

ICHM Pty Limited

ACN 080 984 738

2021 Financial Statements

Contents

Directors' Report 3

Auditor's Independence Declaration 6

Independent Auditor's Report..... 7

Directors' Statement 10

Financial Statements 11

 Statement of Profit or Loss and Other Comprehensive Income 11

 Statement of Financial Position 12

 Statement of Changes in Equity 13

 Statement of Cash Flows 14

Notes to the Financial Statements 15

Directors' Report

The Directors of ICHM Pty Limited ("the Company") submit the annual financial report of the Company for the year ended 31 December 2021. 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 that were in office during the year:

| | |
|-------------------------------|--|
| Ms Ana Maria Rivera Rebolledo | Appointed 11 August 2020. Resigned 16 February 2021. |
| Ms Ann Doolette | Appointed 17 June 2021. Resigned 30 June 2021. |
| Mrs Denise Von Wald | Appointed as a Director on 15 February 2018. Resigned 8 December 2021. |
| Mr Craig Jones | Is the CEO – University Partnerships and Australia at UP Education. Appointed as a director on 16 February 2021. |
| Mr Colm Saunders | Is the Chief Financial Officer at UP Education. Appointed as a Director on 23 April 2020. |
| Mrs Natalie Simmons | Is the Chief Executive Officer at ICHM Pty Ltd. Appointed as Company Secretary on 3 February 2020 and as a Director on 23 April 2020. Resigned 1 March 2022. |
| Ms Amy McWaters | Is an ICHM Alumni and CEO – Hampers and Gifts Australia. Appointed 7 December 2021. |
| Ms Adele Preston | Is an ICHM Alumni and the General Manager – People, Country Road Group (Woolworths Holding Limited). Appointed 7 December 2021. |

The names of the Directors of the Company that were in office at the date of this report:

| | |
|------------------|---|
| Mr Craig Jones | Is the CEO – University Partnerships and Australia at UP Education. Appointed as a director on 16 February 2021. |
| Mr Colm Saunders | Is the Chief Financial Officer at UP Education. Appointed as a Director on 23 April 2020. |
| Ms Amy McWaters | Is an ICHM Alumni and CEO – Hampers and Gifts Australia. Appointed 7 December 2021. |
| Ms Adele Preston | Is an ICHM Alumni and the General Manager – People, Country Road Group (Woolworths Holding Limited). Appointed 7 December 2021. |

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 |
|-------------------------------|----------------------------|--------------------------------------|--------------------------|
| Ms Adele Preston | Appointed 7 December 2021 | 1 | 1 |
| Ms Amy McWaters | Appointed 7 December 2021 | 1 | 1 |
| Ms Ana Maria Rivera Rebolledo | Resigned 16 February 2021 | 1 | 0 |
| Ms Ann Doolette | Resigned 30 June 2021 | 1 | 1 |
| Ms Denise Von Wald | Resigned 8 December 2021 | 6 | 6 |
| Mr Craig Jones | Appointed 16 February 2021 | 5 | 4 |
| Mr Colm Saunders | Appointed 23 April 2020 | 6 | 5 |
| Mrs Natalie Simmons | Appointed 23 April 2020 | 6 | 6 |

Principal Activities

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

Changes in state of affairs

ICHM's semester 1 in 2020 commenced prior to international travel restrictions which meant that student numbers were not impacted. In response to COVID-19 the Company implemented an alternate operational approach to deliver tuition and support to students online. As a result, there was not a financial impact in semester 1 of 2020. A larger cohort of students continued their studies either on campus or online rather than undertaking industry placement in semester 2 2020. As a result the financial result for the 2020 financial year was in excess of budget.

This situation was not repeated in 2021 with both semester 1 2021 and semester 2 2021 impacted by low new student numbers that prior years as international border restrictions remained in place across the year. The impact of the small student intakes resulted in a deficit in comprehensive income for the year.

In response to the low student numbers an operational restructure occurred in March 2021 which resulted in a number of staff redundancies.

TEQSA approval was granted for 9 new courses in September 2021. These courses will commence in June 2022.

ICHM amended the company Constitution effective 1 December 2021 and revoked the previous charity status at that date.

Subsequent Events

International travel restrictions were lifted in January 2022 which resulted in an increase in new international students in semester 1 2022. This intake was still lower than pre-COVID intakes as student only had 3 weeks to arrive in Australia prior to the commencement of the semester.

Directors' Report (continued)

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.



