St. Michael's Grammar School

ACN 006 421 861

Financial report

For the year ended 31 December 2017

Page

Financial statements

St. Michael's Grammar School

ACN 006 421 861

Directors' report
31 December 2017

The directors of St. Michael's Grammar School ("the Company") submit herewith the annual financial report of the consolidated entity for the financial year ended 31 December 2017.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Fiona Mead (Chair)

Qualifications	BComm, LLB (Honors), FGIA, MAICD
Experience	Appointed Director 28 April 2014
	Appointed Chair 26 April 2016
Directors' meetings attended	Five of Six

Gabriele Lakomski (Deputy chair)

Qualifications	BA. (Hons), Dip. Ed, M. Ed. PhD
Experience	Appointed Director 22 November 2000
Directors' meetings attended	Six of Six

Andrew Eddy

Qualifications	B.Com, FCA, FCPA, FAICD
Experience	Appointed Director 10 September 2012
	La Trobe University, Deputy Chancellor
Directors' meetings attended	Six of Six

Simon Gipson

Qualifications	BA, GDipEng, DipEd, MEdMgt, FACE, FAIM, FACEL, FAICD
Experience	Appointed Director 1 January 2000
	Resigned 31 December 2017
	Head of the School
	Treasurer and Director of the Centre for Strategic Education
	Member of the Board of Management of Independent Schools Victoria
Directors' meetings attended	Four of Six

Jim Harrington

Qualifications	Dip. Quantity Surveying
Experience	Appointed Director 4 April 2011, Resigned 31 December 2017
Directors' meetings attended	Five of Six

Alana Killen

Qualifications	MBA, M.Ed., Dip T., GAICD
Experience	Appointed Director 27 April 2015
Directors' meetings attended	Five of Six

Jim Moser

Qualifications	BA, MBA
Experience	Appointed Director 26 April 2016
Directors' meetings attended	Four of Six

St. Michael's Grammar School

ACN 006 421 861

Directors' report
31 December 2017

Dale Fisher

Qualifications	BBA MBA
Experience	Appointed Director 26 April 2017
Directors’ meetings attended	Five of Six

Tom Angliss

Qualifications	Grad Dip Property, BB Construction Economics
Experience	Appointed Director 14 November 2017
Directors’ meetings attended	One of Six

Terrie Jones

Qualifications	BA, Grad Dip Ed, Med
Experience	Appointed 1 January 2018
Directors’ meetings attended	Zero of Six

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company secretary

The company secretary to 14 February 2017 was Mr Scott Feehan. Ms Linda Dillon assumed this position from 14 February 2017 until 13 April 2017. Mr Farai Mufuka assumed the position of company secretary from 18 April 2017.

Principal activities

The principal activity of the Company and its controlled entity during the year remained unchanged and was the administration of the educational institution known as St Michael's Grammar School, St Kilda.

Review of operations

The Company has traded profitably throughout the financial year. The operating surplus supports servicing of debt, programmed maintenance and the facilities master plan.

The operating surplus of the consolidated entity for the year amounted to $2,702,825 (2016: $903,726).

Objectives, achievements and specific goals of 2017

St Michael's Grammar School is a non-selective, co-educational, independent, Anglican school, which was established by the Anglican Community of the Sisters of the Church on its current site in 1895.

St Michael's students are educated in a liberal structured learning environment which is derived from the School's unique foundational traditions and values. The School is committed to diversity and inclusivity. It is well known for its innovative teaching programs and pastoral care programs, and is a leader in the areas of technology, outdoor education and the arts.

The School recognises that developing every student's talents and nurturing their emotional and spiritual growth are vital components of the education process, not peripheral to it, and essential to the development of the 'whole person'. Consequently, all teaching staff are expected to take on significant pastoral responsibilities.

St Michael's has approximately 1,280 students from 3-year old kindergarten through to year 12, and employs approximately 314 full-time, part-time and a range of casual staff.

