Kaplan Business School Pty Ltd

ABN 86 098 181 947

Annual report
for the year ended 31 December 2017

Kaplan Business School Pty Ltd ABN 86 098 181 947
Annual report - 31 December 2017

Contents

Your directors present their report on the company for the year ended 31 December 2017.

Directors

The following persons were directors of Kaplan Business School Pty Ltd during the whole of the financial year and up to the date of this report:

Prof Murray Wells
Dr Donald William Stammer
Mr David Jones
Mr Robert William Regan

Principal activities

During the year the principal continuing activities of the company consisted of the provision of courses in the fields of Accounting, Business and Commerce.

Dividends

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2016: $nil).

Review of operations

The profit from ordinary activities after income tax amounted to $9,650,262 (2016: $10,344,068).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the company during the year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2017 that has significantly affected the company's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

The directors expect that the company will continue to carry out its principal activities as detailed above. There are no other known or likely developments which the directors foresee at this time.

Environmental regulation

The company is not affected by any significant environmental regulation in respect of its operations.

Indemnity and insurance of directors and officers

No indemnities have been given or insurance premiums paid during, or since the end of the financial year for any person who is, or has been an officer of the company.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Auditor

PwC Australia continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

Mr Robert William Regan
Director

Sydney
30 April 2018

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Auditor's Independence Declaration

As lead auditor for the audit of Kaplan Business School Pty Ltd for the year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

S.T.M

Shannon Maher
Partner
PricewaterhouseCoopers

Sydney
30 April 2018

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These financial statements cover Kaplan Business School Pty Ltd as an individual entity. The financial statements are presented in the Australian currency.

Kaplan Business School Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

Kaplan Business School Pty Ltd
Level 4, 45 Clarence Street
Sydney NSW 2000

Its principal place of business is:

Kaplan Business School Pty Ltd
Lv8, 532-540 George Street
Sydney NSW 2000

A description of the nature of the entity's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

The immediate parent entity is Kaplan Higher Education Pty Ltd. The ultimate parent entity is The Graham Holdings Company, a company incorporated and domiciled in the United States of America.

The financial statements were authorised for issue by the directors on 30 April 2018. The directors have the power to amend and reissue the financial statements.

Kaplan Business School Pty Ltd
Statement of comprehensive income
For the year ended 31 December 2017

	Notes	2017 $	2016 $
Revenue from continuing operations	4	**30,958,350**	49,116,234
Cost of rendering services		**(10,498,534)**	(19,685,989)
Gain on write off of intercompany loans		**2,897,364**	-
Marketing expenses		**(631,388)**	(1,336,128)
Administrative expenses	5	**(10,172,260)**	(14,050,270)
Profit before income tax		**12,553,532**	14,043,847
Income tax expense	6	**(2,903,270)**	(3,699,779)
Profit for the year		**9,650,262**	10,344,068
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**9,650,262**	10,344,068
Profit is attributable to:			
Owners of Kaplan Business School Pty Ltd		**9,650,262**	10,344,068
Total comprehensive income for the year is attributable to:			
Owners of Kaplan Business School Pty Ltd		**9,650,262**	10,344,068

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Kaplan Business School Pty Ltd
Statement of financial position
As at 31 December 2017

	Notes	2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**7,494,245**	9,907,798
Trade and other receivables	8	**58,672,502**	58,932,059
Total current assets		**66,166,747**	68,839,857
Non-current assets			
Property, plant and equipment	9	**-**	661,845
Deferred tax assets	10	**157,526**	524,330
Investments in subsidiaries	11	**-**	1,000
Total non-current assets		**157,526**	1,187,175
Total assets		**66,324,273**	70,027,032
LIABILITIES			
Current liabilities			
Trade and other payables	12	**25,496,134**	31,024,393
Provisions	13	**444,156**	1,007,876
Unearned income	14	**6,844,348**	13,563,889
Total current liabilities		**32,784,638**	45,596,158
Non-current liabilities			
Provisions	15	**138,486**	679,987
Total non-current liabilities		**138,486**	679,987
Total liabilities		**32,923,124**	46,276,145
Net assets		**33,401,149**	23,750,887
EQUITY			
Contributed equity	17	**200**	200
Retained earnings	18	**33,400,949**	23,750,687
Total equity		**33,401,149**	23,750,887

The above statement of financial position should be read in conjunction with the accompanying notes.

