

MELBOURNE BUSINESS SCHOOL LIMITED

ABN: 80 007 268 233

ANNUAL FINANCIAL REPORT

31 DECEMBER 2022

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MELBOURNE BUSINESS SCHOOL LIMITED

Directors' Report

For the year ended 31 December 2022

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 2022 and the auditor's report thereon.

Directors' qualifications, experience and special responsibilities

The Directors in office during the financial year or as at the date of this report are below:

Name:	Qualifications:	Experience:	Special responsibilities:
Mr. Ross Barker	BSc (Hons) (Melb) MBA (Melb) F Fin	Former Director (prior to June 2021): Australian Foundation Investment Company, Director: Southern Cross Ceramics Pty Ltd., Trustee: William Buckland Foundation. Member: Faculty of Business and Economics Advisory Board, The University of Melbourne. Appointed: 2011	<u>Chairman</u> of the Board of the Company <u>Chair:</u> Remuneration & Nominations Committee. <u>Member:</u> Investment Committee; Properties & Facilities Committee; DGR Committee (Disbanded during 2022)
Mr. Anthony Burgess	BCom (Hons) (Melb), MBA (Distinction), Harvard. CPA F Fin	Chairman: Flagstaff Partners Pty Ltd. Director: Diversified United Investment Ltd., The Ian Potter Foundation Limited Chairman: Melbourne Foundation for Business & Economics, University of Melbourne Member: Faculty of Business and Economics Advisory Board, The University of Melbourne. Member: Board of Management of Melbourne Theatre Company, a Department of the University of Melbourne. Appointed: 2013	<u>Chair:</u> Investment Committee. <u>Member:</u> Finance, Risk & Audit Committee; DGR Committee (Disbanded during 2022)

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Directors' Report (continued)

Directors' qualifications, experience and special responsibilities (continued)

Name:	Qualifications:	Experience:	Special responsibilities:
Professor Ian Harper AO	B Econ (Hons) (Qld), M Econ, PhD (ANU), FASSA, FAICD	<p>Dean: Melbourne Business School Ltd. Dean: Faculty of Business & Economics: The University of Melbourne.</p> <p>Member: University Executive Board Member: Reserve Bank of Australia</p> <p>Fellow: Australian Academy of Social Sciences</p> <p>Appointed: 2018</p>	<p><u>Member:</u> Investment Committee; Properties & Facilities Committee; DGR Committee (Disbanded during the year)</p>
Mr. Dean Ireland	MMkt (Melb) B Com (Melb)	<p>Director: Opportunity International Australia; Summer Foundation and Chair of People Committee AusCycling</p> <p>Appointed: 2018</p> <p>Retired from the Board and the Committee in May 2022</p> <p>Appointed as a member of the Remuneration & Nominations Committee in November 2022</p>	<p><u>Member:</u> Remuneration & Nominations Committee.</p>
Mr. Robert Johanson AO	BA, LL.M (Melb), MBA (Harvard)	<p>Director: Neuclone Ltd., Robert Salzer Foundation, Australian Friends of Asha</p> <p>Appointed: 2017</p>	<p><u>Member:</u> Finance, Risk & Audit Committee; Investment Committee</p>
Ms. Jeanne Johns	B.Sci (University of Cincinnati), International Executive Programme (INSEAD)	<p>Managing Director and Chief Executive Officer, Incitec Pivot</p> <p>Director: International Fertilizers Association, Founding Member: Australian Climate Leaders Coalition. Chair, Victoria: American Chamber of Commerce in Australia Council of Governors;</p> <p>Member: Liveris Academy for Innovation and Leadership Advisory Board, University of Queensland</p> <p>Appointed: December 2020</p>	<p><u>Member:</u> Remuneration & Nominations Committee</p>

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Directors' Report (continued)

Directors' qualifications, experience and special responsibilities (continued)

Name:	Qualifications:	Experience:	Special responsibilities:
Ms. Antoinette Kimmitt AM	BBus (Acc), FCA, MAICD	<p>Director and Chair Audit and Risk Committee: Mirrabooka Investments Ltd., Director: Trawalla Group. Member, University of Melbourne Faculty of Business and Economics Advisory Board, Member, Chief Executive Women Monash University Fellow</p> <p>Appointed: 2018 Retired: March 2022</p>	<p><u>Chair:</u> Finance, Risk & Audit Committee.</p> <p><u>Member:</u> DGR Committee (Disbanded during 2022)</p>
Professor Paul Kofman	PhD (Erasmus Universiteit Rotterdam), B Ec (Erasmus Universiteit Rotterdam)	<p>Dean: Faculty of Business and Economics, The University of Melbourne.</p> <p>Appointed: 2013</p>	
Mr. Cameron Leitch	MBA (Melb)	<p>CEO – Soundbay Pty Ltd; Former Partner: McKinsey & Company. Member, Australia Music Association Board</p> <p>Appointed: 2017</p>	<p><u>Member:</u> Remuneration & Nominations Committee.</p>
Mr. Geoffrey Lord	B Econ (Hons), MBA (Distinction), ASSA, FAICD	<p>Director: Judo Capital, Former Director: Judo Bank Pty Ltd. Chairman: Belgravia Group, Tesserent Ltd.</p> <p>Appointed: 2015</p>	<p><u>Member:</u> Finance, Risk & Audit Committee; Properties & Facilities Committee.</p>
Professor Geoffrey Martin	PhD, IE Business School (Madrid); MBA (Melb); BComm, UNSW; ACA, Institute of Chartered Accountants	<p>Professor of Strategy, Melbourne Business School.</p> <p>Appointed: March 2020</p>	
Professor Duncan Maskell	MA, PhD, FMedSci, Hon Assoc RCVS	<p>Vice-Chancellor: The University of Melbourne.</p> <p>Member: Victorian Vice-Chancellor's Committee, Melbourne Theatre Company Board.</p> <p>Former Senior Pro-Vice-Chancellor, University of Cambridge.</p> <p>Director: Group of Eight Limited, Universities Australia Limited, Grattan Institute, CSL Limited</p> <p>Former Director: Genus Plc</p> <p>Appointed: 2018</p>	

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Directors' Report (continued)

Directors' qualifications, experience and special responsibilities (continued)

Name:	Qualifications:	Experience:	Special responsibilities:
Ms. Claire Rogers	BA, MBA (Melb), GAICD	CEO/Co-Founder: Oho (formerly Duty of Care) Pty Ltd Managing Partner – CEO Mastermind Advisory Services Former CEO World Vision Australia. Director: Methodist Ladies College Melbourne; Payton Capital Limited. Appointed: December 2020	<u>Member:</u> Finance, Risk & Audit Committee; Remuneration & Nominations Committee
Mr. Scott Tanner	B App Sci (Math) RMIT, MBA (Melb) FAICD	Chairman: Committee for Melbourne, GrowthOps MD SMT Advisory Services Chair: PropertyShares Appointed: 2011 Retired: May 2022	<u>Member:</u> Investment Committee; Remuneration & Nominations Committee.
Dr. Lynne Williams AM	PhD Economics Monash BA (Hons), Economics UoM, Masters Science, Econometrics & Mathematical Economics London, GAICD	Commissioner: Commonwealth Grants Commission Commissioner and Deputy Chair, Essential Services Commission of South Australia Member, Victorian Legal Services Board Chair, Victorian Judicial Entitlements Panel Principal Fellow and Board Member, St Hilda's College Appointed: September 2020 Retired: May 2022	<u>Member:</u> Finance, Risk & Audit Committee
Mr. Frank Zipfinger	LLB LLM (Syd), BA Ec & Fin Studies (Macquarie), MBA (Melb), MAICD	Director: Buchan Architects, Vecor Technologies Limited, Macquarie University Council, The Northcare Foundation, Teter Mek Foundation, ONELAND Programs Ltd. Ambassador: Australian Indigenous Education Foundation. Consultant: King & Wood Mallesons. Appointed: 2009	<u>Chair:</u> Properties & Facilities Committee

