MELBOURNE BUSINESS SCHOOL LIMITED

ABN: 80 007 268 233

ANNUAL FINANCIAL REPORT

31 DECEMBER 2018

Contents

MELBOURNE BUSINESS SCHOOL LIMITED

Directors' Report
For the year ended 31 December 2018

The Directors present their report together with the consolidated financial statements of the Group comprising of Melbourne Business School Limited ("the Company") and its subsidiaries, for the year ended 31 December 2018 and the auditor's report thereon.

Directors' qualifications, experience and special responsibilities

The Directors of the Company at any time during or since the end of the year are:

Name:	Qualifications:	Experience:	Special responsibilities:
Mr. Ross Ernest Barker	BSc (Hons) (Melb) MBA (Melb) F Fin	Director: Australian Foundation Investment Company Ltd., Mirrabooka Investments Ltd., Amcil Ltd., Southern Cross Ceramics Pty Ltd., William Buckland Foundation. Appointed: 2011	Chairman. Member: Investment Committee; Properties & Facilities Committee; Remuneration & Nominations Committee.
Mr. Anthony Ray Burgess	BCom (Hons) (Melb), MBA (Distinction), Harvard. CPA F Fin	Chief Executive Officer: Flagstaff Partners Pty Ltd. Director: Diversified United Investment Ltd., Melbourne Theatre Company, Gandel Group Pty Ltd. Chairman: Foundation for Business & Economics, The University of Melbourne. Governor: Ian Potter Foundation. Appointed: 2013	Chair: Investment Committee. Member: Finance, Risk & Audit Committee.
Mr. Jan Craps	M Business Engineering (KU Leuven)	President & CEO: APAC Zone AB InBev; Executive Chairman: Carlton & United Breweries Appointed: September 2018	
Professor Glyn Davis	PhD (ANU) BA (Hons1) (UNSW)	Vice-Chancellor and Principal: The University of Melbourne. Professor of Political Science, Faculty of Arts, The University of Melbourne. Appointed: 2013 Retired: September 2018	

Directors' Report (continued)

Directors' qualifications, experience and special responsibilities (continued)

Name:	Qualifications:	Experience:	Special responsibilities:
Professor Zeger Degraeve	PhD (Chicago), MBA (Katholieke Universiteit Leuven), BSc (Ghent)	Dean: Melbourne Business School Ltd. Dean: Faculty of Business & Economics: The University of Melbourne. Director: Melbourne Business School Foundation Ltd, Mt Eliza Graduate School of Business and Government Ltd., MBS Management Development (Malaysia) Sdn Bhd Appointed: 2011 Retired: February 2018	Member: Investment Committee.
Professor Douglas Dow	PhD (Melb), MBA (West Ontario), BAppSc (Queen's)	Professor in Business Strategy, Melbourne Business School Ltd. Appointed: 2011	
Dr. Jacinth Kincaid Fairley	BSc, BVSc (Hons), MBA (Melb), GAICD, FTSE	Chief Executive Officer and Managing Director: Starpharma Holdings Ltd. Director: Starpharma Pty Ltd., Mirrabooka Investments Ltd. Member: Investment Committee, Carnegie Innovation Fund. Fellow: Australian Academy of Technological Sciences and Engineering Appointed: 2010 Appointed: 2010	Chair: Remuneration & Nominations Committee.

Directors' Report (continued)

Directors' qualifications, experience and special responsibilities (continued)

Name:	Qualifications:	Experience:	Special responsibilities:
Professor Ian Harper	B Econ (Hons) (Qld), M Econ, PhD (ANU), FASSA, FAICD	Dean: Melbourne Business School Ltd. Dean: Faculty of Business & Economics: The University of Melbourne. Director: Mt Eliza Graduate School of Business and Government Ltd., Ridley College Limited Board Member: Reserve Bank of Australia Fellow: AICD, Australian Academy of Social Sciences Member: CEDA Research and Policy Council Appointed: March 2018	Member: Investment Committee
Ms. Jacqueline Hey	BCom (Melb) Graduate Cert. Mgt. (SCU)	Director: Qantas Airways Ltd., Bendigo & Adelaide Bank Ltd., Australian Foundation Investment Company Ltd., Cricket Australia, AGL Energy Ltd. Appointed: 2013 Retired: August 2018	Member: Finance, Risk & Audit Committee; Remuneration & Nominations Committee.
Mr. Dean Ireland	MMkt (Melb) B Com (Melb)	Partner: Egon Zehnder. Director: Opportunity International Appointed: 2014 Retired: June 2018 Appointed: September 2018	Member: Remuneration & Nominations Committee.
Mr. Robert Johanson	BA, LLM (Melb), MBA (Harvard)	Chairman: Bendigo & Adelaide Bank Ltd, Australia India Institute. Director: Grant Samuel Group Pty. Ltd., Neuclone Ltd., Robert Salzer Foundation. Appointed: 2017	Member: Finance, Risk & Audit Committee; Investment Committee

Directors' Report (continued)

Directors' qualifications, experience and special responsibilities (continued)

Name:	Qualifications:	Experience:	Special responsibilities:
Ms. Antoinette Kimmitt	BBus (Acc), FCA, AICD	Chief Executive Officer & Managing Partner, Minter Ellison Director: Balbec Pty. Ltd., Contrac Holdings Pty Ltd., Emesco Agents Pty Ltd., Emesco Canberra Pty. Ltd., ME Consulting (Holding) Pty Ltd., M E Leasing Pty Ltd., Minter Ellison Administration Pty Ltd., Minter Ellison Agency Pty Ltd., Minter Ellison Consultants Pty Ltd., Minter Ellison Foundation Pty Ltd. Appointed: 2011 Retired: August 2018 Appointed: October 2018	Chair: Finance, Risk & Audit Committee.
Professor Paul Kofman	PhD (Erasmus Universiteit Rotterdam), B Ec (Erasmus Universiteit Rotterdam)	Dean: Faculty of Business and Economics, The University of Melbourne. Non-Executive Director: Baker Medical Research Institute Appointed: 2013	
Mr. Cameron Leitch	MBA (Melb)	Partner: McKinsey & Company Appointed: 2017	
Dr. Xiaoling Liu	PhD (Imperial College London), BEng (Chongqing University), FTSE, GAICD	Director: Iluka Resources Ltd., Newcrest Mining Ltd., South 32 Ltd. Appointed: 2016	Member: Finance, Risk & Audit Committee; Remuneration & Nominations Committee.
Mr. Geoffrey Frederick Lord	B Econ (Hons), MBA (Distinction), ASSA, FAICD	Director: Judo Capital. Member: Belgravia Group. Appointed: 2015	Member: Finance, Risk & Audit Committee; Properties & Facilities Committee.
Professor Duncan Maskell	MA, PhD, FMedSci, Hon Assoc RSVC	Vice-Chancellor and Principal: The University of Melbourne. Appointed: October 2018	

Directors' Report (continued)
Directors' qualifications, experience and special responsibilities (continued)

Name:	Qualifications:	Experience:	Special responsibilities:
Mr. Ari Mervis	B Com (Witwatersrand)	Chief Executive Officer and Managing Director: Murray Goulburn Co-Operative Co Limited; Director: Murray Goulburn Co-Operative Co Limited., Danone Murray Goulburn Pty Limited Appointed: 2012 Retired: June 2018	
Mr. Scott Matthew Tanner	B App Sci (Math) RMIT, MBA (Melb) FAICD	Chairman: Committee for Melbourne. Fellow: AICD Appointed: 2011	Member: Investment Committee; Remuneration & Nominations Committee.
Mr. Frank Peter Zipfinger	LLB LLM (Syd), BA Ec & Fin Studies (Macquarie), MBA (Melb), MAICD	Director: Buchan Architects, Macquarie University Council, The Northcare Foundation, Teter Mek Foundation, ONELAND Programs Ltd. Executive Committee: St. Joseph's College Indigenous Fund. Member: St Joseph's College Foundation. Ambassador: Australian Indigenous Education Foundation. Appointed: 2009	Chair: Properties & Facilities Committee.

MELBOURNE BUSINESS SCHOOL LIMITED

Directors' Report (continued)

Directors' meetings

The number of Directors' meetings (including meetings of sub-committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year were:

	Board		Finance, Audit & Risk Committee		Investment Committee		Remuneration & Nominations Committee		Properties & Facilities Committee	
	A	B	A	B	A	B	A	B	A	B
Mr. R Barker	5	5	-	-	4	4	3	3	4	5
Mr. A Burgess	5	5	4	4	4	4	-	-	-	-
Mr. J Craps	1	1	-	-	-	-	-	-	-	-
Professor G Davis	-	4	-	-	-	-	-	-	-	-
Professor Z Degraeve	-	1	-	-	-	-	-	-	-	-
Professor D Dow	5	5	-	-	-	-	-	-	-	-
Dr. J Fairley	4	5	-	-	-	-	3	3	-	-
Professor I Harper	4	4	-	-	3	3	-	-	-	-
Ms. J Hey	3	3	2	2	-	-	2	2	-	-
Mr. D Ireland	4	4	-	-	-	-	2	2	-	-
Mr. R Johanson	2	5	-	1	1	3	-	-	-	-
Ms. A Kimmitt	3	3	2	2	-	-	-	-	-	-
Professor P Kofman	3	5	-	-	-	-	-	-	-	-
Mr. C Leitch	2	5	-	-	-	-	-	-	-	-
Dr. X Liu	4	5	1	1	-	-	3	3	-	-
Mr. G Lord	4	5	3	4	-	-	-	-	4	5
Professor D Maskell	-	1	-	-	-	-	-	-	-	-
Mr. A Mervis	2	3	-	-	-	-	-	-	-	-
Mr. S M Tanner	5	5	-	-	3	4	-	-	-	-
Mr. F Zipfinger	4	5	-	-	-	-	-	-	5	5

Column A – indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.
Column B – indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.