.....
Mr Craig Jones
Director
Brisbane



.....
Mr Colm Saunders
Director
Auckland, New Zealand

Date: 23rd June 2022

ICHM Pty Limited

Auditor's Independence Declaration

ICHM Pty Limited

Independent Auditor's Report

Page 1

ICHM Pty Limited

Independent Auditor's Report
Page 2

ICHM Pty Limited

Independent Auditor's Report
Page 3

ICHM Pty Limited

Directors' Statement

In the opinion of the Directors of ICHM Pty Limited (the Company):

1. the financial statements and notes that are set out on pages 11 to 36 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012:
 - (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013; and
 - (b) give a true and fair view of the financial position and financial performance as at 31 December 2021 and performance for the year ended on that date of the company,
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.

Signed in accordance with a resolution of the directors:

Dated at Brisbane on 23rd June 2022



Mr Craig Jones
Director

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

| | Notes | 2021 \$ | 2020 \$ |
|---|-------|-------------|-------------|
| Revenue | 7 | 3,330,357 | 8,064,836 |
| Cost of sales | 10 | (511,885) | (1,414,190) |
| Gross surplus | | 2,818,472 | 6,650,646 |
| Interest income | 8 | 522 | 1,778 |
| Other revenue | 9 | 633,885 | 1,691,467 |
| Administration expenses | 11 | (403,959) | (244,096) |
| Amortisation | 18 | (27,103) | (28,504) |
| Bad debt expense | | 16,910 | (35,344) |
| Lease depreciation expense | 31 | (382,985) | (420,706) |
| Lease interest expense | 31 | (39,083) | (6,967) |
| Building costs | 12 | (34,039) | (54,886) |
| Depreciation | 19 | (73,826) | (93,936) |
| Employee related expenses | 13 | (2,578,142) | (4,631,487) |
| Other expenses | 14 | (456,610) | (656,892) |
| Intercompany charge to UP Education | | (165,000) | - |
| Redundancy Expense | | (278,869) | - |
| Surplus/ (Deficit) for the year before income tax | | (969,827) | 2,171,073 |
| Income tax expense | 15 | (139,096) | - |
| Surplus / (Deficit) for the period | | (1,108,923) | 2,171,073 |
| Other comprehensive income | | | |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | | |
| Fair value (loss) gain on revaluation of investment | | - | - |
| Other comprehensive (loss) for the year | | - | - |
| Surplus/ (Deficit) for the year after income tax | | (1,108,923) | 2,171,073 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | (1,108,923) | 2,171,073 |

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 2021

| | Notes | 2021 | 2020 |
|--------------------------------------|-------|------------------|------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 25(a) | 1,035,848 | 2,454,627 |
| Trade and other receivables | 16 | 59,367 | 334,912 |
| Other assets | 17 | 127,797 | 91,239 |
| Total current assets | | 1,223,012 | 2,880,778 |
| Non-current assets | | | |
| Intangible assets | 18 | 785,326 | 94,582 |
| Property, plant and equipment | 19 | 120,586 | 178,994 |
| Right of use assets | 31 | 229,708 | 1,227,909 |
| Total non-current assets | | 1,135,620 | 1,501,485 |
| Total assets | | 2,358,632 | 4,382,263 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 21 | 1,001,208 | 517,119 |
| Lease liability | | 233,988 | 393,402 |
| Other liabilities | 22 | 383,645 | 778,221 |
| Provisions | 23 | 279,658 | 436,446 |
| Provision for income tax | 24 | 59,752 | - |
| Total current liabilities | | 1,958,251 | 2,125,188 |
| Non-current liabilities | | | |
| Provisions | 23 | 78,213 | 70,329 |
| Deferred Tax Liability | 24 | 79,344 | - |
| Lease liability | | - | 834,999 |
| Total non-current liabilities | | 157,557 | 905,328 |
| Total liabilities | | 2,115,808 | 3,030,516 |
| Net assets | | 242,824 | 1,351,747 |
| Equity | | | |
| Ordinary share capital | 20 | 400,002 | 400,002 |
| Retained earnings/Accumulated losses | | (157,178) | 951,745 |
| Total equity | | 242,824 | 1,351,747 |

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

Statement of Changes in Equity

For the year ended 31 December 2021

| | Retained earnings \$ | Ordinary shares \$ | Total \$ |
|-----------------------------|----------------------------|--------------------------|----------------|
| Balance at 1 January 2020 | (1,219,328) | 2 | (1,219,326) |
| Surplus for the period | 2,171,073 | - | 2,171,073 |
| Share issue | - | 400,000 | 400,000 |
| Balance at 31 December 2020 | 951,745 | 400,002 | 1,351,747 |
| Deficit for the period | (1,108,923) | - | (1,108,923) |
| Balance at 31 December 2021 | <u>(157,178)</u> | <u>400,002</u> | <u>242,824</u> |