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Directors' Report (continued)

Directors' meetings

The meeting attendance by directors during the year 1 January 2022 to 31 December 2022 is noted below:

	Board		Finance, Risk & Audit Committee		Investment Committee		Remuneration & Nominations Committee		Properties & Facilities Committee		DGR Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Ross Barker	5	5	4	6	3	4	4	4	2	2	1	1
Anthony Burgess	4	5	6	6	4	4					1	1
Professor Ian Harper	5	5	6	6	4	4	4	4	2	2	1	1
Dean Ireland	2	2					2	2				
Robert Johanson	5	5	6	6	4	4						
Jeanne Johns	1	5					0	4				
Antoinette Kimmitt	0	0	1	1							1	1
Paul Kofman	4	5										
Cameron Leitch	4	5					4	4				
Geoffrey Lord	4	5	4	6					0	2		
Professor Geoff Martin	4	5										
Professor Duncan Maskell	4	5										
Claire Rogers	5	5	1	1			4	4				
Scott Tanner	0	2			0	1	0	1				
Dr Lynne Williams	1	2	2	2								
Frank Zipfinger	5	5							2	2		

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.

Board meetings - there were four scheduled meetings and one unscheduled meeting.

Finance, Risk & Audit Committee

Ross Barker and Professor Harper are not members of this Committee but attend meetings

Robert Johanson was appointed Chair of the Committee in March 2022

Antoinette Kimmitt retired from the Board and the Committee in March 2022

Claire Rogers retired from the Committee in March 2022

Dr Lynne Williams retired from the Board and the Committee in May 2022

Remuneration & Nominations Committee

Professor Harper is not a member of this Committee but attends meetings

Claire Rogers was appointed Chair of the Committee in March 2022

Scott Tanner retired from the Committee in March 2022.

Dean Ireland retired from the Board and the Committee in May 2022 and was appointed to the Committee in November 2022

Scott Tanner retired from the **Investment Committee** in March 2022

The **Deductible Gift Recipient Committee** was disbanded during 2022

MELBOURNE BUSINESS SCHOOL LIMITED

Directors' Report (continued)

Company Secretary

The Company Secretary is Ms Marion Rodwell BEc.LLB. She was appointed 3 November 2022. Ms Monique Arnault B.Com.LLB. was Company Secretary from 1 September 2022 to 3 November 2022 and Ms Lisa Deramond was Company Secretary from 19 March 2021 until 1 September 2022.

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 and overseeing strategic direction, establishing and monitoring the achievement of management's goals, approving and monitoring capital expenditure, appointing and reviewing succession policies for Directors and senior executives, ensuring the integrity of internal control and management systems, and enhancing the reputation of the School. It is also responsible for approving and monitoring financial and other reporting.

The Company's Constitution provides that the Board will consist of 17 directors, including three members appointed by University of Melbourne, and the University of Melbourne Vice-Chancellor. The Board is currently comprised of 12 directors, and 3 new directors will join the Board from 30 March 2023. As the Melbourne University Business School Association has ceased to exist, no director can be appointed from this association.

The Board has ultimate responsibility for the strategic direction and control of Melbourne Business School. The Board has delegated the Company's day-to-day management to the Dean, to deliver the strategic direction and goals determined by the Board. From time to time the Board may delegate other responsibilities to Board Committees and management.

Board processes

To assist in the execution of its responsibilities, the Board has established Board Committees including an Investment Committee, a Finance, Risk & Audit Committee, a Remuneration & Nominations Committee, a Properties and Facilities Committee and a Deductible Gift Recipient 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.

MELBOURNE BUSINESS SCHOOL LIMITED

Directors' Report (continued)

Board processes (continued)

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. Board papers are circulated in advance. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to the School campus, for contact with a wider group of employees.

Finance, Risk & Audit Committee

The Charter under which the Finance, Risk & Audit Committee operates was reviewed and approved by the Board on 20 May 2021. The Committee comprises at least three non-executive Directors, appointed by the Board. The Board Chair, the Dean, Internal and the Chief Operating Officer and Chief Financial Officer, the external auditors and other executive officers of the Company are invited to attend as required.

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

Mr R Johanson AO (Chair from March 2022)

Ms A Kimmitt AM (Chair) (Retired from the Committee and the Board March 2022)

Mr A Burgess

Mr G Lord

Ms C Rogers (Retired from the Committee in March 2022)

Dr L Williams (Retired from the Committee and the Board in May 2022)

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 three times a year and provides a report to each subsequent Board Meeting.

Investment Committee

The Charter under which the Investment Committee operates was reviewed and approved by the Board on 1 September 2022. The Committee comprises three or more non-executive Directors appointed by the Board, in addition to the Dean.

The Dean, Internal, Chief Operating Officer and Chief Financial 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 A Burgess (Chair)

Mr R Barker

Professor I Harper AO

Mr R Johanson AO

Mr S M Tanner (Retired from the Committee in March 2022 and the Board in May 2022)

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

- Overall investment objectives and investment strategy;
- Appointment, management and review of the investment advisor;
- Performance of the portfolio; and
- Administration of the Melbourne Business School Public Fund.

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

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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 24 November 2022. The Committee comprises not less than two non-executive Directors, appointed by the Board.

The Dean, Dean, Internal, Chief People & Culture Officer (for Remuneration items) 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:

Ms C Rogers (Chair from March 2022)

Mr R Barker (Chair until March 2022)

Mr D Ireland (Retired from the Committee and the Board in May 2022; Appointed to the Committee in November 2022)

Ms J Johns

Mr C Leitch

Mr S M Tanner (Retired from the Committee in March 2022 and the Board in May 2022)

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

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

The Committee Charter provides that the Committee will meet as frequently as required but not less than twice per year. The Committee met four times in 2022.

Properties and Facilities Committee

The Properties and Facilities Committee charter was last approved by the Board on 14 March 2019. The Committee was formed to assist the Board to fulfil its corporate governance and overseeing responsibilities in relation 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, in addition to the Dean.

The Dean, Internal 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 F Zipfinger (Chair)

Mr R Barker

Professor I Harper AO

Mr G Lord

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

- Monitoring building and site improvement projects;
- Overseeing property sales and acquisitions;
- Making recommendations to the Board for significant capital investment in properties and facilities; and
- Liaising with the University of Melbourne on major property and facility projects;

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

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Directors' Report (continued)

Deductible Gift Recipient (DGR) Committee

The DGR Committee was established by the Board on 20 May 2021. The Committee was formed to consider the structure of Melbourne Business School and its subsidiaries. This Committee comprised the Board Chairman, the Chair of the Investment Committee and the Chair of the Finance, Risk and Audit Committee and the Dean. The Committee was disbanded in 2022 and the MBS Public Fund is now administered by the Investment Committee.