(1) Mr. Degraeve retired from the Board and Investment Committee on 28 February 2018.
(2) Professor Ian Harper was appointed to the Board and Investment Committee on 5 March 2018.
(3) Mr. Mervis retired from the Board on 7 June 2018.
(4) Ms. Hey retired from the Board, Finance, Risk & Audit Committee and Investment Committee on 16 August 2018.
(5) Mr. Craps was appointed to the Board on 3 September 2018.
(6) Professor Davis retired from the Board on 14 September 2018.
(7) Professor Maskell was appointed to the Board on 4 October 2018.
(8) Mr. D Ireland and Ms. A Kimmitt retired on 8 June 2018 and 17 August 2018 respectively. Mr. D Ireland and Ms. A Kimmitt were reappointed on 7 September 2018 and 1 October 2018 respectively.

Company Secretary

The Company Secretary is Mr. M J Flipo B.Bus (Acctg), ACA, FAICD, ASIC.

Directors' Report (continued)

Corporate Governance

The corporate objective of the Melbourne Business School is to provide education, training and research. Good corporate governance is a fundamental part of the culture and business practices of the Company.

Melbourne Business School corporate governance incorporates those principles outlined below:

- Lay solid foundation for management oversight
- Have a Board of effective composition, size and commitment to adequately discharge its responsibilities
- Promote ethical and responsible decision making
- Have a structure to independently verify and safeguard the integrity of the controlled entities' financial reporting
- Make timely and balanced disclosure of all material matters concerning the controlled entities
- Recognise and manage risk
- Fairly review and actively encourage enhanced Board and management performance
- Recognise the legitimate interests of all stakeholders

Role of the Board

The primary role of the Board is to set and review strategic and operating objectives; enhance the reputation of the Company and to protect the interests of all stakeholders.

To fulfil this role, the Board is responsible for the overall corporate governance of the Company including: formulating strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and reviewing succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals, and ensuring the integrity of internal control and management systems. It is also responsible for approving and monitoring financial and other reporting.

The Constitution of the Company limits the number of Board members to 17, including 4 representatives from the University of Melbourne.

The Board has delegated responsibility for operation and administration of the Company to the Dean and Executive Management. Responsibilities are delineated by formal authority delegations.

Board processes

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including an Investment Committee, Finance, Risk & Audit Committee, Remuneration and Nominations Committee and a Properties and Facilities Committee. These Committees have charters which are reviewed on a regular basis.

The full Board currently holds four scheduled meetings each year, plus an Annual General Meeting, and any additional meetings as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared by the Chair, Dean and Company Secretary. Standing items include; Dean's Report, Financial Report, OH&S, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to the School campuses, for contact with a wider group of employees.

Directors' Report (continued)

Finance, Risk & Audit Committee

The Charter under which the Finance, Risk & Audit Committee operates was reviewed and approved by the Board on 29 May 2017.

The Committee comprises not less than three non-executive Directors, appointed by the Board. The Chair is appointed by the Board.

The MBS Board Chair, the Dean and the Chief Operating Officer, as well as the external auditors are invited to attend as required.

The members of the Finance, Risk & Audit Committee during the year were:

Mr A R Burgess, BCom (Hons) (Melb), MBA (Distinction), Harvard. CPA FFin
Ms J Hey, BCom (Melb), Graduate Cert. Mgt. (SCU) (Retired: August 2018)
Mr R Johanson, BA, LLM (Melb), MBA (Harvard) (Appointed August 2018)
Ms A Kimmitt (Chair), B.Bus (Acc), FCA, AICD
Dr X Liu, PhD, BEng, AICD (Appointed: August 2018)
Mr G Lord, BEco (Hons), MBA (Distinction), ASSA, FAICD

The Committee assists the Board of Directors to fulfil its responsibilities in overseeing financial, accounting and risk management together with audit and compliance within legislative requirements.

The Committee meets at least four times a year and provides a report at each subsequent Board Meeting.

Investment Committee

The Charter under which the Investment Committee operates was reviewed and approved by the Board on 29 May 2017. The Committee comprises not less than three non-executive Directors appointed by the Board and the Dean. The Chair is appointed by the Board.

The Chief Operating Officer and other executive officers of the Company are invited to attend as required.

The members of the Investment Committee during the year were:

Mr R E Barker, BSc (Hons) (Melb) MBA (Melb) F Fin
Mr A R Burgess (Chair), BCom (Hons) (Melb), MBA (Distinction), Harvard. CPA FFin
Professor Z Degraeve, PhD (Chicago), MBA (Katholieke Universiteit Leuven), BSc (Ghent) (Retired: February 2018)
Professor I Harper, B Econ (Hons) (Qld), M Econ, PhD (ANU), FASSA, FAICD (Appointed: March 2018)
Mr R Johanson, BA, LLM (Melb), MBA (Harvard) (Appointed March 2018)
Mr S M Tanner, B.App Sci (Math) RMIT, FAICD, MBA (Melb)

The Committee recommends, reviews, and reports to the Board on:

- Overall investment objectives and strategy;
- Appointment, management and review of the investment advisor; and
- Performance of the portfolio.

The Committee meets at least four times a year and provides a report at each subsequent Board meeting.

Directors' Report (continued)

Remuneration and Nominations Committee

The Charter under which the Remuneration and Nominations Committee operates was reviewed and approved by the Board on 15 March 2018. The Committee comprises not less than two and no more than five members, all of whom shall be non-executive Directors appointed by the Board. The Chair is appointed by the Chair of the Board.

The Dean and other executive officers of the Company are invited to attend as required.

The members of the Remuneration and Nominations Committee during the year were:

Mr R E Barker, BSc (Hons) (Melb) MBA (Melb) F Fin
Dr J K Fairley (Chair), BSc, BVSc (Hons), MBA (Melb), GAICD
Ms J Hey, BCom (Melb), Graduate Cert. Mgt. (SCU) (Retired: August 2018)
Mr D Ireland, MMkt (Melb), BCom (Melb)
Dr X Liu, PhD, BEng, AICD
Mr S M Tanner, B.App Sci (Math) RMIT, FAICD, MBA (Melb) (Appointed: August 2018)

The Committee recommends, reviews, and reports to the Board on:

- Overall remuneration strategy;
- Dean's performance incentives and hurdles; and
- Board structure, membership, tenure and succession planning.

The Committee meets at least twice per year and provides a report at each subsequent Board meeting.

Properties and Facilities Committee

The Properties and Facilities Committee was constituted by the Board at its meeting on 10 September 2014. The Committee was formed to review and advise the Board on matters pertaining to the properties and facilities owned by the Company.

The Committee comprises not less than two and no more than five members, all of whom shall be non-executive Directors appointed by the Board. The Chair is appointed by the Board.

The Dean and other executive officers of the Company and the University of Melbourne are invited to attend as required.

The members of the Properties and Facilities Committee during the year were:

Mr R E Barker, BSc (Hons) (Melb) MBA (Melb) F Fin
Mr F P Zipfinger, (Chair), LLB LLM (Syd), BA Ec & Fin (Macquarie), MBA (Melb), MAICD
Mr G Lord BEco (Hons), MBA (Distinction), ASSA, FAICD

The Committee assists the Board to manage the School's properties and facilities so as to meet the School's overall strategy while:

- Maximising the usage of the physical assets;
- Collaborating with the University of Melbourne to maximise the usage of physical resources;
- Deriving income where possible from surplus assets;
- Maintaining the state of the asset and property; and
- Complying with statutory requirements.

The Committee meets as the need arises.

Directors' Report (continued)

General information

The Group consists of the Melbourne Business School Limited and its subsidiaries; Mt Eliza Graduate School of Business and Government Limited, Melbourne Business School Foundation Ltd, and MBS Management Development (Malaysia) Sdn Bhd. The Melbourne Business School Limited was incorporated under the Corporations Law on 19 October 1987 as a Public Company Limited by Guarantee. Every member of the Company undertakes to contribute to the property of the Company, in the event of the Company being wound up while they are a member, or within one year after they cease to be a member, for payment of the debts and liabilities of the Company (contracted before they cease to be a member) and of the costs, charges and expenses of winding up and for the adjustment of the rights of the contributories among themselves, such amount as may be required, not exceeding $100.

Mt Eliza Graduate School of Business and Government Limited was incorporated under the Corporations Law on 21 February 1955 as a Public Company Limited by Shares and Guarantee. MBS Management Development (Malaysia) Sdn Bhd was incorporated under the Malaysian Companies Act, 1965 as a Private Company on 5 February 2015.

Long term objective

The long term objective of the Melbourne Business School is to be among the top-ranked providers of business education within its region (Asia-Pacific). In addition the Melbourne Business School aims to be the first choice of students and clients seeking award and non-award educational experiences in its region and esteemed globally as a leading supplier of academic and business-relevant research.

