

iCOLLEGE H1 FY22 INTERIM FINANCIAL REPORT

The directors are pleased to present this Interim Financial Report for the consolidated entity consisting of iCollege Limited (ASX: ICT) (iCollege or the Company) and its controlled entities (Group) for the half year period ended 31 December 2021 (H1 FY22).

Financial highlights

In H1 FY22 iCollege delivered record revenues and a strengthened balance sheet driven by the RedHill Education Limited (RedHill) acquisition and growth in its domestic student markets. Key highlights included:

- Record revenue of \$18.2m, up 131% on the previous corresponding period (pcp) (H1 FY21: \$7.9m);
- EBITDA (before M&A costs) of \$1.6m, a \$0.4m decrease on pcp (H1 FY21: \$2.0m), due primarily to higher expenditure targeting growth in domestic student revenues; and
- Significantly stronger balance sheet with cash at bank (including term deposits) as at the end of December 2021 of \$22.4m (December 2020: \$5.0m).

Integration of RedHill into iCollege

iCollege completed the acquisition of RedHill during H1 FY22, achieving a 92% ownership interest on 1 October 2021. Undertaking a robust integration has been a key focus and significant progress has been made with critical milestones achieved so far including:

- Completing the acquisition with financial results consolidated into iCollege effective from 1 October 2021;
- Confirming senior executive appointments and organisation structure which includes management with demonstrated track records of education industry success from both iCollege and RedHill;
- Launching a new integrated HR system and payroll platform across the Group;
- Launching a new integrated IT service helpdesk for all employees;
- Refreshing websites for iCollege and other key brands in the Group; and
- Establishing an integrated financial reporting system which went live in January 2022.

With the RedHill acquisition now completed, iCollege is confident of delivering annualised cost synergies of between \$1.0 million to \$1.35 million, predominantly being savings in governance and corporate costs. Over the medium term, additional cost and revenue synergies will be pursued.

Return of international students to Australia – strong positive lead indicators

Australia's international borders reopened from mid-December 2021 allowing international student arrivals to resume. After suffering annualised international student revenue decreases of approximately 45% (~\$28.0 million) since international borders closed in March 2020, iCollege anticipates that its international student enrolments and revenues will start recovering from the second half of FY22.

iCollege is delighted to report that it's experiencing strong lead indicators to support recovery of its international student revenues, including:

- Significant increases in student enquiry rates from offshore international student agencies, including for iCollege's Go Study Australia business;
- New international student enrolment confirmations more than doubling each month since the reopening of Australia's borders, with most of those newly enrolling students scheduled to commence their studies in March and April 2022; and
- \$4.7 million increase in contract liabilities (deferred revenues) between the end of December 2021 and the end of January 2022 (balance at end of January 2022 of \$19.0 million), representing tuition fees paid in advance or due and payable for studies that are yet to be undertaken.

The majority of international students arriving into Australia will undertake a period of English language studies before they achieve sufficient language proficiency to progress onto other vocational or higher education courses. In our experience an average of 6 to 9 months of English language studies are usually required, which varies depending upon the level of exposure a person has had to English in their home country. Due to the almost 2 year pause in international students arriving into Australia (since March 2020), iCollege expects it will take approximately 2.5 to 3 years to recover its international student revenues back to pre-COVID pandemic levels where there are students enrolled into all stages of its English language, vocational and higher education programmes.

CEO comment

iCollege CEO Glenn Elith said:

"I'm extremely pleased how our swift, robust and disciplined approach to integration has ensured iCollege has laid solid foundations which enable us to confidently shift our focus to growth.

I'm delighted by the strong lead indicators being experienced by iCollege as we strive to rebuild our international student revenues, which I believe is a testament to the determination and commitment of our people and the groundwork we prioritised during the COVID pandemic. iCollege is ready to re-ignite this part of the business as circumstances continue to improve.

Our executives and directors are determined to leverage iCollege's strong balance sheet and recovering international student revenues by prioritising the development of a refreshed strategic roadmap which is expected to include bold growth plans."

This announcement has been approved for release by the Board of iCollege Limited.