General information

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. The Melbourne Business School Limited was incorporated under the Corporations Act 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

In association with the University of Melbourne Faculty of Business & Economics, 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 business education 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:

- Ensure that its educational programs anticipate and respond to the needs of the market, across the School's award and executive education portfolios;
- Harness digital technologies to grow its existing markets and develop new ones on a spectrum of lifelong learning;
- Continue to produce world class impactful research that is translated into the School's teaching and thought leadership;
- Increase and enrich engagement with the business community, including the School's alumni network, to continue building mutually beneficial relationships;
- Continue cultivating a culture of learning innovation to position the School at the cutting edge of learning trends;
- Continue to invest in enhancement of its human and physical resources in order to execute on the School's strategy; and
- Build on its financially strong base, increasing revenue and contribution to enable the School to continue to invest in its future growth.

MELBOURNE BUSINESS SCHOOL LIMITED

Directors' Report (continued)

Strategies for achieving objectives

In 2022 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 and delivery methods;
- Review of MBA programs;
- Expansion of client reach;
- Increased focus on corporate relations;
- Collaborating with the University of Melbourne;
- Developing a compelling brand proposition;
- Considering the development of new business school facilities; and
- Developing changes to the School's operating model to enhance capability, accountability and culture.

Principal activities

The principal activities of the Melbourne Business School during the course of the financial year were the provision of educational services (award and non-award), academic research and engagement with Alumni and organisations.

There were no significant changes in the nature of activities of the Group during the year.

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 learners 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, historical performance, financial targets, learner evaluations and alumni outcomes. The targets are measurable and objective and are monitored by the School Board on a regular basis throughout the year.

Chief Executive Officer

Professor Ian Harper – Dean and School Director

Executive Leadership Team

Professor Caron Beaton-Wells – Dean, Internal

Mr Joel Chibert – Chief Operating Officer & Chief Financial Officer

Dr Nora Koslowski – Chief Learning Innovation Officer

Ms Theoni Parthimos – Chief People & Culture Officer (until 3 February 2023)

Associate Professor Sven Feldmann – Associate Dean Business Administration (until 28 January 2022)

Professor Andrew John – Associate Dean, Faculty (until 28 January 2022)

Mr Stephen Smith – Executive Director Client & Career Development (until 28 January 2022)

Ms Laura Bell – Academic Registrar (until 4 March 2022)

Ms Sally Forrester – Executive Director Marketing (until 22 April 2022)

Mr Stephen Berridge – Chief Engagement Officer (from 17 October 2022)

Professor Tava Olsen – Deputy Dean, Academic (from 1 November 2022)

Mr Magnus Gittins – Chief Executive Education Officer (from 21 November 2022)

MELBOURNE BUSINESS SCHOOL LIMITED

Directors' Report (continued)

Register of Business Names

Mt Eliza Centre for Executive Education
Mt Eliza Executive Education
Melbourne Master of Business Administration
Melbourne Executive Education
Melbourne Business School Foundation
Mt Eliza Business School

Registered Address

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

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 2022 was \$14,251,131 (2021 restated: consolidated surplus of \$1,537,067).

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 2022 was \$124,500,835 (2021: \$148,098,537).

Dividends

Melbourne Business School Limited is a company limited by guarantee and is 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.

MELBOURNE BUSINESS SCHOOL LIMITED

Directors' Report (continued)

Environmental regulation

The Group's operations are subject to 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

No item, transaction or event of a material and unusual nature has occurred since 31 December 2022 which is 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.

Workforce data

Staff numbers as at 31 December	2022	2021
Full Time Equivalent		
- Academics	37	36
- General	177	133
Total	214	169
Casual Staff	14	42

Staff of the Company

The Company employed 214 full time equivalent staff at 31 December 2022 (2021: 169), excluding casuals.

Likely developments

The Group will continue to pursue its policy of improving 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.

Appropriate Workplace Behaviour Policy

The Company has in place an Appropriate Workplace Behaviour Policy, which includes policies relating to conflict of interest, whistleblower protection and personal and professional behaviour standards.

Whistleblower Policy

The Company has in place a Whistleblower Policy to encourage and protect those involved in identifying and calling out misconduct and harm to staff, students and stakeholders.

MELBOURNE BUSINESS SCHOOL LIMITED

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:

<i>in thousands of dollars</i>	Actual 2022	Restated 2021	Actual 2020	Actual 2019	Actual 2018
Revenue (inclusive of investment income)	62,119	55,691	50,455	67,337	70,567
Gain/(Loss) on Financial Assets at FV/TPL	(7,400)	1,701	-	-	-
	<hr/> 54,719	<hr/> 57,392	<hr/> 50,455	<hr/> 67,337	<hr/> 70,567
Expenses					
Operating expenses (inclusive of finance expense)	68,970	55,855	52,629	67,838	71,250
	<hr/> 68,970	<hr/> 55,855	<hr/> 52,629	<hr/> 67,838	<hr/> 71,250
Operating results from ordinary activities	(14,251)	1,537	(2,174)	(501)	(683)
Income tax expense	-	-	-	-	-
Surplus/(deficit) for the year	<hr/> (14,251)	<hr/> 1,537	<hr/> (2,174)	<hr/> (501)	<hr/> (683)
Net Assets (at year end)	<hr/> 284,128	<hr/> 293,778	<hr/> 272,542	<hr/> 263,073	<hr/> 214,955

MELBOURNE BUSINESS SCHOOL LIMITED

Directors' Report (continued)

Consultancy Services

Payments made during the year to consultants engaged by the Group were:

Consultants costing less than \$100,000	Project	Expenditure 2022	Expenditure 2021	Future expenditure
<i>In thousands of dollars</i>				
Payments to Consultants	Various	585	605	Unquantified

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

Consultants costing more than \$100,000	Project	Expenditure 2022	Expenditure 2021	Future expenditure
<i>In thousands of dollars</i>				
Oppida	Online Learning Design	-	169	Unquantified
Strategic Project Partners	Various Consulting Engagements	423	356	Unquantified
MTX Australia	IT Consulting	158	-	Unquantified
Principals	Market Research	106	-	Unquantified
Woods Bagot	Potential Capital Development	5	125	Unquantified

Number of consultants engaged in 2022: 25 (2021: 25).

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

MELBOURNE BUSINESS SCHOOL LIMITED

Directors' Report (continued)

Indemnification and Insurance of Officers and Auditors

Insurance Premiums

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company Secretary and executive officers of the Company against a liability incurred by such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

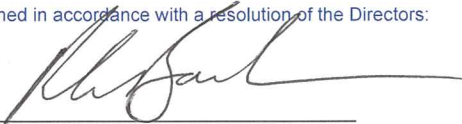
Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 18 and forms part of the Directors' report for the year ended 31 December 2022.

