iCOLLEGE LIMITED

ABN 75 105 012 066

and its controlled entities

ANNUAL REPORT

30 June 2020

Corporate directory

Current Directors

Simon Tolhurst	*Non-executive Chairman*
Ashish Katta	*Managing Director*
Badri Gosavi	*CFO & Executive Director*

Company Secretary

Stuart Usher

Registered Office

Street + Postal: 205 North Quay
Brisbane City
QLD 4000
Telephone: +61 (0)7 3229 6000
Email: investors@icollege.edu.au
Website: Icollege.edu.au

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, 216 St Georges Terrace
PERTH WA 6000
Telephone: +61 (0)8 9226 4500

Solicitors

Andrew Linfoot
Suite 5, 531 Hay Street, Subiaco,
Western Australia

Share Registry

Link Market Services Limited
Street + Postal: Level 12, QV1 Building
250 St Georges Terrace,
PERTH WA 6000
Telephone: 1300 554 474 (within Australia)
+61 (0)8 9211 6670 (International)
Facsimile: +61 (0)8 9287 0303
Email: registrars@linkmarketservices.com.au
Website: https://www.linkmarketservices.com.au

Securities Exchange

Australian Securities Exchange
Level 40, Central Park, 152-158 St Georges Terrace
Perth WA 6000
Telephone: 131 ASX (131 279) (within Australia)
Telephone: +61 (0)2 9338 0000
Facsimile: +61 (0)2 9227 0885
Website: www.asx.com.au
ASX Code ICT

Bankers

Commonwealth Bank Limited
Ground Floor, 50 St Georges Terrace
PERTH WA 6000
NAB
Sunny Bank Plaza, 14 Zamia St
Robertson QLD 4109

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Chairman's Letter

Dear Shareholders,

What a remarkable year. The unprecedented slowing of the Australian economy driven by the emergence of a global pandemic, serves to remind me that there is no place for complacency - only a dynamic and focused company can make the most of the opportunities arising from the chaos of FY2020 and I am proud to say that iCollege is one of those companies. As a business, we have had to move swiftly, to revaluate what we are doing and where best to deploy our resources. We start FY2021 with confidence as a result of the great platform created during FY2020. All credit should go to our dedicated and loyal staff who have shown great resilience during this trying time.

The challenges of FY2020 led me to reflect on the iCollege journey. We are today a respected vocational training organisation with strong business fundamentals and presented with exciting opportunities for growth. This position is in stark contrast to where things were in October 2017 when my fellow director, Ash Katta and I joined the company.

In October 2017, iCollege had a market capitalisation of $2.7 million with a share price of $0.011c. Today, as I write this letter, the business sits at a market capitalisation of $45 million with strong interest and an appreciating share price. We have seen the number of campuses grow from 1 in South Australia to 8 across 4 states. Our CRICOS (international student) allocation was zero and is now 1,300 with 785 active international students. We have worked hard to reign in expenditure and set about adhering to a strategic plan that focussed first and foremost on getting the fundamentals of the business right. We are now well positioned to capitalise on new opportunities as they present.

The company's first half year was strong, posting a half year EBITDA of $673,711. By all accounts, we were well positioned to post our first full year profit, and then the pandemic hit.

Like all businesses who were entitled to assistance, we graciously engaged with Government and accepted all assistance. This has allowed us to be ready and able to roll out new programs in support of the Commonwealth Government's Job Trainer programme. We have engaged with the relevant Federal Ministers and as a consequence, have had early insight into the Commonwealth Governments focus areas in the vocational education space. By reason of this, our geographical reach, as well as having State Government funding contracts in 5 of the 8 States and Territories, and over 40 nationally accredited course offerings, we are well placed to play a significant role in the reskilling and upskilling of Australians who have been displaced from their pre-pandemic employment. We have engaged with well regarded industry leaders, as witnessed by our agreement with the Pharmacy Guild of Australia to jointly make Minister Cash's $80 million infection control skill set initiative readily available to community pharmacies, the real front line of the battle against COVID – 19.

Lastly, I would like to thank our team and our shareholders who have shown unwavering support throughout this challenging time. We have emerged stronger and I am greatly looking forward to sharing many successes with you during the coming months.

Thank you.

SIMON TOLHURST
Chairman

Directors' report

Your directors present their report on the Group, consisting of ICollege Limited (**ICollege** or **the Company**) and its controlled entities (collectively **the Group**), for the financial year ended 30 June 2020.

ICollege is listed on the Australian Securities Exchange (ASX:ICT).

1. Directors

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

Mr Simon Tolhurst	Non-executive Chairman
Mr Ashish Katta	Managing Director
Mr Badri Gosavi	CFO and Executive Director

(**the Directors** or **the Board**)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information of Directors including details of the qualifications of Directors please refer to paragraph 6 Information relating to the directors of this Directors Report.

2. Company secretary

The following person held the position of Company Secretary at the end of the financial year:

- Mr Stuart Douglas Usher

Qualifications	B.Bus, CPA, Grad Dip CSP, MBA, AGIA, ACIS
Experience	Mr Usher is a CPA and Chartered Company Secretary with 25 years of extensive experience in the management and corporate affairs of public listed companies. He holds an MBA from the University of Western Australia and has extensive experience across many industries focusing on Corporate & Financial Management, Strategy & Planning, Mergers & Acquisitions, and Investor Relations & Corporate Governance.

3. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2020.

4. Significant Changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year ended 30 June 2020 other than disclosed elsewhere in this Annual Report.

5. Operating and financial review

5.1. Nature of Operations and Principal Activities

iCollege Limited is a vocational training provider that comprises of six businesses which deliver accredited and non-accredited vocational education and training solutions throughout Australia and internationally. iCollege currently has four registered training organisations (RTOs) based in Australia and an English language testing business partnered with Cambridge Assessment English.

The iCollege training scope assists people looking to develop essential skills and knowledge required to gain employment or advance their careers across a range of industry sectors including construction, aged care, disability, hospitality, business, information technology, English language and health & fitness. These areas of skill development are well aligned to the focus on reskilling Australians who have been impacted by the COVID – 19 pandemic.

iCollege is approved to train both domestic and international students throughout Australia. iCollege currently provides training to a range of existing workers, job seekers and school leavers throughout our eight campuses in Sydney, Brisbane (North Quay and Mt. Gravatt), Gold Coast, Perth, Adelaide and Canberra. iCollege currently holds state government funded training contracts in Queensland, South Australia, Australian Capital Territory, New South Wales and Western Australia providing the business with a significant national footprint for domestic training.

iCollege currently operates four campuses approved by the Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) with allocation for 1,300 students. The CRICOS approved campuses are in Brisbane, Gold Coast and Perth. During the year the company rapidly adapted to the changing situation arising from the COVID-19 Pandemic, with the main action being a swift move to remote learning as campuses closed. Teaching and learning have now resumed at the campuses and commercial kitchens which are operating under a robust safety plan.

Directors' report

5.2. Financial Review

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. The Group recorded a loss for the year of $2,640,237 (2019: $13,495,185 loss).

The Group's revenue increased an impressive 26% to $10,806,163 (2019: $8,542,536) driven by strong enrolments and expansion of existing operations.

The net liabilities of the Group have increased from 30 June 2019 by $2,605,237 to $(3,650,533) at 30 June 2020 (2019: $(1,045,296)).

As at 30 June 2020, the Group's cash and cash equivalents increased from 30 June 2019 by $709,901 to $844,890 at 30 June 2020 (2019: $134,989) and had a working capital deficit of $3,301,197 (2019: $(2,803,581) working capital deficit), as noted in Note 22.1.3 Going Concern on page 58. Please refer to the Operations Review below for additional business segment performance.

5.3. Operations Review

Given the strong results achieved for the half year with the company recording earnings before interest, tax, depreciation and amortization (EBITDA) of $673,711, a maiden profit result for iCollege, and student numbers growing, the Board was confident that the company would deliver a maiden annual net profit in for the full fiscal year. Unfortunately, the effects of the COVID-19 pandemic from early in calendar year 2020 impacted profitability in the second half.

It is important to note that the iCollege business are not reliant on only international enrolments with international students making up 50% of all enrolments and domestic students making up the other 50%. Through its four RTOs iCollege has state government funding contracts in Queensland, South Australia, New South Wales, Australian Capital Territory and Western Australia. These contracts allow the business to deliver state funded training to students across a broad range of subjects including Aged Care, Business, Hospitality, Disability Care, Corrections and Information Technology. The contracts place iCollege in an enviable position to efficiently deliver courses that will be made available to a greatly increased number of participants under the $1 billion Job Trainer initiative announced by the Prime Minister earlier in the year. iCollege is poised and ready to begin delivery of both full qualifications and short courses as and when the detail of the scheme is rolled out during this financial year.

This funding will be administered by each individual state. iCollege has already begun the process of rolling out the Infection Control Skill set, this is being done in partnership with The Pharmacy Guild of Australia in all geographical areas where the business currently holds funding contracts. The Infection Control Skill Set was announced by the Minister and is designed to ensure that staff on the front line are fully equipped to perform their duties as essential workers during the pandemic. Funding of $80 million has been allocated for this training with $40 million being provided by the Federal government and an additional $40 million being provided by the states.

Covid-19 impact

The emergency of the COVID-19 pandemic raised several significant issues for the business to address ensuring that it complied with Government directives and maintained the health and safety of all staff and students. The most significant actions taken by the business were:

- Rapid conversion to online training for International Students ensuring ongoing engagement with the current cohort
- Closure of campuses
- Rationalization of staff hours
- Engagement with government on relevant stimulus packages (JobKeeper, Payroll Tax, Income Boost and QRIDA loan)
- Close engagement with Agent network to facilitate offshore enrolments
- Focus on increasing enrolments for onshore international students
- Development and roll out of infection control skill set
- Partnership with The Pharmacy Guild of Australia
- Meaningful engagement with Federal Ministerial offices

In July all students were required to return to the classroom and kitchen practical classes. Suitable measures are in place under the company's COVID Safe Operating Plan allowing for social distancing and temperature checking of all staff and students. To date the business is pleased to advise that there have been NO cases of COVID-19 at any campus or teaching facility. The board has and will continue to maintain measures ensuring the health and safety of all staff and students.

Directors' report

Tested English (Cambridge Linguaskill) UPDATE

On 30 June the company provided an update on the Linguaskill Cambridge Assessment English partnership. We were pleased to advise that initial sales had been completed with Linguaskill delivering $50,000 in revenue in the fiscal year. Several Universities and Institutions have accepted Linguaskill as an English Language entry examination. They include the University of Queensland, University of Newcastle, University of Wollongong, Monash University, University of Adelaide, Flinders University, Griffith University, University of Technology Sydney, Charles Darwin University, Curtin University, four international Navitas colleges, Redhill Education's Greenwich English College, John Paul International College, Oceania College of Technology and EF Australia.

The company can now also advise that we have completed an agreement with Janison Solutions (Janison), a highly respected Australian owned and operated remote proctoring solution. Janison creates online assessment and learning platforms for governments, educators and corporations that are scalable from hundreds to millions of test-takers and learners. This agreement with Janison allows for our customers to administer Linguaskill tests remotely, during this challenging time, the ability to deliver secure testing to students individually, rather than requiring many students to attend a testing centre is proving extremely popular with our clients who are looking for safe and innovative ways to assess and enrol students even prior to the Australian border opening. This renewed interest and activity has delivered revenues of $25,000 in the first two months of the new fiscal year.

