ICHM Pty Limited

ACN 080 984 738

2018 Financial Statements

Contents

Directors' Report

The Directors of ICHM Pty Limited ("the Company") submit the annual financial report of the Company for the year ended 31 December 2018. In order to comply with the provisions of the *Australian Charities and Not-for-profits Commission Act 2012*, the Directors report as follows:

Directors

The names and qualifications of the Directors of the Company at the date of this report are:

Mr Richard Ryan AO	Is the Deputy Chancellor of Charles Darwin University. Appointed as a Director on 30 January 2017. Richard is Chair of the Board.
Ms Bodelle Francis	Is the General Manager of the Francis Group. Has a Bachelor Degree in International Hotel Management from ICHM. Appointed as a director on 23 August 2017.
Mr Scipio Lipman	Principal and founder of Lipman Karas. Appointed as a director on 05 July 2017.
Professor Simon Maddocks	Is the Vice-Chancellor and President of Charles Darwin University. Appointed as a Director on 30 January 2017.
Mrs Denise Von Wald	Is a professional director and her two most recent roles were Tourism Australia's Regional General Manager for the UK and Northern Europe, the Chief Executive of Education Adelaide. Appointed as a Director on 15 February 2018.
Mrs Meredith Parry	Is the Deputy Vice-Chancellor and Vice President (Operations) of Charles Darwin University. Appointed as an alternate Director on 23 June 2017.

Directors' Report (continued)

Directors' Meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director (while they were a Director). During the year six Directors’ meetings were held.

		No. of Meetings held while in office	No. of Meetings attended
Mr Richard Ryan AO	Appointed 30 January 2017	6	6
Ms Bodelle Francis	Appointed 23 August 2017	6	3
Mr Scipio Lipman	Appointed 05 July 2017	6	2
Professor Simon Maddocks	Appointed 30 January 2017	6	4
Mrs Denise Von Wald	Appointed 15 February 2018	6	6
Mrs Meredith Parry	Appointed 23 June 2017 (Alternate Director)	6	3

Principal Activities

The principal activity of the Company during the year was to provide hospitality education to students.

Changes in state of affairs

ICHM Pty Limited registered as a not for profit organisation with the Australian Charities and Not-for-profits Commission on 22 February 2018. The Australian Taxation Office confirmed ICHM Pty Limited as a rebateable employer for FBT on 2 March 2018.

Other than the above, there was no other significant change in the state of affairs of the Company during the financial year.

Directors' Report (continued)

Subsequent Events

There are no matters or circumstances subsequent to the balance sheet date which significantly affected or may affect the operations of the Company, the results of those operations, or the state of the affairs of the Company in future financial years.

Dividends

There were no dividends or distributions recommended or declared for payment to members during the year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s.60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* is included in page 6 of this financial report.

Rounding Off

The Financial Statements have been rounded off to the nearest dollar.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors.

Richard Ryan
....
Director

Amaddock
....
Director

Darwin
Date: 11 June 2019

Auditor-General

Auditor's Independence Declaration to the Directors of ICHM Pty Ltd

I declare that, to the best of my knowledge and belief, during the financial year ended 31 December 2018 there have been:

1. no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

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

Julie Crisp
Auditor-General for the Northern Territory

Darwin

4 June 2019

Auditor-General

Independent Auditor's Report to the Directors of ICHM Pty Limited

Year Ended 31 December 2018

Opinion

I have audited the accompanying Financial Report of ICHM Pty Limited ("the Company").

The Financial Report comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Statement.

In my opinion the accompanying Financial Report gives a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012, Australian Charities and Not-for-profits Commission Regulation 2013* and Australian Accounting Standards – Reduced Disclosure Requirements.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report.

I am independent of the Company in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* 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 the audit of the Financial Report in Australia. I have fulfilled my other ethical responsibilities in accordance with the Code.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Other Information is financial and non-financial information included in the annual report of ICHM Pty Limited which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information I obtained prior to the date of this Auditor's Report was the "*Directors' Report*" shown on page 3 to 5 of the Financial Report.