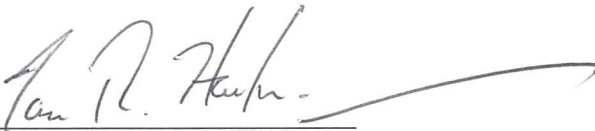
Rounding off

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 Barker
Director
30 March 2023



Professor Ian Harper AO
Director
30 March 2023



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 2022 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

Amanda Bond
Partner
Melbourne
30 March 2023

MELBOURNE BUSINESS SCHOOL LIMITED

Consolidated income statement

for the year ended 31 December 2022

in thousands of dollars

	Note	2022	2021 Restated*
Continuing operations			
Revenue			
Award programs		32,089	29,947
Corporate programs		22,196	17,143
Conferences		644	86
Corporate memberships and sponsorships		671	513
Fundraising		63	65
Research		372	16
Other operating revenue		664	575
Total Revenue		56,699	48,345
Expenditure			
Advertising and promotion		3,211	2,261
Catering and cleaning		1,751	1,074
Consulting and other professional		2,520	2,365
Depreciation and amortisation	3(a)	3,562	3,545
Employee benefits		37,494	32,321
External teaching and facilitation		9,640	7,127
Hire		1,064	463
Information technology		1,780	1,692
Library collection		168	159
Other general		1,849	1,075
Production and printing		880	696
Materials and consumables used		774	330
Rent and outgoings		10	22
Repairs and maintenance		860	746
Research		721	433
Royalties		930	909
Travel		1,159	95
Utilities		505	461
Total Expenditure		68,878	55,774
Results from operating activities		(12,179)	(7,429)
Finance income			
Investment income	2	5,420	7,346
		5,420	7,346
Finance expense			
Financial expenses		(92)	(81)
		(92)	(81)
Results from operating activities after finance income and finance expenses		(6,851)	(164)
Gain/(Loss) on Financial Assets at FV/TPL		(7,400)	1,701
Income tax expense	1(q)	-	-
Surplus/(Deficit)		(14,251)	1,537

*See Note 24 for details

The notes on pages 24 to 67 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 2022***in thousands of dollars*

	Note	2022	2021 Restated*
Surplus/(Deficit)		(14,251)	1,537
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign operations - foreign currency translation differences		(90)	(3)
<i>Items that will not be classified to profit or loss:</i>			
Net change in fair value of equity investments at FVOCI		(16,952)	19,702
Revaluation of property, plant and equipment	7	16,359	-
Other comprehensive income		(683)	19,699
Total comprehensive income		(14,934)	21,236

See Note 24 for detailsThe notes on pages 24 to 67 are an integral part of these consolidated financial statements.*

MELBOURNE BUSINESS SCHOOL LIMITED

Consolidated statement of financial position

as at 31 December 2022

in thousands of dollars

	Note	2022	2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	4	7,288	6,233
Trade and other receivables	5	5,379	5,653
Inventories		13	8
Total Current Assets		12,680	11,894
Non-Current Assets			
Investments	6	124,501	148,099
Property, plant and equipment	7	169,777	154,359
Intangible assets	8	264	661
Total Non-Current Assets		294,542	303,119
Total Assets		307,222	315,013
Liabilities			
Current Liabilities			
Trade and other payables	9	7,801	5,344
Loans and borrowings	11	484	489
Employee benefits	12	6,800	6,490
Contract liabilities	13	7,180	7,855
Total Current Liabilities		22,265	20,178
Non-Current Liabilities			
Loans and borrowings	11	383	561
Employee benefits	12	446	496
Total Non-Current liabilities		829	1,057
Total Liabilities		23,094	21,235
Net Assets		284,128	293,778
Equity			
Reserves	17	186,621	181,931
Capital donations		24,873	24,873
Contributed equity		12,339	12,339
Retained earnings		60,295	74,635
Total Equity		284,128	293,778

*See Note 24 for details

The notes on pages 24 to 67 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 2022

<i>in thousands of dollars</i>	Contributed equity	Capital donations	Translation Reserve	Asset revaluation reserve	Fair value reserve	Realised capital gains	Accumulated income endowment funds	Retained earnings	Total equity
Balance at 1 January 2021 (as previously reported)	12,339	24,873	(121)	126,618	31,479	7,971	1,670	67,713	272,542
Restatement	-	-	-	-	(5,686)	-	-	5,686	-
Balance at 1 January 2021 (as restated*)	12,339	24,873	(121)	126,618	25,793	7,971	1,670	73,399	272,542
Total comprehensive income									
Surplus/(Deficit) (as restated*)	-	-	-	-	-	-	-	1,537	1,537
Other comprehensive income (as restated*)	-	-	(3)	-	19,702	-	301	(301)	19,699
Total comprehensive income (as restated*)	-	-	(3)	-	19,702	-	301	1,236	21,236
Transfers on realisation of assets	-	-	-	-	(7,413)	7,413	-	-	-
Balance as at 31 December 2021 (as restated*)	12,339	24,873	(124)	126,618	38,082	15,384	1,971	74,635	293,778
Balance at 1 January 2022	12,339	24,873	(124)	126,618	38,082	15,384	1,971	74,635	293,778
Total comprehensive income									
Surplus/(Deficit)	-	-	-	-	-	-	-	(14,251)	(14,251)
Other comprehensive income	-	-	(90)	16,359	(16,952)	-	89	(89)	(683)
Total comprehensive income	-	-	(90)	16,359	(16,952)	-	89	(14,340)	(14,934)
Transfers on realisation of assets	-	-	-	5,284	1,662	(1,662)	-	-	5,284
Balance as at 31 December 2022	12,339	24,873	(214)	148,261	22,792	13,722	2,060	60,295	284,128

*See Note 24 for details

The notes on pages 24 to 67 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2022

<i>in thousands of dollars</i>	Note	2022	2021
Cash flows from operating activities			
Cash receipts from customers		60,645	54,160
Cash paid to suppliers and employees		(68,030)	(56,259)
Net cash from/(used in) operating activities	16	(7,385)	(2,099)
Cash flows from investing activities			
Proceeds from sale of investments		16,651	17,301
Payments for investments		(12,092)	(22,136)
Interest received		193	19
Investment income		6,245	5,907
Payments for property, plant and equipment / intangibles		(1,906)	(1,239)
Net cash from/(used in) investing activities		9,091	(148)
Cash flows from financing activities			
Net (repayments)/proceeds from borrowings		-	(728)
Payment of lease liabilities and interest		(561)	(509)
Net cash from/(used in) financing activities	11	(561)	(1,237)
Net increase/(decrease) in cash and cash equivalents		1,145	(3,484)
Cash and cash equivalents at 1 January		6,233	9,712
Effect of movements in exchange rates on cash held		(90)	5
Cash and cash equivalents at 31 December	4	7,288	6,233

The notes on pages 24 to 67 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 2022 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 (AASs) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profits Commission Act 2012 (ACNC).

The consolidated financial statements were authorised for issue by the Directors on 30 March 2023.

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 6(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)

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

(c) Basis of consolidation

(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.

(iv) Joint arrangements

The Company has an agreement with the University of Melbourne through the Melbourne School of Professional and Continuing Education (MSPACE) to jointly develop and deliver non-award programs, subject to certain criteria. There was no financial impact in respect of these joint arrangements in 2022 (2021: \$nil).

(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.

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, then 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) 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 statement of comprehensive income as an expense as incurred.

(iii) 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)

(iii) 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.

(iv) 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. Right of use 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	15 - 40 years
• Plant and equipment	10 years
• Computer equipment	3 years
• Chattels, equipment and facilities	10 years
• Furniture and fittings	10 years
• Leasehold improvements	3 years

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

(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. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but it retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(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 in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but it retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

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; Fair Value in Other Comprehensive Income (FVOCI)– equity investment; or FVTPL. Financial assets are not reclassified subsequent to the initial recognition unless the Group changes its 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.

All financial assets not classified as measured at amortised cost or 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.

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 the financial assets to 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 and 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 FVTPL	These assets are measured at fair value. Net gains and losses, including any interest or dividend income, are measured in profit or loss.
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.
Managed fund and debt investments at FVTPL	These assets are measured at fair value. Net gains and losses, including any interest income, are measured in 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 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.

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 less than 12 months).

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

Loss allowances for trade receivables are always recognised at an amount equal to lifetime ECLs.

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 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 'BBB'.