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

Statement of Cash Flow

For the year ended 31 December 2021

| | Notes | 2021 | 2020 |
|---|--------|--------------------|------------------|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from student fees and other customers | | 3,862,121 | 8,565,607 |
| Payments to suppliers and employees | | (4,129,877) | (7,035,877) |
| Net cash provided by / (used in) operating activities | 25 (b) | (267,756) | 1,529,730 |
| Cash flows from investing activities | | | |
| Interest received | | 522 | 1,778 |
| Payments for property, plant & equipment | | (15,418) | (87,775) |
| Payments for intangible assets | | (717,847) | (22,669) |
| Net cash used in investing activities | | (732,743) | (108,666) |
| Cash flows from financing activities | | | |
| Payments for leases | | (418,282) | (431,748) |
| Additional borrowing from a related party | | - | 150,000 |
| Repayment of borrowings from a related party | | - | (700,000) |
| Issued Share Capital | | - | 400,002 |
| Net cash used in financing activities | | (418,282) | (581,746) |
| Net (decrease) / increase in cash and cash equivalents | | (1,418,781) | 839,318 |
| Cash and cash equivalents at the beginning of the financial period | | 2,454,629 | 1,615,311 |
| Cash and cash equivalents at the end of the financial period | 25 (a) | 1,035,848 | 2,454,629 |

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 2021

Note 1: Reporting Entity

ICHM Pty Limited is an entity incorporated and operating in Australia. ICHM Pty Limited's registered office and principal place of business is:

Registered office at the date of the financial report:

137 Days Road, Regency Park, SA 5010, Australia

Registered office at the date of the directors' report:

137 Days Road, Regency Park, SA 5010, Australia

Principal place of business:

137 Days Road, Regency Park, SA 5010, Australia

Note 2: Basis of preparation

In the opinion of the directors the Company is not publicly accountable. These financial statements are Tier 2 general purpose financial statements that have been prepared in accordance *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards - Reduced Disclosure Requirements.

They were authorised for issue by the Board of Directors on 23rd June 2022.

Details of the Company's accounting policies are included in note 6.

Note 3: Going Concern and economic dependency

The Company has derived a deficit for the year ended 31 December 2021 of \$1,108,923 (2020: surplus of \$2,171,073). As at 31 December 2021, the Company has a net deficit in working capital of \$735,239 (2020: working capital surplus of \$755,590) and positive net assets of \$242,824 (2020: net assets of \$1,351,747).

Whilst the Company has reported a decline in financial performance in FY 2021, this was due to the impact of ongoing international border restrictions on international student enrolments.

As international border restrictions were lifted in January 2022, there was some improvement in the new student intake in semester 1 2022, Directors anticipate that new student intakes will increase to pre-COVID levels from semester 2 2022. Given the continued impact on semester 1 2022 Directors anticipate that the Company will incur losses until at least January 2023 and will be reliant on financial support from the Company's ultimate parent entity, New Zealand Holdco 2018 Limited, for at least this period.

The Company's ultimate parent entity has provided an undertaking of financial support to guarantee and be responsible for any financial liability or obligation of the Company for a period of at least 12 months after the date that the financial report of the Company for the year ended 31 December 2021.

Accordingly, Directors have prepared these financial statements on a going concern basis.

Notes to the Financial Statements

For the year ended 31 December 2021

Note 4: Functional and presentation currency

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

Note 5: Judgements and 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.

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except mentioned otherwise.

The information about assumptions and estimation uncertainties that have a significant risk of material adjustment are:

- Intangible assets: revenue and cashflow forecasts supporting the carrying value of capitalised costs.

Note 6: Significant accounting policies

Adoption of new and revised Accounting Standards

In the current year the Company has not adopted any new or revised Standards or Interpretations issued by the Australian Accounting Standards Board (AASB).

At the date of the financial report, a number of Standards and Interpretations were issued but not yet effective and have not been early adopted.

These are not expected to have a material impact on the company with the exception of AASB 1060 General Purpose Financial Statements – Simplified Disclosures for Profit and Not-for Profit Tier 2 entities (AASB 1060). AASB 1060 is expected to change the disclosures in the financial statements. AASB 1060 is mandatory for the company for the year ended 31 Dec 2022.

Notes to the Financial Statements

For the year ended 31 December 2021

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

(a) 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.

(b) 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.

(c) 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.

Notes to the Financial Statements

For the year ended 31 December 2021

(d) 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.

(e) Financial instruments

The classification and measurement model for financial assets is outlined below.