For further information:

Glenn Elith
Chief Executive Officer
glenn.elith@icollge.edu.au

Lisa Jones
Company Secretary
lisa.jones@icollge.edu.au

iCollege

iCollege Limited
and its Controlled Entities
ABN 75 105 012 066

Interim Financial Report
for the Half-Year Ended
31 December 2021

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CORPORATE DIRECTORY

Directors

Simon Tolhurst – Independent chairman

Badri Gosavi – Executive director

Ashish Katta – Non-executive director

William Deane – Independent non-executive director

Sandra Hook – Independent non-executive director

Company Secretary

Lisa Jones

Registered Office

Level 2, 7 Kelly Street

Ultimo

NSW 2007

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Website: www.icollege.edu.au

Auditor

Hall Chadwick WA Audit Pty Ltd

283 Rokeby Road

Subiaco WA 6008

Telephone: +61 (08) 9426 0666

Share Registry

Advanced Share Registry Ltd

110 Stirling Highway

Nedlands WA 6009

Telephone: +61 (0)8 9389 8033

Toll Free: 1300 113 258

Fax: +61 (08) 6370 4203

Email: admin@advancedshare.com.au

Website: <https://www.advancedshare.com.au>

Securities Exchange

ASX Code: ICT

Australian Securities Exchange

Level 40, Central Park

152-158 St Georges Terrace

Perth WA 6000

Telephone: 131 ASX (131 279) – within Australia

Telephone: +61 (0)2 9338 0000

Website: www.asx.com.au

ASIC registrations

ACN: 105 012 066

ABN: 75 105 012 066

APPENDIX 4D

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1 REPORTING PERIOD

Report for the period ended:

Half year ended 31 December 2021

Previous corresponding period:

Half year ended 31 December 2020

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half-year ended 31 Dec 2021 \$'000	Half-year ended 31 Dec 2020 \$'000	Change %
--	--	--	-------------

2.1	Revenues from ordinary activities	18,237	7,880	131% increase
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2.2	Profit / (loss) from ordinary activities after tax attributable to members	(4,299)	1,223	452% decrease
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2.3	Profit from ordinary activities	(4,288)	1,223	451% decrease
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2.4 Dividends

Interim dividend

Final dividend

	Amount per security ¢	Franked amount per security %
	Nil	n/a
	Nil	n/a

2.5	Record date for determining entitlements to the dividend	n/a
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3. Net tangible assets per security

	Current period \$'000	Previous corresponding period \$'000
Earnings / (losses) for the period attributable to owners of the parent	(4,288)	1,223
Net assets	65,430	2,902
Less: Intangible assets	(68,586)	(2,548)
Less: Right of Use assets	(11,464)	(1,816)
Add: Deferred tax liabilities	530	698
Net tangible assets / (liabilities)	(14,090)	(764)

	Number	Number
Fully paid ordinary shares	1,082,752,723	581,564,649

	¢	¢
Net tangible assets / (liabilities) backing per share	(0.013)	(0.001)

APPENDIX 4D (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

4. Details of entities over which control has been gained or lost during the period

- 4.1 Name of entities
RedHill Education Limited and its consolidated entities
- 4.2 Date of gain or loss or control
1 October 2021
- 4.3 Contribution to consolidated profit / (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained or lost \$529,000

5. Dividends

Interim dividend
Final dividend

Date payable	Amount per security ¢	Franked amount per security %
N/A	Nil	N/A
N/A	Nil	N/A

6. Dividends and returns to shareholders including distributions and buy backs

Nil

7. The financial information provided in this Appendix 4D is based on the Interim Financial Report (attached), which has been prepared in accordance with Australian Accounting Standards.
8. The financial statements were subject to a review by the company's auditors whose unmodified report is attached as part of the Interim Financial Report for the half-year ended 31 December 2021.

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Your directors present their financial report on the consolidated entity consisting of iCollege Limited (**iCollege or the Company**) and its controlled entities (**Group**) for the half-year ended 31 December 2021 (**1H22**).

Directors

The names of Directors during the half-year and up to the date of this report are:

Simon Tolhurst	Independent chairman
Badri Gosavi	Executive director
Ashish Katta	Non-executive director
William Deane	Independent non-executive director
Sandra Hook	Independent non-executive director

Simon Tolhurst, Ashish Katta and Badri Gosavi were directors for the entire period. William Deane and Sandra Hook were appointed as directors on 8 November 2021.

Company secretary

Stuart Usher resigned as company secretary on 30 November 2021. Lisa Jones was appointed as company secretary on 8 November 2021.

Principal activities

During the financial half-year, the Company's principal activities were:

- delivering high quality English language, building and construction, hospitality, infection control, healthcare, creative digital technologies, managerial, marketing, computer coding and interior design and styling courses; and
- providing education recruitment agency services to international students.