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 benefit 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.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(n) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when:

- It transfers control over a good or service to a customer;
- Services provided are volunteer services;
- Assets are acquired for which the consideration provided is significantly less than fair value and the asset enables the Group to further its objectives;
- The contract does not contain enforceable rights and obligations and does not create sufficiently specific performance obligations.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(n) Revenue (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of performance obligations, including significant payment terms	Revenue recognition under AASB 15 or AASB 1058
Award programs	<p>Award Program fees are primarily collected from students by the University of Melbourne (UoM).</p> <p>Fees are invoiced by the Group to UoM as follows:</p> <p>MBA programs: 75% at commencement of term; balance upon passing of subject census date.</p> <p>Other programs: upon passing of module census date.</p> <p>Invoices are payable within 14 days.</p>	<p>Revenue is recognised over time on a per subject/module basis, as the services are provided.</p> <p>Revenue is recognised net of fee discounts.</p>
Corporate programs	<p>Corporate program fees are invoiced prior to the commencement of the delivery of the programs and are usually payable within 30 days.</p>	<p>Revenue is recognised over time as the services are provided, with reference to modules delivered.</p>
Conferences	<p>The Group hires out its facilities on an ad hoc basis to corporate customers. Fees are invoiced prior to the commencement of the delivery and are usually payable within 30 days.</p>	<p>Revenue is recognised at a point in time upon completion of the conference.</p>
Corporate memberships & sponsorships	<p>Arrangements with corporate partners for Centre memberships or event sponsorships are invoiced on signing and are usually payable within 30 days.</p>	<p>Revenue is recognised over time as the services are provided.</p>
Fundraising	<p>Donations, including endowments gifted to the Group, are generally not subject to significant performance obligations.</p>	<p>Revenue is recognised at a point in time when the donation becomes receivable, which is generally when the cash is received.</p>

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(n) Revenue (continued)

Type of service	Nature and timing of performance obligations, including significant payment terms	Revenue recognition under AASB 15 or AASB 1058
Research	Funding for research initiatives may be received from corporate donors or Government agencies. The timing of receipt of funding is generally subject to agreement with the funding party.	Where the funding arrangement does not contain enforceable rights and obligations, including benefits provided to the grantor or the research has an alternative use and the Group has a right to payment for the research performed to date, revenue is recognised upon receipt, being at a point in time. For all other projects, revenue is recognised over time as the services are provided.

(o) Leases

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for any leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(o) Leases (continued)

(i) As a lessee (continued)

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets.

The Group has elected not to recognise right-of-use assets and lease liabilities for certain leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(o) Leases (continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

(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 bank charges and 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.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(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 2021 (2020: \$nil 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.

(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 a 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:

- Debt and equity securities are measured at fair value.
- Land and Buildings are measured at fair value.

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(t) Use of judgements and estimates (continued)

(ii) Measurement of fair values (continued)

'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 both assets and long positions and liabilities and short positions at an ask price.

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 COO and CFO. 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 its 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 the Standards, 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).

Notes to the consolidated financial statements

1. Significant accounting policies (continued)

(t) Use of judgements and estimates (continued)

(ii) Measurement of fair values (continued)

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

(u) Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

Notes to the consolidated financial statements

2. Investment income

<i>in thousands of dollars</i>	2022	2021
Dividends	4,383	4,997
Distributions received	808	2,330
Interest	229	19
	<u>5,420</u>	<u>7,346</u>

3a. Depreciation and amortisation expense

<i>in thousands of dollars</i>	2022	2021
Buildings and leasehold improvements	1,787	1,787
Plant and equipment, chattels	857	693
Right-of-use assets	521	472
Intangible assets	397	593
	<u>3,562</u>	<u>3,545</u>

3b. Auditors' remuneration

<i>in dollars</i>	2022	2021
Auditors of the Company		
KPMG Australia:		
Audit of financial statements	112,800	106,000
KPMG Malaysia:		
Audit of financial statements	11,228	8,910
Other auditors - Auditor General Victoria		
Audit of financial statements	26,370	24,336
	<u>150,398</u>	<u>139,246</u>

Notes to the consolidated financial statements

4. Cash and cash equivalents

<i>in thousands of dollars</i>	2022	2021
Bank balances	7,288	6,233
Cash and cash equivalents in the statement of cash flows	<u>7,288</u>	<u>6,233</u>

The Group's exposure to credit risk and interest rate risk is disclosed in note 6.

5. Trade and other receivables

<i>in thousands of dollars</i>	2022	2021
Trade receivables	2,489	1,899
Other receivables	1,847	2,655
Prepayments	1,043	1,099
	<u>5,379</u>	<u>5,653</u>

The Group's exposure to credit risk, market risk and impairment losses for trade and other receivables is disclosed in note 6.

MELBOURNE BUSINESS SCHOOL LIMITED

Notes to the consolidated financial statements

6. 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 2022

	Note	Carrying amount				Fair value				
		Amortised Cost	Fair Value Through OCI	Fair Value Through P&L	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<i>In thousands of dollars</i>										
Financial assets measured at fair value	(i)									
Equity securities		-	93,873	-	-	93,873	93,873	-	-	93,873
Managed funds		-	-	24,158	-	24,158	-	24,158	-	24,158
Corporate debt securities		-	-	6,470	-	6,470	6,470	-	-	6,470
		-	93,873	30,628	-	124,501	100,343	24,158	-	124,501
Financial assets not measured at fair value	(ii)									
Cash and cash equivalents	4	7,288	-	-	-	7,288	-	-	-	-
Trade and other receivables	5	4,336	-	-	-	4,336	-	-	-	-
		11,624	-	-	-	11,624	-	-	-	-
Financial liabilities not measured at fair value	(ii)									
Trade payables	9	-	-	-	7,801	7,801	-	-	-	-
Loans and borrowings	11	-	-	-	867	867	-	-	-	-
		-	-	-	8,668	8,668	-	-	-	-

(i) Level 1 financial assets comprise of listed securities and are valued based on quoted market prices at balance date. Level 2 financial assets comprise of unlisted securities and are valued based on broker prices at balance date.

(ii) 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.

MELBOURNE BUSINESS SCHOOL LIMITED

Notes to the consolidated financial statements

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

(a) Accounting classifications and fair values (continued)

31 December 2021

In thousands of dollars

	Note	Carrying amount (as restated)*				Fair value				
		Amortised Cost	Fair Value Through OCI	Fair Value Through P&L	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	(i)									
Equity securities		-	107,185	-	-	107,185	107,185	-	-	107,185
Managed funds		-	-	31,283	-	31,283	-	31,283	-	31,283
Corporate debt securities		-	-	8,112	-	8,112	8,112	-	-	8,112
		-	107,185	39,395	-	146,580	115,297	31,283	-	146,580
Financial assets not measured at fair value	(ii)									
Cash and cash equivalents	4	6,233	-	-	-	6,233	-	-	-	-
Trade and other receivables	5	4,554	-	-	-	4,554	-	-	-	-
		10,787	-	-	-	10,787	-	-	-	-
Financial liabilities not measured at fair value	(ii)									
Trade payables	9	-	-	-	5,344	5,344	-	-	-	-
Loans and borrowings	11	-	-	-	1,050	1,050	-	-	-	-
		-	-	-	6,394	6,394	-	-	-	-

*See Note 24 for details

- (i) Level 1 financial assets comprise of listed securities and are valued based on quoted market prices at balance date. Level 2 financial assets comprise of unlisted securities and are valued based on broker prices at balance date.
- (ii) 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

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

(b) Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 fair valued for financial instruments in the statement of financial position, as well as the significant unobservable inputs used. Related valuation processes are described in Note 1(t).