My opinion on the Financial Report does not cover the Other Information and, accordingly, I do not express any form of assurance conclusion thereon.

In connection with the audit of the Financial Report, my responsibility is to read the Other Information. In doing so, I consider whether the Other Information is materially inconsistent with the Financial Report or the knowledge obtained in the audit, or otherwise appears to be materially misstated.

I am required to report if I conclude that there is a material misstatement of this Other Information. Based upon the work I have performed on the Other Information that I obtained prior to the date of this Auditor's Report, I have nothing to report.

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 gives a fair view in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, and for such internal control as the Directors determine is necessary to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the Directors are responsible for assessing the Company'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 responsible entities either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They are considered material if, individually or in 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, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 internal control of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report however, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

17 June 2019

ICHM Pty Limited

Directors' Statement

In accordance with a resolution of the Directors of the ICHM Pty Limited, the Directors state that:

1. In the Directors' opinion, there are reasonable grounds to believe that ICHM Pty Limited will be able to pay its debts as and when they become due and payable; and

2. The financial statements and notes of ICHM Pty Limited satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* including:

    a. Giving a true and fair view of its financial position as at 31 December 2018 and of its performance, for the financial year ended on that date; and

    b. Complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Integerpretations) and the *Australian Charities and Not-for-profits Commission Regulations 2013.*

This statement is signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013.*

On behalf of the Directors.

Richard Ryan

....

Director

Amaddock

....

Director

Darwin

Date: 11 June 2019

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 $	2017 $
Revenue	4	7,438,536	7,730,159
Cost of sales	7	(2,050,895)	(2,168,676)
Gross surplus		5,387,641	**5,561,483**
Investment income	5	41,153	40,193
Other revenue	6	250,974	205,135
Profit on disposal of assets		11,782	-
Administration expenses	8	(347,847)	(303,860)
Amortisation	14	(15,916)	(24,964)
Bad debt (reversed) / expense		3,562	(712)
Building costs	9	(503,462)	(450,744)
Depreciation	15	(96,587)	(137,587)
Employee related expenses	10	(4,632,125)	(4,092,468)
Other expenses	11	(734,542)	(677,297)
(Deficit) / surplus before income tax expense		(635,367)	**119,179**
Income tax expense	3	(4,214)	-
(Deficit) / surplus for the year		(639,581)	**119,179**
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive (deficit) / surplus for the year		(639,581)	**119,179**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 31 December 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	19(a)	1,126,717	1,767,827
Trade and other receivables	12	3,629,385	4,242,103
Other assets	13	113,497	118,671
Total current assets		4,869,599	6,128,601
Non-current assets			
Intangible assets	14	162,368	70,479
Property, plant & equipment	15	246,595	141,545
Total non-current assets		408,963	212,024
Total assets		5,278,562	6,340,625
LIABILITIES			
Current liabilities			
Trade and other payables	16	491,755	442,027
Other liabilities	17	4,395,689	4,885,295
Provisions	18	511,923	525,596
Related party loan	20 (d)	400,000	400,000
Total current liabilities		5,799,367	6,252,919
Non-current liabilities			
Provisions	18	104,606	73,537
Total non-current liabilities		104,606	73,537
Total liabilities		5,903,973	6,326,456
Net assets / (liabilities)		(625,412)	14,169
Equity			
Ordinary share capital		2	2
Retained earnings		(625,414)	14,167
Total equity		(625,412)	14,169

The above Statement of Financial Position should be read in conjunction with the accompanying notes

