

MELBOURNE BUSINESS SCHOOL LIMITED

ABN: 80 007 268 233

ANNUAL FINANCIAL REPORT

31 DECEMBER 2015

# Contents

	Page
<b>Directors' report</b>	3 - 19
Auditor's independence declaration	20
<b>Consolidated financial report</b>	
Consolidated income statement	21
Consolidated statement of other comprehensive income	22
Consolidated statement of financial position	23
Consolidated statement of changes in equity	24
Consolidated statement of cash flows	25
Notes to the consolidated financial statements	26 - 63
<b>Directors' declaration</b>	64
<b>Independent audit report</b>	65 - 66

## MELBOURNE BUSINESS SCHOOL LIMITED

### Directors' Report For the year ended 31 December 2015

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 financial year ended 31 December 2015 and the auditor's report thereon.

### Directors' qualifications, experience and special responsibilities

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

<b>Name:</b>	<b>Qualifications:</b>	<b>Experience:</b>	<b>Special responsibilities:</b>
<b>Mr. Ross Ernest Barker</b>	BSc (Hons) (Melb) MBA (Melb) F Fin	Managing Director: Australian Foundation Investment Company Ltd., Djerriwarrh Investments Ltd., Mirrabooka Investments Ltd., Amcil Ltd.  Appointed: 2011	Chairman. Member: Investment Committee; and Remuneration & Nominations Committee.
<b>Mr. Anthony Ray Burgess</b>	BCom (Hons) (Melb), MBA (Distinction), Harvard. CPA F Fin	Chief Executive Officer: Flagstaff Partners Pty Ltd. Director: Diversified United Investment Ltd., Melbourne Theatre Company. Chairman: Foundation for Business & Economics, The University of Melbourne. Governor: Ian Potter Foundation.  Appointed: 2013	Chair: Investment Committee. Member: Finance, Audit & Risk Committee.
<b>Professor Glyn Davis</b>	PhD (ANU) BA (Hons1) (UNSW)	Vice-Chancellor and Principal: The University of Melbourne. Professor of Political Science, Faculty of Arts, The University of Melbourne.  Appointed: 2013	
<b>Professor Douglas Dow</b>	PhD (Melb), MBA (West Ontario), BAppSc (Queen's)	Head of Department: Business Administration, Faculty of Business & Economics, The University of Melbourne. Professor in Business Strategy, Melbourne Business School Ltd.  Appointed: 2011	

## MELBOURNE BUSINESS SCHOOL LIMITED

### Directors' Report (continued)

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

<b>Name:</b>	<b>Qualifications:</b>	<b>Experience:</b>	<b>Special responsibilities:</b>
<b>Professor Zeger Degraeve</b>	PhD (Chicago), MBA (Katholieke Universiteit Leuven), BSc (Ghent)	Dean: Melbourne Business School Ltd. Dean: Faculty of Business & Economics: The University of Melbourne. Director: Melbourne Business School Foundation Ltd, Mt Eliza Graduate School of Business and Government Ltd., MBS Management Development (Malaysia) Sdn Bhd  Appointed: 2011	Member: Investment Committee.
<b>Dr. Jacinth Kincaid Fairley</b>	BSc, BVSc (Hons), MBA (Melb), GAICD	Chief Executive Officer and Managing Director: Starpharma Holdings Ltd. Director: Starpharma Pty Ltd., Dendritic Nanotechnologies Inc, Michigan, USA. Member: Investment Committee, Carnegie Venture Capital. Commonwealth Science Council.  Appointed: 2010	Chair: Remuneration & Nominations Committee.
<b>Ms. Jacqueline Hey</b>	BCom (Melb) Graduate Cert. Mgt. (SCU)	Former Managing Director: Ericsson Australia, New Zealand and Pacific Islands. Director: Qantas Airways Ltd., Bendigo & Adelaide Bank Ltd., Australian Foundation Investment Company Ltd., Special Broadcasting Service Corporation., Cricket Australia. Honorary Consul for Sweden in Victoria.  Appointed: 2013	Member: Finance, Audit & Risk Committee; Remuneration & Nominations Committee.

## MELBOURNE BUSINESS SCHOOL LIMITED

### Directors' Report (continued)

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

<b>Name:</b>	<b>Qualifications:</b>	<b>Experience:</b>	<b>Special responsibilities:</b>
<b>Mr. Dean Ireland</b>	MMkt (Melb) BCom (Melb)	Partner: Egon Zehnder.  Appointed: 2014	Member: Remuneration & Nominations Committee.
<b>Ms. Antoinette Kimmitt</b>	B.Bus (Acc), FCA, AICD	Asia Pacific Accounts Leader: Ernst & Young. Director: Airservices Australia, Scale Investors. Chair: Airservices Australia Audit & Risk Committee.  Appointed: 2011	Chair: Finance, Audit & Risk Committee.
<b>Professor Paul Kofman</b>	PhD (Erasmus Universiteit Rotterdam), BEc (Erasmus Universiteit Rotterdam)	Dean: Faculty of Business and Economics, The University of Melbourne.  Appointed: 2013	
<b>Mr. Graeme Richard Liebelt</b>	BEc (Hons) (Adel), FTSE, FAICD, FAIM	Former Managing Director and CEO of Orica Ltd and subsidiaries. Chairman: Amcor Ltd, The Global Foundation. Director: Australian Foundation Investment Company, ANZ Banking Group, Carey Baptist Grammar School.  Appointed: 2008 Retired: September 2015	
<b>Mr. Geoffrey Frederick Lord</b>	BEco (Hons), MBA (Distinction), ASSA, FAICD	Director: UXC Ltd; IDT Ltd; Maxitrans Ltd. Member: Belgravia Group.  Appointed: June 2015	

**MELBOURNE BUSINESS SCHOOL LIMITED**

**Directors' Report (continued)**

Directors' qualifications, experience and special responsibilities (continued)

<b>Name:</b>	<b>Qualifications:</b>	<b>Experience:</b>	<b>Special responsibilities:</b>
<b>Mr. Ari Mervis</b>	BCom	Managing Director: SABMiller Asia Pacific and Chief Executive Officer, Carlton & United Breweries. Chairman: SABMiller India, SABMiller Vietnam, China Resources Snow Breweries.  Appointed: 2012	
<b>Ms. Naomi Milgrom, AO</b>	BA (Monash) Hon DB (RMIT)	Chair and Group CEO: Sportsgirl / Sussan Group of Companies. Director: Magellan Financial Group. Board Advisory Committee: Centre for Ethical Leadership.  Appointed: 2014	Member: Properties & Facilities Committee.
<b>Mr. David Peever</b>	BEcon (JCU); MSc Mineral Economics (Macq)	Managing Director: Rio Tinto Australia. Chair: Cricket Australia. Director: Australian Foundation Investment Company Ltd.  Appointed: 2012	Member: Remuneration & Nominations Committee; Investment Committee.
<b>Mr. Scott Matthew Tanner</b>	B.App Sci (Math) RMIT, MBA (Melb) FAICD	Chief Executive: Bank of Melbourne. Director: Committee for Melbourne. Trustee: Melbourne & Olympic Parks Trust. Fellow: AICD  Appointed: 2011	Member: Investment Committee.
<b>Mr. Frank Peter Zipfinger</b>	LLB LLM (Syd), BA Ec & Fin Studies (Macquarie), MBA (Melb), MAICD	Chairman: Aspen Group Ltd., Investor Relationship Committees, AMP Capital Wholesale Office Fund, AMP Capital Wholesale Shopping Centre Fund. Director: Galileo Japan Trust, Australian Youth Orchestra. Executive Committee, St. Joseph's College Indigenous Fund. Ambassador: Australian Indigenous Education Foundation.  Appointed: 2009	Chair: Properties & Facilities Committee.