Short term objectives

In the short term the Company's objectives are to:

- Maintain a distinctive academic portfolio in order to position Melbourne Business School to meet a range of post-graduate business educational needs;
- Maintain its high quality offering in Executive Education and expand its reach into both national and international organisations;
- Increase engagement with Melbourne Business School alumni and with organisations to build two-way value enhancing partnerships; and
- Build on its financially strong base, growing the current level of activity and developing physical assets to better suit Melbourne Business School's requirements and increase returns on investments.

Strategies for achieving objectives

In 2018 management of the Melbourne Business School, with the approval of the Board, initiated strategies to meet short and long term objectives. These included:

- Introduction of new academic programs;
- Review of MBA program formats;
- Expansion of client reach;
- Increase focus on corporate relations;
- Collaborate with the University of Melbourne;
- Developing a compelling brand proposition; and
- Initiating the development of new business school facilities.

Principal activities

The principal activities of the Melbourne Business School during the course of the financial year were the provision of educational services, academic research and engagement with Alumni and organisations.
There were no significant changes in the nature of activities of the Group during the year.

Directors' Report (continued)

Principal activities assisting the objectives

The principal activities of the Company are, in the main, the dissemination of the knowledge of business and management to students and executives and the development of ongoing relationships with these stakeholders. The income derived from these activities provides the finances to further invest in educational services, research and to improve the variety of offerings to students and participants. Educational services are closely measured by student and participant surveys. These surveys give a clear indication of how the School is tracking against its objectives and provides valuable feedback on its activities.

Measurement of performance

The Company measures its success against local and international business school rankings and historical performance. The targets are measurable and objective, and are monitored by the School Board on a regular basis throughout the year.

Chief Executive Officer

Professor Zeger Degraeve - Dean and School Director (Retired: 28 February 2018)
Professor Ian Harper – Dean and School Director (Appointed: 5 March 2018)

Senior Executive Officers

Ms Laura Bell – Academic Registrar
Mr Greg Campbell – Associate Dean Executive Education (Retired: May 2018)
Professor Paul Dainty – Deputy Dean (Appointed: April 2018)
Associate Professor Jody Evans – Associate Dean Engagement (Retired: December 2018)
Mr Marc Flipo – Chief Operating Officer
Ms Sally Forrester – Executive Director Marketing (Appointed: April 2018)
Professor Jim Frederickson – Deputy Dean (Retired: March 2018)
Associate Professor Andrew John – Head of Department of Business Administration
Professor Ujwal Kayande – Associate Dean (Academic) (Appointed: April 2018)
Ms Theoni Parthimos – Executive Director People & Culture (Appointed: June 2018)
Mr Eddie Tritton – Executive Director Executive Education

Register of Business Names

Melbourne Business School Foundation
MBS Sydney
MBS Learning Ecosystem
Melbourne Business School Centre for Coaching
Melbourne Business School Centre for Coaching In Organizations
Melbourne Executive Education
Melbourne Master of Business Administration
Mt Eliza Executive Education
Mt Eliza Centre for Executive Education
Mt Eliza Business School
Melbourne Case Study Services
Melbourne School of Marketing

Registered Address

The registered office of the Melbourne Business School Limited is 200 Leicester Street Carlton VIC 3053.

Directors' Report (continued)

Review and Results of Operations

The Group continued to operate post-graduate award courses, management/executive education programs and conduct research in the field of business during the year. In addition, the Group continued to hire out its facilities for educational purposes throughout the year.

The consolidated loss for the year ended 31 December 2018 was $683,276 (2017: profit $5,874,724).

On 5 March 2018 Professor Ian Harper was appointed Dean of Melbourne Business School, replacing Zeger Degraeve, who retired on 28 February 2018.

Investments

The investment portfolio is managed by the Investment Committee comprising of members who have expertise in financial markets. The portfolio is managed to a long term investment horizon. The value of the portfolio, after funding School operations, as at 31 December 2018 was $105,170,142 (including relevant cash and cash equivalents) (2017: $110,002,289). The average earnings of the portfolio was 6.6% (2017: 4.4%).

Dividends

Melbourne Business School Limited is a company limited by guarantee and Mt Eliza Graduate School of Business and Government Limited is a company limited shares and guarantee, and both companies are prohibited by their respective Memoranda of Association from paying a dividend to their members.

State of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial statements.

Environmental regulation

The Group's operations are subject to the general environmental regulations under both Commonwealth and State legislation. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

The Company's OH&S policy requires the company to provide a working environment which is safe and to minimise risks to health. The Company is committed to ensuring the safety, health, welfare and rehabilitation of its staff, students, visitors and all stakeholders.

Events subsequent to Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' Report (continued)

Workforce data

Staff numbers as at 31 December	2018	2017
Full Time Equivalent		
- Academics	41	41
- General	149	141
Total	**190**	**182**
Casual Staff	46	49

Staff of the Company

The Company employed 190 full time equivalent staff at 31 December 2018 (2017: 182), excluding casuals. Staff numbers increased by 8 during the year.

Likely developments

The Group will continue to pursue its policy of raising program quality, increasing brand recognition, maintaining financial strength and offering high quality services and facilities.

Equal Opportunity Policy

The Company has in place an Equal Opportunity Policy, which includes policies relating to anti-discrimination, equal employment opportunity, harassment and victimisation.

Code of Conduct Policy

The Company has in place a Code of Conduct Policy, which includes policies relating to conflict of interest, whistle blower protection and personal and professional behaviour standards.

Directors' Report (continued)

Consolidated Operational Performance and Financial Position

The following table presents the financial results with comparative information on the Group's operating performance and financial position over the previous five (5) years:

in thousands of dollars	**Actual 2018**	**Actual 2017**	**Actual 2016**	**Actual 2015**	**Actual 2014**
Revenue (inclusive of investment income)	70,567	66,755	69,165	66,731	66,015
Profit on sale of property	-	9,066	-	-	-
Profit on sale of investments	-	-	-	-	2,902
	70,567	75,821	69,165	66,731	68,917
Expenses					
Operating expenses (inclusive of finance expense)	71,250	69,900	69,826	66,717	69,721
	71,250	69,900	69,826	66,717	69,721
Operating results from ordinary activities	(683)	5,921	(661)	14	(804)
Impairment of financial assets	-	-	-	-	(2)
Income tax expense	-	(46)	-	-	-
Profit/(loss) for the year	**(683)**	**5,875**	**(661)**	**14**	**(806)**
Net Assets (at year end)	214,955	214,029	193,181	188,401	175,351

Directors' Report (continued)

Consultancy Services

Payments made during the year to consultants engaged by the Group to provide services for which the skill set are not held within the Company, were:

Consultants costing less than $100,000	**Project**	**Expenditure 2018**	**Expenditure 2017**	**Future expenditure**
In thousands of dollars				
Payments to Consultants	Various	592	238	Unquantified

Key services provided include legal advice, project management, architecture, planning and general consulting services.

Consultants costing more than $100,000	**Project**	**Expenditure 2018**	**Expenditure 2017**	**Future expenditure**
In thousands of dollars				
King & Wood Mallesons	Pelham Street Development	132	-	Unquantified
PricewaterhouseCoopers	MBS-FBE strategy review 2018	600	-	Unquantified
Egon Zehnder International Pty Ltd	Executive search	-	153	Unquantified

Number of consultants engaged: 33 were engaged in 2018 (2017: 27).

The total fees paid to the consultants do not include GST.

Directors' Report (continued)

Indemnification and Insurance of Officers and Auditors

Indemnification

The Company has agreed to indemnify the following current Directors of the Company, Messrs R E Barker, A R Burgess, J Craps, D Ireland, R Johanson, C Leitch, G F Lord, S M Tanner, F P Zipfinger, Ms A Kimmitt, Dr X Liu, Professors D Dow, I Harper, P Kofman, D Maskell, Dr J K Fairley, former Directors Mr A Mervis, Ms J Hey, Professors G Davis, Z Degraeve and the current Secretary of the Company, Mr M Flipo against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or Secretary of the Company and its controlled entities, except where the liability arises out of a lack of good faith. The agreement stipulates that the Company will meet the full amount of such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current Directors and Secretary of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Secretary of the Company and its controlled entities, except where the liability arises out of a lack of good faith. The agreement stipulates that the Company will meet the full amount of such liabilities, including costs and expenses.

The Company has agreed to indemnify the Senior Executive Officers, Ms L Bell, Professor P Dainty, Ms S Forrester, Associate Professor A John, Professor U Kayande, Ms T Parthimos, Mr E Tritton and former Senior Executive Officers Mr G Campbell, Associate Professor J Evans, Professor J Frederickson for all liabilities to another person (other than the Company or related body corporate) that may arise from their position, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the full amount of such liabilities, including costs and expenses.

Since the end of the previous year, the Company has not indemnified or made any relevant agreement for indemnifying against a liability of any person who is or has been an auditor of any entities included in the Group.