St Michael's is known as a creative, caring school which strives for educational excellence and celebrates the diversity of its community. The School aims to be the benchmark among innovative schools in Australia. St Michael's strives to challenge young minds and to equip students with the skills, knowledge and confidence necessary to engage with life as contributing citizens of the 21st century. The School believes in educating students to communicate and negotiate, think critically, live with dignity, care and compassion, and to respect others and the environment.

St Michael's Grammar School commenced 2017 with similar challenges to the rest of the independent education sector. The continued stagnation in the broader economy, uncertainty in government funding, the decreasing affordability of school fees, and the rising costs of educational provision (amplified by the increasing expectations that schools provide more educational programs, greater pastoral care and small class sizes) have resulted in aggressive competition, heavily discounted fees and reduced numbers of applications. This has increased the complexity and difficulties of effectively running a school like St Michael's in a climate of uncertainty and regulatory ambiguity.

Significant changes in state of affairs

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

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Environmental regulations

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Dividends

The constitution prohibits the payment of a dividend to the members of the Company. Accordingly, the directors do not recommend any payment by way of dividend and no dividends have been declared or paid since the end of the financial year.

Members' guarantee

St. Michael's Grammar School is a Company limited by guarantee and does not have share capital. If the Company is wound up, the constitution states that each member is required to contribute a maximum of $100 each towards meeting any outstandings and obligations of the Company. At 31 December 2017 the number of members was 8 (2016: 7).

Indemnification of officers and auditors

As is common practice in organisations, the Company enters into deeds of indemnity, access and insurance with each member of the board of directors, board committees and the senior leadership team.

During the financial year, the Company incurred a premium in respect of a contract insuring the directors of the Company, and any employee acting as an officer, against liabilities incurred as a director or officer. The contract of insurance prohibits the disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or related body corporate against a liability incurred by such an officer or auditor.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

St. Michael's Grammar School

ACN 006 421 861

Directors' report
31 December 2017

Auditor's independence declaration

The auditor's independence declaration is included on page 8 of the annual report.

Signed in accordance with a resolution of the Board of Directors:

FMead

Fiona Mead
Chair
Melbourne

Dated this 24th day of April 2018

ShineWing Australia
Accountants and Advisors
Level 10, 530 Collins Street
Melbourne VIC 3000
T +61 3 8635 1800
F +61 3 8102 3400
shinewing.com.au

Auditor's Independence Declaration to the directors of St. Michael's Grammar School.

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017 there have been:

(i) No contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit, and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Hayley Underwood
Partner

Melbourne, 24 April 2018

ShineWing AUSTRALIA

ShineWing Australia
Accountants and Advisors
Level 10, 530 Collins Street
Melbourne VIC 3000
T +61 3 8635 1800
F +61 3 8102 3400
shinewing.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ST MICHAEL'S GRAMMAR SCHOOL

Opinion

We have audited the financial report of St Michael's Grammar School Scholarship Fund ("the Company") and its controlled entities ("the Group"), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

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

b) complying with Australian Accounting Standards to the extent described in Note 2 and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013.*

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 are independent of the Group in accordance with the auditor independence 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.

We confirm that the independence declaration required by Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to directors, would be in the same terms if given as at the time of this auditor's report.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the financial reporting responsibilities under the *Australian Charities and Not-for-profits Commission Act 2012.* As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, 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.

In connection with our audit of the financial report, our responsibility is to read the other information 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, 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 are responsible for the preparation of the special purpose financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Australian Charities and Not-for Profits Commission Regulations 2013* and the *Australian Charities and Not-for-profits Commission Act 2012* and is appropriate to meet the needs of the members. The director's responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our 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 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 this financial report.