## MELBOURNE BUSINESS SCHOOL LIMITED

### Directors' Report (continued) Directors' meetings

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

	Board		Finance, Audit & Risk Committee		Investment Committee		Remuneration & Nominations Committee	
	A	B	A	B	A	B	A	B
Mr. R Barker	4	4	-	-	4	4	4	4
Mr. A Burgess	3	4	2	4	4	4	-	-
Professor G Davis	4	4	-	-	-	-	-	-
Professor Z Degraeve	4	4	-	-	3	4	-	-
Professor D Dow	4	4	-	-	-	-	-	-
Dr. J Fairley	2	4	-	-	-	-	4	4
Ms. J Hey	2	4	4	4	-	-	-	-
Mr. D Ireland	2	4	-	-	-	-	1	3
Ms. A Kimmitt	3	4	5	5	-	-	-	-
Professor P Kofman	4	4	-	-	-	-	-	-
Mr. G Liebelt	3	3	2	3	-	-	3	3
Mr. G Lord	2	2	-	-	-	-	-	-
Mr. A Mervis	1	4	-	-	-	-	-	-
Ms. N Milgrom	1	4	-	-	-	-	-	-
Mr. D Peever	2	4	-	-	3	3	2	4
Mr. S M Tanner	3	4	-	-	2	4	-	-
Mr. F Zipfinger	4	4	-	-	-	-	-	-

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

- (1) Mr. Barker retired from the Finance, Audit & Risk Committee on 5th March 2015.
- (2) Mr. Barker was appointed to the Remuneration & Nominations Committee on 15th January 2015.
- (3) Mr. Burgess was appointed Chairman of the Investment Committee and a member of the Finance, Audit & Risk Committee on 5th March 2015.
- (4) Dr. Fairley was appointed Chairman of the Remuneration & Nominations Committee on 3rd September 2015.
- (5) Ms. Hey was appointed to the Finance, Audit & Risk Committee on 5th March 2015 and the Remuneration & Nominations Committee on 3rd December 2015.
- (6) Mr. Ireland was appointed to the Remuneration & Nominations Committee on 5th March 2015.
- (7) Mr. Liebelt retired from the Board on 3rd September 2015.
- (8) Mr. Lord was appointed to the Board on 16th June 2015.
- (9) Mr. Peever was appointed to the Investment Committee on 5th March 2015.

### Company Secretary

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

## Directors' Report (continued)

### Corporate Governance

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

Melbourne Business School corporate governance incorporates those principles outlined below:

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

### Role of the Board

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

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

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

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

### Board Processes

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

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

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



## Directors' Report (continued)

### Finance, Audit & Risk Committee

The Charter under which the Finance, Audit & Risk Committee operates was reviewed and approved by the Board on 3 December 2014.

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

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

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

Mr R E Barker, BSc (Hons), MBA (Melb). (Retired: March 2015)  
Mr A R Burgess, BCom (Hons) (Melb), MBA (Distinction), Harvard. CPA FFin (Appointed: March 2015)  
Ms J Hey, BCom (Melb), Graduate Cert. Mgt. (SCU) (Appointed: March 2015)  
Ms A Kimmitt (Chair), B.Bus (Acc), FCA, AICD  
Mr G R Liebelt, BEcon (Hons) (Adel), FTSE, FAICD, FAIM. (Retired: September 2015)

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

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

### Investment Committee

The Charter under which the Investment Committee operates was reviewed and approved by the Board on 3 September 2015. The Committee comprises not less than three non-executive directors appointed by the Board and the Dean. The Chair is appointed by the Board.

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

The members of the Investment Committee during the year were:

Mr R E Barker, BSc (Hons) (Melb) MBA (Melb) F Fin  
Mr A R Burgess (Chair), BCom (Hons) (Melb), MBA (Distinction), Harvard. CPA FFin  
Professor Z Degraeve, PhD (Chicago), MBA (Katholieke Universiteit Leuven), BSc (Ghent)  
Mr D Peever, BEcon (JCU); MSc Mineral Economics (Macq) (Appointed: March 2015)  
Mr S M Tanner, B.App Sci (Math) RMIT, FAICD, MBA (Melb)

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

- overall investment objectives and strategy;
- appointment, management and review of the investment advisor; and
- performance of the portfolio.

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

## Directors' Report (continued)

### Remuneration and Nominations Committee

The Charter under which the Remuneration and Nominations Committee operates was reviewed and approved by the Board on 3 September 2015. The Committee comprises not less than two and no more than five members, all of whom shall be non-executive directors appointed by the Board. The Chair is appointed by the Chair of the Board.

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

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

Mr R E Barker, BSc (Hons) (Melb) MBA (Melb) F Fin (Appointed: January 2015)

Dr J K Fairley (Chair), BSc, BVSc (Hons), MBA (Melb), GAICD

Ms J Hey, BCom (Melb), Graduate Cert. Mgt. (SCU) (Appointed: December 2015)

Mr D Ireland, MMkt (Melb), BCom (Melb), (Appointed: March 2015)

Mr G R Liebelt, BEcon (Hons) (Adel), FTSE, FAICD, FAIM (Retired: September 2015)

Mr D Peever, BEcon (JCU); MSc Mineral Economics (Macq)

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

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

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

### Properties and Facilities Committee

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

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

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

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

Mr R E Barker, BSc (Hons) (Melb) MBA (Melb) F Fin

Mr F P Zipfingier, (Chair), LLB LLM (Syd), BA Ec & Fin (Macquarie), MBA (Melb), MAICD

Ms N Milgrom AO, BA (Monash) Hon DB (RMIT)

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

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

The Committee did not meet during 2015.

## MELBOURNE BUSINESS SCHOOL LIMITED

### Directors' Report (continued)

#### General information

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

The Melbourne Business School Foundation Limited was incorporated under the Corporations Law on 20 October 1992 as a Public Company Limited by Guarantee. Mt Eliza Graduate School of Business and Government Limited was incorporated under the Corporations Law on 21 February 1955 as a Public Company Limited by Shares and Guarantee. MBS Management Development (Malaysia) Sdn Bhd was incorporated under the Malaysian Companies Act, 1965 as a Private Company on 5 February 2015.

#### Long term objective

The long term objective of the Melbourne Business School is to be the top Business School in Australia, and one of the best in the world.

#### Short term objectives

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

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

#### Strategies for achieving objectives

In 2015 management of the Melbourne Business School, with the approval of the Board, initiated strategies to meet short and long term objectives. These include:

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

#### Principal activities

The principal activities of the Melbourne Business School during the course of the financial year were the provision of educational services and academic research.

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

## MELBOURNE BUSINESS SCHOOL LIMITED

### Directors' Report (continued)

#### Principal activities assisting the objectives

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

#### Measurement of performance

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

#### Chief Executive Officer

Professor Zeger Degraeve - Dean and School Director

#### Senior Executive Officers

Mr Marc Flipo – Chief Operating Officer

Mr Guy Saunders – Associate Dean Executive Education

Professor Jim Frederickson – Deputy Dean of Faculty and Programs

Ms Laura Bell – Associate Dean Degree Programs

Ms Penny Smith – Executive Director Marketing and Communications (Appointed: August 2015)

Mr Carson Walburn – Executive Director Advancement (Appointed: July 2015)

#### Register of Business Names

Melbourne Business School Alumni

Melbourne Business School Centre for Coaching

Melbourne Business School Centre for Coaching in Organizations

Melbourne Case Study Services

Melbourne School of Marketing

Melbourne Master of Business Administration

Melbourne Executive Education

Mt Eliza Executive Education

Mt Eliza Centre for Executive Education

Mt Eliza Business School

Mt Eliza International

MBS Learning Ecosystem

#### Registered Address

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

## MELBOURNE BUSINESS SCHOOL LIMITED

### Directors' Report (continued)

#### Review and Results of Operations

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

The consolidated profit for the year ended 31 December 2015 was \$14,479; (2014: Loss \$805,598), including realised investment profit of \$nil (2014: Profit \$2,902,022) and impairment loss on financial assets of \$nil (2014: \$1,882) which are shown in the consolidated statement of other comprehensive income.

#### Investments

The investment portfolio is managed by an 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 2015 was \$77,362,672 (including cash and cash equivalents) (2014: \$76,332,239). The average earnings of the portfolio was 5.8% (2014: 5.5%).