Insurance Premiums

Since the end of the previous financial year, the Company has paid insurance premiums of $25,000 (2017: $24,030) in respect of the Directors' and Officers' liability and legal expenses' insurance contracts, for current and former Directors and officers, including executive officers of the Company and Directors. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending proceedings whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Directors' Report (continued)

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 20 and forms part of the Directors' report for the year ended 31 December 2018.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that instrument, all amounts in the consolidated financial statements and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Ross Ernest Barker Director	14th March 2019 Date
Professor Ian Harper Director	14 March 2019 Date

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the Directors of Melbourne Business School Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Tony Batsakis

Partner

Melbourne

14 March 2019

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MELBOURNE BUSINESS SCHOOL LIMITED

Consolidated income statement

for the year ended 31 December 2018

in thousands of dollars	Note	2018	2017
Continuing operations			
Revenue			
Operating revenue		63,036	61,250
Non Operating revenue		500	515
Research revenue		103	166
Total Revenue		**63,639**	**61,931**
Expenditure			
Advertising and promotion		2,632	2,754
Catering and cleaning		1,873	1,323
Consulting and other professional		9,805	8,307
Depreciation and amortisation	3	3,674	3,207
Employee benefits		36,863	35,390
Hire		1,939	1,642
Information technology		1,304	1,201
Library collection		118	149
Other general		1,537	1,932
Production and printing		1,085	1,113
Raw materials and consumables used		1,239	2,196
Rent and outgoings		176	952
Repairs and maintenance		643	565
Research		869	1,128
Royalties		1,395	1,441
Scholarship payments		3,033	3,531
Travel		2,140	2,072
Utilities		682	785
Total Expenditure		**71,007**	**69,688**
Results from operating activities		(7,368)	(7,757)
Finance income			
Investment income	2	6,928	4,824
		6,928	**4,824**
Finance expense			
Financial expenses		243	212
		243	**212**
Net finance income		**6,685**	**4,612**
Profit on sale of property		-	9,066
Income tax expense	1(q)	-	(46)
Surplus/(Deficit)		**(683)**	**5,875**

The notes on pages 26 to 65 are an integral part of these consolidated financial statements.

MELBOURNE BUSINESS SCHOOL LIMITED

Consolidated statement of other comprehensive income (OCI)

for the year ended 31 December 2018

in thousands of dollars	Note	2018	2017
(Loss)/Profit		**(683)**	**5,875**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations - foreign currency translation differences		(184)	25
Items that will not be classified to profit or loss:			
Net change in fair value of equity investments at FVOCI		(5,081)	4,794
Revaluation of property, plant and equipment	8	6,874	10,154
Other comprehensive income		1,609	14,973
Total comprehensive income		**926**	**20,848**

The notes on pages 26 to 65 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2018

in thousands of dollars	Note	2018	2017
Assets			
Current Assets			
Cash and cash equivalents	5	5,447	8,659
Trade and other receivables	6	5,812	6,320
Inventories		12	16
Total Current Assets		**11,271**	**14,995**
Non-Current Assets			
Investments	7	101,629	105,566
Property, plant and equipment	8	123,351	112,088
Intangible assets	9	715	1,017
Total Non-Current Assets		**225,695**	**218,671**
Total Assets		**236,966**	**233,666**
Liabilities			
Current Liabilities			
Trade and other payables	10	9,184	8,736
Loans and borrowings	12	871	472
Employee benefits	13	5,713	5,342
Deferred income	14	4,582	4,315
Total Current Liabilities		**20,350**	**18,865**
Non-Current Liabilities			
Loans and borrowings	12	1,208	284
Employee benefits	13	453	488
Total Non-Current liabilities		**1,661**	**772**
Total Liabilities		**22,011**	**19,637**
Net Assets		**214,955**	**214,029**
Equity			
Reserves	18	106,627	104,665
Capital donations		24,873	36,113
Contributed equity		12,339	12,339
Retained earnings		71,116	60,912
Total Equity		**214,955**	**214,029**

The notes on pages 26 to 65 are an integral part of these consolidated financial statements.

MELBOURNE BUSINESS SCHOOL LIMITED

Consolidated statement of changes in equity

for the year ended 31 December 2018

in thousands of dollars	Contributed equity	Capital donations	Translation Reserve	Asset revaluation reserve fixed assets	Fair value reserve equity instruments	Realised capital gains	Library reserve	Accumulated income endowment funds	Retained earnings	Total equity
Balance at 1 January 2017	12,339	36,113	(16)	86,970	17,275	986	32	189	39,293	193,181
Total comprehensive income										
Surplus/(Deficit)	-	-	-	-	-	-	-	-	5,875	5,875
Other comprehensive income	-	-	25	10,154	4,794	-	-	368	(368)	14,973
Transfers on realisation of assets	-	-	-	(16,112)	(998)	998	-	-	16,112	-
Total comprehensive income	-	-	25	(5,958)	3,796	998	-	368	21,619	20,848
Balance as at 31 December 2017	**12,339**	**36,113**	**9**	**81,012**	**21,071**	**1,984**	**32**	**557**	**60,912**	**214,029**
Balance at 1 January 2018	12,339	36,113	9	81,012	21,071	1,984	32	557	60,912	214,029
Total comprehensive income										
Surplus/(Deficit)	-	-	-	-	-	-	-	-	(683)	(683)
Other comprehensive income	-	-	(184)	6,874	(5,081)	-	-	353	(353)	1,609
Transfers on realisation of assets	-	(11,240)	-	-	(1,109)	1,109	-	-	11,240	-
Total comprehensive income	-	(11,240)	(184)	6,874	(6,190)	1,109	-	353	10,204	926
Balance as at 31 December 2018	**12,339**	**24,873**	**(175)**	**87,886**	**14,881**	**3,093**	**32**	**910**	**71,116**	**214,955**

The notes on pages 26 to 65 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2018

in thousands of dollars	Note	2018	2017
Cash flows from operating activities			
Cash receipts from customers		70,477	66,387
Cash paid to suppliers and employees		(71,248)	(70,473)
Net cash from/(used in) operating activities	17	(771)	(4,086)
Cash flows from investing activities			
Proceeds from sale of investments		11,112	7,621
Proceeds from assets held for sale		-	31,752
Payments for investments		(12,614)	(32,300)
Interest received		235	234
Investment income		6,299	4,331
Payments for property, plant and equipment / intangibles		(6,714)	(8,442)
Net cash from/(used in) investing activities		(1,682)	3,196
Cash flows from financing activities			
Net proceeds from borrowings		245	-
Payment of finance lease liabilities		(738)	(919)
Net cash used in financing activities		(493)	(919)
Net increase/(decrease) in cash and cash equivalents		(2,946)	(1,809)
Cash and cash equivalents at 1 January		8,659	10,459
Effect of movements in exchange rates on cash held		(266)	9
Cash and cash equivalents at 31 December	5	5,447	8,659

The notes on pages 26 to 65 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Significant accounting policies

(a) (i) Reporting entity

Melbourne Business School Limited (the “Company”) is domiciled in Australia. These consolidated financial statements of the Company for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the “Group”). The registered office of the Melbourne Business School Limited is 200 Leicester Street Carlton VIC 3053.

The Melbourne Business School Limited and its Australian-domiciled controlled entities are not-for-profit entities and are primarily involved in the provision of educational services and academic research.

The Company’s Malaysian subsidiary, MBS Management Development (Malaysia) Sd. Bhd., is a for-profit entity established under the Companies Act 2016 in Malaysia. This company is principally engaged in the provision of management education.

(ii) Basis of accounting

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profits Commission Act 2012 (ACNC).

Certain comparative amounts in the consolidated statement of profit or loss and other comprehensive income have been reclassified to conform to the current year’s presentation.

The consolidated financial statements were authorised for issue by the Directors on 14 March 2019.

Net current asset deficiency

The Group is expected to generate sufficient cash inflows to meet its near-term operating cashflow needs and to fund the payment of its current liabilities, which include non-cash deferred income liability amounts that mainly comprise fees received in advance. Refer to note 7(c)(iii).

(b) Basis of preparation

(i) Functional and presentation currency

The financial report is presented in Australian dollars which is the Company’s functional currency.

(ii) Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 and, in accordance with that instrument, amounts in the consolidated financial statements and Directors’ report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

(iii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements	Possible impact of consolidated financial statements
AASB 1058 *Income of Not-for-profit Entities*	AASB 1058 clarifies and simplifies income recognition requirements that apply to not-for-profit entities in conjunction with AASB 15 *Revenue from contracts with customers*. This standard is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted provided entities apply AASB 15 *Revenue from contracts with customers*.	The Group is currently assessing the potential impact on its consolidated financial statements resulting from the application of this standard.
AASB 16 *Leases*	AASB 16 introduces a single on-balance sheet accounting model for leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. This standard is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted provided entities apply AASB 15 *Revenue from contracts with customers*.	The Group is currently assessing the potential impact on its consolidated financial statements resulting from the application of this standard.
AASB 15 *Revenue from contract with customers*	AASB 15 *Revenue from contracts with customers* replaces existing guidance in AASB 11 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*. AASB 15 provides a single, principles based five-step method to be applied to all contracts with customers. The core principle requires an entity to recognise revenue when the entity satisfies performance obligations by transferring promised goods or services to a customer. This standard is effective for annual reporting periods beginning on or after 1 January 2019.	The Group is currently assessing the potential impact on its consolidated financial statements resulting from the application of this standard.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(c) Basis of consolidation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(i) Group

The Group consists of the Melbourne Business School Limited and its subsidiaries; Mt Eliza Graduate School of Business and Government Limited and MBS Management Development (Malaysia) Sdn Bhd.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are measured at fair value, having due regard to the net assets of the subsidiaries.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the exchange rate at the reporting date. Foreign currency differences arising from translation are generally recognised in profit or loss. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to Australian dollars at the exchange rates when the fair value was determined.