Statement of Changes in Equity

For the year ended 31 December 2018

	Retained (deficit) / surplus $	Ordinary shares $	Total $
Balance at 1 January 2017	(105,012)	2	(105,010)
Deficit for the year	119,179	-	119,179
Other comprehensive income for the year	-	-	-
Balance at 31 December 2017	**14,167**	**2**	**14,169**
Balance at 1 January 2018	14,167	2	14,169
Deficit for the year	(639,581)	-	(639,581)
Other comprehensive income for the year	-	-	-
Balance at 31 December 2018	**(625,414)**	**2**	**(625,412)**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from student fees and other customers		7,723,667	7,808,077
Payments to suppliers and employees		(8,132,830)	(7,281,642)
Net cash (used in) / provided by operating activities	19 (b)	(409,163)	526,435
Cash flows from investing activities			
Interest received		41,153	40,193
Payments for property, plant & equipment		(201,637)	(63,239)
Payments for intangible assets		(83,245)	(53,000)
Proceeds from the sale of property, plant & equipment		11,782	-
Repayment of borrowings to a related party		-	(400,000)
Net cash used in investing activities		(231,947)	(476,046)
Net (decrease) / increase in cash and cash equivalents		(641,110)	50,389
Cash and cash equivalents at the beginning of the financial year		1,767,827	1,717,438
Cash and cash equivalents at the end of the financial year	19 (a)	1,126,717	1,767,827

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements

For the year ended 31 December 2018

Notes to the Financial Statements

For the year ended 31 December 2018

Note 1: General Information

ICHM Pty Limited is a not-for-profit entity incorporated in Australia and operating in Australia. ICHM Pty Limited's registered office and principal place of business is:

Registered office:
Governance Office, Orange 12, Casuarina Campus, Ellengowan Drive
Casuarina, NT 0909, Australia

Principal place of business:
Days Road, Regency Park, SA 5010, Australia

Note 2: Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements that have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012,* Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations) and complies with other requirements of the law.

(a) Basis of preparation

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historic costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The amounts in the financial statements are presented in Australian dollars, which is the Company's functional currency.

Where necessary, comparative information has been reclassified to enhance comparability in respect of changes in presentation adopted in the current year.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Date of authorisation for issue

The financial statements were authorised for issue by the directors of the company on 5 June 2019.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2: Significant accounting policies (continued)

Critical accounting estimates
In the application of Australian Accounting Standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

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

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Adoption of new and revised Accounting Standards

In the current year the Company has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Company's accounting policies.

Impact of initial application of AASB 9 Financial Instruments
AASB9 *Financial Instruments* replaces AASB139 *Financial Instruments*: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments:

i) classification and measurement;
ii) impairment; and
iii) hedge accounting.

The Company has applied AASB9 retrospectively, with an initial application date of 1 January 2018. No differences arose from the adoption of AASB9. As a result no restatement of comparative information is required.

Details of these new requirements as well as their impact on the Company's financial statements are described below.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2: Significant accounting policies (continued)

(i) Classification and measurement

Under AASB9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB9 did not have a significant impact on the Company.

The Company continued measuring at fair value all financial assets previously held at fair value under AASB139.

The following are the changes in the classification of the Company's financial assets:

(a) Trade receivables and Other current financial assets classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.

None of the reclassifications of financial assets have had any impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

(ii) Impairment

The adoption of AASB9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing AASB139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of AASB9, there was no additional impairment on the Company's trade receivables and debt.

(iii) Hedge accounting

Hedge accounting is not applicable to the Company.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2: Significant accounting policies (continued)

At the date of authorisation of the financial report, a number of Standards and Interpretations were issued but not yet effective.

AASB 1058 *'Income for Not-for-Profit Entities'* and AASB 15 *'Revenue from Contracts with Customers'*
AASB 1058 *Income for Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers* are effective for annual reporting periods beginning on or after 1 January 2019 and consequently will be reported in the Company's financial statements for the first time in 2019.

