member who requires a copy of the Eltham College Constitution may obtain one from the Business Office. Completed nomination forms must be received by the Company Secretary at least 11 clear days before the Annual General Meeting.

In accordance with a decision of the Board, candidates nominating for election as directors are asked to enclose a personal election statement of not more than 200 words giving brief particulars of their candidature. Election statements will be forwarded to members seven days prior to the Annual General Meeting, if an election of Directors is to be held. Nomination forms are available from the Business Office.

4. Other Business

To transact any other business that may be legally brought before the Meeting.



I. Cowan
Secretary
26th March 2013, Research.

NOTE: Each member entitled to attend and vote at this Meeting may appoint a proxy. A proxy must be a member. The instrument appointing a proxy must be deposited at the Registered Office of the College not less than 48 hours before the person named in such instrument purports to vote in respect thereof. A proxy form is enclosed.

CEO'S REPORT

I am pleased to provide a report on ELTHAM College and Melbourne City School (MCS) that will give an overview of our performance as 21st century knowledge era schools and enable members to make judgments against benchmarks set by the Federal and State Governments.

ELTHAM is a school in which the term 'value-added' as required by Government as an add-on, is incorporated into what ELTHAM is. ELTHAM has a working together culture in which change, as in the 21st century world in which we live, is embedded within our culture. Relationships are at the core of our success and learning is a collaborative process with students and teachers, but outcomes are proudly owned by students.

Sadly, we closed MCS at the end of 2012. A vibrant, small school that could not attract enrolments in the numbers needed to be financially viable. We worked with staff and families to find alternative work and schooling.

ELTHAM's value-add is very much about **an education for life**. ELTHAM has embedded creativity and social and emotional learning, alongside academic and vocational learning, into the curriculum. Its young people learning to effectively manage their living, learning and working by the time they graduate from school. Our new marketing partners, CHEproximity, call it "ELTHAM College students are WORLD READY" and this is now clearly the message on our website.

STUDENT INFORMATION

We believe that student outcomes and student experiences reflect schools working effectively to their vision, mission and values. In 'releasing and enhancing talents', we personalise attention to each student and their families and, by the Senior Years, we are able to customise the curriculum so that the passion and ambition of our students can be met.

National Testing

All school results for one-day NAPLAN testing are reported on the *My School* Website and show ELTHAM to be well within the benchmarks. ELTHAM's results clearly indicate that young people can develop excellent and very functional enabling skills in literacy and numeracy while still developing the other essential enabling skills for successful participation in the 21st century. NAPLAN tests are conducted at Years 3, 5, 7 and 9 across Australia. Results are interpreted and reported using 10 developmental bands that show expected progression in key enabling skills of literacy and numeracy. National Benchmarks are derived for young people at each of the year levels that testing occurs.

All of our students at each of the four year levels (Years 3, 5, 7 and 9) were above National benchmarks and have made strong progress between testing periods. Our small size and the fact that we do enable all students to participate, however, show a wide range of results. At the same time as we would not prevent parents who wish to withdraw their children we will steadfastly support every young person's right to 'give it a go' even if they have learning difficulties.

YEAR 12 OUTCOMES

2012 VCE results

We are exceptionally proud of our graduates. While results are measured externally through the Victorian Certificate of Education, at ELTHAM, we take it a step further and also survey our graduates fifteen months and five years after graduation.

In 2012 85% of students achieved their first, second or third preferences with 81% receiving a university offer and 19% receiving a TAFE or private VET offer. 95% received a first round offer (compared to 95% in 2010 and 92% in 2009). Annabelle Pendelbury achieved the highest ATAR with a score of 99.35.

From their Early Years, but formally from Year 9, we work with young people to explore opportunities, identify their passions and start to make good decisions for themselves about life and learning choices. The LifeWork Centre works with students in Year 9 and the Senior Years, and with their parents, so that students are able to make informed decisions about their post-school choices, so that they know what they are working towards, and they know what ATAR they will need if, in fact, they do need one. Students do not mindlessly work for a score and then decide their destinations after receiving the score. This is because post-school experiences suggest that this is not a good recipe for post-school success, particularly at University. Our Senior students generally make very good decisions and they do make good choices between university and vocational education (eg TAFE). A really nice thing about our Senior Years is that we all respect these choices, so students do not feel anything but good about their personal decisions whether they are seeking to study medicine, design, furniture, engineering, arts, law, automotive, cooking, hospitality/event management or hairdressing.

Getting a student to University is one thing, however, how they do when they get there is the mark of a really great school. We care enough to maintain contact and to ask them how they are going and what they are doing.

The Destination surveys provide substantial evidence of ELTHAM's success as a school. Across eight years of surveys (30 to 50% response rates) taken fifteen months out from graduation, responses indicate that our young women and men have made a very successful transition to post-school learning and living. 87 to 100% of respondents indicated they felt they had made the right decision about what to do during their first year out of school.

Asked their perception of their learning experiences at ELTHAM, their responses were very positive:

- I was encouraged to do my own research. 82%
- I was well prepared for VCE exams. 77%
- College courses and subjects met my needs. 91%
- I felt well informed about future career options. 82%

- The College helped me to identify and develop my talents. 73%
- Students at ELTHAM benefited from being allowed to take risks and sometimes make mistakes. 82%
- In general, my experience at ELTHAM was a happy one. 95%
- I felt supported and benefited from working with the LifeWorks Centre. 82%
- I feel confident about seeking new opportunities and experiences. 95%
- I welcome change. 82%
- I hope to change career direction within the next 10 years. 45%
- I feel proud of the skills, strengths and talents I developed at ELTHAM. 82%
- I feel I have direction in my career and am sure of what I want to do professionally. 68%

An interesting question related specifically to their capacity to manage their careers with 82% saying: "I feel self-directed enough to manage my career over the next few years".

In the first few 5 year-out surveys, 2007 to 2011, generally

- 65 to 80 % of respondents were currently employed, the remainder were all involved in further study.
- 85 to 96% have completed or were currently undertaking an undergraduate course.
- 22 to 26 % were involved in a post-graduate course.
- 77 to 83% of respondents felt in control of their career path all of the time or most of the time.
- 56 to 65 % had a firm career plan for the next five years.
- 60 to 70% intended to stay in their general field of work for the next five years.
- 15 to 25% respondents had worked overseas, and 70 to 85% would like to in the future, with a high confidence level that this would happen.
- 92% of respondents would recommend ELTHAM College.

Much of this can be attributed to the culture we have created in the senior years. ELTHAM students are indeed WORLD-READY.

Student Retention

The retention ratio for 2012 for Prep to Year 11 was 92.7%. 86.4% of students who commenced Year 9 at ELTHAM went on to complete Year 12 at ELTHAM.

Student Attendance

ELTHAM students attend regularly and, it seems, happily, showing that an average of student attendance was: City Campus 93.64%, MCS 95.90% and Research 93.36%. The new Federal Government reporting format does not exclude students on exchange, engagement in other legitimate activities for home, learning, sport etc as we have done in previous years. As a school we are very supportive of families taking time to expose their children to other 'worldly learning experiences', but this is not reflected in the figures that the Federal Government requires. This is unfortunate as students on exchanges (UK, France, Spain, China) for example are actively involved in schooling and should be classed as in attendance.