(e) Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Australian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Australian dollars at exchange rates at the end of the month in which the transactions occurred. Foreign currency differences are recognised in OCI and accumulated in the translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to OCI.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(f) Property, plant and equipment

(i) Owned assets

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land and buildings are measured at fair value less accumulated depreciation and impairment losses.
Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(iii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statements of comprehensive income as an expense as incurred.

(iv) Valuations

Formal revaluations of land and buildings are performed every three years, or from time to time as determined by the Directors. The fair value of land and buildings is determined from market-based evidence by appraisal that is undertaken by independent professional qualified valuers. The Directors review the carrying value of land and buildings at each balance date to assess whether there has been a material change in valuation of land and buildings that is required to be recorded in the financial statements.

If the carrying amount of land or buildings has increased as a result of a revaluation, the net revaluation increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the net revaluation increase is recognised in profit or loss to the extent that it reverses a net revaluation decrease of the land or buildings previously recognised in profit or loss.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

(iv) Valuations (continued)

If the carrying amount of land or buildings has decreased as a result of a revaluation, the net revaluation decrease is recognised in profit and loss. However, the net revaluation decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of land or buildings. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

Land and buildings are individually separate classes of property, plant and equipment.

(v) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives in the current and comparative years of items of property, plant and equipment are as follows:

• Buildings	28 - 33 years
• Plant and equipment	10 years
• Computer equipment	4 years
• Chattels, equipment and facilities	10 years
• Furniture and fittings	10 years
• Library materials	1 - 2 years
• Leasehold improvements	3 years
• Leased assets	Lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Intangible assets

Intangible assets relate to computer software. Computer software is stated at cost less accumulated amortisation and impairment loss.

Amortisation is calculated over the cost of the software, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life of computer software for the current and comparative periods is three (3) years; this is reviewed at each reporting period and adjusted if appropriate.

(i) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(h) Financial instruments

The Group has elected to early adopt Accounting Standard AASB 9 Financial Instruments from 1 January 2015. The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities) is 1 January 2015. AASB 9 requires that an entity classifies its financial assets and liabilities as subsequently measured at either amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value Through Profit or Loss (FVTPL). This is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

AASB 9 largely retains the existing requirements under AASB 139 for the classification and measurement of financial liabilities. Investments in equity instruments, which were previously classified as available for sale financial assets, are from 1 January 2015 classified as equity and debt instruments and subsequently are measured at FVOCI.

(i) Financial assets– Recognition and initial measurement

The Group initially recognises loans and receivables and debt securities on the date that they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transactions costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(h) Financial instruments (continued)

(iv) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to the initial recognition unless the Group changes it business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial instruments not classified as measured at amortised cost of FVOCI as described above are measured at FVTPL.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will never be reclassified to profit or loss.

The Group has designated all investments in equity instruments and corporate debt securities, which were previously classified as available for sale financial assets that are not held for trading at FVOCI on initial application of AASB 9.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning long-term capital returns or contractual interest income, maintaining a particular interest rate profile, matching the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(h) Financial instruments (continued)

(iv) Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk an administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(i) Inventories

Inventories comprise of souvenirs and consumables and are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of 3 months or less from the acquisition date that are subject to an insignificant risk of change in their fair value.

(k) Impairment

(i) Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost and debt investment measured at FVOCI.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is les that 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Debt securities are determined to have low credit risk at the reporting date and are measured at 12-month ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Non-derivative financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for a security because of financial difficulties; or
- Investment grades for debt securities reduce below 'BB'.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

At each reporting date the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The decrease in impairment loss is reversed through profit and loss.

(l) Dividends

Dividends are prohibited from being paid out of the Company and its controlled entities.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(m) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss as the related service is provided.

(ii) Short term benefits

Short–term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Other long-term employee benefits

The Group’s net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(n) Revenue

Revenue from educational services rendered is recognised in the income statement in proportion to the stage of completion at the reporting date. The stage of completion is assessed by reference to modules delivered.

Government Grant income which is reciprocal in nature is recognised with reference to the percentage of completion method. The percentage of completion method is measured by reference to total expenditure incurred to date compared with the funding provided. Melbourne Business School regards the receipt of government grant income as a reciprocal transfer where the Melbourne Business School is required to provide the necessary services in return for grant funding. A liability is recognised in respect of such income which is unearned at the reporting date.

Government grants which are non-reciprocal in nature are recognised as revenue at the time of receipt.

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

(o) Lease payments

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(o) Lease payments (continued)

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(p) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend and trust distribution income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains or losses on financial assets and financial liabilities are reported on a net basis.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liabilities.

(q) Income tax

The Australian-incorporated entities of the Group are exempt from income tax under Section 50-5 of the Income Tax Assessment Act (1997).

MBS Management Development (Malaysia) Sdn Bhd is subject to taxation under the Malaysian Income Tax Act (1967). Income Tax expense of $nil has been recognised in 2018 (2017: $45,566 Income Tax Expense). No deferred tax balances have been recognised as the deferred tax assets and deferred tax liabilities offset, and recovery of the net deferred tax asset is not probable.

(r) Goods and services tax

Revenue, 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 taxation authority (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(s) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(t) Use of judgements and estimates

(i) Judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses. 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 of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(ii) Measurement of fair values

The financial report is prepared on the historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

- Financial instruments measured at fair value.
- Land and Buildings are measured at fair value.

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(t) Use of judgements and estimates (continued)

ii. Measurement of fair values (continued)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Operating Officer (COO). The valuation team utilises pricing information provided by the Group's external advisor, Evans and Partners, in respect of the measurement of fair values for equity instruments and debt investments.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Finance, Risk & Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 – financial instruments;
- Note 8 – property, plant and equipment.

Notes to the consolidated financial statements

2. Investment income

in thousands of dollars	**2018**	**2017**
Dividends	4,037	2,495
Distributions received	1,691	933
Interest	105	345
Franking credit refund	1,095	1,051
	6,928	4,824

3. Depreciation and amortisation expense

in thousands of dollars	**2018**	**2017**
Buildings and leasehold improvements	1,714	1,402
Plant and equipment, chattels	590	397
Leased assets	709	696
Intangible assets	661	712
	3,674	3,207

4. Auditors' remuneration

Audit Services

in dollars	**2018**	**2017**
Auditors of the Company		
KPMG Australia:		
Audit and review of financial statements	102,485	100,475
KPMG Malaysia:		
Audit and review of financial statements	9,537	9,232
Other auditors - Auditor General Victoria		
Audit and review of financial statements	12,000	4,000
	124,022	113,707

Notes to the consolidated financial statements

5. Cash and cash equivalents

in thousands of dollars	**2018**	**2017**
Bank balances	5,447	8,659
Cash and cash equivalents in the statement of cash flows	5,447	8,659

The Group's exposure to credit risk and interest rate risk is disclosed in note 7.

6. Trade and other receivables

in thousands of dollars	**2018**	**2017**
Trade receivables	2,860	3,562
Other receivables	2,228	2,082
Prepayments	724	676
	5,812	6,320

The Group's exposure to credit risk, market risk and impairment losses for trade and other receivables is disclosed in note 7.

Notes to the consolidated financial statements

7. Financial instruments – Fair values and risk management

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2018		Carrying amount				Fair value			
In thousands of dollars	**Note**	Amortised Cost	Fair Value Through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Equity securities	*7(c)*	-	92,332	-	**92,332**	92,332	-	-	**92,332**
Corporate debt securities	*7(c)*	-	9,297	-	**9,297**	9,297	-	-	**9,297**
		-	**101,629**	**-**	**101,629**	**101,629**	**-**	**-**	**101,629**
Financial assets not measured at fair value	*(i)*								
Cash and cash equivalents	*5*	5,447	-	-	**5,447**	-	-	-	-
Trade and other receivables	*6*	5,088	-	-	**5,088**	-	-	-	-
		10,535	**-**	**-**	**10,535**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value	*(i)*								
Trade payables	*10*	-	-	9,184	**9,184**	-	-	-	-
Finance lease liabilities	*11*	-	-	1,831	**1,831**	-	-	-	-
		-	**-**	**11,015**	**11,015**	**-**	**-**	**-**	**-**

(i) The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, short term trade receivables, trade payables and finance lease liabilities, because their carrying amounts are a reasonable approximation of fair values.

Notes to the consolidated financial statements

7. Financial instruments – Fair values and risk management (continued)

(a) Accounting classifications and fair values (continued)

31 December 2017		Carrying amount				Fair value			
In thousands of dollars	*Note*	Amortised Cost	Fair Value Through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Equity securities	7(c)	-	95,617	-	**95,617**	95,617	-	-	**95,617**
Corporate debt securities	7(c)	-	9,949	-	**9,949**	9,949	-	-	**9,949**
		-	**105,566**	-	**105,566**	**105,566**	-	-	**105,566**
Financial assets not measured at fair value	*(i)*								
Cash and cash equivalents	5	8,659	-	-	**8,659**	-	-	-	-
Trade and other receivables	6	5,644	-	-	**5,644**	-	-	-	-
		14,303	-	-	**14,303**	-	-	-	-
Financial liabilities not measured at fair value	*(i)*								
Trade payables	10	-	-	8,736	**8,736**	-	-	-	-
Finance lease liabilities	11	-	-	756	**756**	-	-	-	-
		-	-	**9,492**	**9,492**	-	-	-	-

(i) The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, short term trade receivables, trade payables and finance lease liabilities, because their carrying amounts are a reasonable approximation of fair values.