Operating and financial review

iCollege operates a group of 11 education businesses plus a global international student recruitment agency. Each year we educate and inspire approximately 22,000 students across the ELICOS, Vocational and Higher Education sectors. Our broad and diverse mix of domestic and international students undertake their courses either online or at our 15 campuses located across Australia. In addition to this, some of our students are offered work placement and internship opportunities to complement their learning experience.

Highlights for 1H22 include:

- Completion of the acquisition of RedHill Education Limited (RedHill) with financial results consolidated effective from 1 October 2021. Integration of RedHill is tracking ahead of plan.
- Record revenue of \$18.2 million, a 131% increase on pcp (1H21: \$7.9 million)
- EBITDA net of M&A costs was a loss of \$1.7 million (1H21: \$2.0 million)
- EBITDA excluding M&A costs was profit of \$1.6 million, a decrease of 18% on pcp (1H21: \$2.0 million)
- Balance sheet strengthened following the completion of the RedHill acquisition – cash at bank at 31 December 2021 of \$22.4 million including \$3.0 million in term deposits
- Positive government support for international students returning to Australia
- Strong growth in lead indicators including prospective international student inquiries, letters of offer and confirmed new student enrolments into iCollege courses.

DIRECTORS' REPORT (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Integration of RedHill and iCollege

Since completion of the RedHill acquisition, a key focus has been undertaking a robust integration of the acquired business with iCollege. We have made significant progress and have delivered against critical integration milestones including:

- Confirmed the senior executive organisation structure;
- Launched a new HR and payroll platform for all employees;
- Launched new integration IT service desk for all employees;
- Launched refreshed websites for iCollege and key brands at icollege.edu.au; and
- Launched an integrated financial reporting system.

Through our rigorous approach to integrating RedHill into iCollege we are confident that we will deliver the cost synergies outlined in the Bid Implementation Agreement of \$1.0 million - \$1.35 million on an annualised basis and lay strong operational foundations to support future growth and expansion activities.

Due to the complementary nature of bringing together the RedHill and iCollege organisations, our employees remain positively engaged and there has been minimal disruption to business momentum. We believe that enhancing employee engagement and building a strong organisational culture will make iCollege an employer of choice in the industry, and create an environment where employees are highly satisfied, and students can thrive.

Revenue

Revenue in 1H22 increased by \$10.4 million vs pcp with \$9.5 million of the increase resulting from the RedHill acquisition. The other iCollege brands grew a combined \$0.8 million or 10% vs pcp.

EBITDA

Despite the increase in revenue in 1H22, EBITDA excluding M&A costs declined from \$2.0 million to \$1.6 million. The reason for the decline was largely due to higher spending in the Sero/Celtic/CTI operating segment in anticipation of growth in domestic student numbers and revenues which are yet to be realised. Measures were implemented in January 2022 to immediately and significantly reduce expenditure in this operating segment by approximately \$1.4 million on an annualised basis, and there is an increased management focus on effective variable overheads management.

Cash and balance sheet

Investing cash flows were positive \$20.4 million following the RedHill acquisition. At the end of the period cash on hand was \$19.4 million and the Company is well capitalised to invest in revenue and profit generating opportunities as international students return to Australia.

Return of international students to Australia

iCollege is pleased to note the visa measures announced by the Australian Government in January 2022, which are intended to provide an incentive for international students and working holiday visa holders to return to Australia quickly. The measures include full refunds of visa application fees for existing students who are currently offshore as well as for new visa applicants and increasing the permitted working hours for people on international student visas.

DIRECTORS' REPORT (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

These measures have been welcomed by the industry and prospective international students, and iCollege is experiencing significantly increased levels of new international student inquiries and enrolments in 2022 following these visa changes.

We have quickly ramped up our workforce to manage this significant increase in demand, and we expect our international student numbers and revenues to start recovering from March / April 2022.

A high priority strategy for iCollege will be to recover international student numbers and revenues. iCollege and RedHill combined international student revenues decreased by approximately 45% or \$28.0 million per annum since international borders into Australia closed in March 2020.

Organisational strategy

In March 2022 we expect integration activities will be largely completed, and focus will shift to finalizing a new strategic plan. Refining our strategy will be a collaborative effort between iCollege's board and management and we expect the strategy will likely include:

- Leveraging the newly combined group's existing campus locations, course range, accreditations and capabilities to deliver significant growth;
- Harmonizing and improving organisational systems and processes to deliver cost efficiencies and to enhance service quality;
- Being at the forefront of the recovery of the international student sector in Australia; and
- Making other strategic growth investments including potential M&A activities.