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

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

We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them, all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Hayley Underwood
Partner

Melbourne, 24 April 2018

St. Michael's Grammar School

ACN 006 421 861

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2017

	Note	2017 $	2016 $
Revenue	2	**42,221,867**	41,320,026
Employee benefits expense		**(25,596,207)**	(24,374,058)
Depreciation and amortisation expense		**(3,125,075)**	(3,042,273)
Property and rental expenses		**(1,964,822)**	(1,998,096)
Educational services expenses		**(2,149,494)**	(2,517,708)
Administration expenses		**(1,053,364)**	(1,080,647)
Marketing expenses		**(573,836)**	(809,199)
Travel and vehicle expenses		**(1,053,778)**	(1,076,944)
Finance costs		**(781,844)**	(878,075)
Other personnel expenses		**(508,418)**	(384,987)
Loss on settlement of defined benefit scheme		**-**	(1,235,000)
Other expenses		**(2,712,204)**	(3,019,313)
Surplus before income tax	3	**2,702,825**	903,726
Income tax expense		**-**	-
Surplus for the year		**2,702,825**	903,726
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net value gain on available-for-sale financial assets		**65,276**	12,563
Actuarial gain on defined benefit plan		**-**	(114,000)
Total other comprehensive income for the year		**65,276**	(101,437)
Total comprehensive income for the year		**2,768,101**	802,289

The accompanying notes form part of these financial statements.

St. Michael's Grammar School

ACN 006 421 861

Consolidated statement of financial position
as at 31 December 2017

	Note	2017 $	2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	20(a)	**13,641,075**	12,482,232
Investments	4	**3,368,898**	3,246,850
Trade and other receivables	5	**3,385,045**	1,068,687
Other assets	8	**492,516**	329,312
TOTAL CURRENT ASSETS		**20,887,534**	17,127,081
NON-CURRENT ASSETS			
Property, plant and equipment	6	**55,766,800**	57,886,525
Intangible assets	7	**111,271**	118,770
TOTAL NON-CURRENT ASSETS		**55,878,071**	58,005,295
TOTAL ASSETS		**76,765,605**	75,132,376
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	**15,704,076**	13,807,081
Borrowings	10	**3,237,510**	3,360,457
Other financial liabilities	11	**106,826**	128,516
Provisions	12	**3,000,140**	2,778,489
TOTAL CURRENT LIABILITIES		**22,048,552**	20,074,543
NON-CURRENT LIABILITIES			
Borrowings	10	**12,103,351**	14,961,478
Provisions	12	**128,785**	379,539
TOTAL NON-CURRENT LIABILITIES		**12,232,136**	15,341,017
TOTAL LIABILITIES		**34,280,688**	35,415,560
NET ASSETS		**42,484,917**	39,716,816
EQUITY			
Reserves	19	**312,491**	247,215
Retained earnings		**42,172,426**	39,469,601
TOTAL EQUITY		**42,484,917**	39,716,816

The accompanying notes form part of these financial statements.

St. Michael's Grammar School

ACN 006 421 861

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Available-for-sale reserve	Retained earnings	Total
	$	$	$
Balance at 1 January 2016	234,652	38,679,875	38,914,527
Surplus for the year	-	903,726	903,726
Other comprehensive income for the year	12,563	(114,000)	(101,437)
Total comprehensive income for the year	12,563	789,726	802,289
Balance at 31 December 2016	247,215	39,469,601	39,716,816
Surplus for the year	-	2,702,825	2,702,825
Other comprehensive income for the year	65,276	-	65,276
Total comprehensive income for the year	65,276	2,702,825	2,768,101
Balance at 31 December 2017	312,491	42,172,426	42,484,917

The accompanying notes form part of these financial statements.

St. Michael's Grammar School

ACN 006 421 861

Consolidated statement of cash flows
for the year ended 31 December 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from parents and customers		**35,915,465**	37,601,106
Receipts from fundraising activities		**55,189**	187,407
Proceeds from government grants		**5,322,956**	5,187,366
Payments to suppliers and employees		**(35,550,687)**	(35,156,545)
Interest received		**243,353**	227,550
Interest and other costs of finance paid		**(791,738)**	(911,159)
Net cash provided by/(used in) operating activities	20	**5,194,538**	7,135,725
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(1,054,621)**	(6,183,990)
Net cash used in investing activities		**(1,054,621)**	(6,183,990)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowing facilities		**-**	1,672,168
Repayment of borrowing facilities		**(2,981,074)**	(524,268)
Net cash provided by/(used in) financing activities		**(2,981,074)**	1,147,900
Net increase/(decrease) in cash and cash equivalents held		**1,158,843**	2,099,635
Cash and cash equivalents at beginning of financial year		**12,482,232**	10,382,597
Cash and cash equivalents at end of financial year		**13,641,075**	12,482,232

The accompanying notes form part of these financial statements.