	Contributed equity $	Retained earnings $	Total equity $
Balance at 1 January 2016	200	13,406,619	13,406,819
Profit for the year	-	10,344,068	10,344,068
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**10,344,068**	**10,344,068**
Balance at 31 December 2016	**200**	**23,750,687**	**23,750,887**
Balance at 1 January 2017	200	23,750,687	23,750,887
Profit for the year	-	9,650,262	9,650,262
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**9,650,262**	**9,650,262**
Balance at 31 December 2017	**200**	**33,400,949**	**33,401,149**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**34,599,088**	54,869,061
Payments to suppliers and employees (inclusive of goods and services tax)		**(32,410,453)**	(49,980,420)
Net cash inflow from operating activities	25	**2,188,635**	4,888,641
Cash flows from investing activities			
Payments for property, plant and equipment		**-**	(24,109)
Proceeds from sale of property, plant and equipment		**661,845**	-
Net cash inflow (outflow) from investing activities		**661,845**	(24,109)
Cash flows from financing activities			
Payments to related parties		**(5,264,033)**	(2,603,851)
Net cash (outflow) from financing activities		**(5,264,033)**	(2,603,851)
Net (decrease) increase in cash and cash equivalents		**(2,413,553)**	2,260,681
Cash and cash equivalents at the beginning of the financial year		**9,907,798**	7,647,117
Cash and cash equivalents at the end of the financial year	7	**7,494,245**	9,907,798

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for Kaplan Business School Pty Ltd.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Kaplan Business School Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The financial statements of Kaplan Business School Pty Ltd comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) New and amended standards adopted by the company

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2017 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements to the annual reporting period beginning 1 January 2017.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the company. The company's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 *Financial Instruments* - The company does not expect any impact from the new classification, measurement and recognition rules on the company's financial assets and financial liabilities.
- AASB 15 *Revenue from Contracts with Customers* - Management is currently assessing the effects of applying the new standard on the company's financial statements and will conclude on this prior to the year end 31 December 2018.
- AASB 16 *Leases* - Management is currently assessing the effects of applying the new standard on the company's financial statements and has identified the standard will affect primarily the accounting for the company's operating leases.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Kaplan Business School Pty Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

1 Summary of significant accounting policies (continued)

(b) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Rendering of services

Revenue from the rendering of a service is recognised based on the percentage of completion of the service to the customers.

(ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Unearned revenue

Amounts invoiced and received but not yet earned are recorded as unearned income on the statement of financial position.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

1 Summary of significant accounting policies (continued)

(d) Income tax (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation

Kaplan Australia Holdings Pty Ltd and its wholly owned subsidiaries elected to implement the tax consolidation legislation and form a tax consolidated group.

Each individual entity within the tax consolidated group accounts for its own income tax expense and deferred tax balances following the policy as above. Any current tax balance payable or receivable by the entity based on its own results are accounted for as an intercompany balance to Kaplan Australia Holdings Pty Ltd provided they are recoverable. Kaplan Australia Holdings Pty Ltd records the consolidated tax payable position of the tax consolidated group.

(e) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(f) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(g) Investment in subsidiary

The investment in the company's subsidiary is measured at cost less accumulated impairment.

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1 Summary of significant accounting policies (continued)

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 15 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Receivables from related parties are initially recognised at fair value, carry no interest and are repayable on demand.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Furniture and fittings	3 - 4 years
- Leasehold improvements	5 - 8 years
- Computer equipment	2.5 - 3 years
- Library	3 years
- Motor vehicles	3 years
- Office equipment	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(k) Intangible assets

Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(l) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

Related party payables are non-interest bearing and are carried at cost.

1 Summary of significant accounting policies (continued)

(m) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(n) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2 Financial risk management

(a) Market risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the company's functional currency. The company operates within Australia only, but accepts payment for services from sources outside of Australia. With the exception of management services provided from related entities, all payments received and amounts paid are denominated in Australian dollars which reduces this risk significantly.

(b) Credit risk

Credit risk arises from cash and cash equivalents, held-to-maturity investments, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. The company is part of the Kaplan Group, whose ultimate parent is Graham Holdings Company (GHCo). The company has received confirmation from the parent, via letters of support, that the company will not call in any intercompany loans within the next 12 months and will provide support in the form of capital injections, as required.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the company held cash sufficient to cover its needs in the short and medium term. As the company receives the majority of payments for services in advance of performing the services, Group Treasury is confident that liquidity risk is low.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Revenue

	2017 $	2016 $
From continuing operations		
Sales revenue		
Rendering of services	**30,958,350**	49,116,234
	30,958,350	49,116,234