Under AASB 1058, revenue from grants and contracts will be recognised when any associated performance obligation to provide goods or services is satisfied, and not immediately upon receipt as currently occurs. Consequently, more revenue will initially be recognised as liabilities (unearned revenue) in the Statement of Financial Position after adoption of this standard.

AASB 1058 also clarifies and simplifies income-recognition requirements that apply to not-for-profit entities in conjunction with AASB 15.

While the full impacts are yet to be determined, potential impacts identified include:

- Revenue received to construct or acquire a non-financial asset will be recognised as a liability, and subsequently recognised as revenue as the performance obligations under the grant are satisfied. At present, such income if any is recognised as revenue on receipt.
- Revenue with an enforceable agreement and sufficiently specific performance obligations will be recognised as revenue progressively as the associated performance obligations are satisfied. At present, such income is recognised as revenue on receipt.
- Revenue that has an enforceable agreement but no specific performance obligations but has restrictions on the timing of expenditure will continue to be recognised as revenue on receipt as time restrictions on the use of funds are not sufficiently specific to create a performance obligation.
- Revenue that is not enforceable or not sufficiently specific will not qualify for deferral, and will continue to be recognised as revenue on receipt.

AASB 16 *Leases*
AASB 16 *Leases* is effective for annual reporting periods beginning on or after 1 January 2019 and consequently will be reported in the Company's financial statements for the first time in 2019. When effective, the standard will supersede AASB 117 Leases, and requires the majority of leases to be recognised on the Statement of Financial Position.

For lessees with operating leases, a right-of-use asset will now come onto the Statement of Financial Position together with a lease liability for all leases with a term of more than 12 months, unless the underlying assets are of low value. The Profit and Loss will no longer report operating lease rental payments, instead a depreciation expense will be recognised relating to the right-to-use asset and interest expense relating to the lease liability.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2: Significant accounting policies (continued)

For lessors the finance and operating lease distinction remains largely unchanged. For finance leases the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

The impact on the Statement of Financial Position is expected to increase assets via the Right of Use asset and increase liabilities via the Lease Liability.

The following Significant accounting policies have been adopted in the preparation and presentation of the financial report:

(b) Cash and cash equivalents

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 investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(c) Going concern and economic dependency

The Company has incurred an operating deficit of $639,581 and generated negative operating cash flows for the current year, with current liabilities exceeding current assets and total liabilities exceeding total assets by $929,768 and $625,412, respectively. Directors anticipate that the Company will return to surplus during FY2021 and the Company's ultimate parent entity, Charles Darwin University, has provided an undertaking of financial support to guarantee and be responsible for any financial liability or obligation of the Company until such time as its net asset deficiency is remediated and for a period of at least twelve months from May 2019. For these reasons, Directors have prepared these financial statements on a going concern basis.

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and the liability is capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Contributions to retirement benefits are recognised as an expense when employees have rendered services entitling them to the contributions.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2: Significant accounting policies (continued)

(e) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

(f) Loans and receivables

Trade receivables and other current financial assets that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. At initial recognition trade receivables are measured at their transaction price and subsequently these are classified and measured as debt instruments at amortised cost.

(g) Financial instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset.

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value' through profit and loss in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at either fair value or amortised cost using the effective interest rate method. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where applicable, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less reduction in impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revision to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in Profit or Loss.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2: Significant accounting policies (continued)

<u>(i) Trade receivables and other financial assets</u>
Trade receivables and other financial assets are financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured as debt instruments at amortised cost.

<u>(ii) Financial liabilities</u>
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

<u>(iii) Available for sale financial assets</u>
Available-for-sale financial assets are financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. Listed shares held by the Company that are traded in an active market are classified as available for sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve.

De-recognition
Financial assets are de-recognised where the contractual right to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Impairment of financial assets
Financial assets are assessed for impairment at each balance date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Impairment losses are recognised in the Statement of Profit or Loss.