With existing state government funding contracts in 5 of the 8 states and territories, iCollege is extremely well positioned to take advantage of both the Job Trainer initiative and the offshore delivery of training to international students. The company has been busily expanding its domestic base of operations and establishing state government contracts which will provide the mechanism for payment under existing arrangements and will also be the basis used to establish a panel of providers for the JobTrainer initiative.

The short-term focus of the business will be to rapidly expand our domestic training delivery while continuing to work closely with our vast agent network in order to ensure that we have a strong pipeline of study-ready students when international borders reopens to students. We will continue to work closely with industry and government to ensure that we are ready to take advantage of any opportunities as they arise.

With recent growth initiatives put in place, a greater focus on domestic operation in the near-term, and by working with federal and state governments to deliver courses that assist Australia manage its way through this pandemic, the board and executive are confident that iCollege is well positioned for the remainder of fiscal 2021 and is poised to fully capitalise on all opportunities when conditions return to normal.

5.4. Events Subsequent to Reporting Date

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in Note 13 Events subsequent to reporting date on page 50.

5.5. Future Developments, Prospects and Business Strategies

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

5.6. Environmental Regulations

The Group's operations are not subject to significant environmental regulations in the jurisdictions it operates in, namely Australia.

The Directors have considered the enacted *National Greenhouse and Energy Reporting Act 2007* (the NGER Act) which introduced a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act has no effect on the Company for the current, nor subsequent, financial year. The Directors will reassess this position as and when the need arises.

Directors' report

6. Information relating to the directors

Mr Simon Tolhurst	Non-executive Chairman Non-independent
Qualifications	Bachelor of Laws, Master of Laws (Hons), Grad Dip legal Practice, Solicitor to Supreme Court Queensland, Solicitor High Court of Australia
Experience	Mr Tolhurst is a Partner at national law firm, HWL Ebsworth and has 25 years' experience managing complex legal projects. He is also a director and sits on the board of a number of private companies including a coal exploration company and retail truck tyre distributor. As such, Mr Tolhurst has a clear understanding of the business process, governance, problem solving and teamwork. Mr Tolhurst has been named in The Australian Financial Review's Best Lawyers® as one of Australia's best lawyers in the litigation category and has also been recognised in Doyle's Guide as a leading commercial Litigation & Dispute Resolution lawyer. He is also part of the HWL Ebsworth National Competition Law and Anti-Trust Group that has been recognised as a leading firm by both Chambers and Legal 500. Mr Tolhurst is also Chairman of 'Share the Dignity Limited', an Australian charity.
Interest in Shares and Options	7,015,467 Ordinary Shares
Directorships held in other listed entities during the three years prior to the current year	None
Ashish Katta	Managing Director Non-independent
Qualifications	MAICD, MBA
Experience	On 15 August, Mr Katta, through Sero Learning, became a significant shareholder of iCollege. Mr Katta's appointment significantly strengthens the education experience within the company. Mr Katta is working with the existing team on expanding current business opportunities and operations. Mr Katta has significant experience in the development of VET training and CRICOS businesses both domestically and internationally. Mr Katta has enjoyed a successful business career building a variety of businesses in various sectors including retail, IT and education. Mr Katta is passionate about the education sector and has successfully built and run his own education businesses. Mr Katta is a member of Australian Institute of Company Directors and serves as a director on private company Boards in Australia and overseas. He has an MBA from the University of Ballarat where he specialised in International Management.
Interest in Shares and Options	73,050,000 Ordinary Shares
Directorships held in other listed entities during the three years prior to the current year	None

Directors' report

Mr Badri Gosavi
- Executive Director
  Non-independent

Qualifications
- B.Bus

Experience
- Badri Gosavi successfully applied for a student visa to Australia at 15, having undertaken a bridging course owing to his young age, to gain entry into the first Navitas College, Perth Institute of Business and Technology.

  Following successful completion of this course Badri was accepted to Edith Cowan University where he completed his Bachelor of Business majoring in accounting and finance.

  Following studies and at the age of 20, Badri opened the first of 6 successful restaurants in Perth.

  Since then Mr Gosavi has expanded has business interests to include a mining joint venture with MMG in Zambia. He brings significant experience in international business with specific expertise in India, Africa and Malaysia.

  Mr Gosavi's experience in managing and growing smaller businesses leaves him well placed to contribute to the growth of iCollege concentrating on financial responsibility, reduction of unnecessary expenses and the robust management of ongoing costs to the business.

Interest in Shares and Options
- 10,000,000 Ordinary Shares

Directorships held in other listed entities during the three years prior to the current year
- None

7. Meetings of directors and committees

During the financial year, six meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

<table>
<tr><th></th><th colspan="2">DIRECTORS' MEETINGS</th><th colspan="2">REMUNERATION AND NOMINATION COMMITTEE</th><th colspan="2">FINANCE AND OPERATIONS COMMITTEE</th><th colspan="2">AUDIT COMMITTEE</th></tr>
<tr><th></th><th>Number eligible to attend</th><th>Number Attended</th><th>Number eligible to attend</th><th>Number Attended</th><th>Number eligible to attend</th><th>Number Attended</th><th>Number eligible to attend</th><th>Number Attended</th></tr>
<tr><td>Simon Tolhurst</td><td>6</td><td>6</td><td colspan="6" rowspan="3">At the date of this report, the Audit, Nomination, and Finance and Operations Committees comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.</td></tr>
<tr><td>Ashish Katta</td><td>6</td><td>6</td></tr>
<tr><td>Badri Gosavi</td><td>6</td><td>6</td></tr>
</table>

8. Indemnifying officers or auditor

8.1. Indemnification

The Company has agreed to indemnify all the directors of ICollege for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

8.2. Insurance premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. In accordance with the policy, the amount of premium cannot be disclosed.

Directors' report

9. Options

9.1. Unissued shares under option

At the date of this report, the unissued ordinary shares of the Company under option (listed and unlisted) are as follows:

Grant Date	Date of Expiry	Exercise Price $	Number under Option
10 July 2020	10 July 2023	0.05	10,000,000

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

9.2. Shares issued on exercise of options

No ordinary shares have been issued by the Company during the financial year as a result of the exercise of options (2019: Nil).

10. Non-audit services

During the year, Bentleys Audit and Corporate (WA) Pty Ltd, the Company's auditor, provided no services in addition to their statutory audits. Non-audit fees amounted to $nil (2019: $nil). Details of remuneration paid to the auditor can be found within the financial statements at Note 17 Auditor's Remuneration on page 51.

In the event that non-audit services are provided by Bentleys Audit and Corporate (WA) Pty Ltd, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth). These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

11. Proceedings on behalf of company

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) 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* (Cth).

12. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2020 has been received and can be found on page 14 of the annual report.

DIRECTORS' REPORT

13. Remuneration report (audited)

The information in this remuneration report has been audited as required by s308(3C) of the *Corporations Act 2001* (Cth).

13.1. Key management personnel (**KMP)**

For the purposes of this report key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company and all KMP. KMP comprise the directors of the Company and key executive personnel:

- Mr Simon Tolhurst — Non-executive Chairman
- Mr Ashish Katta — Managing Director
- Mr Badri Gosavi — CFO and Executive Director

13.2. Principles used to determine the nature and amount of remuneration

a. Remuneration Governance

Due to the present size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. The Board has adopted the following policies for Directors' and executives' remuneration.

To assist the Board to fulfil its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter. The Remuneration Committee Charter is available on the Company's website at www.icollege.edu.au.

Remuneration of Directors and senior management is determined with regard to the performance of the Company, the performance and skills and experience of the particular person and prevailing remuneration expectations in the market. Details of remuneration of Directors and Key Management Personnel are disclosed in the Remuneration Report. The performance and remuneration of the senior management team will be reviewed in the future at least annually.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

b. Remuneration committee

Currently the responsibilities of the Remuneration Committee are undertaken by the full Board.

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the CEO and the executive team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality KMP.

c. Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

(1) Non-executive director remuneration

Non-executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. This limit is currently set at $260,000. Any newly appointed Non-executive Directors will serve in accordance with a standard service contract, drafted by the Company's lawyers, which sets out remuneration arrangements. There are no termination or retirement benefits for non-executive Directors (other than for superannuation). Non-executive Directors may be offered options as part of their remuneration, subject to shareholder approval.

The remuneration of non-executive directors for the period ended 30 June 2020 is detailed in section 13.3 of this remuneration report.

13. Remuneration report (audited)

(2) Executive remuneration

Senior executives, including Executive Directors, are engaged under the terms of individual employment contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any directors' fees in addition to their remuneration arrangements. Base salary/consulting fees are set to reflect the market salary for a position and individual of comparable responsibility and experience. Base salary/consulting fees are regularly compared with the external market and during recruitment activities generally. It is the policy of the Company to maintain a competitive salary structure to ensure continued availability of experienced and effective management and staff.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Details of the nature and amount of each element of each Director, including any related company and each of the officers of the Company receiving the highest emoluments are detailed in section 13.3 of this remuneration report.

d. Fixed Remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The fixed remuneration component of the company executives is detailed in section 13.3 of this remuneration report.

e. Variable Remuneration

The aggregate of annual payments available for KMP across the Group is subject to the approval of the Remuneration Committee During the year.

f. Performance Based Remuneration – Short-term and long-term incentive structure

The Board will review short-term and long-term incentive structures from time to time. Any incentive structure will be aligned with shareholders' interests

- Short-term incentives

  No short-term incentives in the form of cash bonuses were granted during the year.

- Long-term incentives

  The Board has a policy of granting incentive options and performance rights to KMP with exercise prices above market share price. As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Group increases sufficiently to warrant exercising the incentive options granted.

The executive Directors will be eligible to participate in any short term and long-term incentive arrangements operated or introduced by the Company (or any subsidiary) from time to time.

g. Service Contracts

Remuneration and other terms of employment for the directors and other KMP are formalised in contracts of employment.

(1) Mr Ashish Katta – Managing Director

Mr Ashish Katta has entered into an Executive Services Agreements (**ESA**) on 12 February 2018 with the Company to be employed as Managing Director upon and subject to the terms and conditions of the ESA. On 1 January 2020 Mr Katta signed a variation agreement as detailed in (A) (i) below. The key terms of these agreements are disclosed below:

DIRECTORS' REPORT

13. Remuneration report (audited)

(A) **Remuneration**

(i) Mr Katta receives a salary, inclusive of superannuation, of $180,000 per year (up to 31 December 2019), effective 1 January 2020 total salaries inclusive of superannuation increased to $213,525, on a total employment cost basis, which will be reviewed annually by the Company (**Salary**).

(ii) Mr Katta will not receive any further director's fees in addition to the Salary from the Company during such period as Mr Katta serves as a director of the Company as determined by the Board.

(iii) In addition, the Company may subject to company profitability and breakeven during the term of the ESA pay Mr Katta a performance-based bonus of an amount to be determined by the Board. In determining the extent of any performance-based bonus, the Company shall take into consideration the key performance indicators of Mr Katta and the Company, as the Company may set from time to time, and any other matter that it deems appropriate.