Financial assets at amortised cost

A financial asset is measured at amortised cost if the following conditions are met:

- the objective of the Company's business model is to hold the asset to collect contractual cashflows;
- the contractual cash flows give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding;
- the Company does not irrevocably elect at initial recognition to measure the instrument at fair value through profit or loss to minimise an accounting mismatch.

Notes to the Financial Statements

For the year ended 31 December 2021

Amortised cost instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition the carrying amount of amortised cost instruments is determined using the effective interest method, less any impairment losses. Interest income is recognised in profit or loss as part of finance income.

- i. Financial assets at fair value

Financial assets at fair value through other comprehensive income

The Company classifies financial assets at fair value through other comprehensive income (FVOCI) where the following conditions are met:

- the contractual cash flows give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding;
- the objective of the Company's business model is achieved both by collecting contractual cash flows and by selling the financial assets.

These investments are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss is recognised in profit or loss.

At initial recognition, the Company may also make an irrevocable election (on an instrument-by-instrument basis) to recognise the change in fair value of investments in equity instruments in other comprehensive income (FVOCI). This election is only permitted for equity instruments that are not held for trading purposes.

These equity investments are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive

income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss is transferred directly to retained earnings and is not recognised in profit or loss.

The fair value of the Company's investments in listed equities, interest bearing notes and other instruments are determined with reference to their quoted closing price at the reporting date.

Financial assets at fair value through profit or loss

The Company classifies financial assets at fair value through profit and loss (FVTPL) if they are not an equity investment and the assets contractual cash flows are not solely principal and interest. These investments are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in the profit and loss.

Notes to the Financial Statements

For the year ended 31 December 2021

Dividends or other distributions received from investments are recognised in profit or loss as part of finance income

i) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

ii) Financial liabilities

The Company's financial liabilities are classified as measured at amortised cost. These liabilities are measured at amortised cost using the effective interest method with interest expense recognised in profit or loss. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its term are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(f) 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, net of their residual values, over their estimated useful lives, as follows:

| | 2021 | 2020 |
|------------------------|------------|------------|
| 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 |

Notes to the Financial Statements

For the year ended 31 December 2021

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) Government Grants / subsidies

Assets (including cash) arising from government grants or subsidies in the scope of AASB 1058 *Income for Not-for-profits* are recognised at their fair value when the right to receive the asset is established. Income is also recognised at the same time and is not offset against the related expense which the grant or subsidy are intended to compensate."

(l) Taxation

The Company was income tax exempt under Subdivision 50-B of the *Income Tax Assessment Act 1997* up until 30 November 2021.

Notes to the Financial Statements

For the year ended 31 December 2021

On 1 December 2021, the Company changed its constitution and ceased to be a non profit organisation and therefore was taxable for the period 1 December 2021 to 31 December 2021.

The income tax expense or benefit for the period is the tax payable on that period's taxable income for the month of December 2021 based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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 2021

(k) Leases

During 2021, the Company had both IT equipment and tenancy leases. These leases are recognised in accordance with AASB 16 and result in Right of Use Assets and Lease Liabilities. The Right of Use Asset is initially measured at cost. The Right of Use Assets are depreciated on a straight-line basis. The depreciation expense and interest expense are recognised through the profit and loss. The Lease Liability is initially measured at the present value of the lease payments. Subsequently the lease liability is measured at amortised cost using the effective interest method.

Note 7: Revenue

| | 2021 \$ | 2020 \$ |
|-------------------------|------------------|------------------|
| Accommodation | 4,879 | 485,346 |
| Application fees | 3,417 | 32,818 |
| Course fees | 3,299,066 | 7,486,308 |
| Material & resource fee | 22,995 | 60,364 |
| Total revenue | 3,330,357 | 8,064,836 |

Note 8: Investment income

| | 2021 \$ | 2020 \$ |
|--------------------------------|------------|--------------|
| Interest income | 522 | 1,778 |
| Total Investment income | 522 | 1,778 |

Note 9: Other revenue

| | 2021 \$ | 2020 \$ |
|------------------------------------|----------------|------------------|
| Commission | - | 2,480 |
| Fundraising and donations | - | 5,000 |
| Licensed income | 124,755 | 329,193 |
| JobKeeper and Government Subsidies | 509,130 | 1,059,000 |
| Rent relief | - | 295,794 |
| Total other revenue | 633,885 | 1,691,467 |

The Australian Federal Government established the JobKeeper Payment Scheme as a subsidy for business significantly affected by COVID-19. Details of the scheme are available at <https://www.ato.gov.au/general/jobkeeper-payment/>

Government Subsidy includes the Federal Government cash flow booster (details available at [https://www.ato.gov.au/Business/Business-activity-statements-\(BAS\)/In-detail/Boosting-cash-flow-for-employers/](https://www.ato.gov.au/Business/Business-activity-statements-(BAS)/In-detail/Boosting-cash-flow-for-employers/)) and payroll tax relief.