Non-IFRS information

The Company reports EBITDA in addition to the Profit after Tax. EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the statutory profit under AAS adjusted for specific non-cash and significant items. The Company's directors consider EBITDA to reflect the core earnings of the consolidated entity. A reconciliation between EBITDA and profit after income tax for the half year ended 31 December 2021 is noted below.

DIRECTORS' REPORT (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Financial Results

	1H22	1H21
	\$'000	\$'000
Revenue from operations	18,237	7,880
EBITDA / (Loss)	(1,665)	2,007
Net Profit / (Loss After Tax)	(4,299)	1,223
Positive / (negative) cash flows from operations	(2,741)	803
Cash flows from operations excluding M&A	1,652	803

EBITDA / (EBITDA Loss) Reconciliation

	1H22	1H21
	\$'000	\$'000
Net Profit / (Loss) After Tax	(4,299)	1,223
Add Back:		
Depreciation & Amortisation	2,063	695
Finance costs	663	174
Less:		
Income Tax Benefit	(92)	(85)
EBITDA / (EBITDA Loss)	(1,665)	2,007
Add back abnormal expenses:		
Merger and acquisition costs	3,306	-
EBITDA excluding M&A costs	1,641	2,007

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

The auditor's independence under section 307c of the Corporations Act 2001 (Cth) for the half-year ended 31 December 2021 has been received and can be found on Page 11 of the interim financial report.

Signed in accordance with a resolution of directors, pursuant to section 306(3) of the *Corporations Act 2001 (Cth)*.

Simon Tolhurst
Chairman

23 February 2022

To the Board of Directors,

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

As lead audit partner for the review of the financial statements of iCollege Limited for the half year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully



HALL CHADWICK WA AUDIT PTY LTD



DOUG BELL CA
Partner

Dated in Perth, Western Australia the 23rd day of February 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 \$'000	31 December 2020 \$'000
Revenue from continuing operations	3a	18,237	7,880
Cost of Sales		(7,523)	(3,441)
Gross profit		10,714	4,439
Other income	3b	1,482	886
Interest Revenue	3b	(7)	1
Salaries and employee benefits expense		(6,144)	(1,581)
Depreciation and amortisation expense	4	(2,063)	(695)
Impairment of receivables		(343)	(168)
Property and occupancy costs		(858)	(124)
Professional and consulting fees		(880)	(719)
Marketing expenses		(1,123)	(269)
Public company related costs		(422)	(143)
Mergers and acquisition costs		(3,306)	-
Other expenses		(778)	(315)
Finance costs	4	(663)	(174)
Profit / (Loss) before tax		(4,391)	1,138
Income tax benefit		92	85
Net profit / (loss) for the half-year		(4,299)	1,223
Other comprehensive income for the half-year net of tax		11	-
Total comprehensive income attributable to members of the parent entity		(4,288)	1,223
<i>Earnings per share:</i>			
Basic and diluted profit / (loss) per share (cents per share)	5	(0.56)	0.23

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 \$'000	30 June 2021 \$'000
Current Assets			
Cash and cash equivalents	6	19,415	4,549
Trade receivables	7	6,056	652
Inventories	8	176	179
Prepayments and other assets	9	3,354	1,033
Total current assets		29,001	6,413
Non-current assets			
Property, plant and equipment		3,722	497
Right-of-use asset	11(a)	11,464	3,199
Intangible assets	10	68,586	2,248
Prepayments and other assets	9	3,360	478
Total non-current assets		87,132	6,422
Total assets		116,133	12,835
Current liabilities			
Trade and other payables	12	10,151	3,307
Contract Liabilities	13	14,245	1,614
Borrowings	14(a)	814	1,126
Lease Liabilities	11(b)	5,693	389
Employee Benefits	16	2,344	361
Provisions	17(a)	264	-
Total current liabilities		33,511	6,797
Non-current liabilities			
Borrowings	14(b)	224	224
Deferred tax liabilities		530	622
Employee benefits	16	131	-
Provisions	17(b)	1,009	-
Lease Liabilities	11(b)	15,428	3,205
Total non-current liabilities		17,322	4,051
Total Liabilities		50,833	10,848
Net Assets / (Liabilities)		65,300	1,987
Equity			
Issued capital	18	101,795	34,194
Reserves		3,090	3,079
Accumulated losses		(39,585)	(35,286)
Total equity		65,300	1,987