<u>(i) Significant increase in credit risk</u>
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2: Significant accounting policies (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor; and
- Significant increases in credit risk on other financial instruments of the same debtor.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. The financial instrument has a low risk of default.
2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term.
3. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has an external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

<u>(ii) Definition of default</u>
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2: Significant accounting policies (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event (see (ii) above);
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the Statement of Profit or Loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

The Company recognises an impairment gain or loss in the Statement of Profit or Loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the Statement of Financial Position.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2: Significant accounting policies (continued)

(h) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

	2018	2017
Computer costs	2-3 years	2-3 years
Furniture and fittings	2-13 years	2-13 years
Leasehold improvements	5-13 years	5-13 years

(i) Repairs and maintenance

Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case, the costs are capitalised and depreciated. Other routine operating maintenance, repair and minor renewal costs are also recognised as expenses, as incurred.

(j) Intangible assets

Degree and Masters curriculum
Degree and Masters curriculum expenditure is initially recorded as the cost of expenditure on the development of the new course curriculum and is amortised over 5 years. Degree and Masters curriculum expenditure is tested annually for impairment and carried at cost less accumulated impairment losses.

(k) Trade and other payables

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

Notes to the Financial Statements

For the year ended 31 December 2018

Note 2: Significant accounting policies (continued)

(l) Revenue

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

Revenue from rendering of a service is recognised upon delivery of the service to the customers.

Fees and charges are recognised as income in the year an invoice is issued, except to the extent that fees and charges relate to courses to be held in future periods. Such invoices (or portion thereof) are treated as income in advance in other liabilities. Conversely, fees and charges relating to debtors are recognised as revenue in the year to which the prescribed course relates.

(m) Taxation

The Company is income tax exempt under Subdivision 50-B of the *Income Tax Assessment Act 1997.* The Company completed an income tax status review on the 12 December 2017 and determined that the Company was a non-profit organisation due to a change in the Company's circumstances. The effective date for the Company to be exempt from income tax is 21 June 2017.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Goods and Services Tax
Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) Where the amount of GST incurred is not recoverable from the Australian Tax Office, the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
(ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Payroll Tax
The Company incurs Payroll Tax at the rate determined by the state and territory governments for payments made to and benefits received by employees.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 3: Income tax

(a) Income tax recognised in profit or loss

	2018 $	2017 $
Current tax		
In respect of the previous year	4,214	-
Total income tax recognised in the current year	4,214	-

(b) The income tax for the period can be reconciled to accounting profit as follows:

	2018 $	2017 $
Net result before income tax	(635,367)	119,179
Income tax expense calculated at 30%	(190,610)	35,754
Effect of income that is exempt from taxation	190,610	-
Effect of expenses that are not deductible in determining taxable profit	-	(35,754)
Under provision relating to pre 21 June 2017	4,214	-
Total income tax recognised in the current year	4,214	-

As of 21 June 2017, the Company is income tax exempt under Subdivision 50-B of the Income Tax Assessment Act 1997.

Note 4: Revenue

	2018 $	2017 $
Accommodation	820,837	984,669
Application fees	33,987	26,119
Equipment hire	40,929	70,863
Course fees	6,421,666	6,495,054
Material & resource fee	104,482	128,258
Career week income	16,635	25,195
Total revenue	7,438,536	7,730,159

Notes to the Financial Statements

For the year ended 31 December 2018

Note 5: Investment income

	2018 $	2017 $
Interest income	41,153	40,193
Total Investment income	41,153	**40,193**

Note 6: Other revenue

	2018 $	2017 $
Commission	8,123	113
Fundraising and donations	3,000	4,000
Licensed income	239,851	201,022
Total other revenue	250,974	**205,135**

Note 7: Cost of sales

	2018 $	2017 $
Accommodation expense	819,386	980,416
Course costs	497,101	491,798
Materials	204,168	222,562
Student related expenses	212,652	201,223
Student scholarships	317,588	272,677
Total cost of sales	2,050,895	**2,168,676**