TEACHER INFORMATION – ELTHAM COLLEGE

Staff Retention

The retention rate of teaching staff in 2012 was 76%. This was due largely to an essential downsizing strategy to fit with our demographic and the high income family population decline in our catchment area. This population decline is forecast to continue to at least 2021.

Staff Attendance

Staff absence through personal leave (sick leave or carer's leave) in 2012 resulted in an attendance statistic of 96%.

Staff Qualifications

ELTHAM's staff is highly qualified with over one quarter holding Doctorates, Masters or Honours degrees.

	Percentage (%)
Doctorate	3
Masters	20
Honours Degree	6
Graduate Diploma	8
Bachelor's Degree	54
Diploma	8

Expenditure and Teacher Participation in Professional Learning

All teachers attended a range of targeted in-house professional learning and training offerings covering areas such as numeracy, literacy, student learning disabilities, curriculum design and pedagogy. Senior School, Year 9 and Middle Years staff participated in training in the use of StudyWiz. Beyond these internally conducted sessions, our teaching staff has participated in a plethora of external Professional Development programs.

Approximately 1% (\$120k) of our budget is directed to professional learning. This does not include internal professional learning provision from senior staff.

Demographic Studies

We commissioned in 2012 two studies to analyse the demographic trends from 2006 to the 2011 census. These studies confirmed the continued large decline in children from high income families in our major catchment of Nillumbik and directed our marketing in 2012 to a very much extended catchment and a revised transport plan to ensure that "It is easy to get to ELTHAM College".

International Students

International students continue to be a major source of cultural and racial diversity at ELTHAM. They represent approximately 15% of our Senior Years' population and are actively involved in leadership and other College activities. They help us continue to focus on a global culture.

A Farewell Report

This will be the last time I contribute to the Annual Report as I retire this year. My fourteen years at ELTHAM have been challenging and rewarding. I believe we have created not just another 'good' school but indeed a 'great' school for young people in the 21st century. Can I thank students, staff, Board and families for sharing an exciting and transformational journey as our young people, in collaboration with us, have redefined schooling for the 21st century. I wish ELTHAM well in its leadership of future schooling.

Conclusion

This Report reflects ELTHAM College as the leader in 21st century schooling. I would like to acknowledge College staff, Executive, the College Board and Associations for their dedication and skill in promoting great opportunities and outcomes for young people. I further would like to thank parents for the manner in which they partner us. Above all, I thank and congratulate our young people for taking up the challenges, exploring opportunities and leading the way in working with us to redefine schooling. National benchmarks suggest Australia should spend more time celebrating young people because Australian young people compare extremely well on the International stage. Please join me in celebrating the learning and life experiences and achievements of ELTHAM College's young people across Research and the Year 9 City Campus.



Dr David Warner
Principal/CEO

CHAIRMAN'S REPORT

I have great pleasure in presenting my 2012 Report on ELTHAM College.

This is an exciting school and the Board is delighted with the culture and achievement of our young people and the way in which they work together, and also the way in which they work with staff. I would like to thank students and staff for the manner in which they have set the standard for collaborative learning. The results our students achieve and their destinations are excellent.

On behalf of the Board, I thank our families for being part of ELTHAM during 2012. ELTHAM has worked very hard since its commencement in 1974 to be an open and transparent school, one where families are always welcome as part of the schooling process with their children. During 2012 there were six parent forums where parents were able to discuss issues and raise concerns. This proactive process allows increased awareness and essential transformations. Thank you for your contributions to our continuing commitment to improvement.

I would like also to acknowledge and thank the families who were with Melbourne City School in 2012. They were pioneers in a new schooling venture. The venture could not continue because enrolments were not growing fast enough to maintain a viable and sustainable school. I wish to acknowledge Jenny Langmead, Principal and Belinda Cupples, Head of School, and all staff for their dedication.

In 2012 the Board awarded Life Membership to Jim Cummane and Greg King and appointed the Founder, Les Clarke as a Life Governor.

I am happy to report on a number of our activities.

2012 Accounts

As with the 2011 Annual Report, we are required to report our accounts and financial statements to you in a consolidated form. MCS income and expenses have been consolidated with all other aspects of ELTHAM College.

2012 Operation

The College operated within the Business Plan parameters and was able to reinvest in people, facilities, refurbishments and new equipment. The crisis in the global economy continues to present issues for all of us in terms of international and local enrolments and the level of short-term support for families. We do recognise that it is appropriate to use federal funding to help with this level of support. With the reduction in enrolments for 2013 we made a number of prudent staffing cuts and changes to ensure that we continued to operate as a strong, viable school. At the same time we closed MCS and 121 King St. With the staffing reductions, the closing of MCS and the relocation of Year 9 from King St to 398 Lonsdale we had only a small surplus from operations in the Consolidated Accounts, but after applying the extra-ordinary items of a Superannuation adjustment for our Defined Benefit members and a long overdue land revaluation, our Equity grew \$4,408,660. I need to say that the management of ELTHAM, its operations and finances, continues to be excellent and we have a very strong cash flow.

International Students

The cost of the Australian dollar, coupled with what is perceived as a negative Australian Government approach to China, has seen the start of a serious decline in the international export market for education in Australia. ELTHAM has not been immune, but has generally managed to maintain a good intake of international students. It is so important that we maintain a strong international enrolment to support our global culture and our preparation of young people to live, learn and work in a global environment.

Capital Works 2012

We committed some \$600,000 in support of the insurance claims to develop a new Sports Centre out of the 'hail-storm debris' of the old ECCA Centre. This was completed early in 2013. 2012 was a difficult year without the Sports Centre as we had to transport students to a wide range of other venues for our sport and inter-school sport. 2013 saw the new Sports Centre operating.

During 2012 we committed to the re-build of music and performance into a modern Music and Performance Centre with high levels of ICT infrastructure. Stage 1, including a new Junior Years Music Room and lift access from the Great Southern Road, has been completed. Stage 2 commenced over the summer period with the removal of all asbestos cladding and the installation of new cladding. The rest of the construction work associated with Stages 2 and 3 will commence in June 2013. The cost of this total capital project will be \$3.5m.

Demographic Changes in Nillumbik Shire

We commissioned a Demographic study of our catchment areas based on the 2011 ABS Census. Nillumbik continues to be the one Shire in decline and there will continue to be a marked reduction in high income families through to at least 2021. This is directing our marketing to a wider population beyond Nillumbik.

There is the positive context, however, in that ELTHAM College manages ELTHAM College Kids (ECK), the child care and kindergarten centres of the ELTHAM College Foundation. There are over 500 children in the four ECK Centres and the number of centres is expected to increase over the next few years. 2013 will see the purchase of the premier Centre in the CBD, Kids on Collins. The Foundation's strategic plan to grow its business through to 2023 will provide us with considerable support to continue to enhance our schooling leadership and innovation.

Associations

I would like to thank our Associations for their continued support. ExECS, has grown into a strong organisation. ExECS ran five re-unions during 2012 and these were well attended and made positive contributions to our school. ECCA and its Early and Junior Years Association contributed \$25,000 to the College and the Foundation contributed \$250,000 to the Music and Performance Centre re-build.

Dr David Warner

I would like to acknowledge ELTHAM's Principal David Warner who retires at the end of 2013 after 14 years at ELTHAM.

In 2000, David was presented with a charter to re-establish ELTHAM as a leader in schooling. To achieve this, David had to take ELTHAM students, staff, parents and the Board on a journey of transformation, where, in order to re-establish ELTHAM as a leader in schooling, schooling had to be redefined.