#### Dividends

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

#### State of affairs

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

#### Environmental regulation

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

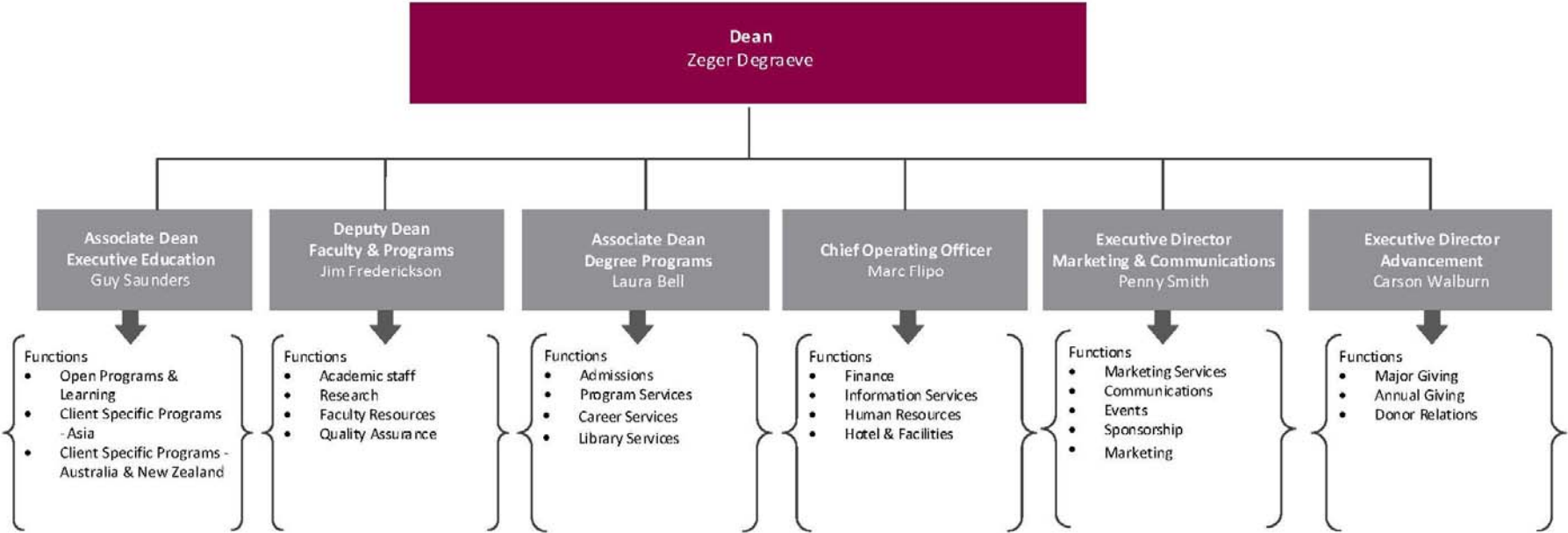
The Company's OH&S policy requires the company to provide a working environment which is safe and to minimise risks to health. The Company is committed to ensuring its staff, students, visitors and all stakeholders are responsible for safety, health, welfare and rehabilitation in the workplace.

#### Events subsequent to Balance Date

No item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, has arisen in the interval between the end of the financial year and the date of this report.

Directors' Report (continued)

Organisational Chart



## MELBOURNE BUSINESS SCHOOL LIMITED

### Directors' Report (continued)

#### Workforce data

<b>Staff numbers as at 31 December</b>	<b>2015</b>	<b>2014</b>
Full Time Equivalent		
- Academics	36	38
- General	163	150
<b>Total</b>	<b>199</b>	<b>188</b>
Casual Staff	47	41

#### Staff of the Company

The Company employed 199 full time equivalent staff at 31 December 2015; (2014: 188), excluding casuals. Staff numbers increased by 11 during the financial year.

#### Likely developments

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

#### Equal Opportunity Policy

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

#### Code of Conduct Policy

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

## 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>	<b>Actual 2015</b>	<b>Actual 2014</b>	<b>Actual 2013</b>	<b>Actual 2012</b>	<b>Actual 2011</b>
Revenue (inclusive of investment income)	66,731	66,015	73,992	63,325	63,787
Profit on sale of investments	-	2,902	-	462	2,661
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	66,731	68,917	73,992	63,787	66,448
<b>Expenses</b>					
Operating expenses (inclusive of finance expense)	66,717	69,721	72,305	63,243	60,952
Loss on sale of investments	-	-	780	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	66,717	69,721	73,085	63,243	60,952
Operating results from ordinary activities	14	(804)	907	544	5,496
Impairment of financial assets	-	(2)	(7)	(570)	(44)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Profit/(loss) for the period</b>	<b>14</b>	<b>(806)</b>	<b>900</b>	<b>(26)</b>	<b>5,452</b>
<b>Net Assets (at year end)</b>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	188,401	175,351	171,287	162,746	144,573



## MELBOURNE BUSINESS SCHOOL LIMITED

### Directors' Report (continued)

#### Consultancy Services

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

<b>Consultants costing less than \$100,000</b>	<b>Project</b>	<b>Expenditure 2015</b>	<b>Expenditure 2014</b>	<b>Future expenditure</b>
<i>In thousands of dollars</i>				
Payments to Consultants	Various	172	346	Unquantified

<b>Consultants costing more than \$100,000</b>	<b>Project</b>	<b>Expenditure 2015</b>	<b>Expenditure 2014</b>	<b>Future expenditure</b>
<i>In thousands of dollars</i>				
Reviu Pty Ltd	MBS-MTE website	-	126	Unquantified
Tom Ryan	Various	114	90	Unquantified
Optiv Pty Ltd	Brand Research	132	-	Unquantified

Number of consultants engaged: 14 were engaged in 2015 (2014: 16).

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

##### *Indemnification*

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

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

The Company has agreed to indemnify the Senior Executive Officers, Professor J Frederickson, Ms L Bell, Mr G Saunders, Ms P Smith and Mr C Walburn for all liabilities to another person (other than the Company or related body corporate) that may arise from their position, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the full amount of such liabilities, including costs and expenses.

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

##### *Insurance Premiums*

Since the end of the previous financial year, the Company has paid insurance premiums of \$23,665 (2014: \$22,019) in respect of the Directors' and Officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including executive officers of the Company and Directors. The insurance premiums relate to:

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

MELBOURNE BUSINESS SCHOOL LIMITED

Directors' Report (continued)

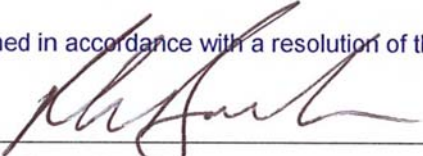
Auditor's Independence Declaration

The auditor's independence declaration is set out on page 20 and forms part of the directors' report for the financial year ended 31 December 2015.

Rounding off


The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors:

  
\_\_\_\_\_

Ross Ernest Barker  
Director

7/3/2016  
Date

  
\_\_\_\_\_

Professor Zeger Degraeve  
Director

7/3/16  
Date



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

To: the directors of Melbourne Business School Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2015 there have been:

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

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Ralph Ferguson', written over the printed name.

Ralph Ferguson  
*Partner*

Melbourne

7 March 2016

**MELBOURNE BUSINESS SCHOOL LIMITED**

**Consolidated income statement**

for the year ended 31 December 2015

*in thousands of dollars*

	Note	2015	2014
<b>Continuing operations</b>			
<b>Revenue</b>			
Operating revenue		60,614	60,638
Non Operating revenue		351	394
Research revenue		1,292	776
<b>Total Revenue</b>		<b>62,257</b>	<b>61,808</b>
<b>Expenditure</b>			
Advertising and promotion		3,734	4,709
Catering and cleaning		1,338	1,375
Consulting and other professional		8,375	7,675
Depreciation and amortisation	3	3,231	3,943
Employee benefits		32,693	33,458
Hire		2,070	1,623
Information technology		1,163	1,585
Library collection		131	48
Other general		1,056	2,104
Production and printing		1,820	1,689
Raw materials and consumables used		2,347	2,595
Rent and outgoings		147	137
Repairs and maintenance		1,236	1,272
Research		1,174	846
Royalties		1,241	1,243
Scholarship payments		1,331	1,651
Travel		2,658	2,735
Utilities		676	732
<b>Total Expenditure</b>		<b>66,421</b>	<b>69,420</b>
<b>Results from operating activities</b>		<b>(4,164)</b>	<b>(7,612)</b>
<b>Finance income</b>			
Investment income	2	4,474	4,207
Profit on sale of investments		-	2,902
		<b>4,474</b>	<b>7,109</b>
<b>Finance expense</b>			
Financial expenses		296	301
Impairment of financial assets	1(k)	-	2
		<b>296</b>	<b>303</b>
<b>Net Finance income</b>		<b>4,178</b>	<b>6,806</b>
Income tax expense	1(q)	-	-
<b>Profit/(Loss) for the year</b>		<b>14</b>	<b>(806)</b>

*The notes on pages 26 to 63 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 2015***in thousands of dollars*

	Note	2015	2014
<b>Profit/(Loss) for the year</b>		<b>14</b>	<b>(806)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign operations - foreign currency translation differences		(28)	-
<i>Items that will never be classified to profit or loss:</i>			
Profit/(loss) on sale of investments		320	-
Net change in fair value of financial assets		(395)	800
Revaluation of property, plant and equipment	8	13,139	4,070
Other comprehensive income		13,036	4,870
Total comprehensive income		<b>13,050</b>	<b>4,064</b>

The notes on pages 26 to 63 are an integral part of these consolidated financial statements.