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Note	Contributed Equity	Accumulated Losses	Share-based Payments Reserve	Foreign currency translation Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	34,194	(35,286)	3,079	-	1,987
Profit for the half-year	-	(4,299)	-	-	(4,299)
Other comprehensive income for the half-year	-	-	-	11	11
Total comprehensive income for the half-year	-	(4,299)	-	11	(4,288)
Transactions with owners					
Shares issued at net cost	67,601	-	-	-	67,601
Balance as at 31 December 2021	101,795	(39,585)	3,079	11	65,300

Note	Contributed Equity	Accumulated Losses	Share-based Payments Reserve	Foreign currency translation Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	29,986	(35,594)	1,957	-	(3,651)
Profit for the half-year	--	1,223	-	-	1,223
Total comprehensive income for the half-year	-	1,223	-	-	1,223
Transactions with owners					
Shares issued at net cost	4,483	-	-	-	4,483
Options issued at fair value	-	-	847	-	847
Balance as at 31 December 2020	34,469	(34,371)	2,804	-	2,902

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 \$'000	31 December 2020 \$'000
Cash flows from operating activities			
Receipts from customers		17,388	6,366
Receipts from government (JobKeeper/JobSaver)	3(b)	1,482	779
Interest (paid)/Received		(81)	(39)
Payment to suppliers and employees		(16,988)	(6,303)
Payments related to mergers and acquisitions		(4,393)	-
Income taxes (paid)/refunded		(149)	-
Net cash used in operating activities		(2,741)	803
Cash flows from investing activities			
Payments for Property, plant and equipment		(182)	(68)
Payments for intangibles		(735)	-
Cash acquired upon the acquisition of RedHill		21,343	-
Net cash used in investing activities		20,426	(68)
Cash flows from financing activities			
Repayment of borrowings		(403)	(586)
Proceeds from borrowings		91	-
(payments) from release of security deposits		(405)	(176)
Proceeds from issue of shares		-	5,114
Repayment of Finance Lease over IT equipment		(5)	-
Repayment of lease liabilities – interest component		(589)	(112)
Repayment of lease liabilities – principal component		(1,508)	(292)
Net cash provided by financing activities		(2,819)	3,948
Net increase / (decrease) in cash and cash equivalents		14,866	4,683
Cash and cash equivalents at the beginning of the half-year		4,549	845
Cash and cash equivalents at the end of the half-year	6	19,415	5,528

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Changes in classification of amounts following the acquisition of RedHill Education Limited

Following the acquisition of RedHill Education Limited (**RedHill**) on 1 October 2021, the accounting policies of both organisations have been reviewed and aligned. This has resulted in some changes in classification of certain income statement and balance sheet accounts and these changes have been reflected in the prior comparative period. There has been no change in the net assets or net profit of the organisation in the prior period.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity

The Interim Financial Report covers iCollege Ltd (**iCollege or the Company**) and its controlled entities (**the consolidated entity**) iCollege is a for profit company limited by shares whose shares are publicly traded on the Australian Securities Exchange (**ASX**). The Company is primarily involved in businesses which deliver accredited and non-accredited English language, vocational education and higher education course as well as education recruitment agency services to international students.

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only.

Basis of preparation

The Interim Financial Report has been prepared on the historical cost and accrual basis except where stated otherwise.

The Interim Financial Report is intended to provide users with an update on the latest half-year for iCollege Ltd and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the consolidated entity. It is therefore recommended that this financial report be read in combination with the annual financial statements of the consolidated entity for the year ended 30 June 2021, together with any public announcements made during the half-year.

1.1 Compliance with IFRS

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard Board (**AASB**) 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1.2 Adoption of new and revised Accounting Standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2021. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated. When the presentation or classification of items in the interim financial report is amended, comparative amounts are also reclassified.

1.3 Going Concern

The interim financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realization of assets and the settlement of liabilities in the ordinary course of business. The Company completed an off-market takeover of RedHill, iCollege Ltd now owns all of the issued share capital of RedHill and RedHill became a wholly owned subsidiary of iCollege effective 1 October 2021.