St. Michael's Grammar School ("the Company") is a company limited by guarantee and does not have share capital.

St. Michael's Grammar School's registered office and its principal place of business is as follows:

25 Chapel Street
ST KILDA VIC 3182

1 Summary of significant accounting policies

Basis of preparation

The directors have prepared the financial statements on the basis that the not-for-profit Company is a non-reporting entity because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

The financial statements have been prepared in accordance with recognition and measurement criteria in the Australian Accounting Standards and the disclosure requirements of AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The significant accounting policies disclosed below are those which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless otherwise stated.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company (referred to as 'the School' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Details of the subsidiary is provided in Note 22.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

(b) Revenue

Revenue from tuition fees, subject levies and other receipts from students are recognised upon the delivery of the service or goods.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

Non-reciprocal grant revenue is recognised in profit or loss when the entity obtains control of the grant, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

1 Summary of significant accounting policies (continued)

(b) Revenue (continued)

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor; otherwise the grant is recognised as income on receipt.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Application fees and confirmation of enrolment fees are recognised upon receipt.

All revenue is stated net of the amount of goods and services tax (GST).

(c) Income tax

The Company is exempt from paying income tax and consequently no charge is made in respect of capital gains or income tax expense. No provision for income tax has been raised as the Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(d) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts, when applicable, are shown within borrowings in current liabilities in the statement of financial position.

(e) Trade and other receivables

Trade and other receivables include amounts due from customers in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(f) for further discussion on the determination of impairment losses.

(f) Financial assets

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

1 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

Available-for-sale financial assets

Listed shares and listed redeemable notes held by the School that are traded in an active market are classified as available-for-sale and are stated at fair value. Investments in managed funds that are not traded in an active market but that are also classified as available-for-sale financial assets are stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in the surplus or deficit when the School's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at fair value through the surplus or deficit, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the surplus or deficit to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity. A significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

(g) Property, plant and equipment

Buildings, plant and equipment, furniture and fittings, motor vehicles and library books are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to its present value as at the date of acquisition.

In the event the carrying amount of property plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(q) for details of impairment).

1 Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Plant and equipment that have been contributed at no cost or for nominal cost are recognised at the fair value of the asset at the date it is acquired.

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Buildings	2.5%
Plant and equipment (including ICT hardware and software)	15-25%
Furniture and fittings	15%
Motor vehicles	20%
Library books	15%

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(h) Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(i) Trade and other payables

Trade and other payables are recognised when the School becomes obliged to make future payments resulting from the purchase of goods and services. Other financial liabilities are initially measured at fair value, net of transaction costs.

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

1 Summary of significant accounting policies (continued)

(j) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Academic staff do not accrue annual leave as they are deemed to take their leave entitlement during the school holidays.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are recognised and measured as the present value of the estimated future cash flows to be made by the School in respect of all employees at the reporting date. Determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Upon the re-measurement of obligations for these long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Company's obligations for long-term employee benefits are presented as non-current employee provisions in its statement of financial position, except where the Company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined benefit obligations

The Company previously provided defined benefit superannuation entitlements to select employees of the Company.

The difference, if any, between the Company's obligation for employees' defined benefit entitlements at the end of the reporting period and the fair value of plan assets attributable to the employees at the same date was presented as a net defined benefit liability (asset) in the statement of financial position. The Company's obligation for defined benefit entitlements, as well as the related current service cost and, where applicable, past service cost, was calculated at the end of each reporting period by an independent and suitably qualified actuary using the projected unit credit method. In determining the Company's obligation for defined benefits, the actuary discounted the present value of the estimated future cash flows attributable to providing the defined benefit entitlements at rates determined by reference to market yields at the end of the reporting period on Australian government bonds that had maturity dates that approximated the terms of the obligation.