(iv) The Company will reimburse Mr Katta for all reasonable travelling intra/interstate or overseas, accommodation, and general expenses incurred in the performance of all duties in connection with the business of the Company and its related bodies corporate

(v) Mr Katta is entitled to all leave in accordance with the National Employment Standard (**NES**) and Queensland long service leave legislation.

(B) **Termination by the Company without reason**

The Company may at its sole discretion terminate employment by giving twelve months' written notice and, at the end of that notice period, making a payment to Mr Katta equal to the salary payable over a twelve-month period. The Company may elect to pay Mr Katta the equivalent of the twelve months' salary and dispense with the notice period.

The Company may also terminate on the basis of performance and unsatisfactory performance against performance indicators if for a period of not less than six weeks the performance has not improved. The company may terminate after this period without any further notice.

(C) **Termination by Mr Katta**

Mr Katta may at his sole discretion terminate the Employment in the following manner:

(i) if at any time the Company commits any serious or persistent breach of any of the provisions contained in the ESA and the breach is not remedied within 28 days of receipt of written notice from Mr Katta to the Company to do so, by giving notice effective immediately; or

(ii) by giving twelve months' written notice to the Company.

(2) Mr Badri Gosavi – Executive Director and Chief Financial Officer

Mr Badri Gosavi has agreed to enter into an Executive Services Agreements (ESA) with the Company, as an Executive Director and Chief Financial Officer upon and subject to the terms and conditions of the ESA. On 1 January 2020 Mr Gosavi signed a variation agreement as detailed in (A) (i) below. The key terms of the agreements will be as follows:

(A) **Remuneration**

(i) Mr Gosavi receives a salary, of $150,000 per year plus superannuation (up to 31 December 2019), effective 1 January 2020 Mr Gosavi received a service fee of $4,106.25 per week plus GST, on a total employment cost basis, which will be reviewed annually by the Company (**Salary**).

(ii) Mr Gosavi will not receive any further director's fees in addition to the Salary from the Company during such period as Mr Gosavi serves as a director of the Company as determined by the Board.

(iii) In addition, the Company may, subject to company profitability and breakeven during the term of the ESA, pay Mr Gosavi a performance-based bonus of an amount to be determined by the Board. In determining the extent of any performance-based bonus, the Company shall take into consideration the key performance indicators of Mr Gosavi and the Company, as the Company may set from time to time, and any other matter that it deems appropriate.

(iv) The Company will reimburse Mr Gosavi for all reasonable travelling intra/interstate or overseas, accommodation, and general expenses incurred in the performance of all duties in connection with the business of the Company and its related bodies corporate

(v) Mr Gosavi is entitled to all leave in accordance with the National Employment Standard (**NES**) and Queensland long service leave legislation.

DIRECTORS' REPORT

13. Remuneration report (audited)

(B) **Termination by the Company without reason**

The Company may at its sole discretion terminate employment by giving twelve months' written notice and, at the end of that notice period, making a payment to Mr Gosavi equal to the salary payable over a twelve-month period. The Company may elect to pay Mr Gosavi the equivalent of the twelve months' salary and dispense with the notice period.

The Company may also terminate on the basis of performance and unsatisfactory performance against performance indicators if for a period of not less than six weeks the performance has not improved. The company may terminate after this period without any further notice.

(C) **Termination by Mr Gosavi**

Mr Gosavi may at his sole discretion terminate the Employment in the following manner:

(i) if at any time the Company commits any serious or persistent breach of any of the provisions contained in the ESA and the breach is not remedied within 28 days of receipt of written notice from Mr Gosavi to the Company to do so, by giving notice effective immediately; or

(ii) by giving twelve months' written notice to the Company.

h. Engagement of Remuneration Consultants

During the financial year, the Company did not engage any remuneration consultants.

i. Relationship between Remuneration of KMP and Earnings

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Remuneration has not been linked to performance. The historical details in relation to the Group's performance has also not been disclosed on this basis.

j. Voting and comments made at the Company's 2019 Annual General Meeting (**AGM**)

At the Annual General Meeting held on 28 November 2019, the company received 59,863,335 (99.8%) *Yes* votes and 131,500 (0.2%) *Against* and Nil *Abstain* on its remuneration report for the 2019 financial year. The Group did not employ a remuneration consultant during the year.

13.3. Directors and KMP remuneration

Details of the remuneration of the Directors and KMP of the Group (as defined in AASB 124 Related Party Disclosures) are set out in the following table.

2020 – Group										
Group KMP	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity	Options	
	$	$	$	$	$	$	$	$	$	$
Simon Tolhurst[1]	-	-	-	-	-	-	-	50,000	-	50,000
Ash Katta	195,603	-	-	-	9,610	-	-	-	-	205,213
Badri Gosavi	164,938	-	-	-	-	-	-	-	-	164,938
	360,541	-	-	-	9,610	-	-	50,000	-	420,151

(1) Mr Tolhurst has elected to receive ordinary shares in lieu of director fees, approved by shareholders at each AGM.

13. Remuneration report (audited)

2019 – Group	Short-term benefits				Post-employment benefits	Long-term benefits	Termination benefits	Equity-settled share-based payments		Total
Group KMP	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other		Equity	Options	
	$	$	$	$	$	$	$	$	$	$
Simon Tolhurst[(1)]	-	-	-	-	-	-	-	112,100	-	112,100
Ash Katta	165,138	-	-	-	-	14,862	-	-	-	180,000
Badri Gosavi	174,923	-	-	-	-	3,508	-	-	-	178,431
Daniel Moore [(2)]	4,500	-	-	-	-	-	-	-	-	4,500
	344,561	-	-	-	-	18,370	-	112,100	-	475,031

(1) Mr Tolhurst has elected to receive ordinary shares in lieu of director fees, approved by shareholders at each AGM.
(2) Resigned on 17 August 2018.

13.4. Share-based compensation

The Group believes that encouraging its directors and executives to become shareholders is the best way of aligning their interests with those of its shareholders. At present the Group does not have an employee share option plan.

877,193 shares were issued as share based compensation during the year (2019: 4,536,605)

There were no equity instruments issued during the year to Directors as a result of options exercised that had previously been granted as compensation.

a. Securities received that are not performance-related

No members of KMP are entitled to receive securities that are not performance-based as part of their remuneration package.

13.5. KMP equity holdings

a. Fully paid ordinary shares of ICollege Limited held by each KMP

The number of ordinary shares in the Company held during the financial year by each Director of iCollege Limited and any other KMP of the Company, including their personally related parties, are as follows.

There were 877,193 shares granted to Directors (2019: 1,624,637). There were no shares issued upon exercise of options (2019: nil).

2020 – Group *Group KMP*	Balance at start of year No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year No.	Balance at end of year No.
Simon Tolhurst[(1)]	5,774,637	877,193	-	363,637	7,015,467
Ash Katta	73,050,000	-	-	-	73,050,000
Badri Gosavi	10,000,000	-	-	-	10,000,000
	88,824,637	877,193	-	363,637	90,065,467

(1) Other changes during the year related to shares purchased on market.

Directors' report

13. Remuneration report (audited)

13.5 KMP equity holdings (cont.)

b. Options in ICollege Limited held by each KMP

The number of options over ordinary shares in the Company held during the financial year by each Director of iCollege Limited and any other KMP of the Group, including their personally related parties, are as follows:

2020 – Group *Group KMP*	Balance at start of year No.	Granted as Remuneration during the year No.	Exercised during the year No.	Other changes during the year No.	Balance at end of year No.	Vested and Exercisable No.	Not Vested No.
Simon Tolhurst	-	-	-	-	-	-	-
Ash Katta	-	-	-	-	-	-	-
Badri Gosavi	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

13.6. Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, rights and shareholdings.

13.7. Other transactions with KMP and or their Related Parties

There is a loan outstanding payable to Mr Ash Katta of $484,724 at year end (2019: $337,657) being an amount payable as a result of an equity sell-down completed pre-acquisition. No Interest is accrued on the loan and will be repaid to him as and when he provides notice to the company subject to available cash and sufficient working capital remaining in the company.

There is a loan outstanding receivable from Sero Learning Pty Ltd, of which Mr Ash Katta is a Director of $172,169 at year end (2019: $207,139). There is a right of set-off in place on which the amount is net off against the amount owing to Ash Katta. This results in a net payable of $312,555.

There is a loan outstanding payable to Mr Badri Gosavi of $13,781 (2019: $12,743) being an amount payable for short – term funding. No interest is accrued on the loan. This has been fully paid on 1 September 2020.

HWL Ebsworth, a company associated with Mr Simon Tolhurst, charged a total fee of $26,505 providing legal services for the year ended 30 June 2020. (2019: $27,286)

There have been no other transactions in addition to those described above or as detailed in Note 16 Related party transactions.

END OF REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).

ASHISH KATTA
Managing Director
Dated this Wednesday, 30 September 2020

Bentleys
THINKING AHEAD

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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit Partner for the audit of the financial statements of iCollege Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

– the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

– any applicable code of professional conduct in relation to the audit.

Yours Faithfully,

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 30th day of September 2020

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2020

	Note	2020 $	2019 $
Continuing operations			
Revenue	1.1	10,806,163	8,542,536
Cost of sales		(6,162,888)	(4,403,258)
Gross profit		4,643,275	4,139,278
Other income	1.2	632,683	2,729
Gain on disposal of subsidiary		-	100,671
Audit and tax expenses		(81,575)	(75,706)
Compliance		(100,878)	(133,563)
Consultant fees		(727,992)	(585,942)
Depreciation		(770,047)	(61,294)
Amortisation of Intangible assets		(615,666)	(615,665)
Directors fees		(47,500)	(75,918)
Doubtful Debts		(677,404)	(48,680)
Employment expenses		(2,892,508)	(2,651,323)
Interest expense		(379,652)	(130,860)
Gain on settlement of liability	2.1	-	1,500,000
Impairment of Intangible Assets - Goodwill	6.4.1	-	(11,607,592)
Legal fees		(88,994)	(402,687)
Marketing expenses		(224,550)	(259,528)
Occupancy expenses		(587,515)	(1,589,848)
Travel expenses		(169,831)	(292,391)
Other expenses		(721,391)	(876,174)
Loss before tax		(2,809,545)	(13,664,493)
Income tax benefit	4	169,308	169,308
Net loss for the year		(2,640,237)	(13,495,185)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(2,640,237)	(13,495,185)
Profit/(loss) for the period attributable to:			
Total comprehensive income/(loss) attributable to:			
■ Owners of the parent		(2,640,237)	(13,495,185)
Earnings per share:			
Basic and diluted loss per share (cents per share)	18.4	(0.502)	(2.655)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 30 June 2020

	Note	2020 $	2019 $
Current assets			
Cash and cash equivalents	5.1	844,890	134,989
Trade and other receivables	5.2	523,239	515,003
Inventories	6.1	216,275	-
Other current assets	5.3	257,182	162,057
Total current assets		1,841,586	812,049
Non-current assets			
Property, plant, and equipment	6.2	151,990	171,507
Right of use asset	6.3	1,425,159	-
Intangible assets	6.4	2,855,550	3,461,216
Total non-current assets		4,432,699	3,632,723
Total assets		6,274,285	4,444,772
Current liabilities			
Trade and other payables	5.4	3,238,467	2,730,129
Unearned revenues	5.5	2,694,588	922,604
Borrowings	5.6	1,145,640	712,485
Leases	6.3	529,651	-
Short-term provisions	6.5	229,025	173,016
Total current liabilities		7,837,371	4,538,234
Non-current liabilities			
Borrowings	5.6	223,960	-
Deferred tax liabilities	4.7	782,526	951,834
Leases	6.3	1,080,961	-
Total non-current liabilities		2,087,447	951,834
Total liabilities		9,924,818	5,490,068
Net deficiency		(3,650,533)	(1,045,296)
Equity			
Issued capital	7.1	29,986,452	29,951,452
Reserves	7.3	1,957,234	1,957,234
Accumulated losses		(35,594,219)	(32,953,982)
Total equity		(3,650,533)	(1,045,296)