Notes to the consolidated financial statements

7. Financial instruments – Fair values and risk management (continued)

(b) Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The group had no Level 2 fair value financial instruments as at 31 December 2018 (2017: nil).

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Trade and other receivables, and Other financial liabilities*	Discounted cash flows	Not applicable

*Other financial liabilities include finance lease liabilities

(ii) Transfers between Level 1 and 2

There were no transfers between level 1 and 2 in either direction in the year ended 31 December 2018 or 2017.

(iii) Level 3 fair values

The Group had no Level 3 fair value financial instruments at 31 December 2018 (2017: nil). There were no transfers to or from Level 3 in 2018 or 2017.

Notes to the consolidated financial statements

7. Financial instruments – Fair values and risk management (continued)

(c) Financial risk management

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks and their objectives, policies and processes for measuring and managing risk.

(i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Finance, Risk & Audit Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Finance, Risk & Audit Committee regularly reviews the risk management framework and risk register, monitors risk management action plans and assesses the effectiveness of management's control system, policy and procedures in areas of significant risk.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and investments.

The carrying amount of financial assets represents the maximum exposure risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group primarily operates in the Australian region. The Group does not have a significant concentration of transactions with a single customer that would exceed 5% of total transactions, with the exception of its associated entity, the University of Melbourne.

The Finance, Risk & Audit Committee has established a credit policy under which the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company and the Group do not require collateral in respect of financial assets.

Notes to the consolidated financial statements

7. Financial instruments – Fair values and risk management (continued)

(c) Financial risk management (continued)

(ii) Credit risk (continued)

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

in thousands of dollars	**2018**	**2017**
Cash and cash equivalents	5,447	8,659
Trade and other receivables	5,088	5,644
Investments	101,629	105,566
	112,164	**119,869**

Trade and other receivables

The ageing of the Group's trade receivables as at the reporting date was:

in thousands of dollars	**Gross 2018**	**Impairment 2018**	**Gross 2017**	**Impairment 2017**
Not past due	1,529	-	2,358	-
Past due 0-30 days	1,020	-	710	-
Past due 31-60 days	133	-	169	-
Past due 61-90 days	30	-	79	-
Past due 91+ days	148	-	246	-
	2,860	**-**	**3,562**	**-**

There is no expected credit loss for 2018 (2017: $nil). Management believes that the credit quality of trade and other receivables that are not past due or impaired are not of a high risk. Management also believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment and customer behaviour.

As at 31 December 2018, the Group's most significant debtor, being the University of Melbourne, accounted for $24,000 (2017: $869,000) of the trade receivables carrying amount.

Expected credit loss assessment

The Group historically has had a very low rate of debtor defaults. The credit risk grading by two debtor types, being the University of Melbourne and Others, based on historical data and applying historical trends is between 0% to 2%.

Notes to the consolidated financial statements

7. Financial instruments – Fair values and risk management (continued)

(c) Financial risk management (continued)

(ii) Credit risk (continued)

Trade and other receivables (continued)

The loss rate by ageing category based on actual credit loss over the past 3 years is set out as follows:

in thousands of dollars	2018 Gross Carrying Amount	2018 Weighted Average Loss Rate	2017 Gross Carrying Amount	2017 Weighted Average Loss Rate
Not past due	1,529	0%	2,358	0%
Past due 0-30 days	1,020	0%	710	0%
Past due 31-60 days	133	0%	169	0%
Past due 61-90 days	30	0%	79	0%
Past due 91+ days	148	9%	246	0%
	2,860		**3,562**	

Based on the above, the Group has no significant expected credit loss exposure.

The movement in the allowance for impairment in respect of receivables during the year was as follows:

in thousands of dollars	**2018**	**2017**
Balance at 1 January	-	-
Impairment loss recognised	-	-
Amounts written off	-	-
Balance at 31 December	**-**	**-**

The ageing of the Group's other receivables was current (2017: current). There were no impairment losses with respect to other receivables.

Debt securities

The Group limits its exposure to credit risk by only investing in liquid debt securities and only with counterparties that have a credit rating of at least 'BBB', based on rating agency Standard & Poor's ratings. The Group did not have any significant loss allowances for debt securities.

The Group did not have any debt securities that were past due but not impaired at 31 December 2018 (2017: Nil).

Notes to the consolidated financial statements

7. Financial instruments – Fair values and risk management (continued)

(c) Financial risk management (continued)

(ii) Credit risk (continued)

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counter parties, which are rated 'AA-', based on rating agency Standard & Poor's ratings.

Impairment on cash and cash equivalents have been measured on a 12-month expected credit loss basis and reflects the short maturity of the exposures. The Group considers its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties. The Group does not have any significant loss allowance for cash and cash equivalents,

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries.
The Company has guaranteed bank facilities with a maximum credit risk exposure to the Company of $565,000.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company or the Group's reputation.

The Group uses activity-based costing to cost services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations. The Group monitors the level of expected cash inflows with expected cash outflows.

The Group maintains a $1 million overdraft facility that is secured. Interest would be payable at the current market rate.

Notes to the consolidated financial statements

7. Financial instruments – Fair values and risk management (continued)

(c) Financial risk management (continued)

(iii) Liquidity risk (continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities; the amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

2018

in thousands of dollars	Carrying Amount	Contractual cash flows	6 mths or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	9,184	9,184	9,184	-	-	-	-
Loans and borrow ings	2,079	2,207	603	328	547	729	-
	11,263	**11,391**	**9,787**	**328**	**547**	**729**	**-**

2017

in thousands of dollars	Carrying Amount	Contractual cash flows	6 mths or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	8,736	8,736	8,736	-	-	-	-
Loans and borrow ings	756	783	294	198	216	75	-
	9,492	**9,519**	**9,030**	**198**	**216**	**75**	**-**

Notes to the consolidated financial statements

7. Financial instruments – Fair values and risk management (continued)

(c) Financial risk management (continued)

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments. Further details of the Group's policies in relation to this risk are included under Other Market Price Risk below.

Currency risk

The Group's exposure to foreign currency risk largely relates to equity instruments, which are generally held via managed investment schemes controlled by experienced fund managers. The Group does not directly hedge against foreign currency movements.

Interest rate risk

The Group's exposure to interest rate risk largely relates to cash and cash equivalents and variable interest securities. Investments in equity securities and short-term receivables and payables are not directly exposed to interest rate risk.

The interest rate profile of the Group's interest-bearing financial instruments as reported to management is as follows:

in thousands of dollars	**2018**	**2017**
Cash and cash equivalents	5,447	8,659
Corporate debt securities	9,297	9,949
	14,744	**18,608**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at 31 December 2018 would have increased or decreased equity and profit by $147,440 (2017: $186,080).

Other market price risk

Price risk arises from equity price risk. The Investment Committee meets with and receives quarterly reports and advice from the Board appointed Investment Advisors.

The primary goal of the Group's investment strategy is to maximise total investment returns over the medium to long term maintaining an appropriately diversified portfolio and to effectively control investment risk. The Committee is assisted by external and internal advisors in this regard.

Notes to the consolidated financial statements

7. Financial instruments – Fair values and risk management (continued)

(c) Financial risk management (continued)

(iv) Market risk (continued)

Other market price risk (continued)

Sensitivity analysis – other price risk

The Group's exposure to other price risk arises from the following investments:

in thousands of dollars	**2018**	**2017**
Domestic equities at fair value	58,852	63,491
International equities at fair value	33,480	32,126
Corporate debt securities at fair value	9,297	9,949
	101,629	**105,566**

An increase of 100 basis points in the value of the investments at 31 December 2018 would have a $1,016,290 increase in equity (2017: $1,055,660); an equal change in the opposite direction would have a $1,016,290 decrease in equity (2017: $1,055,660). There would be no impact on profit or loss as the resultant increment/decrement is recognised directly in equity.