Any net defined benefit asset recognised by the Company was limited to the present value of economic benefits available in the form of any future refunds from the employees' defined benefit plan or reductions in future contributions in respect of employees with defined benefit entitlements. In calculating the present value of any such potential economic benefits, consideration was given to any minimum funding requirements that applied with respect to the employees' defined benefit entitlements. An economic benefit was considered available to the Company if it was realisable during the period of the employees' membership of the plan or on settlement of all the employees' entitlements from plan assets.

1 Summary of significant accounting policies (continued)

(j) Employee benefits (continued)

The periodic cost of providing defined benefit entitlements was disaggregated and accounted for as follows:

- service cost (including current and past service costs and any gains or losses on settlements or curtailments) was recognised in profit or loss in the period in which it arose as part of employee benefits expense;
- interest on the net defined benefit liability (asset) was calculated by multiplying the average balance of the liability (asset) during the reporting period by the discount rate applied to the defined benefit obligation and was recognised in profit or loss in the period in which it arose as part of finance costs; and
- remeasurements of the net defined benefit liability (asset) (including actuarial gains and losses, the return on plan assets less amounts included in the net interest on the net defined benefit liability (asset), and any changes in the limit on a net defined benefit asset (excluding interest)) were recognised in other comprehensive income (retained earnings) in the periods in which they occurred.

Effective 31 December 2016, the defined benefit liabilities were crystallised with a transfer value determined for each defined benefit member, including a proportionate distribution of the available assets. The members and transfer values were transferred to an accumulation benefit arrangement. This is considered a settlement under AASB 119 and resulted in a settlement loss of $1,235,000. The loss has been determined as the difference between the defined benefit obligation prior to settlement and the available assets allocated in determining members' transfer values.

(k) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Company as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (Refer to note 1(l)).

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1 Summary of significant accounting policies (continued)

(k) Leases (continued)

Lease incentives

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

(l) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(m) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

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

(n) Critical accounting judgements and key sources of estimation uncertainty

In the application of the School's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based upon historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within.

1 Summary of significant accounting policies (continued)

(n) Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment

The Directors assess impairment of assets at each reporting date by evaluating market and economic conditions at balance date. If an impairment trigger occurs, the market value of the asset is determined and adjustments made to the carrying value where appropriate.

Doubtful debts provision

The doubtful debts provision is determined after analysis of the profile of the debtor file. Each debtor account is analysed and historical trends and information used to determine the likelihood of the settlement of the debt. An overall adjustment is included to cover unforeseen circumstances. The provision is reviewed on an annual basis.

Employee benefits provision

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes.

(o) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost with interest expense recognised as incurred.

(p) Fair value of assets and liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

(q) Impairment of other tangible assets

At each reporting date, the School reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use (based upon depreciated replacement cost), is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to determine the recoverable amount of an individual asset, the School estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

(r) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current period.

(s) Going concern

The financial report has been prepared on the going concern basis. While the consolidated statement of financial position discloses a net current asset deficit of $1,161,018 (2016: $2,947,462) fees billed and/or received in advance of $14,196,199 (2016:$12,515,996) are included in the current liability. These fees billed and/or received in advance will be fully utilised in the operations of the school in the following and future years. The directors therefore believe that the going concern basis of preparation is appropriate.

(t) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

AASB 9: Financial instruments and associated amending standards *(applicable to annual reporting periods beginning on or after 1 January 2018).*

The standard will be applicable retrospectively (subject to the provisions on hedge accounting) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model

1 Summary of significant accounting policies (continued)

(t) New accounting standards for application in future periods (continued)

for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to the hedging of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from contracts with customers *(applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015 8: Amendments to Australian Accounting Standards, Effective Date of AASB 15).*

When effective, this standard will replace the current accounting requirements applicable to revenue with a single, principles based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

This standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

AASB 16: Leases *(applicable to annual reporting periods beginning on or after 1 January 2019).*

When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new standard include:

- Recognition of a right to use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- Depreciation of right to use assets in line with AASB 116: property, plant and equipment in profit or loss and unwinding of the liability in principal and interest components; and
- Additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the standard to comparatives in line with AASB 108: Accounting policies, changes in accounting estimates and errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

AASB 1058: Income recognition by not-for-profits (NFPs) *(applicable to annual reporting periods beginning on or after 1 January 2019).*

When effective, this standard will replace most of the NFP income recognition requirements in AASB 1004 Contributions. The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners.