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the year ended 30 June 2020

	Note	Contributed equity $	Accumulated Losses $	Share-based Payments Reserve $	Total equity $
Balance at 1 July 2018		27,278,641	(19,458,797)	1,747,029	9,566,873
Loss for the year attributable owners of the parent		-	(13,495,185)	-	(13,495,185)
Other comprehensive income for the year attributable owners of the parent		-	-	-	-
Total comprehensive income for the year attributable owners of the parent		-	(13,495,185)	-	(13,495,185)
Transaction with owners, directly in equity					
Shares issued during the year (net of costs)	7.1.1	2,672,811	-	-	2,672,811
Options granted during the year		-	-	210,205	210,205
Balance at 30 June 2019		29,951,452	(32,953,982)	1,957,234	(1,045,296)
Balance at 1 July 2019		29,951,452	(32,953,982)	1,957,234	(1,045,296)
Loss for the year attributable owners of the parent		-	(2,640,237)	-	(2,640,237)
Other comprehensive income for the year attributable owners of the parent		-	-	-	-
Total comprehensive income for the year attributable owners of the parent		-	(2,640,237)	-	(2,640,237)
Transaction with owners, directly in equity					
Shares issued during the year (net of costs)	7.1.1	35,000	-	-	35,000
Balance at 30 June 2020		29,986,452	(35,594,219)	1,957,234	(3,650,533)

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		11,233,208	9,172,093
Interest received		1,495	5,611
Interest paid		(108,454)	(207,361)
Payments to suppliers and employees		(11,330,421)	(10,509,890)
Job Keeper & ATO Cashflow Boost		396,154	-
Net cash used in operating activities	5.1.2a	191,982	(1,539,547)
Cash flows from investing activities			
Deposit paid		(50,000)	-
Purchase of plant, and equipment		(16,763)	(71,566)
Net cash used in investing activities		(66,763)	(71,566)
Cash flows from financing activities			
Proceeds from loans		434,090	269,195
Repayment of loans		(334,408)	(630,307)
Proceeds from issue of shares		-	1,900,000
Payment of share issue costs		(15,000)	(132,000)
Proceeds from issue of convertible notes		500,000	-
Net cash provided by financing activities		584,682	1,406,888
Net increase / (decrease) in cash and cash equivalents held		709,901	(204,225)
Cash and cash equivalents at the beginning of the year		134,989	339,214
Cash and cash equivalents at the end of the year	5.1	844,890	134,989

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

for the year ended 30 June 2020

In preparing the 2020 financial statements, ICollege Limited has grouped notes into sections under five key categories:

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

The presentation of the notes to the financial statements has changed from the prior year and is supported by the IASB's Disclosure Initiative. As part of this project, the AASB made amendments to AASB 101 Presentation of Financial Statements which have provided preparers with more flexibility in presenting the information in their financial reports.

The financial report is presented in Australian dollars, except where otherwise stated.

Notes to the consolidated financial statements
for the year ended 30 June 2020

SECTION A. HOW THE NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

(a) *accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.*

(b) *analysis and sub-totals.*

(c) *information about estimates and judgements made in relation to particular items.*

Note 1	Revenue and other income	2020 $	2019 $
1.1	**Revenue**		
	Course income	10,806,163	8,542,536
		10,806,163	8,542,536
1.2	**Other Income**		
	Interest income	1,495	2,729
	ATO Cash Boost	135,886	-
	Job keeper subsidy	309,000	-
	DIS Grant	186,302	-
		632,683	2,729

1.3 Accounting policy

1.3.1 ***Revenue from contracts with customers***

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

Step 1: Identify the contract with a customer;

Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations; and

Step 5: Recognise the revenue as the performance obligations are satisfied.

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 1 Revenue and other income (cont.)

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

i. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
ii. the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
iii. the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

1.3.2 ***Student co-contribution revenue for government funded courses***

Administration fee for allowing the student to perform the literacy test. Revenue recognised using the point in time recognition when the performance obligations are satisfied (i.e. when students has completed the literacy test for eligibility into the funded course enrolments are confirmed)

1.3.3 ***Government Funded Courses***

Revenue recognition is when the student has successfully completed the course and has submitted the claim to the government.

1.3.4 ***Educational teaching revenue***

Provision of vocational teaching across various course levels ranging from certificate through to advanced diploma. Revenue is recognised from the commencement of the course till completion.

1.3.5 ***Interest income***

Interest revenue is recognised in accordance with Note 3.2 Finance income and expenses.

Note 2 Loss before income tax

		2020 $	2019 $
The following significant revenue and expense items are relevant in explaining the financial performance:			
2.1 Gain on settlement of liability			
Gain on settlement of liability	2.1.1	-	1,500,000
		-	1,500,000

2.1.1 On 11 October 2018, the Company announced to ASX that the Supreme Court litigation with Walker Enterprises (Australia) Pty Ltd and Walker had been settled. The terms of settlement included the sale of Walker’s 6,666,667 shares to buyers nominated by iCollege through off-market transfers, with the proceeds of $385,000 (being the settlement sum) paid to Walker. On settlement of the case there was a gain on settlement of the liability of $1,500,000.

Note 3 Other Significant Accounting Policies related to items of profit and loss

3.1 Employee benefits

a. ***Short-term benefits***

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 3 Other Significant Accounting Policies related to items of profit and loss (cont.)

b. ***Other long-term benefits***

The Group's obligation in respect of long-term employee benefits other than defined benefit plans, such as long service leave, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

c. ***Retirement benefit obligations: Defined contribution superannuation funds***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

d. ***Termination benefits***

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

e. ***Equity-settled compensation***

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, considering the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

3.2 Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest revenue is recognised on a time proportionate basis that considers the effective yield on the financial asset.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method and include:

- interest on the bank overdraft;
- interest on short-term and long-term borrowings;
- interest on finance leases; and
- unwinding of the discount on provisions.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 4	Income tax		2020 $	2019 $
4.1	**Income tax expense**			
	Current tax		-	-
	Deferred tax		(169,308)	(169,308)
			(169,308)	(169,308)
	Deferred income tax expense included in income tax expense comprises:			
	■ Increase / (decrease) in deferred tax assets	4.6	-	-
	■ (Increase) / decrease in deferred tax liabilities		-	-
			-	-
4.2	**Reconciliation of income tax expense to prima facie tax payable**			
	The prima facie tax payable/(benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
	Accounting loss before tax		(2,809,545)	(13,664,493)
	Prima facie tax on operating loss at 27.5% (2019: 27.5%)		(772,625)	(3,757,736)
	Add / (Less) tax effect of:			
	☐ Other non-deductible expenses		170,048	3,409,753
	☐ Non assessable income		(30,188)	(412,500)
	☐ Deferred tax assets relating to tax losses not recognised		614,828	818,096
	☐ Other temporary differences not recognised		17,937	(57,613)
	☐ Benefit from movement in temporary difference		(169,308)	(169,308)
	Income tax expense/(benefit) attributable to operating loss		(169,308)	(169,308)
			%	%
4.3	The applicable weighted average effective tax rates attributable to operating profit are as follows:		6.03	1.24
	a. The tax rates used in the above reconciliations is the corporate tax rate of 27.5% payable by the Australian corporate entity on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting year.			
	Current tax assets			
	Current tax asset		-	-
			-	-
4.4	Balance of franking account at year end of the parent		nil	nil
4.5	**Current tax liabilities**			
	Income tax payable		-	-

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 4	Income tax (cont.)	2020 $	2019 $
4.6	**Deferred tax assets**		
	Tax losses	4,501,896	3,975,658
	Provisions and accruals	264,182	218,749
	Capital raising costs	90,168	150,040
		4,856,246	4,344,447
	Set-off deferred tax liabilities	-	-
	Net deferred tax assets	4,856,246	4,344,447
	Less deferred tax assets not recognised	(4,856,246)	(4,344,447)
	Net deferred tax assets	-	-
4.7	**Deferred tax liabilities**		
	Arising on recognition of separately identifiable intangible assets as part of the business combination	782,526	951,834
		782,526	951,834
	Set-off deferred tax assets	-	-
	Net deferred tax liabilities	782,526	951,834
4.8	**Tax losses and deductible temporary differences**		
	Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:		
	■ Tax losses	16,370,531	14,456,939
		16,370,531	14,456,939

4.9 Key estimates and judgement

Potential deferred tax assets attributable to tax losses have not been brought to account at 30 June 2020 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

ii. the company continues to comply with conditions for deductibility imposed by law; and

iii. no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the loss.

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates consider both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 4 Income tax (cont.)

4.10 Accounting policy

The income tax expense or benefit 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 difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

ICollege Limited recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated group.

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 5 Financial assets and financial liabilities

5.1 Cash and cash equivalents	2020 $	2019 $
Cash at bank	844,890	134,989
	844,890	134,989

5.1.1 The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 8 Financial risk management.

5.1.2 *Cash Flow Information*

	2020 $	2019 $
a. **Reconciliation of cash flow from operations to loss after income tax**		
Loss after income tax	(2,640,237)	(13,495,185)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in (loss)/profit from ordinary activities:		
Depreciation and amortisation	1,385,713	676,959
Doubtful debts	-	48,680
Net share-based payments expensed	35,000	475,358
Impairment of assets	-	11,607,592
Gain on settlement of liability	-	(1,500,000)
Profit from sale of subsidiary	-	(100,671)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Increase in receivables and other assets	(103,361)	(23,712)
Increase in inventories	(216,275)	-
Increase in payables and other liabilities	1,675,133	766,272
Increase in provision	56,009	5,160
Cash flow from / (used in) operations	191,982	(1,539,547)

a. **Reconciliation of liabilities arising from financing activities**

	2018 $	Cash flows $	Acquisitions $	Other Changes $	Changes due to AASB 16 $	2019 $
Short-term borrowings	1,620,251	(361,112)	-	(546,654)	-	712,485
Total liabilities from financing activities	1,620,251	(361,112)	-	(546,654)	-	712,485

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 5 Financial assets and financial liabilities (cont.)

5.1 Cash and cash equivalents (cont.)

5.1.2 ***Cash Flow Information (cont.)***

	2019 $	Cash flows $	Acquisitions $	Other Changes[i] $	Changes due to AASB 16 $	2020 $
Short-term borrowings	712,485	375,722	-	57,433	-	1,145,640
Long-term borrowings	-	223,960	-	-	-	223,960
Lease liabilities	-	-	-	-	1,610,612	1,610,612
Total liabilities from financing activities	712,485	599,682	-	57,433	1,610,612	2,980,212

[i] Other changes include non-cash movements including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid

b. **Credit and loan standby arrangements**

The Group has the following credit standby facilities:

- $50,000 credit card facility.
- $223,960 Queensland Rural and Industry Development Authority (QRIDA) Loan facility (assistance under Queensland COVID-19 Job Support Loans Program.
  - Interest free for the first 12 months then 2.5% for remainder of loan term of 10 years. Repayable by instalments from second year. Loan secured over the assets of Capital Training Institute Pty Ltd.

c. **Non-cash investing and financing activities**

2020

None.