The consolidated entity continued to be materially impacted by the COVID-19 pandemic in the half-year ended 31 December 2021, and the consolidated entity continues to undertake a wide range of significant measures to preserve cash so that it can re-invigorate when circumstances improve. As at 31 December 2021, the consolidated entity held \$19.4 million of cash and cash equivalents. In addition to cash and cash equivalents, there were term deposits of \$3.0 million classified within non-current assets.

iCollege is pleased to note the visa measures announced by the Australian Government in January 2022, which are intended to provide an incentive for international students and working holiday visa holders to return to Australia quickly. The measures include full refunds of visa application fees for existing students who are currently offshore as well as for new visa applicants and increasing the permitted working hours for people on international student visas.

These measures have been welcomed by the industry and prospective international students, and iCollege is experiencing significantly increased levels of new international student inquiries and enrolments in 2022 following these visa changes.

Greenwich, Sero and Go Study (in particular) have seen significant increases in student inquiries and enrolments. This is expected to translate into higher future revenues in Q4 FY22 and onwards.

The directors have a reasonable expectation that the consolidated entity has sufficient funds on hands to pay its debts as and when they fall due over the next twelve months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1.4 Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

> Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 7, is calculated based on the information available at the time of preparation. The actual credit losses incurred in future years may be higher or lower.

> Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

> Income Tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

> Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management have exercised their judgement in determining that it is probable that sufficient future taxable income will be available to utilise all tax losses. The directors have assessed the carrying value of deferred tax assets in the consolidated entity as appropriate at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

> Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances. Most extension options in vehicle leases have not been included in the lease liability, because the consolidated entity could replace the assets without significant cost or business disruption.

> Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

> Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset, if applicable, and provision.

> Share-based payments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The judgements, estimates and assumptions are applied in the consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the consolidated entity's last annual financial statements for the year ended 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1.5 Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191 (Rounding in Financial/Director's Reports), issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

1.6 Foreign currency translation

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

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial half year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

1.7 Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1.8 Principles of consolidation

The consolidated interim financial statements incorporate the assets and liabilities of all subsidiaries of iCollege Ltd as at 31 December 2021 and the results of all subsidiaries for the year then ended. iCollege and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'. Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

1.9 Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Tuition related revenue

Tuition revenue and other education material related revenue are recognised when the consolidated entity satisfies its performance obligation by delivering tuition services and other educational material to the student over time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Commission revenue

Commission revenue is recognised at the point in time at which the consolidated entity is deemed to have fulfilled its commitment as an agent by placing the student in the course of their choice. This usually occurs upon commencement of the course by the student, at which point in time non-refundable enrolment and tuition fees have been paid by them to the education provider.

Interest

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

Student co-contribution revenue for government funded courses

Administration fees for allowing the student to perform the required pre-admission literacy test are student co-contribution revenue. This revenue is recognised using the point in time recognition when the performance obligations are satisfied (i.e. when students have completed the literacy test for eligibility into the funded course and enrolments are confirmed).

Government funded courses

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

1.10 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

1.11 Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

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.

The Company and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The Company and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'group allocation' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the Company to the subsidiaries nor a distribution by the subsidiaries to the parent entity.

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

1.12 Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1.13 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

1.14 Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	5-10 years
Plant and equipment	2-10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter. Any landlord incentives that are specific to leasehold improvements have been offset against the costs of those assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity.

1.15 Assets under construction

This expenditure includes net direct costs of construction, borrowing costs capitalised during construction and an appropriate allocation of attributable overheads.

Once a project is complete and is ready for operations, all aggregated costs of construction are transferred to either leasehold improvements or plant and equipment as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1.16 Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

1.17 Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested for impairment (if not already fully impaired) annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. For the purposes of impairment testing, goodwill is allocated to each of the consolidated entity's cash-generating units (CGU) (or groups of CGUs) that is expected to benefit from the synergies of the combination. On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of between two and three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Copyrights and licenses

Course development expenditure includes copyrights and licenses which are recognised as an asset at cost less any impairment losses. Once delivery of the course to which the development costs relate has commenced the associated costs are amortised over the life of the accreditation, being their finite useful life between two and three years.

Research and development

Internally-generated intangible assets – research and development expenditure are recognised as an expense in the period in which it is incurred.

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

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

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

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

Subsequent measurement

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

Licensed operations 7 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Impairment of non-financial assets

Goodwill is not subject to amortisation and, if not already fully impaired, is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

1.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the half financial year and which are unpaid. Due to their short-term nature they are measured at amortized cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

1.19 Contract liabilities

Contract liabilities relate to tuition fees invoiced but not yet earned in relation to all student tuition invoices. These invoiced tuition fees are recognized as revenue in monthly increments as education services are provided to the students.