1 Summary of significant accounting policies (continued)

The purpose of AASB 1058 is to more closely recognise NFP income transactions that are not contracts with customers in accordance with their economic reality. AASB 1058 needs to be considered in conjunction with AASB 15 Revenue from contracts with customers which will also apply to NFPs from 2019.

The main impacts of AASB 1058 are:

- The timing of income recognition will depend on whether there is any performance obligation or other liability. This will result in better matching of income related expenses;
- All NFP entities can elect to recognise volunteer services if they can be reliably measured; and
- NFP lessees will now recognise peppercorn leases as right-of-use assets at fair value.

The transitional provisions of AASB 1058 allow two options for the entity to adopt; being a full retrospective transition, which will require the standard to be applied to current year and prior year comparatives, or a modified retrospective transition which will require the standard to be applied to the current year as though the standard has always applied.

St. Michael's Grammar School

ACN 006 421 861

Notes to the financial statements
for the year ended 31 December 2017

2 Revenue

Operating activities

	Note	Consolidated 2017 $	Consolidated 2016 $
Tuition fees		**29,241,675**	28,377,830
Less allowances		**(2,437,554)**	(2,266,704)
		26,804,121	26,111,126
Donations	21	**407,324**	201,150
Subject charges		**763,611**	683,677
Out of school care charges		**230,685**	277,333
Government grants received – recurrent		**5,320,051**	5,181,379
Government grants received – capital		**2,906**	5,987
Development levy		**6,535,857**	6,263,383
Interest received – other persons		**241,039**	225,878
Rent received		**458,336**	393,179
Commission		**19,766**	2,882
Entry and placement fees		**508,605**	723,342
Functions		**34,205**	87,003
Programs income		**469,268**	811,159
Reunion income		**-**	9,333
Information technology		**10,068**	6,973
Sundry income		**416,025**	336,242
		42,221,867	41,320,026

3 Result for the year

The result for the year was derived after charging / (crediting) the following items:

	2017 $	2016 $
Rental expense on operating leases	**(431,317)**	(489,634)
Loss on settlement of Defined Benefit Scheme	**-**	(1,235,000)
Defined Benefit Scheme expenses	**-**	(140,000)
Bad and doubtful debts:		
- impairment losses recognised on trade receivables	**214,640**	(226,431)

4 Investments

	2017 $	2016 $
Endowment fund	**2,588,676**	2,531,905
SMGS scholarship fund	**780,222**	714,945
	3,368,898	3,246,850

St. Michael's Grammar School

ACN 006 421 861

Notes to the financial statements
for the year ended 31 December 2017

5 Trade and other receivables

	Consolidated	
	2017	**2016**
	$	**$**
Trade receivables	**4,064,369**	1,926,245
Allowance for doubtful debts	**(777,050)**	(947,642)
	3,287,319	978,603
Other receivables	**97,726**	90,084
	3,385,045	1,068,687

6 Property, plant and equipment

Freehold land at cost	**1,294,712**	1,294,712
Buildings at cost	**70,014,756**	69,951,526
Accumulated depreciation	**(19,021,649)**	(17,273,011)
	50,993,107	52,678,515
Plant and equipment at cost	**7,202,150**	6,577,308
Accumulated depreciation	**(4,623,153)**	(3,414,130)
	2,578,997	3,163,178
Furniture and fittings at cost	**2,143,220**	2,097,794
Accumulated depreciation	**(1,822,745)**	(1,705,679)
	320,475	392,115
Motor vehicles at cost	**102,687**	60,739
Accumulated depreciation	**(48,632)**	(40,778)
	54,055	19,961
Library books at cost	**1,014,290**	982,097
Accumulated depreciation	**(913,560)**	(878,566)
	100,730	103,531
Work in progress at cost	**424,724**	234,513
Total property, plant and equipment	**55,766,800**	57,886,525