2019

- 1,624,637 ordinary shares at deemed issue price of $0.069 per share in lieu of cash paid for director fees.
- 18,328,767 ordinary shares at deemed issue price of $0.03 per share for conversion of Convertible Notes plus accrued interest.
- 1,421,060 ordinary shares at deemed issue price of $0.05 per share in lieu of cash paid for services performed to the Company.
- 1,490,908 ordinary shares at deemed issue price of $0.055 per share in lieu of cash paid for services performed to the Company.
- 7,500,000 options issued as capital raising fee.

5.1.3 **Accounting policy**

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid instruments 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 on the Statement of Financial Position.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 5 Financial assets and financial liabilities (cont.)

5.2 Trade and other receivables	Note	2020 $	2019 $
5.2.1 *Current*			
Trade receivables		545,756	531,562
Less: Doubtful debts		(234,000)	(157,623)
		311,756	373,939
GST receivable		69,982	26,555
Accrued income		95,279	-
Other receivables		46,222	114,509
		523,239	515,003

5.2.2 The Group's exposure to credit rate risk is disclosed in Note 8 Financial risk management.

5.2.3 The average credit period on sales of goods and rendering of services ranges from 30 to 90 days. Interest is not charged. No allowance has been made for estimated irrecoverable trade receivable amounts arising from past sale of goods and rendering of services, determined by reference to past default experience. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction.

5.2.4 ***Accounting policy***

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months. They are recognised initially at fair value and subsequently at amortised cost.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance. (see also Note 5.7.1).

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

5.3 Other assets	Note	2020 $	2019 $
5.3.1 *Current*			
Bank guarantees and bonds		158,794	136,375
Prepayments		97,525	19,263
Other		863	6,419
		257,182	162,057

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 5 Financial assets and financial liabilities (cont.)

5.4 Trade and other payables

		2020 $	2019 $
5.4.1	***Current***		
	Unsecured		
	Trade payables	1,481,988	1,485,065
	Sundry payables and accrued expenses	1,755,246	1,241,324
	Accrued interest on convertible notes	1,233	3,740
		3,238,467	2,730,129

5.4.2 Trade payables are non-interest bearing and usually settled within the lower of terms of trade or 30 days.

5.4.3 The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note.

5.4.4 ***Accounting policy***

a. **Trade and other payables**

Trade payables and other payables are recognised initially at fair value and subsequently at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

5.5 Unearned revenue

		2020 $	2019 $
5.5.1	***Current***		
	Unsecured		
	Unearned revenue	2,694,588	922,604
		2,694,588	922,604

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 5 Financial assets and financial liabilities (cont.)

5.6 Borrowings	Note	2020 $	2019 $
5.6.1 *Current*			
Convertible notes	5.6.3a,b	650,000	150,000
Loan	5.6.4	81,833	62,426
Short term loans	5.6.5	87,492	356,798
Related party loan	5.6.6	326,315	143,261
		1,145,640	712,485
5.6.2 *Non-current*			
Loan	5.6.7	223,960	-
		223,960	-

5.6.3 ***Terms and conditions of the convertible notes***

a. ***Convertible Note (Unsecured)***

i. *Face Value* $150,000

ii. *Coupon* 10%, accrues and is payable on either conversion or redemption date.

iii. *Maturity* A variation to the terms was agreed on 30 September 2019 to vary the terms to mature on 31 December 2019, all other terms remaining in place. As at 31 December 2019, the Company has not obtained an extension or similar and the note holder has not exercised his right to be repaid in cash or the issue of share capital. Accordingly, the amount is now at call, payable on demand.

iv. *Conversion* The loan-holder shall have the option of requesting repayment in full from the borrower either in cash or in the issue of ordinary shares at the conversion price of $0.05 per share, subject to providing a conversion notice by the redemption date being 12 months from date of issue and ending on the final conversion date subject to arrangement by the Company and Shareholder approval and in full compliance with ASX Listing Rules.

b. ***Convertible Note (Unsecured)***

i. *Face Value* $500,000

ii. *Coupon* 10%, accrues and is payable on either conversion or redemption date.

iii. *Maturity* 12 months from date of issue.

iv. *Conversion* The loan- holder shall have the option of requesting repayment in full from the borrower either in cash or in the issue of ordinary shares at the conversion price of $0.05 per share, subject to providing a conversion notice by the redemption date being 12 months from date of issue and ending on the final conversion date subject to arrangement by the Company and Shareholder approval and in full compliance with ASX Listing Rules.

5.6.4 The unsecured loan was interest bearing.

5.6.5 Short term loans are repayable within 12 months of which $32,477 is secured and $55,015 is unsecured and are interest bearing.

5.6.6 Related party loans are repayable within 12 months is unsecured and no interest bearing.

5.6.7 $223,960 Queensland Rural and Industry Development Authority (QRIDA) Loan facility (assistance under Queensland COVID-19 Job Support Loans Program.

Interest free for the first 12 months then 2.5% for remainder of loan term of 10 years. Repayable by instalments from second year. Loan secured over the assets of Capital Training Institute Pty Ltd.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 5 Financial assets and financial liabilities (cont.)

5.6 Borrowings (cont.)

5.6.8 ***Accounting policy***

a. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

b. **Convertible notes**

The component parts of convertible notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguishment upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in the profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Note 5 Financial assets and financial liabilities (cont.)

5.7 Other Significant Accounting Policies related to Financial Assets and Liabilities

5.7.1 ***Investments and other financial assets***

a. **Classification**

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (**FVOCI**).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

b. **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

c. **Measurement**

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

i. *Debt instruments*

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- *FVOCI*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- *FVPL*: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

ii. **Equity instruments**

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 5 Financial assets and financial liabilities (cont.)

5.7 Other Significant Accounting Policies related to Financial Assets and Liabilities

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

d. **Impairment**

The group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Note 6 Non-financial assets and financial liabilities

6.1 Inventories

	2020 $	2019 $
Linguaskill bundles	216,275	-
	216,275	-

6.1.1 ***Accounting policy***

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as the cost of purchase of Linguaskill bundles.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 6 Non-financial assets and financial liabilities (cont.)

6.2 Property, plant, and equipment

	Note	2020 $	2019 $
Building improvements		84,429	84,429
Accumulated amortisation		(46,460)	(41,130)
		37,969	43,299
Plant and equipment		547,464	524,471
Accumulated depreciation		(486,747)	(457,806)
		60,717	66,665
Computer equipment		65,377	53,368
Accumulated depreciation		(39,812)	(21,615)
		25,565	31,753
Motor vehicles		71,385	71,385
Accumulated depreciation		(43,646)	(41,595)
		27,739	29,790
Total plant and equipment		151,990	171,507

6.2.1 *Movements in Carrying Amounts*

	Building improvements $	Plant and Equipment $	Computer Equipment $	Motor Vehicles $	Total $
Carrying amount at 1 July 2018	47,938	66,789	9,031	37,477	161,235
Transfers between classes	-	-	-	-	-
Additions	-	30,058	41,508	-	71,566
Disposals / write-offs	-	-	-	-	-
Depreciation expense	(4,639)	(30,182)	(18,786)	(7,687)	(61,294)
Carrying amount at 30 June 2019	43,299	66,665	31,753	29,790	171,507
Carrying amount at 1 July 2019	43,299	66,665	31,753	29,790	171,507
Additions	-	22,991	12,009	-	35,000
Depreciation expense	(5,330)	(28,939)	(18,197)	(2,051)	(54,517)
Carrying amount at 30 June 2020	37,969	60,717	25,565	27,739	151,990

Note 6 Non-financial assets and financial liabilities (cont.)

6.2 Property, plant, and equipment (cont.)

6.2.2 *Accounting policy*

a. **Recognition and measurement**

Items of plant and equipment are measured on the cost basis and carried at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 6.6.1 Impairment of non-financial assets).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Where considered material, the carrying amount of property, plant, and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Where parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

b. **Subsequent costs**

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Any costs of the day-to-day servicing of plant and equipment are recognised in the income statement as an expense as incurred.

c. **Depreciation**

Depreciation is charged to the income statement on a reducing balance basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation rates and methods are reviewed annually for appropriateness. The depreciation rates used for the current and comparative period are:

	2020 %	2019 %
Buildings improvement	4 - 15	4 - 15
Plant and equipment	15 – 37.5	15 – 37.5
Computer	33.33 - 50	33.33 - 50
Motor Vehicles	20	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

d. **Derecognition and disposal**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 6 Non-financial assets and financial liabilities (cont.)

6.3	Leases	Note	2020 $	2019 $
6.3.1	***Right of use assets***			
	Properties	23.1	1,425,159	-
			1,425,159	-
6.3.2	***Lease liabilities***			
	Current	23.1	529,651	-
	Non-current	23.1	1,080,961	-
			1,610,612	-

6.3.3 Additions to the right-of-use assets during the 2020 financial year were $1,425,159.

6.3.4	***Amounts recognised in the statement of profit or loss***	2020 $	2019 $
	Included in depreciation and amortisation:		
	Depreciation charge of right-of-use assets		
	Properties	711,120	-
		711,120	-
	Interest expense (included in finance cost)	192,924	-

6.3.5 The total cash outflow for leases in 2020 was $886,246.

6.3.6 ***Accounting policy***

a. **Recognition and measurement**

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases, see note 23.1 for details. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

i. *Right of Use Asset*

The Group recognises a right of use asset at the commencement date of the lease. The right of use asset is initially measured at cost. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove or restore the leased asset, less any lease incentives received.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Subsequent to initial measurement, the right of use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life as follows:

- Properties 3 – 5 years

Right of use assets are subject to impairment and are adjusted for any remeasurement of lease liabilities.

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 6 Non-financial assets and financial liabilities (cont.)

6.3 Leases (cont.)

ii. *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payment to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the assessment of lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payments occurs. The present value of lease payments is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The amount of lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b. **Extension and termination options**

An extension options is included in a property of the Group. This is used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension option held is exercisable only by the Group and not by the respective lessor.

6.3.7 ***Critical judgements in determining the lease term***

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 6 Non-financial assets and financial liabilities (cont.)

6.4 Intangible assets

	Note	2020 $	2019 $
Goodwill		-	-
Licenced operations		5,295,344	4,309,653
Accumulated amortisation		(2,439,794)	(848,437)
		2,855,550	3,461,216

6.4.1 *Movements in Carrying Amounts*

		Goodwill $	Licenced operations $	Total $
Carrying amount at 1 July 2018		11,607,592	4,076,881	15,684,473
Impairment	6.4.3	(11,607,592)	-	(11,607,585)
Amortisation expense		-	(615,665)	(615,665)
Carrying amount at 30 June 2019		-	3,461,216	3,461,223
Carrying amount at 1 July 2019		-	3,461,216	3,461,216
Additions		-	10,000	10,000
Disposals / write-offs		-	-	-
Amortisation expense		-	(615,666)	(615,666)
Carrying amount at 30 June 2020		-	2,855,550	2,855,550

The recoverable amount of the Group's Licensed Operations CGU has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by Directors utilising the following key assumptions:

- Discount rate is based upon a weighted average cost of capital of 17%;
- Cash flows beyond the 2021 budget have applied nil% growth rate.