**MELBOURNE BUSINESS SCHOOL LIMITED**

**Consolidated statement of financial position**

as at 31 December 2015

<i>in thousands of dollars</i>	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	5,965	9,958
Trade and other receivables	6	6,281	6,445
Inventories		38	31
<b>Total Current Assets</b>		<b>12,284</b>	<b>16,434</b>
<b>Non-Current Assets</b>			
Investments	7	72,060	69,033
Property, plant and equipment	8	121,088	108,432
Intangible assets	9	811	679
<b>Total Non-Current Assets</b>		<b>193,959</b>	<b>178,144</b>
<b>Total Assets</b>		<b>206,243</b>	<b>194,578</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	5,345	6,103
Loans and borrowings	12	735	600
Employee benefits	13	5,289	5,126
Deferred income	14	4,819	5,691
<b>Total Current Liabilities</b>		<b>16,188</b>	<b>17,520</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	12	1,184	1,305
Employee benefits	13	470	402
<b>Total Non-Current liabilities</b>		<b>1,654</b>	<b>1,707</b>
<b>Total Liabilities</b>		<b>17,842</b>	<b>19,227</b>
<b>Net Assets</b>		<b>188,401</b>	<b>175,351</b>
<b>Equity</b>			
Reserves	18	100,236	87,401
Capital donations		36,113	36,113
Contributed equity		12,339	12,339
Retained profits		39,713	39,498
<b>Total Equity</b>		<b>188,401</b>	<b>175,351</b>

The notes on pages 26 to 63 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 2015

*in thousands of dollars*

	Contributed equity	Capital donations	Translation Reserve	Asset revaluation reserve fixed assets	Fair value reserve financial assets	Realised capital gains	Library reserve	Accumulated income endowment funds	Retained earnings	Total equity
Balance at 1 January 2014	12,339	36,113	-	67,150	14,718	-	32	915	40,020	171,287
<b>Total comprehensive income</b>										
Profit/(Loss)	-	-	-	-	-	-	-	-	(806)	(806)
Other comprehensive income	-	-	-	4,070	800	-	-	(284)	284	4,870
Total comprehensive income	-	-	-	4,070	800	-	-	(284)	(522)	4,064
<b>Balance as at 31 December 2014</b>	<b>12,339</b>	<b>36,113</b>	<b>-</b>	<b>71,220</b>	<b>15,518</b>	<b>-</b>	<b>32</b>	<b>631</b>	<b>39,498</b>	<b>175,351</b>
Balance at 1 January 2015	12,339	36,113	-	71,220	15,518	-	32	631	39,498	175,351
<b>Total comprehensive income</b>										
Profit/(Loss)	-	-	-	-	-	-	-	-	14	14
Other comprehensive income	-	-	(28)	13,139	(395)	320	-	(201)	201	13,036
Total comprehensive income	-	-	(28)	13,139	(395)	320	-	(201)	215	13,050
<b>Balance as at 31 December 2015</b>	<b>12,339</b>	<b>36,113</b>	<b>(28)</b>	<b>84,359</b>	<b>15,123</b>	<b>320</b>	<b>32</b>	<b>430</b>	<b>39,713</b>	<b>188,401</b>

The notes on pages 26 to 63 are an integral part of these consolidated financial statements.



## Consolidated statement of cash flows

for the year ended 31 December 2015

<i>in thousands of dollars</i>	Note	2015	2014
<b>Cash flows from operating activities</b>			
Cash receipts from customers		66,469	65,023
Cash paid to suppliers and employees		(68,743)	(72,188)
<b>Net cash from/(used in) operating activities</b>	17	<b>(2,274)</b>	<b>(7,165)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		408	11,335
Payments for investments		(3,496)	(8,253)
Interest received		85	99
Investment income		4,276	4,107
Payments for property, plant and equipment / intangibles		(2,150)	(1,907)
<b>Net cash from/(used in) investing activities</b>		<b>(877)</b>	<b>5,381</b>
<b>Cash flows from financing activities</b>			
Payment of finance lease liabilities		(814)	(928)
<b>Net cash from/(used in) financing activities</b>		<b>(814)</b>	<b>(928)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>(3,965)</b>	<b>(2,712)</b>
Cash and cash equivalents at 1 January		9,958	12,670
Effect of movements in exchange rates on cash held		(28)	-
Cash and cash equivalents at 31 December	5	<b>5,965</b>	<b>9,958</b>

The notes on pages 26 to 63 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 a company domiciled in Australia. These consolidated financial statements of the Company for the year ended 31 December 2015 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 controlled entities are not-for-profit entities and are primarily involved in the provision of educational services and academic research.

#### **(ii) Basis of accounting**

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

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

The consolidated financial statements were authorised for issue by the directors on 7 March 2016.

#### **(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 Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars have been rounded off to the nearest thousand dollars, unless otherwise stated.

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (b) Basis of preparation (continued)

##### (iii) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements	Possible impact of consolidated financial statements
IFRS 15 <i>Revenue from Contracts with Customers</i>	<p>IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.</p> <p>IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.</p>	<p>The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS15.</p>

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

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Annual Improvements to IFRSs 2012-2014 Cycle – various standards.

#### (c) Basis of consolidation

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

##### (i) Group

The Group consists of the Melbourne Business School Limited and its subsidiaries; the Melbourne Business School Foundation Limited, the Melbourne Business School Foundation, the Mt Eliza Graduate School of Business and Government Limited.

##### (ii) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### (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.

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (d) Foreign currency

##### Foreign currency transactions

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

#### (e) Foreign Operations

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

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

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the foreign currency differences arising from such items form part of the net investment in the foreign operation. Accordingly, such differences are recognised in OCI and accumulated in the translation reserve.

#### (f) Property, plant and equipment

##### (i) Owned assets

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

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

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (f) Property, plant and equipment (continued)

##### (ii) Leased assets

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

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

##### (iii) Subsequent costs

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

##### (iv) Valuations

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

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

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.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (f) Property, plant and equipment (continued)

##### (v) Depreciation

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

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

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

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

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

#### (g) Intangible assets

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

Amortisation is calculated over the cost of the software, or other amount substituted for cost, less its residual value.

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

#### (i) Subsequent expenditure

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

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (h) Financial instruments

The Group has elected to early adopt Accounting Standard AASB 9 Financial Instruments from 1 January 2015. The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities) is 1 January 2015. AASB 9 requires that an entity classifies its financial assets and liabilities as subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Refer to Note 24 for the impact of application of AASB 9 Financial Instruments.

Investments in equity instruments, which were previously classified as available for sale financial assets, are from 1 January 2015 classified as equity instruments and subsequently are measured at fair value through Other Comprehensive Income.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

#### (i) Non-derivative financial assets and financial liabilities – Recognition and derecognition

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 on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

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

#### (ii) Non-derivative financial assets – Measurement

##### *Financial assets at fair value through other comprehensive income (FVTOCI)*

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

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

The Group has designated all investments in equity instruments, which were previously classified as available for sale financial assets that are not held for trading at FVTOCI on initial application of AASB 9 (refer to note 24).