1.20 Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The consolidated entity has elected not to recognize right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets.

The consolidated entity recognizes the lease payment associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1.21 Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

1.22 Employee benefits*Short-term employee benefits*

Liabilities for wages and salaries and other employee benefits expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits

Employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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

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

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

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

Termination benefits

When applicable, the consolidated entity recognises a liability and expense for termination benefits at the earlier of:

- > the date when the consolidated entity can no longer withdraw the offer for termination benefits; and
- > when the consolidated entity recognises costs for restructuring pursuant to AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits.

In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for in the same basis as other long-term employee benefits.

1.23 Issued capital

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

1.24 Earnings per share***Basic earnings per share***

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential on ordinary shares at balance date and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares during the financial year.

1.25 Goods and Services Tax ('GST') and other similar taxes

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

1.26 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method and include:

- > Interest on bank overdrafts;
- > Interest on short-term and long-term borrowings;
- > Interest on finance leases; and
- > Unwinding of the discount on provisions.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

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

1.27 Convertible Notes

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

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguishment upon conversion or at the instrument's maturity date. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

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

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

1.28 Inventories

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

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

1.29 Business Combinations

Business combinations are accounted for using the acquisition method regardless of whether equity instruments or other assets are acquired, as at the acquisition date, which is the date on which control is transferred to the consolidated entity. Control exists when the consolidated entity is exposed to variable return from another entity and has the ability to affect those returns through its power over the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

The consolidated entity measures goodwill at the acquisition date as:

- > The fair value of the consideration transferred; plus
- > The recognised amount of any non-controlling interests in the acquiree; plus
- > If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- > The net recognised amount of the identifiable assets acquired, and liabilities assumed.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the consolidated entity's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2021***Subsidiaries*

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

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

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

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

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

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

1.30 Fair Value of Assets and Liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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

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

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

> Fair Value hierarchy

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

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

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

>> If a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

>> If significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

> *Valuation techniques*

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

>> Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities;

>> Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value; and

>> Cost approach: valuation techniques that reflect the current replacement cost of an asset as its current service capacity.

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

1.31 Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Identification of reportable operating segments

The consolidated entity is organised into four operating segments: Technology & Design, Greenwich, Go Study and Sero/Celtic/CTI. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer who is identified as the CODM in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews both adjusted earnings before interest, tax, depreciation and amortisation ('EBITDA') and profit before income tax.

The information reported to the CODM is on at least a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

> *Technology & Design*

An Australian provider of face-to-face and online courses in information technology, digital design, interactive multimedia, computer coding, digital marketing, games and apps programming, and interior design.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

> Greenwich

An Australian provider of English Language Intensive Courses for Overseas Students ('ELICOS'), and Vocational Education and Training ('VET') courses for overseas students.

> Go Study

An international student advisory and recruitment agency with operations in Australia (Sydney, Melbourne, Brisbane, Gold Coast, Perth), Europe (Spain, France, Italy) and South America (Colombia, Chile).

> Sero/Celtic/CTI

An Australian provider of face to face and online VET courses to both domestic and international students. Courses cover Commercial Cookery, Hospitality, Business, Community Services, Healthcare, Construction, English, and Information Technology.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

The consolidated entity has no significant individual customers.

NOTE 2. ACQUISITION OF SUBSIDIARY**Acquisition of RedHill Education Limited**

On 1 October 2021, iCollege Limited (iCollege) announced to the ASX that the Off-market Takeover Offer for RedHill Education Limited (RedHill) became unconditional given the iCollege interest in RedHill exceeded 90% which represents the minimum acceptance condition. iCollege then proceeded with the compulsory acquisition of any RedHill shares that it did not own in accordance with the Corporations Act. Following completion of the compulsory acquisition process, iCollege owns all of the issued share capital of RedHill and RedHill became a wholly-owned subsidiary of iCollege.

RedHill delivers vocational and higher education courses in English language, digital technologies, and interior design to over 20,000 domestic and international students each year and operates an international student advisory and recruitment agency. The organization operates a number of specialist businesses in the private tertiary education market in Australia.