TAFE SA provided rent relief to the Company for the period from 1 January 2021 to 31 March 2021.

Notes to the Financial Statements

For the year ended 31 December 2021

Note 10: Cost of sales

| | 2021 | 2020 |
|----------------------------|----------------|------------------|
| | \$ | \$ |
| Accommodation expense | - | 465,580 |
| Course costs | 323,339 | 691,134 |
| Materials | 100,967 | 147,662 |
| Student related expenses | 87,579 | 109,814 |
| Total cost of sales | 511,885 | 1,414,190 |

Note 11: Administration expenses

| | 2021 | 2020 |
|--------------------------------------|----------------|----------------|
| | \$ | \$ |
| Consultant fees | 254,316 | 152,932 |
| Insurance | 22,655 | 27,903 |
| Licences, fees and registrations | 20,313 | 15,351 |
| Printing, postage & stationery | 5,915 | 18,776 |
| Subscriptions & memberships | 100,760 | 29,134 |
| Total administration expenses | 403,959 | 244,096 |

Note 12: Building costs

| | 2021 | 2020 |
|-----------------------------|---------------|---------------|
| | \$ | \$ |
| Repairs and maintenance | - | 1,526 |
| Telephone & internet | 34,039 | 53,360 |
| Total building costs | 34,039 | 54,886 |

Notes to the Financial Statements

For the year ended 31 December 2021

Note 13: Employee related expenses

| | 2021 \$ | 2020 \$ |
|--|------------------|------------------|
| Salaries and wages | 1,996,778 | 3,877,396 |
| Superannuation | 279,458 | 359,882 |
| Other staff costs | 301,906 | 394,209 |
| Total employee related expenses | 2,578,142 | 4,631,487 |

Note 14: Other expenses

| | 2021 \$ | 2020 \$ |
|--|----------------|----------------|
| Bank fees | 4,289 | 11,577 |
| Computer costs | 88,674 | 103,612 |
| General expense | 28,764 | 39,909 |
| Interest | - | 914 |
| Promotions - Domestic | 14,663 | 41,903 |
| Promotions - General | 313,008 | 303,531 |
| Promotions - International | 3,905 | 44,649 |
| Government subsidy related expenditure | 3,307 | 110,797 |
| Total other expenses | 456,610 | 656,892 |

Note 15: Income tax expense

| | 2021 \$ | 2020 \$ |
|--|----------------|------------|
| Current tax | 59,752 | - |
| Deferred tax | 79,344 | - |
| Total income tax expense | 139,096 | - |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax liabilities | 79,344 | - |
| Total deferred tax | 79,344 | - |
| Reconciliation of income tax expense and tax at the statutory rate | | |
| Profit before income tax expense for period 1 Dec 2021 - 31 Dec 2021 | 233,145 | - |
| Tax at the statutory tax rate of 25% | 58,286 | - |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Legal expenses | 1,466 | - |
| Recognition of previously unrecognised deductible Temporary differences | 79,344 | - |
| Income tax expense | 139,096 | - |

Notes to the Financial Statement

For the year ended 31 December 2021

Note 16: Trade and other receivables

| | 2021 \$ | 2020 \$ |
|--|---------------|----------------|
| Current | | |
| Trade receivables - students | 50,055 | 63,059 |
| Trade receivables - general | 20,699 | 514 |
| Provision for impairment | (14,590) | (31,500) |
| | 56,164 | 32,073 |
| Fee Help | 2,112 | 301,748 |
| Other receivables | 1,091 | 1,091 |
| Total current trade and other receivables | 59,367 | 334,912 |

As of 31 December 2021, trade receivables with a nominal value of \$35,465 (2020: \$31,559) were past due but not impaired. These relate to receivables from students on extended payment plan arrangements in relation to semester 2 2020.