As a result of the analysis, management has not recognised an impairment loss. The Directors believe that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 6 Non-financial assets and financial liabilities (cont.)

6.4 Intangible assets (cont.)

6.4.2 ***Accounting policy***

a. **Intangible assets acquired separately**

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

b. **Internally-generated intangible assets – research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Expenditures in relation to the development of identifiable and unique products, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised over their estimated useful lives. Any expenditure related to research is expensed as incurred.

c. **Intangible assets acquired in a business combination**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

d. **Subsequent measurement**

Amortisation of intellectual property is charged to operating expenses and/or cost of services on a straight-line basis over their estimated useful lives, from the date they are available for use. The residual values and useful lives are reviewed at each reporting date and adjusted, if appropriate.

The following useful lives are used in the calculation of amortisation:

	2020 %	2019 %
Licensed operations	14	14

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 6 Non-financial assets and financial liabilities (cont.)

6.4 Intangible assets (cont.)

e. **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 11.1.1) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGU) (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

6.4.3 *Key estimates*

a. **Impairment of goodwill**

During the 2019-year, management tested the Group's assets for impairment resulting in an impairment loss of 11,607,592 being the entirety of the goodwill recognised on acquisition of the business. The Company determined the recoverable amount using the value-in use method being a discounted cash flow forecast for a period of 7 years with a pre-tax discount rate of 13.79%.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 6 Non-financial assets and financial liabilities (cont.)

6.5 Provisions

		Note	2020 $	2019 $
6.5.1	***Current***			
	Provision for annual leave	6.5.3	224,801	145,516
	Provision for long service leave	6.5.3	4,224	27,500
			229,025	173,016

6.5.2	**Movements in carrying amounts**	Employee entitlements $
	Balance at the beginning of year	173,016
	Additional provisions raised during the year	178,937
	Amounts used	(122,928)
	Carrying amount at the end of year	229,025

6.5.3 ***Description of provisions***

Provision for employee benefits represents amounts accrued for annual leave (**AL**) and long service leave (**LSL**). The current portion for this provision includes the total amount accrued for AL entitlements and the amounts accrued for LSL entitlements that have vested due to employees having completed the required period of service. The Group does not expect the full amount of AL or LSL balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

6.5.4 ***Accounting policy***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 6 Non-financial assets and financial liabilities (cont.)

6.6 Other Significant Accounting Policies related to Non-Financial Assets and Liabilities

6.6.1 ***Impairment of non-financial assets***

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy at note 4.10) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 7 Equity

7.1 Issued capital	Note	2020 No.	2019 No.	2020 $	2019 $
Fully paid ordinary shares at no par value		526,564,649	525,687,456	29,986,452	29,951,452
7.1.1 *Ordinary shares*					
At the beginning of the year		525,687,456	458,822,084	29,951,452	27,278,641
Shares issued during the year:					
Shares placement @$0.05		-	44,000,000	-	2,200,000
To Chairman for services as director @$0.069		-	1,624,637	-	112,100
On conversion of convertible note @$0.03		-	18,328,767	-	549,863
In lieu of services @ $0.05		-	1,421,060	-	71,053
In lieu of services @ $0.055		-	1,490,908	-	82,000
In lieu of cash payment for director fees @$0.057		877,193	-	50,000	-
Transaction costs relating to share issues		-	-	(15,000)	(342,205)
At reporting date		526,564,649	525,687,456	29,986,452	29,951,452

7.1.2 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.

7.1.3 ***Accounting policy***

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

7.2 Options	2020 No.	2019 No.	2020 $	2019 $
7.2.1 Options	7,500,000	27,500,000	1,957,234	1,957,234
At the beginning of the period	27,500,000	20,000,000	1,957,234	1,747,029
Options issued/(lapsed) during the year:				
Issued to broker – Ex. Date 03.07.2020, Ex. Price: $0.08	-	7,500,000	-	210,205
Expired 12.02.2020	(20,000,000)		-	
At reporting date	7,500,000	27,500,000	1,957,234	1,957,234

7.3 Reserves		2020 $	2019 $
Share-based payment reserve	7.3.1	1,957,234	1,957,234
		1,957,234	1,957,234

7.3.1 ***Share-based payment reserve*** (formerly Option reserve)

The share-based payment reserve records the value of options and performance rights issued the Company to its employees or consultants.

Notes to the consolidated financial statements
for the year ended 30 June 2020

SECTION B. RISK

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

Note 8 Financial risk management

8.1 Financial Risk Management Policies

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

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts payable and receivable, borrowings (including convertible instruments), and leases.

The Group does not speculate in the trading of financial instruments or derivative instruments.

A summary of the Group's financial assets and liabilities is shown below:

	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2020 Total $	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2019 Total $
Financial Assets								
☐ Cash and cash equivalents	844,890	-	-	844,890	134,989	-	-	134,989
☐ Trade and other receivables	-	-	523,239	523,239	-	-	515,003	515,003
Total Financial Assets	844,890	-	523,239	1,368,129	134,989	-	515,003	649,992
Financial Liabilities								
Financial liabilities at amortised cost								
☐ Trade and other payables	-	-	3,238,467	3,238,467	-	-	2,730,129	2,730,129
☐ Borrowings	-	1,039,920	329,680	1,369,600	-	569,224	143,261	712,485
Total Financial Liabilities	-	1,039,920	3,568,147	4,608,067	-	569,224	2,873,390	3,442,614
Net Financial Assets / (Liabilities)	844,890	(1,039,920)	(3,044,908)	(3,239,938)	134,989	(569,224)	(2,358,387)	(2,792,622)

8.2 Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Group's risk profile. This includes assessing, monitoring and managing risks for the Group and setting appropriate risk limits and controls. The Group is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

8.2.1 *Credit risk*

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group's exposure to credit risk is primarily in relation to its cash at bank, short-term deposits and receivables. The Group does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 8 Financial risk management (cont.)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

- *Credit risk exposures*

  The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

  Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, where ever possible.

- *Impairment losses*

  Impairment losses are recorded against receivables unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. The ageing of the Group's trade and other receivables at reporting date was as follows:

	Gross 2020 $	Impaired 2020 $	Net 2020 $	Past due but not impaired 2020 $
Trade receivables				
Not past due	229,283	-	229,283	-
Past due up to 30 days	102,422	(47,930)	54,492	54,492
Past due 31 days to 60 months	57,946	(45,047)	12,899	12,899
Past due 61 days to 90 months	71,921	(56,839)	15,082	15,082
Past due over 90 months	84,184	(84,184)	-	-
	545,756	(234,000)	311,756	82,473
Other receivables				
Not past due	211,483	-	211,483	-
Total	757,239	(234,000)	523,239	82,473

8.2.2 ***Liquidity risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Typically, the Group ensures that it has sufficient cash to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 8 Financial risk management (cont.)

The financial liabilities of the Group include trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

Contractual Maturities

The following are the contractual maturities of financial assets and liabilities of the Group:

	Within 1 Year		Greater Than 1 Year		Total	
	2020 $	2019 $	2020 $	2019 $	2020 $	2019 $
Financial liabilities due for payment						
Trade and other payables	3,238,467	2,730,129	-	-	3,238,467	2,730,129
Borrowings	1,145,640	712,485	223,960	-	1,369,600	712,485
Leases	529,651	-	1,080,961	-	1,610,612	-
Total contractual outflows	4,913,758	3,442,614	1,304,921	-	6,218,679	3,442,614
Financial assets						
Cash and cash equivalents	844,890	134,989	-	-	844,890	134,989
Trade and other receivables	523,239	515,003	-	-	523,239	515,003
Total anticipated inflows	1,368,129	649,992	-	-	1,368,129	649,992
Net outflow on financial instruments	(3,545,629)	(2,792,622)	(1,304,921)	-	(4,850,550)	(2,792,622)

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

8.2.3 ***Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities minimally expose it to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group does not enter into derivative financial instruments including foreign exchange forward contracts to hedge against financial risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

a. **Interest rate risk**

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Group's exposures to interest rate in financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

b. **Foreign exchange risk**

The Group is not exposed to any material foreign exchange risk.

c. **Price risk**

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group does not presently hold material amounts subject to price risk. As such the Board considers price risk as a low risk to the Group.

8.2.4 ***Sensitivity Analyses***

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 8 Financial risk management (cont.)

a. **Interest rates**	Profit $	Equity $
Year ended 30 June 2020		
±50 basis points change in interest rates	± 4,224	± 4,224
Year ended 30 June 2019		
±50 basis points change in interest rates	± 675	± 675

8.2.5 ***Net Fair Values***

a. ***Fair value estimation***

The fair values of financial assets and financial liabilities are presented in the table in Note 8.1 and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments whose carrying value is equivalent to fair value due to their nature include:

- Cash and cash equivalents;
- Trade and other receivables; and
- Trade and other payables.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

Note 9 Capital Management

9.1.1 ***Capital***

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings. Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

9.1.2 ***Working Capital***

The working capital position of the Group was as follows:	Note	2020 $	2019 $
Cash and cash equivalents	5.1	844,890	134,989
Trade and other receivables	5.2	523,239	515,003
Inventories	6.1	216,275	-
Other current assets	5.3	257,182	162,057
Trade and other payables	5.4	(3,238,467)	(2,730,129)
Borrowings	5.6	(1,145,640)	(712,485)
Current tax liabilities	4.5	-	-
Leases	6.3.2	(529,651)	-
Current provisions	6.5	(229,025)	(173,016)
Working capital position		(3,301,197)	(2,803,581)

Notes to the consolidated financial statements
for the year ended 30 June 2020

SECTION C. GROUP STRUCTURE

This section provides information which will help users understand how the group structure affects the financial position and performance of the Group as a whole. In particular, there is information about:

(a) changes to the structure that occurred during the year as a result of business combinations and the disposal of a discontinued operation

(b) transactions with non-controlling interests, and

(c) interests in joint operations.

A list of significant subsidiaries is provided in note 10. This note also discloses details about the Group's equity accounted investments.

Note 10 Interest in subsidiaries

10.1 Information about principal subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group and the proportion of ownership interest held equals the voting rights held by the Group. Investments in subsidiaries are accounted for at cost. Each subsidiaries country of incorporation is also its principal place of business:

	Principal Activity	Place of incorporation and operation	Percentage Owned 2020	2019
iCollege Holdings Pty Ltd(4)	Educational Services	Western Australia	-	100%
iCollege International Pty Ltd(2)	Educational Services	Queensland	100%	100%
Management Institute of Australia Pty Ltd(3)	Educational Services	New South Wales	100%	100%
Management Institute of Australia No.1 Pty Ltd(1)(3)	Educational Services	New South Wales	100%	100%
Management Institute of Australia No. 2 Pty Ltd(1)(3)	Educational Services	New South Wales	100%	100%
Celtic Training & Consultancy Pty Ltd	Educational Services	South Australia	100%	100%
Manthano Limited	Educational Services	Queensland	100%	100%
Brisbane Career College Pty Ltd	Educational Services	Queensland	100%	100%
Capital Training Institute Pty Ltd	Educational Services	New South Wales	100%	100%

(1) Companies were all acquired at the same time when Management Institute of Australia Pty Ltd was acquired.