Under David's leadership, schooling has been redefined. Not only did David succeed in his mission, but he has also created a lasting culture of change and adaptability that the Board, staff and our community will continue to foster. Embedded within this is a culture of excellence and creativity, which drives students to achieve personal bests and set new standards in all study areas.

As a result of David's leadership, ELTHAM is now recognised in educational circles for its leadership and innovation in schooling transformation and as a model of 21st century schooling, preparing students for their future. As ELTHAM's transformation agent, David was recognised in 2010 with a National Fellowship Award from The Australian Council for Educational Leaders (ACEL). This prestigious Fellowship Award is a special category of membership awarded to those who have made an *outstanding contribution to the study or practice of educational leadership*.

David has given the gift of voice, opportunity and trust to ELTHAM's student body and has provided a collaborative environment in which exceptional teaching and learning takes place. David restructured the school into sections based on the developmental stages and needs of young people and implemented a LifeWork Centre and three-year VCE; David promotes a strong partnership, between students, teachers and parents which is enhanced by regular, online reporting and transparency.

As Chairman of the Board, I feel privileged to have worked with David for what will be 14 years. At every step of the way, he has exceeded expectations and demonstrated his loyalty and commitment to ELTHAM. David's integrity, intellect, heart and passion can be seen, heard and felt in all that is ELTHAM.

In November 2012 the Board commissioned the process for selection of a new Principal for 2014. The new Principal appointment will be made mid-2013.

Conclusion

I would like to conclude this report by acknowledging the dedication and hard work of Board Directors of ELTHAM College and Melbourne City School. Board Directors are busy people who volunteer their time and give their commitment to the College and MCS. I also would like to acknowledge the increased interest throughout 2012 from parents who wish to become more involved in the Board and Board Committees. Your participation is most welcome. ELTHAM College and MCS Boards thank the members of the school communities for their continued support for these wonderful schools. On behalf of the Board, I also would like to thank the Principal, staff, students, parents and all members of our communities for their contributions to, and belief in, ELTHAM's commitment to young people and its leadership of 21st century schooling.



C J HEYSEN
Chairman

DIRECTORS' REPORT

Your Directors have pleasure in submitting herewith the financial statements for the year ended 31st December, 2012, together with Notes to and forming part of the Accounts. This report is made in accordance with a resolution of the Directors.

(a) Names of Directors in office during and since the end of the financial year are as follows:

Chairperson

Christopher Jonathan HEYSEN
Experience: Director since 1991
Chairperson since 1998
Chairperson: The Melbourne City School
Board Committee: Education Policy Committee

Vice Chairpersons

Paul Anthony PATTISON
Experience: Director since 1996
Vice Chairperson since 2003
Chairperson: The Eltham College Foundation Ltd
Director: The Melbourne City School
Board Committees: Budget & Finance Committee
Audit & Risk Committee
Development Committee
Resigned: December 2012

Michael David HOULIHAN JP
Experience: Director since 2006
Vice Chairperson since February 2013
Board Committees: Master Facilities Planning Committee (Chairperson)
Budget and Finance Committee
Development Committee
Marketing Committee

Carolyn ROYSE
Experience: Director since 2002
Vice Chairperson since 2006
Director: The Melbourne City School
Board Committees: Education Policy Committee
Audit & Risk Committee

Directors

Ruth Elizabeth BAILEY
Experience: Director since 2012
Representative Director: Eltham College Community Association
Board Committees: Development Committee
Marketing Committee

Leslie Edward CLARKE AM
Experience: Founder, Director since 1973
Board Committee: Budget & Finance Committee

Iain COWAN
Experience: Company Secretary since 1997
Director since 2000
Director and Secretary: The Melbourne City School
Board Committees: Budget & Finance Committee
Master Facilities Planning Committee
Development Committee
Secretary: The Eltham College Foundation Ltd
Employee: Business Manager, Eltham College

Benjamin Li Bing DING
Experience: Director since 2009
Resigned: April 2012

DIRECTORS' REPORT

Lisbeth Anne EVERED

Experience: Director since 2007

Board Committees: Education Policy Committee (Chairperson)
Development Committee
Master Facilities Planning Committee

Ross Francis FETT

Experience: Director since 1996

Director: The Eltham College Foundation Ltd (Eltham College Board Nominee)

Board Committees: Budget & Finance Committee (Chairperson)
Development Committee

Angela Mary LANE

Experience: Director since 2010

Eltham College Board Nominee: Eltham College Community Association

Board Committees: Master Facilities Planning Committee
Education Policy Committee

Justin Peter LITTLEFIELD

Experience: Director since 2002

Chairperson: ExECS – Eltham College Former Student Association

Representative Director: ExECS

Board Committees: Master Facilities Planning Committee
Development Committee

Karen Jayne LINDNER

Experience: Director since 2012

Representative Director: Eltham College Staff

Board Committees: Education Policy Committee
Marketing Committee

Employee: Teaching Staff – Eltham College

Paul Michael O'ROURKE

Experience: Director since 2008

Board Committee: Audit Committee (Chairperson)

Resigned: April 2012

Julie Elaine RAFFE

Experience: Director since 2012

Board Committees: Audit & Risk Committee (Chairperson)
Marketing Committee (Chairperson)

Petra Pamela ROBERTSON

Experience: Director since 2007

Representative Director: Eltham College Staff

Board Committees: Master Facilities Planning Committee
Education Policy Committee

Employee: Teaching Staff – Eltham College

Resigned: April 2012

Christopher John SEIDLER

Experience: Director since 2007

Representative Director: The Eltham College Foundation Ltd

Board Committee: Master Facilities Planning Committee

Lionel Edward WARD

Experience: Director since 2005

Appointed Director: Eltham College Board

Board Committees: Development Committee (Chairperson)
Master Facilities Planning Committee

David Ross WARNER

Experience: Director since 2000

Director: The Melbourne City School

Director: The Eltham College Foundation Ltd

Employee: CEO and Principal – Eltham College

Board Committees: All Committees except Audit & Risk Committee

DIRECTORS' REPORT

- (b) The Company's long term objective is to be seen as the significant leader in schooling transformation for the 21st Century, making schooling relevant to young people of the current era. This will be achieved, inter alia, by having ELTHAM's schools as primary examples, preparing and delivering papers to significant education conferences world-wide presented by noted ELTHAM educationalists, and ensuring that ELTHAM's schooling philosophies are regularly conveyed through National and State media.

The short to mid-term objectives are:

1. to embed 21st Century schooling in ELTHAM's schools and release and enhance the talents of each individual student
 - (i) by ensuring that the student is at the centre of all curricula and care
 - (ii) by training staff to engage and include students in curriculum and care process development
 - (iii) by ensuring our teaching and learning processes promote self-directed learning and self management, engender self esteem, collaboration and providing personalised attention for both young people and their families, by ensuring attention is given equally to the development of all intelligences and talents
 - (iv) by ensuring we employ the best teaching and care staff available
 - (v) by integrating into curricula and learning processes aspects of life central to today and tomorrow rather than yesterday
 - (vi) by ensuring that learning at ELTHAM's schools is a three way process, having teachers, students and their parents collaboratively involved
 - (vii) by providing the learning opportunities for students to ensure that individual passion is acknowledged and achieved, that all students experience success and engagement, can grow in self-esteem and personal confidence and be ready to manage their living, learning and working beyond school.
2. to sustain and grow enrolments within economic limits at each of our campuses and schools
3. to achieve a minimum 1% return on income annually for the purpose of re-investment in the Company's assets.