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

| | 2021 \$ | 2020 \$ |
|-------------------------------------|---------------|---------------|
| The ageing of these receivables is: | | |
| Less than 3 months | - | 31,559 |
| Over 6 months | 35,465 | - |
| Total | 35,465 | 31,559 |

(a) Impaired receivables

As at 31 December 2021, current receivables with a nominal value of \$14,590 (2020: \$31,500) were impaired. The provision for 2021 was \$14,590 (2020: \$31,500).

| | 2021 \$ | 2020 \$ |
|---|-----------------|-----------------|
| Movements in the provision for impaired receivables as follows: | | |
| At beginning of the period | (31,500) | - |
| Provisions for impairment during the year | - | (31,500) |
| Receivables written off during the year as uncollectible | - | - |
| Unused amount reversed | 16,910 | - |
| At 31 December 2021 | (14,590) | (31,500) |

Notes to the Financial Statements

For the year ended 31 December 2021

Note 17: Other assets

| | 2021 | 2020 |
|---------------------------|----------------|---------------|
| | \$ | \$ |
| Prepayments | 79,164 | 79,383 |
| GST Receivable | 48,633 | 11,856 |
| Total other assets | 127,797 | 91,239 |

Note 18: Intangible assets

| | 2021 | 2020 |
|-----------------------------------|----------------|----------------|
| | \$ | \$ |
| <i>At beginning of the period</i> | | |
| Cost | 559,624 | 537,282 |
| Accumulated amortisation | (465,042) | (436,539) |
| Net book amount | 94,582 | 100,743 |
| <i>Period Ended 31 December</i> | | |
| <i>Opening Net Book Amount</i> | 94,582 | 100,743 |
| Additions | - | - |
| Work in progress | 717,847 | 22,343 |
| Amortisation charge | (27,103) | (28,504) |
| Closing net book amount | 785,326 | 94,582 |
| | 2021 | 2020 |
| | \$ | \$ |
| Cost | 1,277,471 | 559,624 |
| Accumulated amortisation | (492,145) | (465,042) |
| Net book amount | 785,326 | 94,582 |

Notes to the Financial Statements

For the year ended 31 December 2021

Note 19: Property, plant and equipment

| | Leasehold Improvements \$ | Computer Costs \$ | Furniture & Fittings \$ | Software Costs \$ | Closing balance \$ |
|------------------------------------|---------------------------------|-------------------------|-------------------------------|-------------------------|--------------------------|
| At 1 January 2021 | | | | | |
| - Cost | 135,584 | 483,132 | 85,142 | - | 703,858 |
| - Accumulated Depreciation | (96,098) | (385,297) | (43,469) | - | (524,864) |
| Net Book Amount | 39,486 | 97,835 | 41,673 | - | 178,994 |
| Year Ended 31 December 2021 | | | | | |
| Opening Net Book Amount | 39,486 | 97,835 | 41,673 | - | 178,994 |
| Additions | 6,922 | 6,257 | - | 4,700 | 17,879 |
| Disposals | - | (9,914) | - | - | (9,914) |
| Depreciation Expense | (20,946) | (43,132) | (9,668) | (80) | (73,826) |
| Add back depreciation on disposal | - | 7,453 | - | - | 7,453 |
| Closing Net Book Amount | 25,462 | 58,499 | 32,005 | 4,620 | 120,586 |
| At 31 December 2021 | | | | | |
| - Cost | 142,506 | 479,475 | 85,142 | 4,700 | 711,823 |
| - Accumulated Depreciation | (117,044) | (420,976) | (53,137) | (80) | (591,237) |
| Net Book Amount | 25,462 | 58,499 | 32,005 | 4,620 | 120,586 |

| | Leasehold Improvements \$ | Computer Costs \$ | Furniture & Fittings \$ | Closing balance \$ |
|------------------------------------|---------------------------------|-------------------------|-------------------------------|--------------------------|
| At 1 January 2020 | | | | |
| - Cost | 135,584 | 517,455 | 85,016 | 738,055 |
| - Accumulated Depreciation | (68,907) | (445,313) | (39,006) | (553,226) |
| Net Book Amount | 66,677 | 72,142 | 46,010 | 184,829 |
| Year Ended 31 December 2020 | | | | |
| Opening Net Book Amount | 66,677 | 72,142 | 46,010 | 184,829 |
| Additions | - | 83,371 | 4,731 | 88,102 |
| Disposals | - | (117,694) | (4,605) | (122,299) |
| Depreciation Expense | (27,191) | (57,677) | (9,068) | (93,936) |
| Add back depreciation on disposal | - | 117,693 | 4,605 | 122,298 |
| Closing Net Book Amount | 39,486 | 97,835 | 41,673 | 178,994 |
| At 31 December 2020 | | | | |
| - Cost | 135,584 | 483,132 | 85,142 | 703,858 |
| - Accumulated Depreciation | (96,098) | (385,297) | (43,469) | (524,864) |
| Net Book Amount | 39,486 | 97,835 | 41,673 | 178,994 |

Notes to the Financial Statements

For the year ended 31 December 2021

Note 20: Capital and reserves

(a) Share Capital (continued)

| | Ordinary Shares 2021 \$ | Ordinary Shares 2020 \$ |
|-------------------------|----------------------------------|----------------------------------|
| On issue at 1 January | 400,002 | 2 |
| Issues for cash | - | 400,000 |
| On issue at 31 December | 400,002 | 400,002 |

(i) Ordinary Shares

ICHM Pty Ltd does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

(ii) Issue of ordinary shares

No shares new shares were issued in 2021. (2020: 400,000 shares at \$1 per share).