Notes to the consolidated financial statements

8. Property, plant and equipment

in thousands of dollars	Freehold land	Buildings	Plant and equipment	Computer equipment	Chattels/ equipment and facilities	Leased assets	Leasehold Improvements	Library materials	Artworks/ antiques	Work In progress	Total
Fair value or cost											
Balance at 1 January 2017	50,070	40,481	5,228	119	2,748	3,385	76	24	142	819	103,092
Additions	-	-	16	21	13	311		-	-	9,133	9,494
Transfers	-	2,758	624	2	875	-	-	-	-	(4,259)	-
Revaluation	6,920	3,234	-	-	-	-	-	-	-	-	10,154
Accumulated depreciation writeback	-	(1,383)	-	-	-	-	-	-	-	-	(1,383)
Disposals/write-offs	-	-	-	-	-	(1,216)	-	-	-	(220)	(1,436)
Balance at 31 December 2017	56,990	45,090	5,868	142	3,636	2,480	76	24	142	5,473	119,921
Balance at 1 January 2018	56,990	45,090	5,868	142	3,636	2,480	76	24	142	5,473	119,921
Additions	-	797	11	-	-	1,767	-	-	-	4,872	7,447
Transfers	-	6,233	1,752	33	1,219	-	-	-	-	(9,237)	-
Revaluation	3,050	3,824	-	-	-	-	-	-	-	-	6,874
Accumulated depreciation writeback	-	(1,694)	-	-	-	-	-	-	-	-	(1,694)
Disposals/write-offs	-	-	-	-	-	(626)	-	-	-	(43)	(669)
Balance at 31 December 2018	60,040	54,250	7,631	175	4,855	3,621	76	24	142	1,065	131,879

Notes to the consolidated financial statements

8. Property, plant and equipment (continued)

in thousands of dollars	Freehold land	Buildings	Plant and equipment	Computer equipment	Chattels/ equipment and facilities	Leased assets	Leasehold Improvements	Library materials	Artworks/ antiques	Total
Accumulated depreciation and impairment losses										
Balance at 1 January 2017	-	-	3,854	88	1,661	2,164	35	24	26	7,852
Depreciation	-	1,383	170	16	211	696	20	-	-	2,496
Transfers	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation writeback	-	(1,383)	-	-	-	-	-	-	-	(1,383)
Disposals/write-offs	-	-	-	-	-	(1,132)	-	-	-	(1,132)
Balance at 31 December 2017	-	-	4,024	104	1,872	1,728	55	24	26	7,833
Balance at 1 January 2018	-	-	4,024	104	1,872	1,728	55	24	26	7,833
Depreciation	-	1,694	237	29	325	709	21	-	-	3,015
Transfers	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation writeback	-	(1,694)	-	-	-	-	-	-	-	(1,694)
Disposals/write-offs	-	-	-	-	-	(626)	-	-	-	(626)
Balance at 31 December 2018	-	-	4,261	133	2,197	1,811	76	24	26	8,528

Notes to the consolidated financial statements

8. Property, plant and equipment (continued)

in thousands of dollars	Freehold land	Buildings	Plant and equipment	Computer equipment	Chattels/ equipment and facilities	Leased assets	Leasehold Improvements	Library materials	Artworks/ antiques	Work In Progress	Total
Carrying amounts											
At 1 January 2017	50,070	40,481	1,374	31	1,087	1,221	41	-	116	819	95,240
At 31 December 2017	56,990	45,090	1,844	38	1,764	752	21	-	116	5,473	112,088
At 31 December 2018	60,040	54,250	3,370	42	2,658	1,810	-	-	116	1,065	123,351

Notes to the consolidated financial statements

8. Property, plant and equipment (continued)

Freehold land and buildings

Freehold land and buildings are valued at fair value, being the amount for which the assets could be exchanged between knowledgeable and willing parties in an arm's length transaction, having regard to the highest and best use of the asset for which other parties are willing to pay.

The method used for determining the fair value of these non-current assets is based on independent valuations which approximates fair value.

An independent valuation of freehold land and buildings held by Melbourne Business School Limited was carried out by Colliers International Consultancy and Valuation Pty Ltd as at 31 December 2018 on the basis of the open market value of the freehold land and its existing use.

It is the general policy of the Group to revalue every 3 years in line with revaluation dates of the University of Melbourne, or from time to time as determined by the Directors. The next planned independent valuation is scheduled for 2021.

Measurement of fair value

The valuations are based on the highest and best use of land and buildings being educational facilities. The land valuation is categorised as a level 2 fair value based on the inputs to the valuation technique used, being the market approach. The key observable input for the land valuation is the prices of comparable assets sold within a reasonable timeframe of the valuation date. The fair value of the land increases/(decreases) as the comparable land sales value increases/(decreases).

In the current year, a gain of $3,050,000 was recognised in OCI with respect to land fair value measurement (2017: $6,920,000)

The buildings valuation is categorised as a level 3 fair value based on the inputs to the valuation technique used, being the current replacement cost approach. The cost approach considers the current replacement costs of the buildings. The key unobservable input to the building component is the replacement costs per square metre. The fair value of the buildings increases/(decreases) as the estimated replacement costs per square metre increases/(decreases).

In the current year, a gain of $3,824,000 was recognised in OCI with respect to buildings fair value measurement (2017: $3,234,000). Total additions to buildings in the current year amounted to $7,029,000 (2017: $2,758,000). There were no transfers into or out of level 3 inputs for buildings valuations during the year (2017: nil).

Artwork and antiques

Valuations of the artwork at the Carlton Campus were carried out during 2012 by independent valuers, AON Risk Solutions. The Directors have reviewed the carrying value of the assets held at the Carlton Campus at 31 December 2018 to ensure this has not materially changed.

Leased plant and machinery

The Group leases equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2018, the net carrying amount of leased plant and machinery was $1,810,000 (2017: $752,000). Refer to note 12 for the leasing obligations.

Notes to the consolidated financial statements

9. Intangible assets

in thousands of dollars	Computer Software
Cost	
Balance at 1 January 2017	6,034
Acquisitions	246
Disposals	-
Balance at 31 December 2017	6,280
Balance at 1 January 2018	6,280
Acquisitions	359
Disposals	-
Balance at 31 December 2018	6,639
Accumulated amortisation and impairment losses	
Balance at 1 January 2017	4,551
Amortisation	712
Disposals	-
Balance at 31 December 2017	5,263
Balance at 1 January 2018	5,263
Amortisation	661
Disposals	-
Balance at 31 December 2018	5,924
Carrying amounts	
At 1 January 2017	1,483
At 31 December 2017	1,017
At 31 December 2018	715

Notes to the consolidated financial statements

10. Trade and other payables

in thousands of dollars	**2018**	**2017**
Trade payables	4,032	3,832
Accruals	4,612	4,406
Other payables	540	498
	9,184	8,736

The Group's exposure to liquidity risk is disclosed in note 7.

11. Financing facilities

in thousands of dollars	**2018**	**2017**
Total facilities available		
Bank overdrafts	1,000	1,000
Credit card facility - limited	600	600
Bank guarantees	565	565
	2,165	2,165
Facilities utilised at reporting date		
Bank overdrafts	-	-
Credit card facility - limited	-	82
Bank guarantees	75	75
	75	157
Facilities not used at reporting date		
Bank overdrafts	1,000	1,000
Credit card facility - limited	600	518
Bank guarantees	490	490
	2,090	2,008

Credit card facility

Interest on credit cards is charged at prevailing market rates.

Bank overdrafts

Interest on the bank overdraft is charged at prevailing market rates. There were no bank overdrafts at year end.

All banking facilities are secured against the general position of the Company by way of a negative pledge.

Notes to the consolidated financial statements

12. Loans and borrowings

(a) Finance Leases

Finance leases are payable as follows:

in thousands of dollars	Future minimum lease payments 2018	Future minimum lease payments 2017	Interest 2018	Interest 2017	Present value of minimum lease payments 2018	Present value of minimum lease payments 2017
Less than one year	683	492	60	20	623	472
Between one and five years	1,276	291	68	7	1,208	284
More than five years		-		-		-
	1,959	783	128	27	1,831	756

Reconciliation of movements of liabilities to cashflows arising from finance leases:

in thousands of dollars	2018	2017
Opening balance	756	1,317
Repayment of borrowings	(738)	(919)
New finance leases	1,767	311
Interest expense	46	47
	1,831	756

(b) Insurance Premium Funding

in thousands of dollars	2018	2017
Current	248	-
	248	-

Notes to the consolidated financial statements

13. Employee benefits

Current *in thousands of dollars*	**2018**	**2017**
Liability for annual leave	2,328	2,060
Liability for long service leave	3,120	2,931
Liability for bonuses	265	351
	5,713	5,342

Non-current *in thousands of dollars*		
Liability for long service leave	453	488

Defined contribution plans

The Group makes contributions to UniSuper and several employee accumulation superannuation plans at the rate of 9.5%. The amount recognised as an expense for contributions by the Group for the year was $2,332,824 (2017: $2,258,404).

14. Deferred income

in thousands of dollars	**2018**	**2017**
Fees in advance	4,582	4,313
Conference deposits in advance	-	2
	4,582	4,315

15. Company limited by guarantee

The Company is a company limited by guarantee. Every member of the Company undertakes to contribute to the property of the Company, in the event of the Company being wound up while they are a member, or within one year after they cease to be a member, for payment of the debts and liabilities of the Company (contracted before they cease to be a member) and of the costs, charges and expenses of winding up and for the adjustment of the rights of the contributories among themselves, such amount as may be required, not exceeding $100.

16. Consolidated Entities

		Ownership interest	
Parent entity Melbourne Business School Limited	**Country of incorporation**	**2018** **%**	**2017** **%**
Subsidiaries			
Melbourne Business School Foundation Limited	Australia	100	100
Melbourne Business School Foundation*	Australia	-	100
Mt Eliza Graduate School of Business and Government Limited	Australia	100	100
MBS Management Development (Malaysia) Sdn Bhd	Malaysia	100	100

*This entity was wound up by its Trustee on 17 December 2018.