Achievement of these objectives is measured and monitored regularly by the College Board and its committees. The College monitors performance in all the traditional ways set by Government (VCE, ATAR scores, NAPLAN testing) as well as regular assessment of learning. The College conducts formal bi-annual surveys of staff, students and parents to assess the success of our 21st Century schooling objectives. Our graduates are also surveyed at 15 months out and 5 years out of school to assess their progress. All of the above and the further development of teaching and learning practices are reviewed and assessed by the Education Policy Committee of the Board throughout the year and reported to the full Board at each of its meetings during the year.

The objectives relating to enrolment levels and financial performance are measured and monitored by the Budget and Finance Committee of the Board throughout the year and reported to the full Board at each of its meetings during the year.

The Audit and Risk Committee of the Board monitors and compliance assesses the College's exposure to risk and the effective management of risk and reports to the full Board at each of its meetings during the year.

The Master Facilities Planning Committee reviews and assesses the integrity of current and future building projects and reports to the full Board at each of its meetings during the year.

The Marketing Committee monitors the image of the College and plans and develops marketing strategy.

The Development Committee seeks to engender a culture of philanthropy, plans fundraising programs and reports to the full Board at each of its meetings during the year.

All Board and Executive Reviews, and the daily operations of our schools, are conducted in accordance with the Strategic Directions of the entity as described in the Company's 5-year Strategic Business Plan, which is reviewed, refined and further developed annually at a weekend workshop comprising all Directors of the Company, all members of the Colleges' extended Executive Management team and the 6 school Captains, plus a range of other students, as appropriate. The Plan incorporates the Company's Vision and Mission Statements, Value Statement, Core Capabilities and Key Performance Areas defined for the current year.

The Company's Strategic Plan is communicated to Members annually.

DIRECTORS' REPORT

- (c) The surplus from operations of the Consolidated entity for the year ended 31st December, 2012 was \$5,456 (2011: deficit \$134,540). The 2012 surplus includes a favourable net adjustment of \$284,995 (2011: \$216,686) in respect of the recognition of movements in the Defined Benefit liability for the year.

It was not necessary to make provision for Income Tax as the College claims exemption from Income Tax under the Income Tax Assessment Act 1997.

- (d) An amount of \$85,882.50 was paid or is payable to an architectural partnership, Clarke Hopkins Clarke for professional architectural services of which Directors Leslie Edward Clarke AM and Justin Littlefield are partners.

A sum of \$49,399.67 was paid to First Boom Investments Co. in respect of international student commissions, of which Director Benjamin Ding is a Director.

Except for the above no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with a Director or with a firm of which he/she is a member or with a Company in which he/she has a substantial material interest.

- (e) On 19th March 2012, the Board of Eltham College extended the term of the loan to Melbourne City School to at least 31st March 2013. The loan is for an amount of up to \$3,000,000. Given the closure of the Melbourne City School on 31st December 2012, the loan (\$2,909,244) was written off during the financial year.

- (f) No matters or circumstances have arisen since the end of the financial year, which have significantly affected or may significantly affect the operations of the Company or the state of affairs of the Company in subsequent financial years.

- (g) The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or of a related body corporate:

- * indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- * paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings except for the payment of a standard directors and officers liability insurance premium of \$3,288 to cover events other than wilful breach of duty.

- (h) No person has applied for leave of the Court to bring proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

- (i) The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

- (j) The Directors are of the opinion that the Company has complied with all relevant environmental legislation so far as it concerns the operations of the Company.

- (k) The auditor's independence declaration for the year ended 31st December 2012 is included on page 12.

- (l) Members are required to pay \$10 membership fees per year. Members guarantee to contribute an amount not exceeding \$20 per member to the assets of the Company in the event of winding up.

Events other than those of a Financial nature:

Comments on all other aspects of the School's activities have been omitted from this report in favour of a full coverage of events which is contained in the CEO's Report and the Chairman's Review (refer pages 2 to 7 of the 2012 Consolidated Annual Report) and to be presented on behalf of the Board of Directors to Members at the Annual General Meeting on the 29th April, 2013.

DATED AT Research this 25th Day of March, 2013.



R.F. FETT
Director



M.D. HOULIHAN
Director

The Board of Directors
Eltham College
1660 Main Road
RESEARCH VIC 3095

25 March 2013

Dear Board Members

Eltham College

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Eltham College.

As lead audit partner for the audit of the financial statements of Eltham College for the financial year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the professional accounting bodies in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Robert D D Collie
Partner
Chartered Accountants

Independent Auditor's Report to the Members of Eltham College

We have audited the accompanying financial report, being a special purpose financial report, of Eltham College, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year end or from time to time during the financial year as set out on pages 15 to 33.

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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the Members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is 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 have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we 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 entity's preparation of the financial report that gives a true and fair view, 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 entity'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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Eltham College would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of Eltham College is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.



DELOITTE TOUCHE TOHMATSU



Robert D D Collie
Partner
Chartered Accountants
Melbourne, 25 March 2013

DIRECTORS' DECLARATION

As detailed in Note 1 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, the financial report is a special purpose financial report prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The Directors declare that:

- a) 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; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the entity.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



C. ROYSE
Director



L.E. CLARKE AM
Director

DATED at Research this 25th Day of March, 2013.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated		Parent	
		2012 \$	2011 \$	2012 \$	2011 \$
Revenue	2	29,419,230	20,875,221	27,496,555	20,130,285
Less:					
Salaries and related expenses		13,779,841	13,747,426	13,042,010	13,097,517
Tuition related expenses		1,232,031	1,383,627	1,212,117	1,355,272
Borrowing costs		177,469	190,079	32,555	55,034
Depreciation expense		1,938,065	1,889,746	1,862,749	1,822,162
Finance and legal expenses		437,052	449,427	401,156	421,377
Debt Forgiveness Melbourne City School		-	-	2,909,244	-
Administrative expenses		746,252	754,329	712,794	693,042
Facility costs		1,966,107	1,907,345	1,508,217	1,575,651
Lease Exit Fee		72,000	-	-	-
Expenditure of insurance receipts		8,023,204	-	8,023,204	-
Promotion		669,567	687,782	478,040	491,249
Loss on disposal of King Street assets		372,186	-	-	-
Total Expenses		<u>29,413,774</u>	<u>21,009,761</u>	<u>30,182,086</u>	<u>19,511,304</u>
(Deficit) Surplus for the year		<u>5,456</u>	<u>(134,540)</u>	<u>(2,685,531)</u>	<u>618,981</u>
Other comprehensive (loss)/income					
Gain on revaluation of properties		4,014,204	-	4,014,204	-
Actuarial (loss)/gain on defined benefits plan		389,000	(977,000)	389,000	(977,000)
Total other comprehensive income (loss) for the year		<u>4,403,204</u>	<u>(977,000)</u>	<u>4,403,204</u>	<u>(977,000)</u>
Total comprehensive income (deficit) for the year		<u>4,408,660</u>	<u>(1,111,540)</u>	<u>1,717,673</u>	<u>(358,019)</u>