(2) Renamed from Bookkeeping School

(3) In Liquidation awaiting deregistration

(4) Deregistered on 21 March 2020

Note 11 Other Significant Accounting Policies related to Group Structure

11.1 Basis of consolidation

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

11.1.1 *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

less

- the net recognised amount of the identifiable assets acquired and liabilities assumed.

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 11 Other Significant Accounting Policies related to Group Structure

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

11.1.2 *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as non-controlling interests. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

A list of controlled entities is contained in Note 10 Interest In Subsidiaries of the financial statements.

11.1.3 *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interests are measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

11.1.4 *Transactions eliminated on consolidation*

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 30 June 2020

SECTION D. UNRECOGNISED ITEMS

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 12 Commitments

12.1 Operating lease commitments - Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

Note: From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 6.3 and note 23.1 for further information.

	Consolidated	
	2020 $	2019 $
Within one year	-	996,402
After one year but not more than five years	-	1,134,287
After five years	-	-
Total	-	2,130,689

12.2 Capital commitments

None.

Note 13 Events subsequent to reporting date

There has not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Note 14 Contingent liabilities

There are no other contingent liabilities as at 30 June 2020 (30 June 2019: Nil).

Notes to the consolidated financial statements

for the year ended 30 June 2020

SECTION E. OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 15 Key Management Personnel compensation (KMP)

The names and positions of KMP are as follows:

- Mr Simon Tolhurst — Non-executive Chairman
- Mr Ashish Katta — Managing Director
- Mr Badri Gosavi — CFO and Executive Director

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by the Corporations Regulations 2M.3.03 is provided in the Remuneration report table on page 11.

	2020 $	2019 $
Short-term employee benefits	360,541	344,561
Post-employment benefits	9,610	-
Share-based payments	50,000	112,100
Other long-term benefits	-	18,370
Termination benefits	-	-
Total	420,151	475,031

Note 16 Related party transactions

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

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

There is a loan outstanding payable to Mr Ash Katta of $484,724 at year end (2019: $337,657) being an amount payable as a result of an equity sell-down completed pre-acquisition. No Interest is accrued on the loan and will be repaid to him as and when he provides notice to the company subject to available cash and sufficient working capital remaining in the company.

There is a loan outstanding receivable from Sero Learning Pty Ltd, of which Mr Ash Katta is a Director of $172,169 at year end (2019: $207,139). There is a right of set-off in place on which the amount is net off against the amount owing to Ash Katta. This results in a net payable of $312,555.

There is a loan payable to Mr Badri Gosavi of $13,781 (2019: $12,743) being an amount payable for short-term funding. No interest is accrued on the loan. This has been fully paid on 1 September 2020.

HWL Ebsworth, a company associated with Mr Simon Todhurst, charged a total fee of $26,505 providing legal services for the year ended 30 June 2020. (2019: $27,286)

Note 17 Auditor's remuneration

	2020 $	2019 $
Remuneration of the auditor for:		
- Auditing or reviewing the financial reports:		
- Bentleys Audit & Corporate (WA) Pty Ltd	54,188	51,181
	54,188	51,181

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 18 Earnings per share (EPS)	Note	2020 $	2019 $
18.1 Reconciliation of earnings to profit or loss			
Loss for the year		(2,640,237)	(13,495,185)
Less: loss attributable to non-controlling equity interest		-	-
Loss used in the calculation of basic and diluted EPS		(2,640,237)	(13,495,185)
		2020 $	**2019 $**
18.2 Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		526,201,755	508,382,584
Weighted average number of dilutive equity instruments outstanding	18.5	N/A	N/A
18.3 Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		526,201,755	508,382,584
18.4 Earnings per share		**2020 ¢**	**2019 ¢**
Basic EPS (cents per share)	18.5	(0.502)	(2.655)
Diluted EPS (cents per share)	18.5	N/A	N/A

18.5 As at 30 June 2020 the Group has 7,500,000 unissued shares under options (2019: 27,500,000). The Group does not report diluted earnings per share on losses generated by the Group. During the year, the Group's unissued shares under option and partly-paid shares were anti-dilutive.

18.6 Accounting policy

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to the Group, adjusted for costs of servicing equity (other than dividends) and preference share dividends; the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Note 19 Share-based payments	Note	2020 $	2019 $
19.1 Share-based payments:			
Recognised in Consultancy and professional services	19.2.1	-	210,205
Gross share-based payments		-	210,205

19.2 Share-based payment arrangements in effect during the year

19.2.1 ***Share-based payments recognised in profit or loss***

a. *Consultant options*

In consideration for services in prior year, the Company has issued options with terms and summaries below:

Number under Option	Date of Expiry	Exercise Price	Vesting Terms
7,500,000(1)	3 July 2020	$0.08	Immediately upon issue

(1) Unquoted options issued to consultant in lieu of services provided were value at Nil (2019: $210,205)

Note 19 Share-based payments (cont.)

19.3 Movement in share-based payment arrangements during the period

A summary of the movements of all Company options issued as share-based payments is as follows:

	2020		2019	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	27,500,000	0.05	20,000,000	0.05
Granted	-	-	7,500,000	0.05
Exercised	-	-	-	-
Expired	(20,000,000)	0.05	-	-
Outstanding at year-end	7,500,000	0.08	27,500,000	0.05
Exercisable at year-end	7,500,000	0.08	27,500,000	0.05

a. No options were exercised during the year (2019: nil).

b. The weighted average remaining contractual life of options outstanding at year end was nil (2019: 0.48 years). The weighted average exercise price of outstanding options at the end of the reporting period was $nil (2019: $0.05).

c. The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

19.4 Fair value of options granted during the year

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

No options were granted during the year.

19.4.1 *Accounting policy*

The Group may provide benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date

Note 19 Share-based payments (cont.)

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied

during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification

19.4.2 ***Key estimate***

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed above.

Note 20 Operating segments

20.1 Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of business category and geographical areas. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

20.2 Basis of accounting for purposes of reporting by operating segments

20.2.1 ***Accounting policies adopted***

Unless stated otherwise, all amounts reported to the Board, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

20.2.2 ***Inter-segment transactions***

All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

20.2.3 ***Segment assets***

Where an asset is used across multiple segments, the asset is allocated proportionately to the applicable segments based on its use. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 20 Operating segments (cont.)

20.2.4 ***Segment liabilities***

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

20.3 Description of operating segment

20.3.1 ***Financing***

iCollege Limited is the head office of the Group and conducts all corporate activities in relation to the Group. This includes capital raisings which is used to provide funding for acquisitions and working capital.

20.3.2 ***Education Services***

This is the operational segment of the Group which contains the education services businesses as listed in Note 10.

2020	Financing $	Education Services $	Consolidated $
Segment Income			
Revenue from customers	-	10,806,163	10,806,163
Finance income	27	1,468	1,495
ATO Cash Boost	-	135,886	135,886
Job keeper subsidy	-	309,000	309,000
DIS Grant	-	186,302	186,302
Total income	27	11,438,819	11,438,846
Segment Expenses			
Cost of goods sold	-	(3,828,159)	(3,828,159)
Finance costs	(88,772)	(290,880)	(379,652)
Depreciation and amortisation	(617,948)	(766,906)	(1,384,854)
Net other costs	(922,354)	(7,733,372)	(8,655,726)
Total Expenses	(1,629,074)	(12,619,317)	(14,248,391)
Segment Loss before income tax	(1,629,047)	(1,180,498)	(2,809,545)
30 June 2020			
Segment Assets and Liabilities			
Reportable segment assets	475,907	5,798,378	6,274,285
Reportable segment liabilities	(2,342,118)	(7,582,700)	(9,924,818)
Net deficiency	(1,866,211)	(1,784,322)	(3,650,533)

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 20 Operating segments (cont.)

2019	Financing $	Education Services $	Consolidated $
Segment Income			
Revenue from customers	-	8,542,536	8,542,536
Finance income	152	2,577	2,729
		100,671	100,671
Total income	152	8,645,784	8,645,936
Segment Expenses			
Cost of goods sold	-	(2,539,818)	(2,539,818)
Finance costs	(62,200)	(68,660)	(130,860)
Depreciation and amortisation	(1,248)	(675,711)	(676,959)
Impairment	-	(11,607,592)	(11,607,592)
Gain on Settlement of Liability	1,500,000	-	1,500,000
Net other costs	(2,492,236)	(6,362,964)	(8,855,200)
Total Expenses	(1,055,684)	(21,254,745)	(22,310,429)
Segment Loss before income tax	(1,055,532)	(12,608,961)	(13,664,493)
30 June 2019			
Segment Assets and Liabilities			
Reportable segment assets	471,222	3,973,550	4,444,772
Reportable segment liabilities	(2,687,703)	(2,802,365)	(5,490,068)
Net assets/(deficiency)	(2,216,481)	1,171,185	(1,045,296)

20.4 Geographical Segments

The Group is domiciled in Australia and all revenue from external parties is generated in Australia.

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 21 Parent entity disclosures

ICollege Limited is the ultimate Australian parent entity and ultimate parent of the Group.

ICollege Limited did not enter into any trading transactions with any related party during the year.

21.1 Financial Position of ICollege Limited

	2020 $	2019 $
Current assets	463,084	51,206
Non-current assets	12,822	5,332
Total assets	475,906	56,538
Current liabilities	1,559,592	150,000
Non-current liabilities	782,526	951,834
Total liabilities	2,342,118	1,101,834
Net deficiency	(1,866,212)	(1,045,296)
Equity		
Issued capital	30,185,737	30,120,737
Share-based payment reserve	1,957,234	1,957,234
Accumulated losses	(34,009,183)	(33,123,267)
Total equity	(1,866,212)	(1,045,296)

21.2 Financial performance of ICollege Limited

	2020 $	2019 $
Loss for the year	(885,916)	(1,306,075)
Other comprehensive income	-	-
Total comprehensive income	(885,916)	(1,306,075)

21.3 Guarantees

There are no guarantees entered into by ICollege Limited for the debts of its subsidiaries as at 30 June 2020 (2019: none).

21.4 Contractual commitments

The parent company has no capital commitments at 30 June 2020 (2019: $nil).

21.5 Contingent liabilities

There are no guarantees entered into by ICollege Limited for the debts of its subsidiaries as at 30 June 2020 (2019: none).

Note 22 Statement of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated.

22.1 Basis of preparation

22.1.1 *Reporting Entity*

ICollege Limited (ICollege or the Company) is a listed public company limited by shares, domiciled and incorporated in Australia. These are the consolidated financial statements and notes of ICollege and controlled entities (collectively the Group). The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. The Group is a for-profit entity and is primarily involved in businesses which deliver accredited and non-accredited vocational education and training solutions throughout Australia and internationally.

The separate financial statements of ICollege, as the parent entity, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

22.1.2 *Basis of accounting*

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AAS Board) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the *Corporations Act 2001* (Cth).

Australian Accounting Standards (AASBs) set out accounting policies that the AAS Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

The financial statements were authorised for issue on 30 September 2020 by the directors of the Company.

22.1.3 *Going Concern*

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group recorded a loss after tax for the year of $2,640,237 (2019: $13,495,185 loss). The net assets of the Group were $3,650,533 deficit (2019: $1,045,296 deficit). The Group's working capital deficiency, being current assets less current liabilities, excluding unearned revenues was $3,301,197 (2019: $2,803,581).