Note 8: Administration expenses

	2018 $	2017 $
Consultant fees	210,381	149,480
Insurance	29,831	56,939
Licences, fees and registrations	1,295	10,408
Printing, postage & stationery	64,436	66,017
Subscriptions & memberships	41,904	21,016
Total administration expenses	347,847	**303,860**

Notes to the Financial Statements

For the year ended 31 December 2018

Note 9: Building costs

	2018 $	2017 $
Rent	467,973	414,294
Repairs and maintenance	3,346	2,157
Telephone & internet	32,143	34,293
Total building costs	503,462	450,744

Note 10: Employee related expenses

	2018 $	2017 $
Salaries and wages	3,702,070	3,315,236
Superannuation	349,525	309,900
Other staff costs	580,530	467,332
Total employee related expenses	4,632,125	4,092,468

Note 11: Other expenses

	2018 $	2017 $
Bank fees	14,476	13,210
Computer costs	178,734	97,430
General expense	21,051	21,479
Interest	10,644	12,833
Promotions - Domestic	81,781	71,048
Promotions - General	161,440	201,479
Promotions - International	264,096	256,507
Travel	2,320	3,311
Total other expenses	734,542	677,297

Note 12: Trade and other receivables

	2018 $	2017 $
Current		
Trade receivables - students	3,595,817	4,241,417
Trade receivables - general	32,204	3,500
Provision for impairment	-	(3,562)
	3,628,021	4,241,355
Other receivables	1,365	748
Total current trade and other receivables	3,629,385	4,242,103

Notes to the Financial Statements

For the year ended 31 December 2018

Note 12: Trade and other receivables (continued)

The ageing analysis of trade receivables that were past due but not impaired is as follows:

	2018 $	2017 $
The ageing of these receivables is:		
Less than 3 months	2,000	-
3 to 6 months	13,254	1,180
Total	15,254	1,180

(a) Impaired receivables

As of 31 December 2018, trade receivables with a nominal amount of $15,254 (2017: $1,180) were past due but not impaired. $12,960 of this amount was paid in January 2019.

As at 31 December 2018, current receivables with a nominal value of $0 (2017: $3,562) were impaired. The provision for 2018 was $0 (2017: $3,562). The individually impaired receivables in 2017 related to a student, whom were in unexpectedly difficult economic situations. The full amount was ultimately recovered.

	2018 $	2017 $
The ageing of these receivables is:		
3 to 6 months	-	-
Over 6 months	-	3,562
Total	-	3,562

	2018 $	2017 $
Movements in the provision for impaired receivables are as follows:		
At beginning of the period	3,562	2,850
Provisions for impairment during the year	-	712
Receivables written off during the year as uncollectible	-	-
Unused amount reversed	(3,562)	-
At 31 December	-	3,562

Note 13: Other assets

	2018 $	2017 $
Prepayments	113,496	118,671
Total other assets	113,496	118,671

Notes to the Financial Statements

For the year ended 31 December 2018

Note 14: Intangible assets

	2018 $	2017 $
At beginning of the period		
Cost	428,019	375,019
Accumulated amortisation	(357,540)	(332,577)
Net book amount	70,479	42,442
Period Ended 31 December		
Opening Net Book Amount	70,479	42,442
Additions	12,678	8,500
Work in progress	96,339	44,500
Amortisation charge	(15,916)	(24,964)
Other	(1,212)	-
Closing net book amount	162,368	70,479
At 31 December		
Cost	537,036	428,019
Accumulated amortisation	(374,668)	(357,540)
Net book amount	162,368	70,479

In both years, intangible assets consist of the course curriculum.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 15: Property, plant and equipment