The Notes to the Accounts form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated		Parent	
		2012 \$	2011 \$	2012 \$	2011 \$
Current assets					
Cash and cash equivalents	4	770,758	415,990	774,653	235,271
Trade and other receivables	5	1,365,856	1,206,536	1,365,856	3,689,896
Inventories	6	98,549	108,468	98,549	108,468
Prepayments	7a	375,269	414,802	375,269	359,798
		2,610,432	2,145,796	2,614,327	4,393,433
Assets classified as held for sale		469,204	-	469,204	-
Total current assets		3,079,636	2,145,796	3,083,531	4,393,433
Non-current assets					
Property, plant and equipment	8	23,392,167	20,423,840	23,392,167	19,939,368
Total non-current assets		23,392,167	20,423,840	23,392,167	19,939,368
Total assets		26,471,803	22,569,636	26,475,698	24,332,801
Current liabilities					
Trade and other payables	9	4,128,476	3,870,199	4,133,371	2,997,890
Borrowings	10	1,680,000	2,000,000	1,680,000	2,000,000
Provisions	11	1,985,702	2,239,047	1,985,702	2,200,409
Total current liabilities		7,794,178	8,109,246	7,799,073	7,198,299
Non-current liabilities					
Trade and other payables	9	231,730	276,155	231,730	260,280
Borrowings	10	1,500,000	1,500,000	2,000,000	1,500,000
Retirement benefit obligations	12(d)	1,502,000	1,502,000	855,000	1,502,000
Total non-current liabilities		3,086,730	3,278,155	3,086,730	3,262,280
Total liabilities		10,880,908	11,387,401	10,885,803	10,460,579
Net assets		15,590,895	11,182,235	15,589,895	13,872,222
Equity					
Retained earnings	13	11,576,691	11,182,235	11,575,691	13,872,222
Asset revaluation reserve	14	4,014,204	-	4,014,204	-
Total Equity	13	15,590,895	11,182,235	15,589,895	13,872,222

The Notes to the Accounts form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED	Accumulated Funds	Asset Revaluation Reserve	Total
Balance at 1 January 2011	12,293,775	-	12,293,775
Deficit for the year	(134,540)	-	(134,540)
Other Comprehensive income for the year	(977,000)	-	(977,000)
Total Comprehensive Income for the year	(1,111,540)	-	(1,111,540)
Balance as at 31 December 2011	11,182,235	-	11,182,235
Surplus for the year 2012	5,456	-	5,456
Other comprehensive income for the year	389,000	4,014,204	4,403,204
Total comprehensive income for the year	394,456	4,014,204	4,408,660
Balance at 31 December 2012	11,576,691	4,014,204	15,590,895

ELTHAM COLLEGE	Accumulated Funds	Asset Revaluation Reserve	Total
Balance at 1 January 2011	14,230,641	-	14,230,241
Surplus for the year	618,981	-	618,981
Other Comprehensive income for the year	(977,000)	-	(977,000)
Total Comprehensive Income for 2012	(358,019)	-	(358,019)
Balance as at 31 December 2011	13,872,222	-	13,872,222
Deficit for the year 2012	(2,685,531)	-	(2,685,531)
Other comprehensive income for the year	389,000	4,014,204	4,403,204
Total comprehensive income for the year	(2,296,531)	4,014,204	1,717,673
Balance at 31 December 2012	11,575,691	4,014,204	15,589,895

The Notes to the Accounts form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated		Parent	
		2012 \$	2011 \$	2012 \$	2011 \$
Cash flow from operating activities					
Receipts from fundraising		1,047,459	417,413	290,459	130,163
Receipts from school fees, grants and other income		30,333,787	19,750,426	29,188,861	19,286,788
Payments to suppliers and employees		(29,325,116)	(18,061,179)	(26,914,585)	(17,044,818)
Interest received		33,763	33,429	29,021	31,936
Interest and other costs of finance paid		(177,469)	(190,079)	(32,555)	(55,034)
Net cash provided by operating activities	16(b)	1,912,424	1,950,010	2,561,201	2,349,035
Cash flow from investing activities					
Proceeds from sale of property, plant & equipment		65,716	8,925	9,915	8,925
Purchase of property, plant & equipment		(1,803,372)	(2,091,164)	(1,801,488)	(1,986,869)
Loan to The Melbourne City School		-	-	(410,246)	(651,667)
Net cash used in investing activities		(1,737,656)	(2,082,239)	(2,201,819)	(2,629,611)
Cash flows from financing activities					
(Repayment) of borrowings		180,000	-	180,000	-
Net cash used in financing activities		180,000	-	180,000	-
Net increase (decrease) in cash and cash equivalents					
Cash and cash equivalents at the beginning of the financial year		415,990	548,219	235,271	515,847
Cash and cash equivalents at the end of the financial year	16(a)	770,758	415,990	774,653	235,271

The Notes to the Accounts form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

Statement of Accounting Policies

This financial report is a special purpose financial report prepared in order to meet the needs of Members and which has been prepared specifically for distribution to Members in accordance with the entity's constitution. The directors have determined that the company is not a reporting entity.

For the purposes of preparing the financial statements, the Company is a non for-profit entity. The financial report has been prepared in accordance with the Corporations Act 2001, the basis of accounting specified by all Accounting Standards and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Cash Flow Statements' and AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The financial report was authorised for issue by the directors on 25th March 2013. Eltham College is a company limited by guarantee, incorporated and domiciled in Australia. The financial report covers Eltham College as a consolidated entity. Eltham College is the parent company and sole member of the Melbourne City School.

The financial report is prepared on an accruals basis and is based on historic costs and does not take into account changing money values, or except where specifically stated, current valuations of non-current assets.

Going Concern

The financial report has been prepared on the going concern basis. While the statement of financial position discloses a net current asset deficiency of \$4,714,542 (Parent \$4,715,542) (2011: \$5,963,450: Parent \$2,804,866), fees billed and/or received in advance of \$548,585 (Parent \$548,585) (2011 \$780,021, Parent \$778,021) and long service leave liabilities of \$1,036,087 (Parent \$1,036,087) are included as a current liability. The fees billed and/or received in advance will be fully utilised in the operations of the College in the following and future years. Family deposits of \$1,202,813 (Parent \$1,202,813) (2011 \$1,254,421, Parent \$1,205,921) are also included as a current liability as they are repayable within a period of less than 12 months should a student leave one of our schools. These deposits do not vary significantly from period to period and are a requirement of students being enrolled at our schools. The directors therefore believe that these deposits form part of the long term funding of the College.

Also included within current liabilities for both the consolidated entity and the Parent, are bank borrowings of \$1,680,000 (Parent \$1,680,000) which are commercial bills which will be repaid within the next 12 months. These borrowings are part of an ongoing banking facility agreement with National Australia Bank which provides funding to a maximum of \$5,937,200. At 31 December 2012, \$2,257,200 of the facility remains undrawn.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the School's accounting policies, 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 other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and are detailed in this report within each applicable note. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. These are described below in the company's accounting policies.

Judgements are made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements. One of these areas is depreciation rates. These rates are reviewed annually by the directors to ensure that assets are being appropriately depreciated.

Due to the nature of receivables, parent's ability to pay fees can change from time to time. Therefore it is difficult to assess which receivables are considered doubtful. All long standing debts are identified and those which are unlikely to be received have been included in the provision for doubtful debts. This judgment is primarily based on the past history and any correspondence with parents.