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (h) Financial instruments (continued)

##### (ii) Non-derivative financial assets – Measurement (continued)

There is also no requirement to test equity investments for impairment with the result that there is no transfer of unrealised impairment losses from the asset revaluation reserve to profit or loss. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a part repayment of the cost of the investment.

##### *Financial assets measured at amortised cost*

A financial asset is classified as subsequently measured at amortised cost if:

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

These assets are initially valued at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

##### (iii) Non-derivative financial liabilities – Measurement

##### *Trade and other payables*

Non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

#### (i) Inventories

Inventories 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.

#### (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 assets measured at amortised cost are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.



## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (k) Impairment (continued)

##### (i) Non-derivative financial assets (continued)

###### *Financial assets measured at amortised cost*

The Group considers evidence of impairment of financial assets measured at amortised cost at both an individual and collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Group uses historical information on the timing of recoveries and the amount of the loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss. When the Group considers there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

##### (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.

#### (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.

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (m) Employee benefits (continued)

##### (iii) Other long-term employee benefits

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

#### (n) Revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from educational services rendered is recognised in the income statement in proportion to the stage of completion at the reporting date. The stage of completion is assessed by reference to modules delivered.

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

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

#### (o) Lease payments

##### (i) Operating lease payments

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

##### (ii) Finance lease payments

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

#### Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met: the fulfilment of the arrangement is dependent on the use of that specific asset, and the arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (p) Finance income and finance costs

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

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

Foreign currency gains and losses are reported on a net basis.

#### (q) Income tax

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

#### (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 finance cost.

#### (t) Use of judgements and estimates

##### (i) Measurement of fair values

The financial report is prepared on the historical cost basis except for the following assets and liabilities:

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

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets and 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.

## Notes to the consolidated financial statements

### 1. Significant accounting policies (continued)

#### (t) Use of judgements and estimates (continued)

##### (i) Measurement of fair values (continued)

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

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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.

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

2. Investment income

<i>in thousands of dollars</i>	<b>2015</b>	<b>2014</b>
Dividends	3,051	2,795
Distributions received	346	419
Interest	76	79
Franking credit refund	1,001	914
	<b>4,474</b>	<b>4,207</b>

3. Depreciation and amortisation expense

<i>in thousands of dollars</i>	<b>2015</b>	<b>2014</b>
Buildings and leasehold improvements	1,834	1,928
Plant and equipment, chattels	414	398
Leased assets	732	850
Intangible assets	251	767
	<b>3,231</b>	<b>3,943</b>

4. Auditors' remuneration

<i>in dollars</i>	<b>2015</b>	<b>2014</b>
Auditors of the Company		
KPMG Australia:		
Audit and review of financial statements	95,790	95,790
KPMG Malaysia:		
Audit and review of financial statements	6,251	-
Other auditors - Auditor General Victoria		
Audit and review of financial statements	4,000	20,300
	<b>106,041</b>	<b>116,090</b>

## Notes to the consolidated financial statements

### 5. Cash and cash equivalents

<i>in thousands of dollars</i>	<b>2015</b>	<b>2014</b>
Bank balances	5,965	9,958
Cash and cash equivalents in the statement of cash flows	<u>5,965</u>	<u>9,958</u>

The Group's exposure to interest rate risks is disclosed in note 7.

### 6. Trade and other receivables

<i>in thousands of dollars</i>	<b>2015</b>	<b>2014</b>
Trade receivables	3,707	4,697
Other receivables	1,752	1,020
Pre-payments	822	728
	<u>6,281</u>	<u>6,445</u>

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

Notes to the consolidated financial statements

7. Financial instruments – Fair values and risk management

(a) Accounting classifications and fair values

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

		Carrying amount				Fair Value			
		Loans and receivables	Fair Value Through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>31 December 2015</b>									
<i>In thousands of dollars</i>									
	<b>Note</b>								
<b>Financial assets measured at fair value</b>									
Equity securities	7(c)	-	70,585	-	<b>70,585</b>	70,585	-	-	<b>70,585</b>
Corporate debt securities	7(c)	-	1,475	-	<b>1,475</b>	-	1,475	-	<b>1,475</b>
		-	<b>72,060</b>	-	<b>72,060</b>	<b>70,585</b>	<b>1,475</b>	-	<b>72,060</b>
<b>Financial assets not measured at fair value</b>									
Cash and cash equivalents	5	5,965	-	-	<b>5,965</b>	-	-	-	-
Trade and other receivables	6	6,281	-	-	<b>6,281</b>	-	-	-	-
		<b>12,246</b>	-	-	<b>12,246</b>	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Trade payables	10	-	-	5,345	<b>5,345</b>	-	-	-	-
Finance lease liabilities	12	-	-	1,919	<b>1,919</b>	-	-	-	-
		-	-	<b>7,264</b>	<b>7,264</b>	-	-	-	-

(i) The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, short term trade receivables, 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

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

(a) Accounting classifications and fair values (continued)

31 December 2014		Carrying amount				Fair Value			
		Loans and receivables	Fair Value Through OCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<i>In thousands of dollars</i>		<b>Note</b>							
<b>Financial assets measured at fair value</b>									
Equity securities	7(c)	-	67,568	-	<b>67,568</b>	67,568	-	-	<b>67,568</b>
Corporate debt securities	7(c)	-	1,465	-	<b>1,465</b>	-	1,465	-	<b>1,465</b>
		-	<b>69,033</b>	-	<b>69,033</b>	<b>67,568</b>	<b>1,465</b>	-	<b>69,033</b>
<b>Financial assets not measured at fair value</b>		(i)							
Cash and cash equivalents	5	9,958	-	-	<b>9,958</b>	-	-	-	-
Trade and other receivables	6	6,445	-	-	<b>6,445</b>	-	-	-	-
		<b>16,403</b>	-	-	<b>16,403</b>	-	-	-	-
<b>Financial liabilities not measured at fair value</b>		(i)							
Trade payables	10	-	-	6,103	<b>6,103</b>	-	-	-	-
Finance lease liabilities	12	-	-	1,905	<b>1,905</b>	-	-	-	-
		-	-	<b>8,008</b>	<b>8,008</b>	-	-	-	-

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



## Notes to the consolidated financial statements

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

#### (b) Measurement of fair values

##### (i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

#### Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Corporate debt securities	<i>Market comparison technique:</i> The fair values are based on the bank bill swap rate (BBSW), which is observable market data.	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 finance lease liability

##### (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 2015 or 2014.

##### (iii) Level 3 fair values

The Group has no Level 3 fair value financial instruments at 31 December 2015 (2014: nil). There were no transfers to or from Level 3 in 2015 or 2014.

## Notes to the consolidated financial statements

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

#### (c) Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

#### (i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Finance, Audit & Risk 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, Audit & Risk 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.

#### Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group 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.

The Finance, Audit & Risk 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.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

## Notes to the consolidated financial statements

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

(c) Financial risk management (continued)

(ii) Credit risk (continued)

#### Exposure to credit risk

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

#### Financial instruments

*in thousands of dollars*

	2015	2014
Cash and cash equivalents	5,965	9,958
Trade and other receivables	6,281	6,445
Equity instruments	72,060	69,033
	<b>84,306</b>	<b>85,436</b>

#### Trade and other receivables

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

<i>in thousands of dollars</i>	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Not past due	1,189	-	1,314	-
Past due 0-30 days	1,533	-	1,457	-
Past due 31-60 days	293	-	987	44
Past due 61-90 days	174	-	302	9
Past due 91+ days	520	2	720	30
	<b>3,709</b>	<b>2</b>	<b>4,780</b>	<b>83</b>

The impairment loss of \$2,000 (2014: \$83,000) relates to customers that are no longer contactable or are disputing the amount of payment. 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 2015, the Group's most significant debtor, being the University of Melbourne, accounted for \$633,000 (2014: \$937,000) of the trade and other receivables carrying amount.