St. Michael's Grammar School

ACN 006 421 861

Notes to the financial statements
for the year ended 31 December 2017

6 Property, plant and equipment (continued)

Movement in carrying amounts

	Land	Buildings	Plant and equipment	Furniture and fittings	Motor vehicles	Library books	Work in progress	Total
	$	$	$	$	$	$	$	$
Balance at 1 January 2016	1,294,712	33,414,693	2,060,769	299,346	27,218	119,953	17,520,616	54,737,307
Additions	-	59,504	1,524,702	1,167	-	31,838	4,596,178	6,213,389
Depreciation expense	-	(1,857,638)	(998,097)	(123,520)	(7,257)	(48,260)	-	(3,034,772)
Transfers	-	21,061,956	575,804	215,122	-	-	(21,882,281)	(29,399)
Balance at 31 December 2016	**1,294,712**	**52,678,515**	**3,163,178**	**392,115**	**19,961**	**103,531**	**234,513**	**57,886,525**
Additions	-	63,230	624,842	45,426	41,948	32,193	190,211	997,850
Depreciation expense	-	(1,748,638)	(1,209,023)	(117,066)	(7,854)	(34,994)	-	(3,117,575)
Balance at 31 December 2017	**1,294,712**	**50,993,107**	**2,578,997**	**320,475**	**54,055**	**100,730**	**424,724**	**55,766,800**

7 Intangible assets

	Consolidated 2017	2016
	$	$
Advertising board	**150,000**	150,000
Accumulated amortisation	**(38,729)**	(31,230)
Total intangibles	**111,271**	118,770

8 Other assets

Prepayments	**492,516**	329,312

9 Trade and other payables

CURRENT		
Trade payables	**506,285**	600,046
Fees in advance	**14,196,199**	12,515,996
Sundry payables and accrued expenses	**1,001,592**	691,039
	15,704,076	13,807,081

10 Borrowings

	Consolidated 2017 $	Consolidated 2016 $
CURRENT		
Secured liabilities:		
Finance lease	**352,891**	377,457
Bills payable	**2,884,619**	2,983,000
	3,237,510	3,360,457
NON-CURRENT		
Secured liabilities:		
Finance lease	**244,817**	598,325
Bills payable	**11,858,534**	14,363,153
	12,103,351	14,961,478

The financing facilities are secured by:

(a) Registered first mortgages over properties: Unit 1 & 5, 10 Redan Street, St Kilda and 4 Chapel Street, St Kilda.
(b) General Security Agreement with the facility provider over the Company's properties.

11 Other financial liabilities

	2017	2016
CURRENT		
Compulsory loans, enrolment and other deposits	**106,826**	128,516

12 Provisions

	2017	2016
CURRENT		
Employee benefits	**3,000,140**	2,778,489
NON-CURRENT		
Employee benefits	**128,785**	379,539

Provision for employee entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1(j).

13 Auditor's remuneration

	Consolidated	
	2017	**2016**
	$	**$**
Amount received or due and receivable by the auditors for:		
- auditing the financial report, including additional charges for prior year	**39,600**	28,500
- other services - assistance with preparation of financial reports and FBT return	**5,000**	5,000
	44,600	33,500

14 Commitments for expenditure

Computer leases payable:		
Not longer than 1 year	**66,167**	193,661
Longer than 1 year but not longer than 5 years	**75,729**	-
	141,896	193,661
Photocopier leases payable:		
Not longer than 1 year	**160,020**	160,020
Longer than 1 year but not longer than 5 years	**-**	160,020
	160,020	320,040
Other leases payable:		
Not longer than 1 year	**4,932**	4,766
Longer than 1 year but not longer than 5 years	**1,924**	2,096
	6,856	6,862

15 Superannuation commitments

Defined benefit superannuation asset

The Company participated in an employer-sponsored defined benefit superannuation plan in the prior year.

The benefits provided by this plan were based on length of service of the member at retirement.