Note 21: Trade and other payables

| | 2021 \$ | 2020 \$ |
|--------------------------------|------------|------------|
| Trade payables | - | 38,764 |
| Related party payable | 464,720 | 220,000 |
| Other payables | 464,896 | 121,607 |
| Payroll payables | 61,227 | 136,748 |
| Total trade and other payables | 990,843 | 517,119 |

Note 22: Other liabilities

| | 2021 \$ | 2020 \$ |
|----------------------------|------------|------------|
| Income received in advance | 383,645 | 778,221 |
| Total other liabilities | 383,645 | 778,221 |

Notes to the Financial Statements

For the year ended 31 December 2021

Note 23: Provisions

Current provisions expected to be settled within 12 months

Employee benefits

| | | |
|---------------------------------|----------------|----------------|
| Annual leave | 233,268 | 252,255 |
| Long service leave | 46,390 | 184,191 |
| Total current provisions | 279,658 | 436,446 |

Non-current provisions

Employee benefits

| | | |
|-------------------------------------|----------------|----------------|
| Long service leave | 78,213 | 70,329 |
| Total non-current provisions | 78,213 | 70,329 |
| Total provisions | 357,871 | 506,775 |

Note 24: Tax

Deferred tax liability

Deferred tax asset comprises temporary differences attributable to:

Amounts recognised in profit or loss

| | | |
|--|-----------------|----------|
| Provision for annual leave | 233,268 | - |
| Provision for long service leave | 124,603 | - |
| Accrued Expense | 57,273 | - |
| IFRS 16 Leases | 4,280 | - |
| Accumulated Depreciation | 33,935 | - |
| Intangible Assets | (785,326) | - |
| Provision for Impairment | 14,590 | - |
| Net Timing Differences | (317,377) | - |
| Deferred tax liability @ Tax Rate 25% | (79,344) | - |

Non Current

Movements:

| | | |
|----------------------------|----------------|----------|
| Opening balance | - | - |
| Debited to profit and loss | 139,096 | - |
| Closing balance | 139,096 | - |

Provision for income tax

Current

| | | |
|--------------------------|--------|---|
| Provision for income tax | 59,752 | - |
|--------------------------|--------|---|

Notes to the Financial Statements

For the year ended 31 December 2021

Note 25: 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:

| | 2021 \$ | 2020 \$ |
|---------------------------|------------------|------------------|
| Cash and cash equivalents | 1,035,848 | 2,454,627 |
| | <u>1,035,848</u> | <u>2,454,627</u> |

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

| | 2021 \$ | 2020 \$ |
|--|------------------|------------------|
| Surplus/ (Deficit) for the year | (1,108,921) | 2,171,073 |
| Amortisation | 27,103 | 28,504 |
| Depreciation | 73,824 | 93,936 |
| Interest Income | (522) | (1,778) |
| Lease interest expense | 18,533 | 6,967 |
| Lease depreciation | 382,985 | 420,706 |
| Lease Adjustment | 20,550 | |
| <u>Changes in net assets and liabilities:</u> | | |
| Movement in receivables | 275,545 | (237,572) |
| Movement in other assets | (36,558) | (18,826) |
| Movement in trade and other payables | 484,089 | 140,990 |
| Movement in other liabilities | (394,576) | (917,780) |
| Movement in provisions | (148,904) | (156,490) |
| Movement in provision for income tax | 139,096 | - |
| Net cash provided by operating activities | <u>(267,755)</u> | <u>1,529,730</u> |

Notes to the Financial Statements

For the year ended 31 December 2021

Note 26: Related party disclosures

(a) Ultimate controlling entity

The controlling entity of the Company is New Zealand Holdco 2018 Limited.

(b) Details of Key Management Personnel

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

| | |
|-------------------------------|---|
| Ms Ana Maria Rivera Rebolledo | Resigned 16 February 2021 |
| Ms Ann Doolette | Appointed 17 June 2021. Resigned 30 June 2021 |
| Mrs Denise Von Wald | Resigned 8 December 2021. |
| Mr Craig Jones | Appointed 16 February 2021 |
| Mr Colm Saunders | Appointed 23 April 2020 |
| Ms Amy McWaters | Appointed 7 December 2021 |
| Ms Adele Preston | Appointed 7 December 2021 |

Executive Officer

Mrs Natalie Simmons 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:

| | 2021 \$ | 2020 \$ |
|-------------------------|----------------|----------------|
| Short-term benefits | 233,834 | 260,647 |
| Post-employee benefits* | 21,567 | 24,294 |
| Long term benefits ** | 6,958 | 695 |
| | 262,359 | 285,636 |

* Superannuation is included in post-employee benefits.