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Managed funds and debt instruments	The fair value of unlisted managed funds is independently determined and is the quoted redemption price for units held.	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Other financial liabilities*	Discounted cash flows	Not applicable

*Other financial liabilities include 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 2022 or 2021.

(iii) Level 3 fair values

The Group had no Level 3 fair value financial instruments at 31 December 2022 (2021: nil). There were no transfers to or from Level 3 in 2022 or 2021.

Notes to the consolidated financial statements

6. 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 the Department of Defence, and the Group's 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

6. 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:

<i>in thousands of dollars</i>	2022	2021
Cash and cash equivalents	7,288	6,233
Trade and other receivables	4,336	4,554
Investments	124,501	148,099
	136,125	158,886

Trade receivables

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

<i>in thousands of dollars</i>	Gross 2022	Impairment 2022	Gross 2021	Impairment 2021
Not past due	829	-	866	-
Past due 0-30 days	1,194	-	416	-
Past due 31-60 days	406	-	556	-
Past due 61-90 days	14	-	59	-
Past due 91+ days	46	-	2	-
	2,489	-	1,899	-

There is no expected credit loss for 2022 (2021: \$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 2022, the Group's most significant debtor, being Google Australia Pty Ltd, accounted for \$568,552 (2021: \$nil) 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

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

(c) Financial risk management (continued)

(ii) Credit risk (continued)

Trade receivables (continued)

The loss rate by ageing category based on actual credit loss over the past 2 years is set out as follows:

<i>in thousands of dollars</i>	Gross Carrying Amount	Weighted Average Loss Rate	Gross Carrying Amount	Weighted Average Loss Rate
Not past due	829	0%	866	0%
Past due 0-30 days	1,194	0%	416	0%
Past due 31-60 days	406	0%	556	0%
Past due 61-90 days	14	0%	59	0%
Past due 91+ days	46	0%	2	0%
	2,489		1,899	

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:

<i>in thousands of dollars</i>	2022	2021
Balance at 1 January	-	-
Impairment loss recognised	-	-
Amounts written off	-	-
Balance at 31 December	-	-

The ageing of the Group's other receivables was current (2021: current). There were no impairment losses with respect to other receivables (2021: \$nil). At 31 December 2022 the Group's most significant other debtor balance, being franking credits receivable, accounted for \$0.700m of the other receivables carrying amount (2021: \$1.76m).

Managed fund and debt securities

The Group limits its exposure to credit risk by only investing in liquid managed fund and 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 managed fund or debt securities that were past due but not impaired at 31 December 2022 (2021: Nil).

Notes to the consolidated financial statements

6. 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 (2021: \$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.

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.

Refer to note 10 for financing facilities available to the Group.

MELBOURNE BUSINESS SCHOOL LIMITED

Notes to the consolidated financial statements

6. 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:

<i>in thousands of dollars</i>	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	7,801	7,801	7,801	-	-	-	-
Loans and borrowings	867	915	306	206	244	159	-
	8,668	8,716	8,107	206	244	159	-

2021

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	5,344	5,344	5,344	-	-	-	-
Loans and borrowings	1,050	1,092	258	257	389	188	-
	6,394	6,436	5,602	257	389	188	-

Notes to the consolidated financial statements

6. 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, equity and debt security 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.

The Investment Committee monitors the Group's exposure to foreign currency risk on a regular basis.

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:

<i>in thousands of dollars</i>	2022	2021
Cash and cash equivalents	7,288	6,233
Corporate debt securities	6,470	8,112
	13,758	15,864

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at 31 December 2022 would have increased or decreased equity and profit by \$151,030 (2021: \$158,640).

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

6. 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 its investments:

<i>in thousands of dollars</i>	2022	2021
Total investments	124,501	148,099

A change of 100 basis points in the value of the investments at 31 December 2022 would have increased or decreased total comprehensive income by \$1,245,010 (2022: \$1,480,990). There would also be an impact on profit or loss as a result of any increment/decrement recognised in respect of managed fund and debt instrument movements.

MELBOURNE BUSINESS SCHOOL LIMITED

Notes to the consolidated financial statements

7. Property, plant and equipment

<i>in thousands of dollars</i>	Freehold land	Buildings	Plant and equipment	Computer equipment	Chattels/ equipment and facilities	Right-of-use assets	Leasehold Improvements	Artworks/ antiques	Work In progress	Total
Fair value or cost										
Balance at 1 January 2021	95,995	53,500	4,538	108	3,615	2,482	76	116	24	160,454
Additions	-	-	4	-	-	569	-	-	1,235	1,808
Transfers	-	-	148	-	562	-	-	-	(1,124)	(414)
Revaluation	-	-	-	-	-	-	-	-	-	-
Revaluation depreciation w riteback	-	-	-	-	-	-	-	-	-	-
Disposals/w rite-offs	-	-	(4)	-	(9)	(38)	(76)	-	-	(127)
Balance at 31 December 2021	95,995	53,500	4,686	108	4,168	3,013	-	116	135	161,721
Balance at 1 January 2022	95,995	53,500	4,686	108	4,168	3,013	-	116	135	161,721
Additions	-	-	-	-	-	346	-	-	1,906	2,252
Transfers	-	-	27	-	1,257	-	-	-	(1,284)	-
Revaluation	8,445	7,914	-	-	-	-	-	-	-	16,359
Revaluation depreciation w riteback	-	(3,574)	-	-	-	-	-	-	-	(3,574)
Disposals/w rite-offs	-	-	-	-	-	(251)	-	-	(28)	(279)
Balance at 31 December 2022	104,440	57,840	4,713	108	5,425	3,108	-	116	729	176,479

MELBOURNE BUSINESS SCHOOL LIMITED

Notes to the consolidated financial statements

7. Property, plant and equipment (continued)

<i>in thousands of dollars</i>	Freehold land	Buildings	Plant and equipment	Computer equipment	Chattels/ equipment and facilities	Right-of-use assets	Leasehold Improvements	Artworks/ antiques	Total
Accumulated depreciation and impairment losses									
Balance at 1 January 2021	-	-	1,324	108	1,469	1,560	76	-	4,537
Depreciation	-	1,787	308	-	385	472	-	-	2,952
Transfers	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Revaluation depreciation w riteback	-	-	-	-	-	-	-	-	-
Disposals/w rite-offs	-	-	(4)	-	(9)	(38)	(76)	-	(127)
Balance at 31 December 2021	-	1,787	1,628	108	1,845	1,994	-	-	7,362
Balance at 1 January 2022	-	1,787	1,628	108	1,845	1,994	-	-	7,362
Depreciation	-	1,787	274	-	583	521	-	-	3,165
Transfers	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Revaluation depreciation w riteback	-	(3,574)	-	-	-	-	-	-	(3,574)
Disposals/w rite-offs	-	-	-	-	-	(251)	-	-	(251)
Balance at 31 December 2022	-	-	1,902	108	2,428	2,264	-	-	6,702

MELBOURNE BUSINESS SCHOOL LIMITED

Notes to the consolidated financial statements

7. Property, plant and equipment (continued)

<i>in thousands of dollars</i>	Freehold land	Buildings	Plant and equipment	Computer equipment	Chattels/ equipment and facilities	Right-of-use assets	Leasehold improvements	Artworks/ antiques	Work In Progress	Total
Carrying amounts										
At 1 January 2021	95,995	53,500	3,214	-	2,146	922	-	116	24	155,917
At 31 December 2021	95,995	51,713	3,058	-	2,323	1,019	-	116	135	154,359
At 31 December 2022	104,440	57,840	2,811	-	2,997	844	-	116	729	169,777

Notes to the consolidated financial statements

7. 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 2022 on the basis of the open market value of the freehold land and current replacement cost for buildings.