Employees contributed to the plan at various percentages of their gross income and the Company also contributed at the rate specified by the actuarial review from time to time, but at least every 3 years. Where a deficiency existed in the plan, there is a legally enforceable obligation on the Company to make up the deficiency.

The employer-sponsored defined benefit superannuation plan was closed at 31 December 2016.

Loss on settlement of DBS	**-**	(1,235,000)
Statement of profit or loss - (loss)/gain for superannuation benefits	**-**	(140,000)
Statement of other comprehensive income - (loss)/gain for superannuation benefits	**-**	(114,000)

16 Members' guarantee

St. Michael's Grammar School is a Company limited by guarantee and does not have share capital. If the Company is wound up, the constitution states that each member is required to contribute a maximum of $100 each towards meeting any outstandings and obligations of the Company. At 31 December 2017 the number of members was 8 (2016: 7).

17 Key management personnel compensation

The aggregate compensation made to directors and other key members of management of the Company is set out below:

	2017	2016
	$	$
Short-term employee benefits:		
Salary	**2,119,343**	1,834,928
Superannuation	**175,861**	126,998
Bonus	**-**	-
Non-cash benefits	**-**	33,117
	2,295,204	1,995,043

Non-executive directors received no compensation.

18 Related party transactions

Transactions between St Michael's Grammar School and its related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following directors have/had children attending the School and as such have paid tuition and other fees to the School during the year:

Mr J Harrington
Mrs F Mead
Ms D Fisher
Mr T Angliss

19 Reserves

The available-for-sale reserve represents accumulated gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to the surplus or deficit when those assets have been disposed of or are determined to be impaired.

20 Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

	Consolidated 2017 $	Consolidated 2016 $
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash on hand	**6,050**	6,050
Cash at bank	**13,635,025**	12,476,182
	13,641,075	12,482,232

(b) Reconciliation of result for the year net to cash flows from operating activities

	2017 $	2016 $
Surplus for the year	**2,702,825**	903,726
Cash flows excluded from surplus attributable to operating activities		
Non-cash flows in the surplus:		
- depreciation	**3,117,575**	3,034,773
- amortisation	**7,500**	7,500
- increase/(decrease) in doubtful debts provision	**(170,592)**	226,431
- finance costs recognised on profit or loss	**-**	(59,038)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	**(2,145,765)**	818,800
- (increase)/decrease in other assets	**(137,780)**	1,874,332
- increase/(decrease) in trade and other payables	**191,367**	(634,087)
- increase/(decrease) in fees in advance	**1,680,202**	748,848
- increase/(decrease) in provisions	**(29,104)**	231,700
- increase/(decrease) in compulsory loans, enrolments & other deposits	**(21,690)**	(17,260)
Cash flows from operations	**5,194,538**	7,135,725

21 Analysis of donations

	2017 $	2016 $
Donations comprise the following components:		
General donations	**25,424**	23,700
Scholarship fund	**352,135**	16,508
Building fund	**29,765**	160,942
	407,324	201,150

22 Information about principal subsidiaries

The proportion of ownership interests held equals the voting rights held by the School. The subsidiary's principal place of business is also in its country of incorporation.

Name of subsidiary	Principal place of business	Ownership interest held by the School		Proportion of non-controlling Interests	
		2016	**2015**	**2016**	**2015**
Scholarship Fund	25 Chapel Street ST KILDA VIC 3182	100%	100%	0%	0%

Interest in subsidiaries

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the School's financial statements.

St. Michael's Grammar School

ACN 006 421 861

Directors' declaration

The directors have determined that the Company is not a reporting entity and that these special purpose financial statements should be prepared in accordance with the accounting policies described in Note 1 of the financial statements.

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 31, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:

    (a) comply with Australian Accounting Standards as stated in Note 1; and

    (b) give a true and fair view of the financial position as at 31 December 2017 and of the performance for the year ended on that date in accordance with the accounting policy described in Note 1 of the financial statements.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Mead

Fiona Mead
Chair
Melbourne

Dated this 24th day of April 2018