2018

	Leasehold Improvements $	Computer Costs $	Furniture & Fittings $	Closing balance $
At 1 January 2018				
- Cost	76,346	891,896	66,041	**1,034,283**
- Accumulated Depreciation	(26,897)	(824,109)	(41,732)	**(892,738)**
Net Book Amount	**49,449**	**67,787**	**24,309**	**141,545**
Year Ended 31 December 2018				
Opening Net Book Amount	49,449	67,787	24,309	**141,545**
Additions	65,004	97,766	34,729	**197,499**
Disposals	-	(357,378)	(19,444)	**(376,822)**
Depreciation Expense	(20,660)	(69,340)	(6,586)	**(96,586)**
Other	-	4,138	-	**4,138**
Add back depreciation on disposal	-	357,378	19,444	**376,822**
Closing Net Book Amount	**93,793**	**100,351**	**52,452**	**246,595**
At 31 December 2018				
- Cost	141,350	632,284	81,326	**854,960**
- Accumulated Depreciation	(47,557)	(531,933)	(28,874)	**(608,365)**
Net Book Amount	**93,793**	**100,351**	**52,452**	**246,595**

2017

	Leasehold Improvements $	Computer Costs $	Furniture & Fittings $	Closing balance $
At 1 January 2017				
- Cost	76,346	845,069	49,628	**971,043**
- Accumulated Depreciation	(12,457)	(704,383)	(38,311)	**(755,151)**
Net Book Amount	**63,889**	**140,686**	**11,317**	**215,892**
Year Ended 31 December 2017				
Opening Net Book Amount	63,889	140,686	11,317	**215,892**
Additions	-	46,827	16,413	**63,240**
Disposals	-	-	-	**-**
Depreciation Expense	(14,440)	(119,726)	(3,421)	**(137,587)**
Closing Net Book Amount	**49,449**	**67,787**	**24,309**	**141,545**
At 31 December 2017				
- Cost	76,346	891,896	66,041	**1,034,283**
- Accumulated Depreciation	(26,897)	(824,109)	(41,732)	**(892,738)**
Net Book Amount	**49,449**	**67,787**	**24,309**	**141,545**

Notes to the Financial Statements

For the year ended 31 December 2018

Note 16: Trade and other payables

	2018 $	2017 $
Trade payables	47,910	78,730
Accrued expenses	83,785	8,000
Other payables	239,613	287,371
Payroll payables	120,447	67,926
Total trade and other payables	491,755	442,027

Note 17: Other liabilities

	2018 $	2017 $
Income received in advance	4,395,689	4,885,295
Total other liabilities	4,395,689	4,885,295

Note 18: Provisions

	2018 $	2017 $
Current provisions expected to be settled within 12 months		
Employee benefits		
Annual leave	258,052	234,165
Long service leave	253,871	291,431
Total current provisions	511,923	525,596
Non-current provisions		
Employee benefits		
Annual Leave	-	-
Long service leave	104,606	73,537
Total non-current provisions	104,606	73,537
Total provisions	616,529	599,133

Notes to the Financial Statements

For the year ended 31 December 2018

Note 19: Note to the Statement of Cash Flows

(a) For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in term deposits. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2018 $	2017 $
Cash and cash equivalents	1,126,717	1,767,827
	1,126,717	**1,767,827**

(b) Reconciliation of operating result after income tax to net cash flows from operating activities.

	2018 $	2017 $
Surplus/ (Deficit) for the year	(639,581)	119,179
Amortisation	15,916	24,964
Depreciation	96,587	137,587
Profit on disposal of assets	(11,782)	-
Interest received	(41,153)	(40,193)
TEQSA Registration	(24,560)	-
Changes in net assets and liabilities:		
Movement in receivables	612,718	(407,693)
Movement in other assets	5,174	(26,332)
Movement in trade and other payables	49,728	409,947
Movement in other liabilities	(489,606)	188,707
Movement in income tax payable	-	-
Movement in provisions	17,396	120,269
Net cash provided by operating activities	(409,163)	526,435

Notes to the Financial Statements

For the year ended 31 December 2018

Note 20: Related party disclosures

(a) Ultimate controlling entity

The controlling entity of the Company is CDU Amenities Limited. CDU Amenities Limited is 100% owned by Charles Darwin University (the ultimate parent entity).