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 2025.

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 \$8,445,000 was recognised in OCI with respect to land fair value measurement (2021: \$nil).

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 \$7,914,000 was recognised in OCI with respect to buildings fair value measurement (2021: \$nil). There were no additions to buildings during the year (2021: \$nil). There were no transfers into or out of level 3 inputs for buildings valuations during the year (2021: nil).

Artwork and antiques

The Directors have reviewed the carrying value of the artwork at the Carlton campus and assessed this has not materially changed.

Notes to the consolidated financial statements

8. Intangible assets

<i>in thousands of dollars</i>	Computer Software
Cost	
Balance at 1 January 2021	3,741
Additions	-
Acquisitions - transfers from WIP	414
Disposals	(723)
Balance at 31 December 2021	<u>3,432</u>
Balance at 1 January 2022	3,432
Additions	-
Acquisitions - transfers from WIP	-
Disposals	-
Balance at 31 December 2022	<u>3,432</u>
Accumulated amortisation and impairment losses	
Balance at 1 January 2021	2,267
Amortisation	593
Disposals	(89)
Balance at 31 December 2021	<u>2,771</u>
Balance at 1 January 2022	2,771
Amortisation	397
Disposals	-
Balance at 31 December 2022	<u>3,168</u>
Carrying amounts	
At 1 January 2021	<u>1,474</u>
At 31 December 2021	<u>661</u>
At 31 December 2022	<u>264</u>

Notes to the consolidated financial statements

9. Trade and other payables

<i>in thousands of dollars</i>	2022	2021
Trade payables	2,763	1,798
Accruals	4,925	3,395
Other payables	113	151
	<u>7,801</u>	<u>5,344</u>

The Group's exposure to liquidity risk is disclosed in note 6.

10. Financing facilities

<i>in thousands of dollars</i>	2022	2021
Total facilities available		
Bank overdrafts	1,000	1,000
Credit card facility - limited	600	600
Bank guarantees	565	565
Margin loan	20,000	20,000
	<u>22,165</u>	<u>22,165</u>
Facilities utilised at reporting date		
Bank overdrafts	-	-
Credit card facility - limited	-	-
Bank guarantees	-	-
Margin loan	-	-
	<u>-</u>	<u>-</u>
Facilities not used at reporting date		
Bank overdrafts	1,000	1,000
Credit card facility - limited	600	600
Bank guarantees	565	565
Margin loan	20,000	20,000
	<u>22,165</u>	<u>22,165</u>

Credit card facility and bank overdraft

Interest on credit cards and the bank overdraft is charged at prevailing market rates.

These financing facilities are secured against the general position of the Company by way of a negative pledge.

Margin loan facility

Interest on the margin loan is charged at prevailing market rates.

The margin loan facility is secured by listed securities held by the Company.

Notes to the consolidated financial statements

11. Loans and borrowings

(a) Leases as lessee

Lease liabilities

<i>in thousands of dollars</i>	2022		2021	
	Face Value	Carrying Amount	Face Value	Carrying Amount
Current	512	484	515	489
Non-current	403	383	577	561
	<u>915</u>	<u>867</u>	<u>1,092</u>	<u>1,050</u>

Reconciliation of movements of liabilities to cashflows arising from leases:

<i>in thousands of dollars</i>	2022	2021
Opening balance	1,050	956
Repayment of lease borrowings & related interest	(561)	(509)
New leases	347	570
Interest expense	31	33
	<u>867</u>	<u>1,050</u>

The leases are in respect of laptops and other IT equipment which have a term of 3-5 years.

(b) Cash flow

<i>in thousands of dollars</i>	2022	2021
Lease liabilities and interest	(561)	(509)
Margin loan	-	(728)
Total financing cash inflow/(outflow)	<u>(561)</u>	<u>(1,237)</u>

Notes to the consolidated financial statements

12. Employee benefits

Current

in thousands of dollars

	2022	2021
Liability for annual leave	2,635	2,472
Liability for long service leave	3,888	3,834
Liability for bonuses	277	145
Liability for termination payments	-	39
	6,800	6,490

Non-current

in thousands of dollars

Liability for long service leave	446	496
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Defined contribution plans

The Group makes contributions to UniSuper and other employee accumulation superannuation plans at the rate of 10.5% (2021: 10%). The amount recognised as an expense for contributions by the Group for the year was \$2,738,209 (2021: \$2,303,524).

13. Contract liabilities

in thousands of dollars

	2022	2021
Corporate fees in advance	5,383	5,681
Student fees	887	1,114
Scholarship funding	786	936
Research grants	124	124
	7,180	7,855

The contract liabilities primarily relate to advance consideration received from students and corporate clients for modules for which revenue is recognised over time. These are substantially recognised as revenue within twelve months of each balance date.

14. 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.

MELBOURNE BUSINESS SCHOOL LIMITED

Notes to the consolidated financial statements

15. Consolidated Entities

Parent entity	Country of incorporation	2022 %	2021 %
Melbourne Business School Limited			
Subsidiaries			
Mt Eliza Graduate School of Business and Government Limited	Australia	100	100
MBS Management Development (Malaysia) Sdn Bhd	Malaysia	100	100

16. Reconciliation of cash flows from operating activities

<i>in thousands of dollars</i>	Note	2022	2021 Restated*
Cash flows from operating activities			
Surplus/(Deficit) for the year		(14,251)	1,537
<i>Adjustments for:</i>			
Depreciation and amortisation	3(a)	3,562	3,545
Write-off property, plant and equipment		-	-
Write-off intangible assets		-	634
Bad debts		-	82
Lease finance costs	11	31	33
Investment income	2	(5,420)	(7,346)
Gain/(Loss) on Financial Assets at FVTPL		7,400	(1,701)
Operating deficit		(8,678)	(3,216)
Changes in:			
Trade receivables and other receivables		(744)	(1,263)
Inventories		(5)	2
Trade and other payables		2,457	590
Contract liabilities		(675)	1,977
Employee benefits		260	(189)
Net cash from/(used) operating activities		(7,385)	(2,099)

*See Note 24 for details

17. Reserves

Nature and purpose of reserves are as follows:

Capital donations reserve

The capital donations reserve comprises the funds provided by donor members upon establishment of the Company.

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

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

Notes to the consolidated financial statements

17. Reserves (continued)

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity instruments designated at FVOCI.

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.

18. 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 Barker
Mr Anthony Burgess
Mr Dean Ireland (retired May 2022)
Mr Robert Johanson AO
Ms Jeanne Johns
Ms Antoinette Kimmitt AM (retired March 2022)
Professor Paul Kofman
Mr Cameron Leitch
Mr Geoffrey Lord
Professor Duncan Maskell
Ms Claire Rogers
Mr Scott Tanner (retired May 2022)
Dr Lynne Williams AM (retired May 2022)
Mr Frank Zipfinger

Executive Directors

Professor Ian Harper AO
Professor Geoffrey Martin

Executives

Professor Caron Beaton-Wells
Mr Joel Chibert
Dr Nora Koslowski
Ms Theoni Parthimos (until 3 February 2023)
Associate Professor Sven Feldmann (until 28 January 2022)
Professor Andrew John (until 28 January 2022)
Mr Stephen Smith (until 28 January 2022)
Ms Laura Bell (until 4 March 2022)
Ms Sally Forrester (until 22 April 2022)
Mr Stephen Berridge (from 17 October 2022)
Professor Tava Olsen (from 1 November 2022)
Mr Magnus Gittins (from 21 November 2022)

Mt Eliza Graduate School of Business and Government Limited

Executive Directors

Professor Caron Beaton-Wells
Professor Ian Harper AO
Mr Joel Chibert

Notes to the consolidated financial statements

18. Key management personnel disclosures (continued)

MBS Management Development (Malaysia) Sdn Bhd

Executive Directors

Professor Caron Beaton-Wells

Mr Joel Chibert

Mr Soong Tze Wei

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 \$610,000 to \$620,000 (2021: \$570,000 - \$580,000).