## Notes to the consolidated financial statements

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

(c) Financial risk management (continued)

(ii) Credit risk (continued)

Trade and other receivables (continued)

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

<i>in thousands of dollars</i>	<b>2015</b>	<b>2014</b>
Balance at 1 January	83	4
Impairment loss recognised	-	79
Amounts written off	(81)	-
<b>Balance at 31 December</b>	<b>2</b>	<b>83</b>

The ageing of the Group's other receivables was current (2014: current). There were no impairment losses with respect to other receivables.

#### Debt securities

The Group limits its exposure to credit risk by only investing in liquid debt securities and only with counterparties that have a credit rating of at least 'AA-', based on rating agency Standard & Poor's ratings.

The Group did not have any debt securities that were past due but not impaired at 31 December 2015 (2014: Nil).

#### 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.

#### Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries.

The Company has guaranteed bank facilities of certain Controlled Entities. The maximum credit risk exposure to the Company is \$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 always have sufficient liquidity to meet its liabilities when they are due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company or the Group's reputation.

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

The Group maintains a \$1 million overdraft facility that is secured. Interest would be payable at the current market rate. The bank overdraft facility was not utilised during the 2015 and 2014 financial years.

Notes to the consolidated financial statements

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

(c) Financial risk management (continued)

(iii) Liquidity risk (continued)

Exposure to liquidity risk

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

2015

*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
<b>Non-derivative financial liabilities</b>							
Trade and other payables	5,345	5,345	5,345	-	-	-	-
Finance lease liabilities	1,919	2,053	411	400	676	566	-
	<b>7,264</b>	<b>7,398</b>	<b>5,756</b>	<b>400</b>	<b>676</b>	<b>566</b>	<b>-</b>

2014

*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
<b>Non-derivative financial liabilities</b>							
Trade and other payables	6,103	6,103	6,103	-	-	-	-
Finance lease liabilities	1,905	2,086	360	329	610	787	-
	<b>8,008</b>	<b>8,189</b>	<b>6,463</b>	<b>329</b>	<b>610</b>	<b>787</b>	<b>-</b>

## Notes to the consolidated financial statements

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

#### (c) Financial risk management (continued)

##### (iv) Market risk

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

##### Currency risk

The Group is not materially exposed to any currency risk as the majority of its transactions are of a domestic nature.

##### Interest rate risk

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

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

##### Variable rate instruments

*in thousands of dollars*

	2015	2014
Financial assets	7,440	11,423

##### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at 31 December 2015 would have increased or decreased equity and profit by \$74,400 (2014: \$114,230).

##### Other market price risk

Price risk arises from investments in units in unit trusts and equities. The Investment Committee meets with and receives quarterly reports and advice from the Board appointed Investment Advisors.

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

## Notes to the consolidated financial statements

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

(c) Financial risk management (continued)

(iv) *Market risk (continued)*

Other market price risk (continued)

*Sensitivity analysis – other price risk*

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

<i>in thousands of dollars</i>	<b>2015</b>	<b>2014</b>
Domestic equities at fair value	55,892	55,572
International equities at fair value	6,662	4,150
Fixed Interest Securities at fair value	8,031	7,846
Domestic Bonds at fair value	1,475	1,465
	<b>72,060</b>	<b>69,033</b>

An increase of 100 basis points in the value of the investments at 31 December 2015 would have a \$721,000 increase on equity (2014: \$690,000); an equal change in the opposite direction would have a \$721,000 decrease on equity (2014: \$690,000). There would be no impact on profit or loss as the resultant gain or loss is recognised directly in equity.

MELBOURNE BUSINESS SCHOOL LIMITED

Notes to the consolidated financial statements

8. Property, plant and equipment

<i>in thousands of dollars</i>	Freehold land	Buildings	Plant and equipment	Computer equipment	Chattels/ equipment and facilities	Leased assets	Leasehold Improvements	Library materials	Artworks/ antiques	Work In progress	Total
<b>Fair value or cost</b>											
Balance at 1 January 2014	45,775	56,543	4,724	213	4,098	4,570	-	24	297	756	117,000
Additions	-	-	3	-	20	1,189	-	-	-	1,331	2,543
Transfers	-	8	771	-	436	-	-	-	-	(1,215)	-
Revaluation	4,070	-	-	-	-	-	-	-	-	-	4,070
Accumulated depreciation w riteback	-	-	-	-	-	-	-	-	-	-	-
Disposals/w rite-offs	-	-	-	-	(503)	(2,757)	-	-	-	-	(3,260)
Balance at 31 December 2014	49,845	56,551	5,498	213	4,051	3,002	-	24	297	872	120,353
Balance at 1 January 2015	49,845	56,551	5,498	213	4,051	3,002	-	24	297	872	120,353
Additions	-	-	60	-	-	727	-	-	-	1,707	2,494
Transfers	-	630	196	-	715	-	76	-	-	(1,617)	-
Revaluation	12,425	714	-	-	-	-	-	-	-	-	13,139
Accumulated depreciation w riteback	-	(5,604)	-	-	-	-	-	-	-	-	(5,604)
Disposals/w rite-offs	-	-	(79)	(127)	(983)	(394)	-	-	-	-	(1,583)
Balance at 31 December 2015	62,270	52,291	5,675	86	3,783	3,335	76	24	297	962	128,799



MELBOURNE BUSINESS SCHOOL LIMITED

Notes to the consolidated financial statements

8. Property, plant and equipment (continued)

<i>in thousands of dollars</i>	Freehold land	Buildings	Plant and equipment	Computer equipment	Chattels/ equipment and facilities	Leased assets	Leasehold Improvements	Library materials	Artworks/ antiques	Total
<b>Accumulated depreciation and impairment losses</b>										
Balance at 1 January 2014	-	1,858	3,915	188	2,722	3,086	-	24	26	11,819
Depreciation	-	1,928	106	20	272	850	-	-	-	3,176
Transfers	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation w riteback	-	-	-	-	-	-	-	-	-	-
Disposals/w rite-offs	-	-	-	-	(317)	(2,757)	-	-	-	(3,074)
Balance at 31 December 2014	-	3,786	4,021	208	2,677	1,179	-	24	26	11,921
Balance at 1 January 2015	-	3,786	4,021	208	2,677	1,179	-	24	26	11,921
Depreciation	-	1,818	151	5	256	731	16	-	-	2,977
Transfers	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation w riteback	-	(5,604)	-	-	-	-	-	-	-	(5,604)
Disposals/w rite-offs	-	-	(79)	(127)	(983)	(394)	-	-	-	(1,583)
Balance at 31 December 2015	-	-	4,093	86	1,950	1,516	16	24	26	7,711

MELBOURNE BUSINESS SCHOOL LIMITED

Notes to the consolidated financial statements

8. Property, plant and equipment (continued)

<i>in thousands of dollars</i>	Freehold land	Buildings	Plant and equipment	Computer equipment	Chattels/ equipment and facilities	Leased assets	Leasehold Improvements	Library materials	Artworks/ antiques	Work In Progress	Total
<b>Carrying Amounts</b>											
At 1 January 2014	45,775	54,685	809	25	1,376	1,484	-	-	271	756	105,181
At 31 December 2014	49,845	52,765	1,477	5	1,374	1,823	-	-	271	872	108,432
At 31 December 2015	62,270	52,291	1,582	-	1,833	1,819	60	-	271	962	121,088

## Notes to the consolidated financial statements

### 8. Property, plant and equipment (continued)

#### Freehold land and buildings

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

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

An independent valuation of freehold land and buildings held by Melbourne Business School Limited and Mt Eliza Graduate School of Business and Government Ltd was carried out by Colliers International Consultancy and Valuation Pty Ltd as at 31 December 2015 on the basis of the open market value of the freehold land and its existing use.

It is the general policy of the Group to revalue every 3 years in line with revaluation dates of the University of Melbourne, or from time to time as determined by the Directors. The next planned independent valuation is scheduled for 2018.

#### 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 unobservable 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).

The buildings valuation is categorised as a level 3 fair value based on the inputs to the valuation technique used, being the cost approach. The cost approach considers the depreciated 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 \$714,000 was recognised in OCI with respect to buildings fair value measurement (2014: \$nil)

Total additions to buildings amounted to \$630,000 (2014: \$8,000). There were no transfers into or out of level 3 inputs for buildings valuations during the year (2014: nil).