Annual leave and long service leave estimates include the expected future pay rise amount as determined by the Board, other estimates are used by the actuary in calculating the defined benefit amounts which include the discounted bond rates and return on assets.

No key assumptions have been made concerning the future and there are no other key sources of estimation uncertainty at the balance date that the directors consider have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

Adoption of new and revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out on page 21.

AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project' adopted in IFRSs.

AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).

AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.

The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Company is a for-profit or not-for-profit entity.

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-12 'Amendments to Australian Accounting Standards

The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which includes AASB 108. The application of AASB 2009-12 has not had any material effect on amounts reported in the financial statements.

AASB 2010-5 'Amendments to Australian Accounting Standards'

The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which includes AASB 101 and AASB 107. The application of AASB 2010-5 has not had any material effect on amounts reported in the financial statements.

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>AASB 9 Financial Instruments (December 2009), AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	1 January 2013	31 December 2014
<i>AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i>	1 July 2012 with early adoption permitted	31 December 2013
<i>AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i>	1 January 2013	31 December 2013
<i>AASB 10 Consolidated Financial Statements</i>	1 January 2013*	31 December 2013

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

<i>AASB 11 Joint Arrangements</i>	1 January 2013*	31 December 2013
<i>AASB 12 Disclosure of Interests in Other Entities</i>	1 January 2013*	31 December 2013
<i>AASB 13 Fair Value Measurement, AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13</i>	1 January 2013	31 December 2013
<i>AASB 127 Separate Financial Statements (2011)</i>	1 January 2013*	31 December 2013
<i>AASB 128 Investments in Associates and Joint Ventures (2011)</i>	1 January 2013*	31 December 2013
<i>AASB 119 Employee Benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011)</i>	1 January 2013	31 December 2013
<i>AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards</i>	1 January 2013*	31 December 2013

* Entities early adopting this standard must also adopt the other standards included in the 'suite of six'

The following material accounting policies which are consistent with the previous period unless otherwise stated have been adopted in the preparation of this report.

(a) Basis of Consolidation

Eltham College is a consolidated entity comprising Eltham College, and the entity it controls, being The Melbourne City School.

(b) Property, Plant and Equipment

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

Property

Buildings held for use for the provision of services or for administrative purposes are measured on the cost basis.

Freehold land is held at the revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. This represents a change in accounting policy as freehold land was previously carried at cost. The impact of this change was to increase the carrying value of land by \$4,014,204 which has been recognised in total equity.

Plant and Equipment

Items of plant and equipment are measured on the cost basis.

The carrying amount of property, plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount of those assets based on depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Depreciation

The depreciation amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated over their estimated useful lives commencing from the first accounting year following the date of acquisition.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the profit and loss of the company in the year of disposal.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

The depreciation rates used for each class of depreciable assets are:

Class of fixed Asset	Depreciation Rate
Buildings and Leasehold Improvements	2.5% or in accordance with lease term
Furniture, equipment & improvements	10% -20 %
Computer related equipment	33%

(c) Income Tax

The income of the Company is exempt from income tax by virtue of the Income Tax Assessment Act 1997.

(d) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Lease payments for operating leases, where substantially all risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(e) Fee Income

The amount shown in respect of fee income is the net amount after deducting discounts.

(f) Membership Subscriptions

Members are required to pay \$10 membership fees per year. Members guarantee to contribute an amount not exceeding \$20 per member to the assets of the Company in the event of winding up.

(g) Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to reporting date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and long service leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

(h) Revenue

Revenue from tuition fees, subject levies and other receipts from students are recognised upon the delivery of the service or goods. Government grants are recognised as and when received. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue received for capital purposes and endowments is recorded as income through the statement of comprehensive income and then transferred to capital reserves or endowments reserves.

(i) Cash & Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts, and investments in money market instruments.

(j) Impairment of Assets

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

(k) Defined Benefit Superannuation Fund

In respect of defined benefit plans, the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted annually. Consideration is given to any event that could impact the funds up to balance sheet date where the interim valuation is performed at an earlier date.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

The amount recognised in the statement of financial position represents the present value of the defined benefit obligations adjusted for any unrecognised actuarial gains and losses and unrecognised past service costs less the fair value of the plan's assets. Any asset recognised is limited to unrecognised actuarial losses, plus the present value of available refunds and reductions in future contributions to the plan.

Actuarial gains and losses are amortised over the expected average remaining working lives of the participating employees in the scheme. Gains or losses on the curtailment of or settlement of a defined benefit plan are recognised in the statement of comprehensive income when the College is demonstrably committed to the curtailment or settlement.

Past service costs are recognised when incurred to the extent that benefits are vested, and otherwise amortised on a straight-line basis over the vesting period.

(l) Financial instruments

Loans and receivables, including parent loans

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Parent loans are repayable on demand and therefore classified as current liabilities.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

(m) Borrowing Costs

All borrowing costs are recognised in profit and loss in the period in which they are incurred.

(n) Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(o) Lease Incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(p) Members

	<u>2012</u>	<u>2011</u>
Membership as at 31 st December	719	957

During 2011 the membership register was reviewed and non-financial members from previous years removed.

(q) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposable groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

Note	Consolidated		Parent	
	2012 \$	2011 \$	2012 \$	2011 \$
2. Revenue				
Fee Income- Net	14,608,682	15,124,819	14,165,665	14,751,076
Government Per Capita Grants				
- Victorian State Government	578,275	588,896	554,599	573,749
- Federal Government	2,866,204	3,004,732	2,758,819	2,923,996
	<u>3,444,479</u>	<u>3,593,628</u>	<u>3,313,418</u>	<u>3,497,745</u>
Victorian State Government Grants				
- Early Learning Centre	27,461	27,345	27,461	27,345
- Other	105,931	105,426	105,931	102,322
	<u>133,392</u>	<u>132,771</u>	<u>133,392</u>	<u>129,667</u>
Federal Government Grants				
- Capital Grants	37,800	331,200	37,800	331,200
- Other Government Grants	152,082	159,254	152,082	151,234
	<u>189,882</u>	<u>490,454</u>	<u>189,882</u>	<u>482,434</u>
(loss) Gain on disposals of plant and equipment	(4,078)	8,925	(21,025)	8,925
Interest Received	33,763	33,429	29,021	31,936
Income from Insurance Proceeds	8,114,378	-	8,114,378	-
Gain on Reversal of Lease Incentive	661,632			
Other Income	1,189,641	1,073,782	1,281,365	1,098,339
Fundraising	2(a) <u>1,047,459</u>	<u>417,413</u>	<u>290,459</u>	<u>130,163</u>
Total Revenue	<u>29,419,230</u>	<u>20,875,221</u>	<u>27,496,555</u>	<u>20,130,285</u>
2(a) Fundraising Receipts				
Building Fund	812,459	342,163	55,459	55,163
ECCA	25,000	25,000	25,000	25,000
Eltham College Foundation Ltd.	210,000	50,000	210,000	50,000
Donations	-	250	-	-
	<u>1,047,459</u>	<u>417,413</u>	<u>290,459</u>	<u>130,163</u>

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

3. Surplus from Operations

Surpluses from Operations have been determined after:

	Consolidated		Parent	
	2012 \$	2011 \$	2012 \$	2011 \$
Expenses				
Borrowing costs – other persons	177,469	190,079	32,555	55,034
Depreciation of non-current assets	1,938,065	1,889,746	1,862,749	1,822,162
Movement in provisions				
Employee entitlements				
- Holiday Pay	(31,230)	45,206	(32,157)	45,791
- Long Service Leave	(44,842)	54,895	(44,842)	54,895
- Study Leave	(74,008)	30,301	(74,008)	30,301
- Salary Accrual	(63,700)	(12,221)	(63,700)	(10,300)
Expenses resulting from movement in Provisions	(213,780)	118,181	(214,707)	120,687
Bad and doubtful debts				
- Bad debts written off	194,114	44,832	183,236	44,832
- (Decrease) Increase in Doubtful Debt Provision	(85,164)	34,252	(79,395)	31,954
Total bad and doubtful debts	(108,950)	79,084	103,841	76,786
Rental Expenses				
- City Campus/MCS	771,362	756,798	439,449	460,151
	771,362	756,798	439,449	460,151
Remuneration of auditors				
- Audit or review of the financial report	43,250	41,000	39,000	36,000
	43,250	41,000	39,000	36,000
4. Cash and Cash Equivalents				
Cash on hand	2,050	2,550	2,050	2,050
Cash at Bank	768,708	413,440	772,603	235,221
	770,758	415,990	774,653	235,271

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

	Consolidated		Parent	
	2012 \$	2011 \$	2012 \$	2011 \$
5. Trade and other receivables				
School fees outstanding	758,922	880,915	758,922	860,013
Less allowance for doubtful debts	(160,183)	(245,347)	(160,183)	(239,578)
	598,739	635,568	598,739	620,435
Other	767,117	570,968	767,117	570,463
	1,365,856	1,206,536	1,365,856	1,190,898
Amount owed by Controlled Entity				
- Melbourne City School	-	-	-	2,498,998
	1,365,856	1,206,536	1,365,856	3,689,896
6. Current Inventories				
Work in progress	98,549	108,468	98,549	108,468
7. Other current Assets				
7a. Prepayments	375,269	414,802	375,269	359,798
7b. Assets classified as held for sale				
- Land	469,204	-	469,204	-
8. Property, Plant and Equipment				
Freehold land at revaluation/cost	5,945,000	2,190,617	5,945,000	2,190,617
Buildings and site services	31,020,702	30,587,454	31,020,702	30,097,066
Less accumulated depreciation	(14,951,153)	(13,918,236)	(14,951,153)	(13,852,797)
	16,069,549	16,669,218	16,069,549	16,244,269
Plant and equipment	9,487,707	8,971,806	9,487,707	8,853,778
Less accumulated depreciation	(8,110,089)	(7,407,801)	(8,110,089)	(7,349,296)
	1,377,618	1,564,005	1,377,618	1,504,482
	23,392,167	20,423,840	23,392,167	19,939,368

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

Consolidated		Parent	
2012	2011	2012	2011
\$	\$	\$	\$

8(a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

CONSOLIDATED	Freehold Land	Buildings & Site Services	Plant & Equipment	Total
Balance at the beginning of the year	2,400,000	16,459,835	1,564,005	20,423,840
Additions	-	1,167,927	635,445	1,803,372
Reclassification (see note 7b.)	(469,204)	-	-	(469,204)
Revaluation	4,014,204	-	-	4,014,204
Disposals	-	(403,127)	(38,853)	(441,980)
Depreciation Expense	-	(1,155,086)	(782,979)	(1,938,065)
Carrying amount at the end of the year	5,945,000	16,069,549	1,377,618	23,392,167

ELTHAM COLLEGE	Freehold Land	Buildings & Site Services	Plant & Equipment	Total
Balance at the beginning of the year	2,400,000	16,034,886	1,504,482	19,939,368
Additions	-	1,167,559	633,929	1,801,488
Reclassification (see note 7b.)	(469,204)	-	-	(469,204)
Revaluation	4,014,204	-	-	4,014,204
Disposals	-	(30,940)	-	(30,940)
Depreciation Expense	-	(1,101,956)	(760,793)	(1,862,749)
Carrying amount at the end of the year	5,945,000	16,069,549	1,377,618	23,392,167

9. Trade and Other Payables

Current

Fees in advance	548,585	780,210	548,585	778,021
Parents' deposits	1,202,813	1,254,421	1,202,813	1,205,921
Trade payables	212,955	965,880	217,850	149,972
Other	2,164,123	869,688	2,164,123	863,976
	4,128,476	3,870,199	4,133,371	2,997,890

Non Current

Other	231,730	276,155	231,730	260,280
	231,730	276,155	231,730	260,280

10. Borrowings

Current

Bank Loans – Secured	1,680,000	2,000,000	1,680,000	2,000,000
	1,680,000	2,000,000	1,680,000	2,000,000

Non-Current

Bank Loans – Secured	2,000,000	1,500,000	2,000,000	1,500,000
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NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

Consolidated		Parent	
2012	2011	2012	2011
\$	\$	\$	\$

10(a) The bank overdraft and bank loans are secured by first mortgages over freehold land and buildings. The College has a \$5,937,200 credit facility with National Australia Bank. (refer note 17C)

11. Provisions

Current

Employee Benefits

Holiday Pay	298,009	331,093	298,009	330,166
Long Service Leave	1,036,087	1,080,929	1,036,087	1,080,929
Study Leave	(394)	73,614	(394)	73,614
Salary Accrual	652,000	753,411	652,000	715,700
	1,985,702	2,239,047	1,985,702	2,200,409

12. Retirement Benefit Obligations

a) Accounting Policies

The College immediately recognises all actuarial gains and losses in the statement of changes in equity.

b) Plan Information

The College has transferred all members from the Eltham College Superannuation Fund to other funds at 1 February 2006. Defined Benefit members of the plan have transferred to Non-Government Schools Superannuation Fund as Accumulation Fund members but with a written promise that their benefit on retirement will not be less than it would have been on retiring from the College Fund. The Eltham College Superannuation Fund was wound up during 2007.

Reconciliation of the present value of the defined benefit obligation

Present obligations at beginning of the year	6,041,000	5,484,000	6,041,000	5,484,000
Current service cost	109,000	107,000	109,000	107,000
Interest cost	173,000	254,000	173,000	254,000
Contributions by plan participants	64,000	76,000	64,000	76,000
Actuarial (gains)/losses	(201,000)	293,000	(201,000)	293,000
Benefits paid (including tax and expenses)	(945,000)	(173,000)	(945,000)	(173,000)
Present value of defined benefit obligation at the end of the year	5,241,000	6,041,000	5,241,000	6,041,000

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

	Consolidated		Parent	
	2012 \$	2011 \$	2012 \$	2011 \$
c) Reconciliation of the fair value of plan assets				
Fair value of plan assets at beginning of the year	4,764,000	4,916,000	4,764,000	4,916,000
Expected return on plan assets	328,000	369,000	328,000	369,000
Actuarial gains/(losses)	114,000	(540,000)	114,000	(540,000)
Employer contributions	189,000	116,000	189,000	116,000
Contributions by plan participants	64,000	76,000	64,000	76,000
Benefits paid (including tax and expenses)	(945,000)	(173,000)	(945,000)	(173,000)
Fair value of plan assets at end of the year	4,514,000	4,764,000	4,514,000	4,764,000

d) Reconciliation of assets and liabilities recognised in the statement of financial position				
Present value of funded defined benefit obligations at end of year	109,000	6,041,000	5,241,000	6,041,000
Fair value of plan assets at end of year	(4,514,000)	(4,764,000)	(4,514,000)	(4,764,000)
	727,000	1,277,000	727,000	1,277,000
Provision for superannuation tax	128,000	225,000	128,000	225,000
Net liability recognised in the statement of financial position at end of year	855,000	1,502,000	855,000	1,502,000

(e) Expense recognised in income statement

The income statement recognition disclosure in the College accounts should note the line item(s) of the income statement in which the items are included.