5 Expenses

	2017 $	2016 $
Profit before income tax includes the following specific expenses:		
Administrative expenses		
Bad and doubtful debts	**31,669**	(4,513)
Bank and merchant fees	**99,908**	269,342
Computer and communications	**26,880**	28,162
Wages and salaries	**6,507,677**	7,968,382
Superannuation expense	**536,166**	570,274
Other employee benefits expense	**50,127**	100,473
Occupancy costs	**2,423,298**	4,226,690
Head office recharge	**5,302**	235,085
Other expenses	**491,233**	656,375
Total administrative expenses	**10,172,260**	14,050,270

6 Income tax expense

(a) Income tax expense

	2017 $	2016 $
Current tax		
Current tax on profits for the year	**2,536,466**	3,699,779
Total current tax expense	**2,536,466**	3,699,779
Deferred income tax		
Decrease (increase) in deferred tax assets (note 10)	**366,804**	-
Total deferred tax expense/(benefit)	**366,804**	-
Income tax expense	**2,903,270**	3,699,779
Income tax expense is attributable to:		
Profit from continuing operations	**2,903,270**	3,699,779

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2017 $	2016 $
Profit from continuing operations before income tax expense	**12,553,532**	14,043,847
Tax at the Australian tax rate of 30.0% (2016 - 30.0%)	**3,766,060**	4,213,154
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	**6,419**	23,533
Sundry items	**(869,209)**	(536,908)
Income tax expense	**2,903,270**	3,699,779

7 Current assets - Cash and cash equivalents

	2017 $	2016 $
Cash at bank and in hand	**7,494,245**	9,907,798

8 Current assets - Trade and other receivables

	2017 $	2016 $
Debtors - students	**73,922**	618,825
Provision for impairment of receivables (a)	**(8,505)**	(48,159)
	65,417	570,666
Related party receivables - other related entities	**58,284,053**	57,692,747
Other receivables (b)	**115,890**	570,063
Prepayments	**207,142**	98,583
	58,672,502	58,932,059

(a) Impaired trade receivables

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2017 $	2016 $
At 1 January	**48,159**	7,009
Provision for impairment recognised during the year	**(12,897)**	265
Receivables written off during the year as uncollectible	**(29,908)**	45,377
Unused amounts reversed	**3,151**	(4,492)
At 31 December	**8,505**	48,159

Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired receivables.

	2017 $	2016 $
Impairment losses		
- Individually impaired receivables	**(29,908)**	45,377
- Movement in provision for impairment	**(12,897)**	265
- Reversal of previous impairment losses	**3,151**	(4,492)

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the company. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

9 Non-current assets - Property, plant and equipment

	Leasehold improvements $	Total $
At 31 December 2016		
Cost	2,020,931	2,020,931
Accumulated depreciation	(1,359,086)	(1,359,086)
Net book amount	661,845	661,845
Year ended 31 December 2017		
Opening net book amount	661,845	661,845
Disposals	(661,845)	(661,845)
Closing net book amount	-	-
At 31 December 2017		
Cost	-	-
Accumulated depreciation	-	-
Net book amount	-	-

10 Non-current assets - Deferred tax assets

	2017 $	2016 $
The balance comprises temporary differences attributable to:		
Employee benefits	**157,526**	524,330
Total deferred tax assets	**157,526**	524,330
Set-off of deferred tax liabilities pursuant to set-off provisions	-	-
Net deferred tax assets	**157,526**	524,330

Movements	Employee benefits $	Total $
At 1 January 2016	1,238,753	1,238,753
(Charged)/credited		
- to profit or loss	(714,423)	(714,423)
At 31 December 2016	524,330	524,330
At 31 December 2016	524,330	524,330
(Charged)/credited		
- to profit or loss	(366,804)	(366,804)
At 31 December 2017	157,526	157,526

11 Non-current assets - Investments in subsidiaries

	2017 $	2016 $
Investment in controlled entity - Bradford College Australia Pty Ltd	**-**	1,000

Bradford College Australia Pty Ltd was deregistered on 24 June 2017.