** Long service leave is included in long term benefits.

Notes to the Financial Statements

For the year ended 31 December 2021

(d) Transaction with key management personnel

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

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| Mr Richard Ryan - Consulting fees | - | - |
| Loan interest paid to Mr Gerald Lipman | - | - |
| Mr G Lipman - Loan | - | (400,000) |

(e) Transactions with Related Party

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

(e) Transactions with Related Party

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

| | 2021 \$ | 2020 \$ |
|--------------------------------|------------|------------|
| Up Education Pty Ltd | | |
| - Shared service recharge | (165,000) | (220,000) |
| - Marketing & other re-charges | (171,309) | |
| Up Education Australia Pty Ltd | (125,957) | - |
| Charles Darwin University | | |
| - Increase in loan | - | 150,000 |
| - Repayment of loan | - | (300,000) |

Note 27: 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.

Notes to the Financial Statements

For the year ended 31 December 2021

(b) Financial risk management objectives

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

(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 2021 | +50 | 5,179 |
| | -50 | (5,179) |
| For the year ended 31 December 2020 | +50 | 12,273 |
| | -50 | (12,273) |

Note 28: Remuneration of auditors

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

| | 2021 \$ | 2020 \$ |
|------|------------|------------|
| KPMG | 40,365 | 25,875 |

Note 29: 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 2021

Note 30: Commitments

(a) Capital Commitments

ICHM Pty Limited does not have any capital commitments as at 31 December 2021 (2020 - \$Nil).

Note 31: Leases

The Company leases a property. This lease initially was for a period of 3 years with a renewal option. During 2021, the Company modified the lease to end on 30 June 2022.

The company also leases office equipment. However, these are not considered material.

(a) Right of Use Assets

| 2021 | Land and Buildings | Office Equipment | Total |
|---|-----------------------|---------------------|------------------|
| <i>Balance as at 1 January 2021</i> | 1,179,359 | 48,550 | 1,227,909 |
| Adjustment | (72,673) | - | (72,673) |
| Depreciation charge for the year | (371,561) | (11,424) | (382,985) |
| Modification to lease term | (542,543) | - | (542,543) |
| <i>Balance as at 31 December 2021</i> | <u>192,582</u> | <u>37,126</u> | <u>229,708</u> |
| 2020 | Land and Buildings | Office Equipment | Total |
| <i>Balance as at 1 January 2020</i> | 412,138 | 12,677 | 424,815 |
| Adjustment for early replacement of lease | - | (4,109) | (4,109) |
| Depreciation charge for the year | (412,138) | (8,568) | (420,706) |
| Additions to right of use assets | 1,179,359 | 48,550 | 1,227,909 |
| <i>Balance as at 31 December 2020</i> | <u>1,179,359</u> | <u>48,550</u> | <u>1,227,909</u> |

Notes to the Financial Statements

For the year ended 31 December 2021

(b) Amounts recognised in profit and loss

| 2021 | Land and Buildings | Office Equipment | Total |
|--|--------------------|------------------|----------------|
| <i>Leases under AASB 16</i> | | | |
| Interest on lease liabilities | 17,323 | 1,210 | 18,533 |
| Adjustment | 20,550 | - | 20,550 |
| Depreciation on right of use asset | 371,561 | 11,424 | 382,985 |
| Total recognised in profit and loss | 409,434 | 12,634 | 422,068 |
| 2020 | Land and Buildings | Office Equipment | Total |
| <i>Leases under AASB 16</i> | | | |
| Interest on lease liabilities | 6,038 | 929 | 6,967 |
| Depreciation on right of use asset | 412,138 | 8,568 | 420,706 |
| Total recognised in profit and loss | 418,176 | 9,497 | 427,673 |

(c) Amounts recognised in statement of cash flows

| 2021 | Land and Buildings | Office Equipment | Total |
|-------------------------------|--------------------|------------------|---------|
| Total cash outflow for leases | 406,042 | 12,240 | 418,282 |

Note 32: Events occurring after the balance sheet date

International travel restrictions were lifted in January 2022 which resulted in an increase in new international students in semester 1 2022. This intake was still lower than pre-COVID intakes as student only had 3 weeks to arrive in Australia prior to the commencement of the semester.