Current service cost	109,000	107,000	109,000	107,000
Interest Cost	173,000	254,000	173,000	254,000
Expected return on plan assets	(328,000)	(369,000)	(328,000)	(369,000)
Provision for superannuation tax	(23,000)	(19,000)	(23,000)	(19,000)
(Benefit) recognised in income statement	(69,000)	(27,000)	(69,000)	(27,000)

(f) Amounts recognised in the statement of changes in equity

Actuarial (gains)/losses	(389,000)	977,000	(389,000)	977,000
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NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

Consolidated		Parent	
2012	2011	2012	2011
\$	\$	\$	\$

(g) Cumulative amount recognised in the statement of changes in equity

Cumulative amount of actuarial losses	805,000	1,194,000
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(h) Plan Assets

The percentage invested in each asset class at the reporting date:

Australian equities	35%	35%	35%	35%
Overseas equities	26%	26%	26%	26%
Fixed interest securities	13%	13%	13%	13%
Properties	9%	9%	9%	9%
Other	17%	17%	17%	17%

i) Fair value of plan assets

The fair value of plan assets includes no amounts relating to:

- Any of the College's own financial instruments
- Any property occupied by, or other assets used by, the College

j) Expected return on plan assets

The expected return on assets assumption is determined by weighing the expected long-term for each asset class by the target allocation of asset to each class. The returns used for each class are net of investment tax and investment fees.

k) Actual return on plan assets

Actual (loss)/return on fund assets	442,000	(171,000)	442,000	(171,000)
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l) Principal actuarial assumptions at the reporting date

Discount rate (gross of tax)	3.3%	3.6%	3.3%	3.6%
Discount rate (net of tax)	2.8%	3.1%	2.8%	3.1%
Expected return on plan assets	n/a	7.5%	n/a	7.5%
Future salary increases	3.0%	4.0%	3.0%	4.0%
Future pension increases	n/a	n/a	n/a	n/a

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

	Consolidated		Parent	
	2012 \$	2011 \$	2012 \$	2011 \$
m) Historical Information				
Present value of defined benefit obligations	5,241,000	6,041,000	5,241,000	6,041,000
Fair value of plan assets	(4,514,000)	(4,764,000)	(4,514,000)	(4,764,000)
(Surplus)/Deficit in plan	727,000	1,277,000	727,000	1,277,000
Experience adjustment – plan liabilities	(127,000)	4,000	(127,000)	4,000
Experience adjustment – plan assets	114,000	(540,000)	114,000	(540,000)
n) Expected Contributions				
Expected employer contributions	69,000	82,000	69,000	82,000
Expected contributions by plan participants	58,000	70,000	58,000	70,000
13. Retained earnings				
Balance at the beginning of the financial year	11,182,235	12,293,775	13,872,222	14,230,241
(Loss) Surplus from ordinary activities	(1,364,798)	(1,099,839)	(3,298,785)	(59,068)
Capital Grants	37,800	331,200	37,800	331,200
Donations	1,047,459	417,413	290,459	130,163
AASB119 Adjustment – Defined Benefit Fund	284,995	216,686	284,995	216,686
(Deficit) Surplus attributable to members of the entity	5,456	(134,540)	(2,685,531)	618,981
Transfer to and from retained earnings (AASB119)	389,000	(977,000)	389,000	(977,000)
Asset Revaluation Reserve	4,014,204	-	4,014,204	-
Balance at the end of the financial year	15,590,895	11,182,235	15,589,895	13,872,222
14. Asset Revaluation Return				
During the year the Directors elected to revalue land to its current market value	4,014,204	-	4,014,204	-
15. Commitments for Expenditure				
a) Capital expenditure				
Plant and Equipment				
Not longer than 1 year	408,826	777,593	408,826	777,593

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

	Consolidated		Parent	
	2012 \$	2011 \$	2012 \$	2011 \$
15. Commitments for Expenditure (cont)				
b) Leased Premises				
Not longer than one year	-	787,190	-	-
Longer than 1 year but not longer than 5 years	-	3,434,087	-	-
Longer than 5 years	-	1,902,591	-	-
	-	6,123,868	-	-
c) Operating Lease Commitments				
Not longer than one year	468,762	304,316	468,762	300,283
Longer than 1 year but not longer than 5 years	1,308,921	515,760	1,308,921	505,677
	1,777,683	820,076	1,777,683	805,960

16. The company is a public company limited by guarantee, domiciled and incorporated in Australia, and is a not-for-profit organisation. Distributions to members are prohibited under the Company's Constitution.

17. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash and Cash Equivalents

Cash on hand	2,050	2,550	2,050	2050
Cash at bank overdraft	768,708	413,440	772,603	233,221
	770,758	415,990	774,653	235,271

(b) Surplus from the period to net cash flows operations with operating activities

Surplus (Deficit) for the period	5,456	(134,540)	(2,685,531)	618,981
Non Cash Flows in Operating Profit				
(Gain)/loss on sale or disposal of non-current assets	376,264	(8,925)	21,025	(8,925)
Depreciation and amortisation of non-current assets	1,938,065	1,889,746	1,862,749	1,822,162
Bad debts	98,072	79,084	103,841	76,786
Defined benefit scheme	(258,000)	(143,000)	(258,000)	(143,000)
Loan forgiven – Melbourne City School	-	-	2,909,244	-
Lease Incentive	(661,632)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

	Consolidated		Parent	
	2012 \$	2011 \$	2012 \$	2011 \$
Change in Net Assets & Liabilities:				
Decrease/(Increase) in receivables	(257,898)	(243,485)	(278,800)	(250,930)
Decrease/(Increase) in prepayments	39,533	(2,810)	(15,471)	(7,872)
Decrease/(Increase) in Work in Progress	9,920	3,948	9,920	3,948
Increase/(Decrease) in current payables	838,278	389,890	1,106,931	117,198
Increase/(Decrease) in employee provisions	(215,634)	120,102	(214,707)	120,687
Increase/(Decrease) in Hire Purchase Liabilities	-	-	-	-
Net cash from operating activities	(1,912,424)	1,950,010	(2,561,201)	2,349,035

(c) Standby arrangements with banks to provide funds and support facilities

Credit facility	5,937,200	5,000,000	5,937,200	5,000,000
Bank overdraft		-		-
Amount utilised	(3,680,000)	(3,500,000)	(3,680,000)	(3,500,000)
Unused credit facility	2,257,200	1,500,000	2,257,200	(1,500,000)

17. Subsequent Events

No matter or circumstance have arisen since the end of the financial year, which have significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

18. Company Details

Details and Registered office of the company is:

Eltham College (ABN 31 004 992 750) 1660 Main Road, Research, Victoria 3095.

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