#### Artwork and antiques

Valuations of the artwork at the Carlton Campus and antiques at the Mt Eliza Campus were carried out during 2012 by independent valuers, AON Risk Solutions and McWilliam & Associates Pty Ltd. The directors have reviewed the carrying value at 31 December 2015 to ensure this has not materially changed.

#### Leased plant and machinery

The Group leases equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2015, the net carrying amount of leased plant and machinery was \$1,819,000 (2014: \$1,823,000). Refer to note 12 for the leasing obligations.

Notes to the consolidated financial statements

9. Intangible assets

<i>in thousands of dollars</i>	Computer Software
<b>Cost</b>	
Balance at 1 January 2014	4,125
Acquisitions	553
Disposals	-
Balance at 31 December 2014	<u>4,678</u>

Balance at 1 January 2015	4,678
Acquisitions	383
Disposals	(131)
Balance at 31 December 2015	<u>4,930</u>

**Accumulated amortisation and impairment losses**

Balance at 1 January 2014	3,232
Amortisation	767
Disposals	-
Balance at 31 December 2014	<u>3,999</u>

Balance at 1 January 2015	3,999
Amortisation	251
Disposals	(131)
Balance at 31 December 2015	<u>4,119</u>

**Carrying amounts**

At 1 January 2014	<u>893</u>
At 31 December 2014	<u>679</u>

At 31 December 2015	<u>811</u>
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## Notes to the consolidated financial statements

### 10. Trade and other payables

<i>in thousands of dollars</i>	2015	2014
Trade payables	1,956	1,586
Accruals	2,938	3,425
Other payables	451	1,092
	<b>5,345</b>	<b>6,103</b>

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

### 11. Financing facilities

<i>in thousands of dollars</i>	2015	2014
<b>Total facilities available</b>		
Bank overdrafts	1,000	1,000
Credit card facility - limited	600	600
Revolving lease/hire purchase	500	500
Bank guarantees	565	565
	<b>2,665</b>	<b>2,665</b>
<b>Facilities utilised at reporting date</b>		
Bank overdrafts	-	-
Credit card facility - limited	1	15
Revolving lease/hire purchase	-	-
Bank guarantees	67	67
	<b>68</b>	<b>82</b>
<b>Facilities not used at reporting date</b>		
Bank overdrafts	1,000	1,000
Credit card facility - limited	599	585
Revolving lease/hire purchase	500	500
Bank guarantees	498	498
	<b>2,597</b>	<b>2,583</b>

#### Bank overdrafts

The bank overdraft facility is secured by a cross guarantee between the Company and its subsidiary Mt Eliza Graduate School of Business and Government Limited.

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

#### Credit card facility

Interest on credit cards is charged at prevailing market rates.

Notes to the consolidated financial statements

12. Loans and borrowings – finance leases

Finance leases are payable as follows:

<i>in thousands of dollars</i>	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2015	2014	2015	2014	2015	2014
Less than one year	811	689	76	89	735	600
Between one and five years	1,242	1,397	58	92	1,184	1,305
More than five years	-	-	-	-	-	-
	<b>2,053</b>	<b>2,086</b>	<b>134</b>	<b>181</b>	<b>1,919</b>	<b>1,905</b>

13. Employee benefits

<i>in thousands of dollars</i>	2015	2014
Liability for annual leave	2,093	2,033
Liability for long service leave	2,769	2,521
Liability for bonuses	427	572
	<b>5,289</b>	<b>5,126</b>
<b>Non-current</b>		
<i>in thousands of dollars</i>		
Liability for long service leave	470	402

Defined contribution plans

The Group makes contributions to UniSuper and several employee accumulation superannuation plans at the rate of 9.5%. The amount recognised as an expense for contributions by the Group for the financial year were \$2,187,991 (2014: \$2,112,000).

## Notes to the consolidated financial statements

### 14. Deferred income

<i>in thousands of dollars</i>	<b>2015</b>	<b>2014</b>
Fees in advance	4,795	5,632
Conference deposits in advance	24	59
	4,819	5,691

### 15. Company limited by guarantee

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

### 16. Consolidated Entities

<b>Parent entity</b>	<b>Country of incorporation</b>	<b>Ownership interest</b>	
		<b>2015</b>	<b>2014</b>
Melbourne Business School Limited		%	%
<b>Significant subsidiaries</b>			
Melbourne Business School Foundation Limited	Australia	100	100
Melbourne Business School Foundation	Australia	100	100
Mt Eliza Graduate School of Business and Government Limited	Australia	100	100
MBS Management Development (Malaysia) Sdn Bhd	Malaysia	100	-

On 5 February 2015 MBS Management Development (Malaysia) Sdn Bhd was incorporated. This entity is responsible for developing and managing the School's Executive Education activities in Malaysia and the wider Asian region. Responsibility for overall management and determining the strategic direction of the entity resides with employees of the Parent entity, Melbourne Business School Ltd, with day to day operations undertaken by three employees operating from the entity's Kuala Lumpur office.

## Notes to the consolidated financial statements

### 17. Reconciliation of cash flows from operating activities

<i>in thousands of dollars</i>	Note	2015	2014
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		14	(806)
<i>Adjustments for:</i>			
(Profit)/loss on sale of investments		-	(2,902)
Depreciation and amortisation	3	3,231	3,942
Write-off property, plant and equipment		-	185
Bad debts		(19)	156
Finance lease costs		102	98
Interest received	2	(76)	(79)
Investment income	2	(4,398)	(4,128)
Impairment of financial assets		-	2
<b>Operating profit</b>		<b>(1,146)</b>	<b>(3,532)</b>
<b>Changes in:</b>			
Trade receivables and other receivables		278	(541)
Inventories		(7)	9
Trade and other payables		(791)	(2,446)
Fees in advance		(872)	(952)
Employee benefits		264	297
<b>Net cash (used)/from operating activities</b>		<b>(2,274)</b>	<b>(7,165)</b>

### 18. Reserves

Nature and purpose of reserves are as follows:

#### Translation reserve

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

#### Asset revaluation reserve – fixed assets

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

#### Fair value reserve – financial assets

The fair value reserve – financial assets comprises the cumulative net change in the fair value of equity instruments.

#### Library reserve

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

#### Accumulated income endowment funds

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



## Notes to the consolidated financial statements

### 19. Key management personnel disclosures

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

#### Melbourne Business School Limited

**Non-Executive Directors**

Mr Ross E Barker  
Mr Anthony R Burgess  
Professor Glyn Davis  
Dr Jacinth K Fairley  
Ms Jacqueline Hey  
Mr Dean Ireland  
Ms Antoinette Kimmitt  
Professor Paul Kofman  
Mr Geoffrey F Lord (Appointed: June 2015)  
Mr Graeme R Liebelt (Retired: September 2015)  
Mr Ari Mervis  
Ms Naomi Milgrom  
Mr David Peever  
Mr Scott M Tanner  
Mr Frank Peter Zipfinger

**Executive Directors**

Professor Zeger Degraeve  
Professor Douglas Dow

**Executives**

Mr Marc Flipo  
Professor Jim Frederickson  
Ms Laura Bell  
Mr Guy Saunders (Appointed: January 2015)  
Ms Penny Smith (Appointed: August 2015)  
Mr Carson Walburn (Appointed July 2015)

#### Melbourne Business School Foundation Limited

**Non-Executive Directors**

Mr Ross E Barker (Retired March 2015)  
Ms Antoinette Kimmitt (Retired March 2015)

**Executive Directors**

Professor Zeger Degraeve  
Mr Marc Flipo (Appointed March 2015)  
Mr Steven Bevis (Appointed March 2015)

#### Mt Eliza Graduate School of Business and Government Limited

**Non-Executive Directors**

Mr Ross E Barker (Retired March 2015)  
Ms Antoinette Kimmitt (Retired March 2015)

**Executive Directors**

Professor Zeger Degraeve  
Mr Marc Flipo (Appointed March 2015)  
Mr Steven Bevis (Appointed March 2015)