(b) Details of Key Management Personnel

The Directors and other members of key management personnel of the Company during the year were:

Non-Executive Directors	
Ms Bodelle Francis	Appointed on 23 August 2017
Mr Scipio Lipman	Appointed on 05 July 2017
Professor Simon Maddocks	Appointed 30 January 2017
Mrs Meredith Parry	Appointed 23 June 2017
Mr Richard Ryan AO	Appointed 30 January 2017
Mrs Denise Von Wald	Appointed 15 February 2018

Executive Officer	
Mr Gerald Lipman	Chief Executive

(c) Remuneration of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2018 $	Restated 2017 $
Short-term benefits	278,432	244,381
Post-employee benefits*	29,545	51,771
Long term benefits **	7,053	6,881

** Superannuation is included in post-employee benefits.*
*** Long service leave is included in long term benefits.*

The 2017 key management personnel disclosure has been restated to include long-term benefits.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 20: Related party disclosures (continued)

(d) Transaction with key management personnel

During the year, the Company entered into the following transactions with key management personnel:

	2018 $	2017 $
Loan interest paid to Mr Gerald Lipman	11,002	12,833
Repayment of loan to Mr Gerald Lipman	-	400,000

(d) Transaction with key management personnel (continued)

The following balances were outstanding at the end of the reporting period:

	2018 $	2017 $
Loans from Mr Gerald Lipman	400,000	400,000

(e) Transactions with Related Party

During the year, the following transactions with related parties occurred:

	2018 $	2017 $
Charles Darwin University - Insurance costs	14,617	-
Mr Richard Ryan - Consulting fees	13,000	-

Note 21: Financial instruments

(a) Capital risk management

ICHM Pty Limited does not have significant exposure to capital risk as the Company does not have any investments.

(b) Financial risk management objectives

ICHM Pty Limited has an appointed Board to make all of the financial decisions for the Company.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 21: Financial Instruments (continued)

(c) Market risk

ICHM Pty Limited does not have significant exposure to market risk as the Company does not have any significant financial instruments.

(d) Credit risk

ICHM Pty Limited does not have significant exposure to credit risk.

(e) Interest rate risk management

ICHM Pty Limited exposure to interest rate risk is minimised as there are no borrowings other than the related party loan.

Interest rate sensitivity:
The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of cash, term deposits and liquid investments:

	Increase/ Decrease in Basis Points	Effect on profit $
For the year ended 31 December 2018	+50	5,634
	-50	(5,634)
For the year ended 31 December 2017	+50	8,839
	-50	(8,839)

Note 22: Remuneration of auditors

Amount received, or due and receivable, by the auditors for auditing the financial report of:

	2018 $	2017 $
ICHM Pty Limited	24,000	28,608

The above audit services are supplied by the Auditor-General for the Northern Territory.

Note 23: Contingencies

Contingent liabilities
No claim has been made or threatened against the Company by any party. In addition, there are no known circumstances likely to give rise to any such claim.

Notes to the Financial Statements

For the year ended 31 December 2018

Note 24: Commitments

(a) Capital Commitments

ICHM Pty Limited does not have any capital commitments as at 31 December 2018 (2017 - $Nil).

(b) Lease commitments

All leases of the Company are operating leases.

	2018 $	2017 $
Operating leases		
Computing equipment	26,088	39,132
Property	844,368	27,597
Total leases	870,456	66,729

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2018 $	2017 $
Within one year	449,028	40,641
Later than one year but not later than five years	421,428	26,088
Total leases	870,456	66,729

Note 25: Events occurring after the balance sheet date

There are no matters or circumstances which significantly affected or may affect the operations of the Company, the results of those operations, or the state of the affairs of the Company in future financial years.