12 Current liabilities - Trade and other payables

	2017 $	2016 $
Trade payables	**-**	183,603
Related party payables - other related entities	**22,187,711**	26,741,272
Sundry creditors and accruals	**3,308,423**	4,099,518
	25,496,134	31,024,393

13 Current liabilities - Provisions

	2017 $	2016 $
Employee benefits	**444,156**	886,692
Dismantling and rent	**-**	121,184
	444,156	1,007,876

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2017	**Dismantling and rent $**	**Total $**
Carrying amount at the start of the year	121,184	121,184
Disposal of business	(121,184)	(121,184)
Carrying amount at end of year	-	-

14 Current liabilities - Unearned income

	2017 $	2016 $
Unearned income	**6,844,348**	13,563,889

15 Non-current liabilities - Provisions

	2017 $	2016 $
Employee benefits	**138,486**	164,897
Dismantling and rent	**-**	515,090
	138,486	679,987

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2017	**Dismantling and rent** $	**Total** $
Carrying amount at start of year	515,090	515,090
Disposal of business	(515,090)	(515,090)
Carrying amount at end of year	-	-

16 Related party transactions

(a) Parent entities

The immediate parent entity is Kaplan Higher Education Pty Ltd. The ultimate parent entity is The Graham Holdings Company, a company incorporated and domiciled in the United States of America.

(b) Key management personnel compensation

Compensation for the key management personnel of $4,186,875 has been borne by its related party entities Kaplan Australia Pty Ltd and Kaplan International English (Australia) Pty Ltd for the years ending 31 December 2017 and 31 December 2016.

(c) Transactions with other related parties

There were no sales and purchases transactions occurred with related parties during the year (2016: $nil).

(d) Outstanding balances arising from sales/purchases of goods and services

There were no outstanding balances arising from sales and purchases transactions with related parties as at 31 December 2017 (2016: $nil).

(e) Loans to/from related parties

	2017 $	2016 $
Loans to other related parties		
Beginning of the year	**(507,538)**	(457,525)
Loans advanced	**(5,302)**	(50,013)
End of year	**(512,840)**	(507,538)

16 Related party transactions (continued)

(f) Terms and conditions

All transactions with related parties were made on normal commercial terms and conditions and at market rates.

The loans with related parties are unsecured, interest free and repayable on demand.

17 Contributed equity

(a) Share capital

	2017 Shares	2016 Shares	**2017 $**	2016 $
Ordinary shares				
Fully paid	**200**	200	**200**	200

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

18 Retained earnings

Movements in retained earnings were as follows:

	2017 $	2016 $
Balance 1 January	**23,750,687**	13,406,619
Net profit for the year	**9,650,262**	10,344,068
Balance 31 December	**33,400,949**	23,750,687

19 Dividends

Ordinary shares

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2016: $nil).

20 Remuneration of auditors

The audit fees are paid by a related party, Kaplan Australia Pty Ltd.

21 Contingencies

The company had no contingent liabilities at 31 December 2017 (2016: $nil).

22 Commitments

(a) Capital commitments

The company had no capital commitments at 31 December 2017 (2016: $nil).

(b) Lease commitments: company as lessee

Non-cancellable operating leases

	2017	2016
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**-**	842,804
Later than one year but not later than five years	**-**	2,653,082
	-	3,495,886

23 Deed of cross guarantee

Kaplan Australia Holdings Pty Ltd and the group entered into a Deed of Cross Guarantee on 21 September 2006. Entities included in this Deed of Guarantee at that time were Kaplan Australia Holdings Pty Ltd, Kaplan Australia Pty Ltd, Tribeca Learning Pty Ltd and Kaplan Education Pty Ltd.

On 11 November 2008 Kaplan Higher Education Pty Ltd and Kaplan Business School Australia Pty Ltd entered into the Deed of Cross Guarantee, via an Assumption Deed.

24 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company or economic entity in subsequent financial years.

25 Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities

	2017	2016
	$	$
Profit for the year	**9,650,262**	10,344,068
Depreciation and amortisation	**-**	172,633
Write off of investment	**1,000**	-
Gain on write off of intercompany loans	**(2,897,364)**	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	**850,863**	235,566
Decrease in deferred tax assets	**366,804**	714,423
Increase (decrease) in trade and other payables	**2,041,832**	(8,499,936)
(Decrease) increase in unearned income	**(6,719,541)**	1,728,216
(Decrease) increase in other provisions	**(1,105,221)**	193,671
Net cash inflow from operating activities	**2,188,635**	4,888,641

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 23 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date, 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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23.

This declaration is made in accordance with a resolution of directors.

Mr Robert William Regan
Director

Sydney
30 April 2018

Independent auditor's report

To the members of Kaplan Business School Pty Ltd

Our opinion

In our opinion:

The accompanying financial report of Kaplan Business School Pty Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001.*

What we have audited

The financial report comprises:

- the statement of financial position as at 31 December 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2017, including the directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 - Reduced Disclosure Requirements and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Kaplan Business School Pty Ltd for the year ended 31 December 2017 included on Kaplan Australia's web site. The directors of the Company are responsible for the integrity of Kaplan Australia's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

Shannon Maher
Partner

Sydney
30 April 2018