#### MBS Management Development (Malaysia) Sdn Bhd

**Executive Directors**

Professor Zeger Degraeve (Appointed: May 2015)  
Mr Marc Flipo (Appointed: May 2015)  
Mr Steven Bevis (Appointed: May 2015)  
Mr Soong Tze Wei (Appointed: February 2015)  
Mr Ian Oswin Noronha (Appointed: February 2015)

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

**Notes to the consolidated financial statements**

**19. Key management personnel disclosures (continued)**

Transactions with key management personnel

(i) Executive officers remuneration

<i>in dollars</i>	<b>2015</b>	<b>2014</b>
Short-term employee benefits	2,754,922	2,496,050
Post-employment benefits	175,022	147,025
Other long term benefits	55,665	55,445
Termination benefits	-	136,477
	<u>2,985,609</u>	<u>2,834,997</u>

**Executive officer's remuneration**

The number of executive officers, other than responsible persons, whose total remuneration falls within the specified bands above \$150,000 are:

Income band (\$)	<b>Total remuneration</b>		<b>Base remuneration</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
\$170,001 - \$180,000	-	1	1	1
\$190,001 - \$200,000	1	-	-	-
\$220,001 - \$230,000	1	-	1	-
\$240,001 - \$250,000	-	-	-	1
\$260,001 - \$270,000	-	1	-	-
\$280,001 - \$290,000	-	1	-	-
\$290,001 - \$300,000	-	-	1	-
\$300,001 - \$310,000	-	-	1	1
\$310,001 - \$320,000	1	-	-	-
\$320,001 - \$330,000	-	-	1	-
\$340,001 - \$350,000	1	-	-	-
\$390,001 - \$400,000	-	1	-	-
\$420,001 - \$430,000	1	-	-	-
\$490,001 - \$500,000	-	1	-	1
\$500,001 - \$510,000	-	-	1	1
\$510,001 - \$520,000	-	-	-	1
\$520,001 - \$530,000	1	1	-	-
\$620,001 - \$630,000	-	-	1	-
\$690,001 - \$700,000	-	1	-	-
\$840,001 - \$850,000	1	-	-	-
Total	<u>7</u>	<u>7</u>	<u>7</u>	<u>6</u>

## Notes to the consolidated financial statements

### 19. Key management personnel disclosures (continued)

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

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

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

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

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

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

#### (iii) Other related party transactions

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

<b>Director:</b>	<b>Shareholding:</b>
Mr R E Barker	Australian Foundation Investment Company Ltd
Mr R E Barker	Mirrabooka Investments Ltd
Mr A R Burgess	Diversified United Investment Ltd
Ms J Hey	Australian Foundation Investment Company Ltd
Ms J Hey	Bendigo & Adelaide Bank Ltd
Mr G R Liebelt	ANZ Bank Ltd
Mr G R Liebelt	Amcor Ltd
Mr G R Liebelt	Australian Foundation Investment Company Ltd
Mr D Peever	Rio Tinto Ltd
Mr D Peever	Australian Foundation Investment Company Ltd
Mr F Zipfinger	AMP Ltd

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

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

## Notes to the consolidated financial statements

### 20. Non-director and executive related parties

#### Other related party transactions

##### Subsidiaries

In 2004, the Company loaned \$1,500,000 to one of its subsidiaries Mt Eliza Graduate School of Business and Government Limited. The Loan is interest free and repayable by 29 March 2019. At 31 December 2015, the amount owed to the Company was \$1,500,000 (2014: \$1,500,000).

The Company has an additional interest free loan to Mt Eliza Graduate School of Business and Government Limited of \$3,700,000 (2014: \$4,151,000) that was drawn down to fund its building improvements. The intercompany loan is repayable on demand. Movements are as follows:

	2015	2014
<i>in thousands of dollars</i>		
Opening balance	4,151	4,721
Additional loans	-	7
Repayments	(451)	(577)
	<b>3,700</b>	<b>4,151</b>

##### 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>	2015	2014
Revenue/(expense)		
Administrative and maintenance services and goods from the University to the Company	(1,557,288)	(1,173,111)
Sales and charges to the University by the Company	1,004,400	918,508
Hire facilities to the University by the Company	210,131	252,427
Educational Management Services to the University by the Company	26,018,903	24,379,233

##### Associated unincorporated entities

The University of Melbourne previously operated a business known as Melbourne University Press. During 2002 this business was split into two businesses; the Melbourne University Bookshop, a Department of the University of Melbourne and Melbourne University Publishing Limited, now a wholly owned subsidiary of the University of Melbourne. All purchases of technical material were made from the Melbourne University Bookshop which in 2015 amounted to \$29,781 (2014: \$11,080) and were on normal commercial terms and conditions.

## Notes to the consolidated financial statements

### 20. 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.

### 21. Commitments and contingencies

Commitments amounted to \$nil (2014: \$464,000).

Contingencies amounted to \$nil (2014: \$nil).

### 22. Subsequent events

No item, transaction or event of a material and unusual nature likely 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 has arisen in the interval between the end of the financial year and the date of this.

Notes to the consolidated financial statements

23. Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2015 the parent entity of the Group was Melbourne Business School Limited.

*in thousands of dollars*

	2015	2014
<b>Result of parent entity</b>		
Profit/(loss) for the year	407	(806)
Other comprehensive income	13,064	4,870
Total comprehensive income for the year	<u>13,471</u>	<u>4,064</u>
<b>Financial position of parent entity at year end</b>		
Current assets	17,894	22,085
Total assets	206,653	194,578
Current liabilities	16,177	17,520
Total liabilities	17,831	19,227
<b>Total equity of the parent entity comprising of:</b>		
Reserves	98,133	87,401
Capital donations	29,993	29,993
Contributed equity	12,339	12,339
Retained profits	48,357	45,618
Total equity	<u>188,822</u>	<u>175,351</u>

Parent entity capital commitments for acquisition of property plant and equipment

*in thousands of dollars*

	2015	2014
<b>Plant and equipment</b>		
Contracted but not yet provided for and payable:		
Within one year	-	464
	<u>-</u>	<u>464</u>

Parent entity contingent liabilities amounted to \$nil (2014: \$nil).

## Notes to the consolidated financial statements

### 24. Adoption of revised AASB 9 Accounting Standard: Financial Instruments

The Group has elected to early adopt Accounting Standard AASB 9 Financial Instruments from 1 January 2015. AASB 9 requires that an entity classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets.

The Group has made an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Gains and losses on equity investments are recognised in other comprehensive income. There is no transfer of other impairment losses from the fair value reserve to profit or loss.

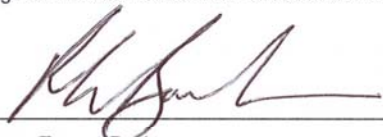
The transition provisions of AASB 9 require the standard to be applied retrospectively but it cannot be applied to investments that were disposed of prior to the initial application date of 1 January 2015. Therefore, investments that were sold prior to 1 January 2015 have been accounted for under the previous standard AASB 139 in profit or loss. The adoption of AASB 9 did not result in changes to opening balances at 1 January 2014.

## Directors' declaration

1. In the opinion of the directors of Melbourne Business School Ltd ("the Company"):
  - a) the consolidated financial statements and notes that are set out on pages 21 to 63 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 2015 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.
2. The directors draw attention to Note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Melbourne: 7 March 2016

Signed in accordance with a resolution of the directors:

  
\_\_\_\_\_  
Ross Ernest Barker  
Director

7/3/2016  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Professor Zeger Degraeve  
Director

7/3/16  
\_\_\_\_\_  
Date



## Independent auditor's report to the members of Melbourne Business School Limited and its controlled entities

### **Report on the financial report**

We have audited the accompanying financial report of Melbourne Business School Ltd (the Company), which comprises the consolidated statement of financial position as at 31 December 2014 and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

This audit report has also been prepared for the members of the Company pursuant to the *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013 (ACNC)*.

### **Directors' responsibility for the financial report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error. In note 1(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents, in accordance with Australian Accounting Standards and the ACNC, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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



**Independent auditor's report to the members of the Melbourne Business School Limited and its controlled entities (continued)**

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

*Auditor's opinion*

In our opinion:

(a) the financial report of the Group is 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 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

KPMG  
KPMG

Ralph Ferguson  
*Partner*

Melbourne

7 March 2016