Notes to the consolidated financial statements

17. Reconciliation of cash flows from operating activities

		Consolidated	
in thousands of dollars	**Note**	**2018**	**2017**
Cash flows from operating activities			
Surplus/(Deficit) for the year		(683)	5,875
Adjustments for:			
Profit on sale of property		-	(9,066)
Depreciation and amortisation	3	3,674	3,207
Write-off property, plant and equipment		43	304
Bad debts		30	-
Finance lease costs		46	47
Interest received	2	(105)	(345)
Investment income	2	(6,823)	(4,479)
Income tax expense		-	46
Operating loss		(3,818)	(4,411)
Changes in:			
Trade receivables and other receivables		1,032	(694)
Inventories		4	17
Trade and other payables		1,408	859
Fees in advance		267	262
Employee benefits		336	(119)
Net cash from/(used) operating activities		(771)	(4,086)

18. Reserves

Nature and purpose of reserves are as follows:

Realised capital gains reserve

The realised capital gains reserve comprises the cumulative gain or loss arising from the disposal of equity instruments.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Asset revaluation reserve – fixed assets

The asset revaluation reserve – fixed assets relates to the revaluation of existing freehold land and buildings.

Fair value reserve – equity instruments

The fair value reserve – financial assets comprises the cumulative net change in the fair value of equity instruments and debt securities designated at FVOCI.

Library reserve

The library reserve includes donations from alumni members, the earnings from which were utilised to support the library and its associated faculties.

Accumulated income endowment funds

The accumulated income endowment funds reserve reflects earnings from specific endowments and donations which can only be used to support restricted purposes.

Notes to the consolidated financial statements

19. Key management personnel disclosures

The following were specified Directors of the Group at any time during the reporting period, and unless otherwise indicated were Directors for the entire period:

Melbourne Business School Limited

Non-Executive Directors

Mr. Ross Ernest Barker
Mr. Anthony Ray Burgess
Mr. Jan Craps (Appointed: September 2018)
Professor Glyn Davis (Retired: September 2018)
Dr. Jacinth Kincaid Fairley
Ms. Jacqueline Hey (Retired: August 2018)
Mr. Dean Ireland
Mr. Robert Johanson
Ms. Antoinette Kimmitt
Professor Paul Kofman
Mr. Cameron Leitch
Dr. Xiaoling Liu
Mr. Geoffrey Frederick Lord
Professor Duncan Maskell (Appointed: October 2018)
Mr. Ari Mervis (Retired: June 2018)
Mr. Scott Matthew Tanner
Mr. Frank Peter Zipfinger

Executive Directors

Professor Zeger Degraeve (Retired: February 2018)
Professor Douglas Dow
Professor Ian Harper (Appointed: March 2018)

Executives

Ms. Laura Bell
Mr. Greg Campbell (Retired: May 2018)
Associate Professor Jody Evans (Retired: December 2018)
Professor Paul Dainty (Appointed: April 2018)
Mr. Marc Flipo
Ms. Sally Forrester (Appointed: April 2018)
Professor Jim Frederickson (Retired: March 2018)
Associate Professor Andrew John
Professor Ujwal Kayande (Appointed: April 2018)
Ms. Theoni Parthimos (Appointed: June 2018)
Mr. Eddie Tritton

Melbourne Business School Foundation Limited

Executive Directors

Professor Zeger Degraeve (Retired: February 2018)
Mr Marc Flipo
Professor Ian Harper (Appointed: March 2018)
Mr Steven Bevis

Mt Eliza Graduate School of Business and Government Limited

Executive Directors

Professor Zeger Degraeve (Retired: February 2018)
Mr Marc Flipo
Professor Ian Harper (Appointed: March 2018)
Mr Steven Bevis

MBS Management Development (Malaysia) Sdn Bhd

Executive Directors

Professor Paul Dainty (Appointed: August 2018)
Professor Zeger Degraeve (Retired: February 2018)
Mr Marc Flipo
Professor Ian Harper (Appointed: March 2018; Retired: August 2018)
Mr Steven Bevis
Mr Soong Tze Wei

Notes to the consolidated financial statements

19. Key management personnel disclosures (continued)

Non-Executive Directors did not receive any remuneration in relation to their role as Director.

The remuneration received or receivable by the Accountable officer during the period was in the range $510,000 to $520,000 (2017: $690,000 - $700,000).

Transactions with key management personnel

(i) Executive officers remuneration

in dollars	2018	2017
Short-term employee benefits	3,793,569	3,073,033
Post-employment benefits	235,508	206,788
Other long term benefits	105,218	149,694
Termination benefits	453,825	-
	4,588,120	3,429,515
Total number of executive officers	14	11
Total annualised employee equivalent (AEE)	10.3	8.8

(ii) Directors' transactions with the Company or its Controlled Entities

No Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

There were no Directors or other members of key management personnel that had control or joint control over the Company or the Group.

A number of Directors of the Company, or their Director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

From time to time, Directors of the Group may purchase goods and services from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers.

Notes to the consolidated financial statements

19. Key management personnel disclosures (continued)

(iii) Other related party transactions

As at the balance date of this report the Group held shares in the following companies that shared common Directors with the Consolidated Entities:

Director:	**Shareholding:**
Mr R E Barker	Australian Foundation Investment Company Ltd
Mr R E Barker	Mirrabooka Investments Ltd
Mr A R Burgess	Diversified United Investment Ltd
Dr J K Fairley	Mirrabooka Investments Ltd
Mr R Johanson	Bendigo & Adelaide Bank Ltd

Directors noted above did not participate in any decision with respect to the share transactions in which they have an interest.

From time to time, the Directors provide donations to the Company. These donations are non-reciprocal transfers and are provided on an arm's length basis.

20. Non-director and executive related parties

Other related party transactions

Subsidiaries

The Company has an interest free loan to one of its subsidiaries Mt Eliza Graduate School of Business and Government Limited of $nil (2017: $150,000). The intercompany loan is repayable on demand. Movements are as follows:

in thousands of dollars	**2018**	**2017**
Opening balance	150	6,573
Additional loans	-	561
Repayments	(150)	(6,984)
	-	150

Notes to the consolidated financial statements

20. Non-director and executive related parties (continued)

University of Melbourne

The University of Melbourne (‘University’) has 45% of the voting rights of members of Melbourne Business School Ltd. The University and its controlled entities are therefore related parties.

in dollars	**2018**	**2017**
Revenue/(expense)		
Administrative and maintenance services and goods from the University to the Company	(512,322)	(778,597)
Sales and charges to the University by the Company	1,029,995	1,387,971
Hire facilities to the University by the Company	186,423	165,644
Educational Management Services to the University by the Company	29,665,361	29,500,670
Amounts owed to the University by the Company	(442,385)	(681,787)
Amounts owed to the Company by the University	23,592	1,436,842

Donor members

Other related parties consist of donor members. During the financial year the Group provided educational services to staff of donor members under normal commercial terms and conditions. It is not practical to quantify the value of services provided during the financial year.

During the financial year, all transactions between the Company and other related parties were in the ordinary course of business and on normal arm’s length commercial terms and conditions.

21. Commitments and contingencies

Commitments amounted to $nil (2017: $2,700,000).

Contingencies amounted to $nil (2017: $nil).

22. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the company, the results of those operations, or the state of affairs of the Group, in future financial years.

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Notes to the consolidated financial statements

23. Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2018 the parent entity of the Group was Melbourne Business School Limited.

in thousands of dollars	2018	2017
Result of parent entity		
Profit/(loss) for the year	(2,230)	(2,677)
Other comprehensive income	2,959	24,818
Total comprehensive income for the year	729	22,141
Financial position of parent entity at year end		
Current assets	11,179	15,704
Total assets	237,548	234,543
Current liabilities	19,614	18,475
Total liabilities	21,523	19,247
Total equity of the parent entity comprising of:		
Reserves	133,759	130,449
Capital donations	29,993	29,993
Contributed equity	12,339	12,339
Retained profits	39,934	42,515
Total equity	**216,025**	**215,296**

Parent entity capital commitments for acquisition of property plant and equipment

in thousands of dollars	2018	2017
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	-	2,700
	-	**2,700**

Parent entity contingent liabilities amounted to $nil (2017: $nil).

Directors' declaration

In the opinion of the Directors of Melbourne Business School Ltd ("the Company"):

a) the consolidated financial statements and notes that are set out on pages 21 to 65 are in accordance with the Australian Charities and Not-for profits Commission Act 2012, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance, for the financial year ended on that date;

   (ii) complying with Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Regulation 2013; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne: 14 March 2019

Signed in accordance with a resolution of the Directors:

Ross Ernest Barker Director	14th March 2019 Date
Professor Ian Harper Director	14 March 2019 Date

Independent Auditor's Report

To the Directors of Melbourne Business School Limited

Opinion

We have audited the ***Financial Report*** of Melbourne Business School Limited (the Group). The Group consists of the Company and its controlled entities at year end and from time to time during the year.

In our opinion, the accompanying ***Financial Report*** of the Group is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2018, and of its financial performance and its cash flows for the year ended on that date; and

(ii) complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013.*

The ***Financial Report*** comprises the:

(i) Consolidated statement of financial position as at 31 December 2018.

(ii) Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended.

(iii) Notes including a summary of significant accounting policies.

(iv) Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards.* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

KPMG

Other information

Other Information is financial and non-financial information in Melbourne Business School Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

(i) Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *ACNC*.

(ii) Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

(iii) Assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

(i) Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(ii) Obtain an understanding of internal control relevant to the Audit 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 registered Group's internal control.

(iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(iv) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Group to cease to continue as a going concern.

(v) Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered Group regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during our audit.

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Tony Batsakis
Partner

Melbourne

14 March 2019