Transactions with key management personnel

(i) Executive officers remuneration

<i>in dollars</i>	2022	2021
Short-term employee benefits	2,906,855	4,352,142
Post-employment benefits	227,763	308,159
Other long term benefits	59,986	99,610
Termination benefits	982,042	155,167
	4,176,646	4,915,078
Total number of executive officers	14	15
Total annualised employee equivalent (AEE)	7.2	12.7

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

Transactions with Directors of the Company totalled \$191,125 (2021: \$122,121)

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

18. 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 A Burgess	Diversified United Investment Ltd
Professor D Maskell	CSL Limited

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.

19. Non-director and executive related parties

Other related party transactions

Subsidiaries

The Company had the following transactions with its subsidiaries during the year:

- (i) Management fees and cost recoveries charged to MBS Management Development (Malaysia) Sdn Bhd of \$383,000 (2021: \$228,000)
- (ii) Other balances owed by MBS Management Development (Malaysia) Sdn Bhd of \$1,518,000 (2021: \$1,229,000)

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.

<i>in dollars</i>	2022	2021
Revenue/(expense)		
Administrative and maintenance services and goods from the University to the Company	(2,589,422)	(1,746,289)
Sales and charges to the University by the Company	397,083	394,734
Hire facilities to the University by the Company	167,372	143,490
Educational Management Services to the University by the Company	30,516,107	27,987,622
Amounts owed to the University by the Company	(1,621,639)	(1,262,972)
Amounts owed to the Company by the University	16,011	22,599

Notes to the consolidated financial statements

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

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.

20. Leases

A. Leases as lessee

The Group leases IT equipment with contract terms of one to five years. These leases also include short-term and/or leases of low-value items. The Group has elected to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the lessee is presented below.

(i) Amounts recognised in profit or loss

In thousands of dollars

2022		
Interest on lease liabilities	31	Note 11
Expenses relating to short-term leases – rent and outgoings	10	
2021		
Interest on lease liabilities	33	Note 11
Expenses relating to short-term leases – rent and outgoings	22	

(ii) Amounts recognised in statement of cash flow

In thousands of dollars

	2022	
Total cash outflow for leases	561	Note 11
<i>In thousands of dollars</i>		
	2021	
Total cash outflow for leases	509	Note 11

B. Leases as lessor

(i) Operating lease

The Group leases out its property on a short-term lease. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during 2022 was \$156,469 (2021: \$155,679).

Notes to the consolidated financial statements

21. Commitments and contingencies

Commitments amounted to \$nil (2021: \$nil).

Contingencies amounted to \$nil (2021: \$nil).

22. Subsequent events

No item, transaction or event of a material and unusual nature has occurred since 31 December 2022 which is 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.

23. Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2022 the parent entity of the Group was Melbourne Business School Limited.

in thousands of dollars

	2022	2021 Restated*
Result of parent entity		
Deficit for the year	(15,626)	(2,468)
Other comprehensive income	(25,781)	23,375
Total comprehensive income for the year	<u>(41,407)</u>	<u>20,907</u>
Financial position of parent entity at year end		
Current assets	12,590	12,045
Total assets	307,298	315,712
Current liabilities	21,997	19,964
Total liabilities	22,826	21,021
Total equity of the parent entity comprising of:		
Reserves	193,086	218,865
Capital donations	29,993	29,993
Contributed equity	12,339	12,339
Retained profits	49,054	33,494
Total equity	<u>284,472</u>	<u>294,691</u>

*See Note 24 for details

Parent entity contingent liabilities amounted to \$nil (2021: \$nil).

Notes to the consolidated financial statements

24. Restatement

During the year, a restatement in the accounting for investment in managed funds was identified in the previous year's financial statements of the Group, which resulted in an understatement in the consolidated income statement and an overstatement in the statement of comprehensive income. There is no impact to net assets or total equity of the Group. This has been rectified in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, by restating the comparatives. The details of the restatement are as follows:

The Group has investments in managed funds that were previously classified as FVOCI rather than FVTPL. However, these securities do not meet the equity instrument definition under AASB 132 *Financial Instruments: Presentation*. While several of the managed funds recorded their net assets attributable to unitholders as 'equity' they are only recorded as equity as they satisfy the criteria of 'puttable instruments' under AASB 132 paragraph 16A. Puttable instruments issued by funds or managed investment schemes often meet the definition of a liability, despite being classified as equity by the issuer. Where this is the case they are deemed a debt instrument under AASB 9 *Financial Instruments* and are not eligible for the FVOCI election and all movements in fair value must be recognised through profit or loss.

As a result, a restatement has been made to the opening retained earnings and reserve of \$5,686,329 for historical movements in fair value which were previously recognised in reserves rather than retained earnings. In addition, the gain/loss on financial assets at FVTPL will increase by \$1,700,789 which is equivalent to the fair value movement in 2021, with an equivalent reduction in other comprehensive income. There is no change to total comprehensive income or net assets due to this restatement.

Certain managed funds reside in the parent entity and therefore the parent entity note has been restated, refer to Note 23.

The impact of the restatement on the 2021 financial statements and the relevant line items within those financial statements is summarised in the following tables:

<i>in thousands of dollars</i>	31 December 2021 (as previously reported)	Restatement	31 December 2021 (as restated)
Consolidated income statement			
Investment income	7,346	-	7,346
Financial expenses	(81)	-	(81)
Gain/(Loss) on Financial Assets at FVTPL	-	1,701	1,701
Net finance income/(expense)	7,265	1,701	8,966
Surplus/(Deficit)	(164)	1,701	1,537
Consolidated statement of other comprehensive income			
Surplus/(deficit)	(164)	1,701	1,537
Net change in fair value of debt investments at FVOCI	147	(147)	-
Net change in fair value of equity investments at FVOCI	21,256	(1,554)	19,702
Other comprehensive income	21,400	(1,701)	19,699
Total comprehensive income	21,236	-	21,236
Consolidated statement of financial position			
Reserves	189,318	(7,387)	181,931
Retained earnings	67,248	7,387	74,635
Total equity	293,778	-	293,778

MELBOURNE BUSINESS SCHOOL LIMITED

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 19 to 67 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 2022 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

Signed in accordance with a resolution of the Directors:



Ross Barker

Director

30 March 2023



Professor Ian Harper AO

Director

30 March 2023



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).

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 2022, 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 2022;
- ii. Consolidated income statement, Consolidated statement of 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; and
- iv. Directors' Declaration.

The Group consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Restatement of comparative balances

We draw attention to Note 24 to the financial statements, which describes a restatement relating to managed funds financial instruments and their designation as fair value through profit or loss (FVTPL) rather than fair value through other comprehensive income (OCI). The comparatives in this financial report have been restated to reflect FVTPL as described in Note 24. Our opinion is not modified in respect of this matter.



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 Director's Report. The Directors responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or 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 Management for the Financial Report

Management 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

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism 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.

KPMG

Amanda Bond

Partner

Melbourne

30 March 2023