The ability of the Group to continue as a going concern is principally dependent upon the following:

- Forecasted profitability of the companies within the Group including increasing the service offerings provided;
- Loans provided to the Company of $326,336 (2019: $143,262) by Directors has historically demonstrated support to the Company by not calling on the loan until the Company is in a financial position to repay the amounts or convert the amounts to shares;
- The continued support of the Group's creditors;
- the ability of the Group to secure funds by raising capital from equity markets for working capital; and
- The remaining convertible note at 30 June 2020 has been extended until 28 March 2021 and the company will look to convert the note into shares and or look to be refinanced with new convertible notes; and
- Managing cash flows in line with available funds;
- Additional revenue stream from partnership with the Pharmacy Guild of Australia for Infection Control skill set with significant Government funding expected.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern. In the event the above matters are not achieved, the Group will be required to raise funds for working capital from debt or equity sources.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, the directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 22 Statement of significant accounting policies

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

22.1.4 ***Comparative figures***

Where required by AASBs comparative figures have been adjusted to conform to changes in presentation for the current financial year.

22.1.5 ***New and Amended Standards Adopted by the Group***

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- AASB 16 *Leases*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015- 2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- Interpretation 23 *Uncertainty over Income Tax Treatments*.

The Group also elected to adopt the following amendments early:

- AASB 2018-1 AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The Group had to change its accounting policies as a result of adopting AASB 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019. This is disclosed in note 23.1. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

22.2 Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

22.3 Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 22.3.1.

22.3.1 ***Critical Accounting Estimates and Judgments***

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Key estimate – Taxation

Refer 4.9 in the Income Tax note.

b. Key estimate – Inventories

Refer Note 6.1 Inventories

Note 22 Statement of significant accounting policies

c. Key judgement – determining the lease term

Refer Note 6.3 Leases.

d. Key estimate – Impairment of goodwill

Refer Note 6.4 Intangible assets.

e. Key estimate – Share-based payments

Refer Note 19 Share-based payments.

22.3.2 ***Coronavirus (COVID-19) pandemic***

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

22.4 Fair Value

22.4.1 ***Fair Value of Assets and Liabilities***

The Group 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 AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly 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).

For non-financial assets, the fair value measurement also considers a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

22.4.2 ***Fair value hierarchy***

AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the 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. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Notes to the consolidated financial statements

for the year ended 30 June 2020

Note 22 Statement of significant accounting policies

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

22.4.3 ***Valuation techniques***

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

22.5 New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 23 Effects of Changes in Accounting Policy

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019 in note 23.2 following. The Group has adopted AASB 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

23.1 Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as *operating leases* under AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 10%.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 23 Effects of Changes in Accounting Policy (cont.)

	2020 $
Operating lease commitments disclosed as at 30 June 2019	*2,130,689*
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,866,314
Add/(less): adjustments as a result of a different treatment of extension and termination options	1,385,572
Lease liability recognised as at 1 July 2019	3,251,886
Of which are:	
- Current lease liabilities	428,432
- Non-current lease liabilities	2,823,454
	3,251,886

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2020 $	1 July 2019 $
Properties	1,425,159	3,251,886
Total right-of-use assets	1,425,159	3,251,886

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of-use assets – increase by $3,251,886
- lease liabilities – increase by $3,251,886

23.1.1 *Practical expedients applied*

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

Notes to the consolidated financial statements
for the year ended 30 June 2019

Note 23 Effects of Changes in Accounting Policy (cont.)

23.2 The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods and range from 3 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

23.2.1 *Key estimates – Extension and termination options*

An extension options is included in a property lease of Group. These terms are used to maximise operational flexibility in terms of managing contracts. The extension option held is exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Notes to the consolidated financial statements
for the year ended 30 June 2020

Note 24 Company details

The registered office of the Company is:

Street + Postal: 205 North Quay
Brisbane City QLD 4000

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 15 to 64, are in accordance with the *Corporations Act 2001* (Cth) and:

   (a) comply with Accounting Standards;

   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 22.1 to the financial statements; and

   (c) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Group.

   (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001* (Cth);

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 and is signed for and on behalf of the directors by:

ASHISH KATTA
Managing Director
Dated this Wednesday, 30 September 2020

Bentleys
THINKING AHEAD

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Independent Auditor's Report

To the Members of iCollege Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of iCollege Limited ("the Company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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:

a. the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 22.1.2.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 *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.

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

Independent Auditor's Report

To the Members of iCollege Limited *(Continued)*

Material Uncertainty Related to Going Concern

We draw attention to Note 22.1.3 in the financial report, which indicates that the Group incurred a net loss of $2,640,237 during the year ended 30 June 2020. As stated in Note 22.1.3, these events or conditions, along with other matters as set forth in Note 22.1.3, indicate that a material uncertainty exists that may cast significant doubt on the Group 's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition **(Note 1.1)**	
During the year the Group generated revenue of $10,806,163 and had unearned revenue of $2,694,588 at balance date. We consider this to be a key audit matter due to the judgement and estimates involved in determining when the performance obligations are met and when revenue is recognised.	Our procedures included, amongst others: – Documenting the processes and assessing the internal controls relating to revenue processing and recognition; – Reviewing the revenue recognition policy for compliance with AASB 15 *Revenue from Contracts with Customers*; – Reviewing a sample of revenue to supporting contracts to ensure revenue was recognised in line with the revenue recognition policy; – Assessing cut-off of revenue at year end and ensuring revenue has been recorded in the correct reporting period or deferred as unearned revenue; and – Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.
Intangible assets **(Note 6.4)**	
As at 30 June 2020, the carrying value of licensed operations was $2,855,550. The recoverability of the Group's intangible assets is a Key Audit Matter due to the significance of the	Our procedures included, amongst others: – Assessed management's value in use calculations including analysis of key assumptions and inputs such as discount rates and assessing the reasonableness of the

Independent Auditor's Report

To the Members of iCollege Limited *(Continued)*

Key audit matter	How our audit addressed the key audit matter
balance to the Group's financial position and the presence of impairment indicators and judgement required in assessing the value in use of the cash generating units ("CGU's") to which the intangible assets relate.	forecasts prepared; – Utilised our internal valuation specialists to assess the discount rate applied; – Assessed the arithmetic accuracy of the impairment model; and – Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.
Borrowings **(Note 5.6)**	
As disclosed in note 5.6 to the financial statements, the Group issued Convertible Notes with a face value of $500,000 during the year. We consider this to be a key audit matter due to the significance of the balance to the Group's financial position and the complexities involved in the recognition and measurement of Convertible Notes.	Our procedures amongst others included: – Analysing the Convertible Note Deed to identify the key terms and conditions of the convertible note; – Verification of the funds received from the issue of convertible notes during the year; – Assessing the accounting treatment of the financial instrument in accordance with the recognition and measurement as well as the disclosure requirements of the relevant Australian Accounting Standards; – Evaluating management's valuation and assessing the assumptions and inputs used; – Assessing the calculation of the relevant amortisation of finance costs for the year; and – Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

Other Information

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 30 June 2020, 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.

Independent Auditor's Report

To the Members of iCollege Limited *(Continued)*

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 of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *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 Note 22.1.2, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Group's ability 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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 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 also:

- 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

Independent Auditor's Report

To the Members of iCollege Limited *(Continued)*

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 30th day of September 2020

Additional Information for Listed Public Companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1 Capital as at 17 September 2020.

a. Ordinary share capital

526,564,649 ordinary fully paid shares held by 697 shareholders.

b. Unlisted Options over Unissued Shares

Number of Options	Exercise Price $	Expiry Date
10,000,000	0.05	10 July 2023

c. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares**: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.
- **Unlisted Options**: Options do not entitle the holders to vote in respect of that equity instrument, nor participate in dividends, when declared, until such time as the options are exercised or performance shares convert and subsequently registered as ordinary shares.

d. Substantial Shareholders as at 17 September 2020.

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
DRUID CONSULTING PTY LTD	73,050,000	13.87

e. Distribution of Shareholders as at 17 September 2020.

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	55	11,013	0.03
1,001 – 5,000	44	159,616	0.51
5,001 – 10,000	66	530,965	1.03
10,001 – 100,000	240	10,717,642	11.21
100,001 – and over	292	515,145,413	87.22
	697	**526,564,649**	**100.00**

f. Unmarketable Parcels as at 17 September 2020

At the date of this report there were 113 shareholders who held less than a marketable parcel of shares holding 6,410 shares.

g. On-Market Buy-Back

There is no current on-market buy-back.

h. Restricted Securities

The Company has no restricted securities

Additional Information for Listed Public Companies

i. **20 Largest Shareholders — Ordinary Shares as at as at 17 September 2020**

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	DRUID CONSULTING PTY LTD	73,050,000	13.87
2.	AWJ FAMILY PTY LTD	24,032,818	4.56
3.	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	21,447,588	4.07
4.	SILVER RIVER INVESTMENT HOLDINGS PTY LTD	18,328,767	3.48
5.	GASMERE PTY LIMITED	16,356,044	3.11
6.	BNP PARIBAS NOMINEES PTY LTD	15,462,102	2.94
7.	MR HIREN KAKAD	13,000,000	2.47
8.	SAYERS INVESTMENTS (ACT) PTY LTD	12,500,000	2.37
9.	INVESTORLEND PTY LTD	11,300,000	2.15
10.	MR JIMMY FAUSTO CAFFIERI & MRS LUCIA CAFFIERI	10,000,000	1.90
11.	BADRI GOSAVI	10,000,000	1.90
12.	MR HARRY HATCH	9,841,000	1.87
13.	OSSUM HOLDINGS PTY LTD	8,793,842	1.67
14.	MR DAVID LEIGH-EWERS & MRS ELIZABETH ANN LEIGH-EWERS	8,250,000	1.57
15.	PG BINET PTY LTD	7,855,160	1.49
16.	MR MARIAPILLAI PATHMANABAN & MRS VATHSALA PATHMANABAN	5,900,000	1.12
17.	LARRAKEYAH PTY LTD	5,800,000	1.10
18.	CIBAW PTY LTD	5,300,000	1.01
19.	MR KEVIN ANTHONY TORPEY	5,268,808	1.00
20.	FORMULA PROPERTIES PTY LTD	5,190,087	0.99
	TOTAL	**287,676,216**	**54.64**

j. Unquoted Securities Holders Holding More than 20% of the Class as at 17 September 2020

- *Unlisted Options (Exercise price $0.05, Expiry Date: 10.07.23)*

Name	Number of Unquoted Securities	% Held of Unquoted Security Class
CIBAW Pty Ltd <Bligh Family a/c>	5,000,000	50.00
J & M Hunter Investments Pty Ltd	5,000,000	50.00
TOTAL	**10,000,000**	**100.00**
TOTAL UNLISTED OPTIONS	**10,000,000**	

2 The Company Secretary is Stuart Usher.

3 Principal registered office

As disclosed in Note 24 Company details on page 64 of this Annual Report.

4 Registers of securities

As disclosed in the Corporate directory on page i of this Annual Report.

5 Stock exchange listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, As disclosed in the Corporate directory on page i of this Annual Report.

6 Use of funds

The Company has used its funds in accordance with its initial business objectives.

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