Total Consideration of the transaction is calculated as follows:

52,344,897 (total RDH shares) x 9.5) * \$0.135 = \$67,132,339

On 1 October 2021 the total Net Assets for RedHill Education Limited was \$1,585,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Total Goodwill arising on the transaction is calculated as follows:

$$\$67,132,339 - \$1,585,058 = \$65,547,281$$

The acquisition was accounted for on an provisional basis only at 31 December 2021.

The provisional fair value of the identifiable assets and liabilities of RedHill as at the date of acquisition is shown in the table below:

	Fair Value recognised on acquisition - provisional (\$000)
Assets	
Cash and cash equivalents	21,343
Trade receivables	6,321
Prepayments and other assets	1,394
Total current assets	29,058
Property, plant and equipment	3,194
Right-of-use assets	9,155
Intangibles	709
Prepayments and other assets	2,476
Total non-current assets	15,534
Total assets	44,592
Liabilities	
Trade and other payables	(7,199)
Contract Liabilities	(14,030)
Lease Liability	(5,341)
Provision	(106)
Income Tax	153
Employee Benefits	(1,819)
Total Current Liabilities	(28,342)
Lease liabilities	(13,373)
Employee benefits	(131)
Provisions	(1,161)
Total non-current liabilities	(14,665)
Total liabilities	(43,007)
Net assets	1,585
Goodwill arising on acquisition	65,547
Purchase consideration	67,132
Issue of shares	67,132

On 25 October 2021 a total of 467,245,747 ordinary shares were issued as part of a transaction previously announced to the market on 1 October 2021. A further 30,030,841 ordinary shares were issued upon completion of the compulsory acquisition process on 4 November 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

The Goodwill is attributed to the expected synergies and other benefits from combining the activities of RedHill to the consolidated entity . A provisional allocation of intangibles has been undertaken with \$65,547,281 allocated to goodwill. This allocation is still provisional and will be finalized within 12 months from the date of acquisition.

The initial accounting for the acquisition of RedHill has only been provisionally determined at the end of the half year. At the date of finalisation of this half year financial report, the necessary market valuations and other calculations had not been finalised and the fair value of the acquired assets and liabilities noted above have therefore only been provisionally determined based on the directors' best estimate of the likely fair value of the plant and equipment and right of use assets.

The acquisition was a 100% scrip-based transaction with the purchase price being funded via the issuance of iCollege shares in exchange for RedHill shares. The only cash flows associated with the acquisition were transaction related costs including legal fees, fees payable to advisors and related costs which totalled \$3.3 million in the half year ended 31 December 2021. Payments of merger related costs of \$4.4 million have been included in the statement of cash flows. The difference between expenses and cash flows is mainly due to payments to advisors to RedHill accrued as at 1 October 2021 and paid in subsequent periods.

Revenue generated from the RedHill acquisition for the period from acquisition to 31 December 2021 was \$9.5 million.

At the date of acquisition, RedHill had cash on hand of \$21.3 million, plus term deposits in support of bank guarantees of \$2.5 million.

No additional costs were incurred in relation to the issue of shares associated with the acquisition of RedHill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 3. REVENUE AND OTHER INCOME

	31 December 2021 \$'000	31 December 2020 \$'000
a. Revenue		
Tuition related revenue	17,441	7,880
Commission revenue	796	-
	18,237	7,880
Revenue from contracts with customers	18,237	7,880
<i>Geographical regions</i>		
Australia	18,072	7,880
Europe	143	-
South America	22	-
	18,237	7,880
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	796	-
Services transferred over time	17,441	7,880
	18,237	7,880
b. Other Income		
JobKeeper & ATO Cash Flow Boost	-	886
NSW JobSaver scheme	1,482	-
Interest income	(7)	1
	1,475	887

The New South Wales Government's JobSaver scheme is an incentive to help maintain employee headcount and provide cash flow support to businesses. Under the scheme, government subsidies of \$1,482,000 (1H21: nil) were received. The consolidated entity became eligible for payments during the current half year.

The amounts received have been recognised as other income in the consolidated statement of profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 4. EXPENSES

	31 December 2021 \$'000	31 December 2020 \$'000
Profit/(Loss) before tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	146	-
Plant and equipment	258	31
Land and buildings right-of-use assets	1,236	356
Office equipment right-of-use assets	3	-
<i>Amortisation</i>		
Goodwill	308	308
Copyrights	112	-
Total depreciation and amortisation	2,063	695
<i>Finance costs</i>		
Unwind of the discount of provisions	22	-
Interest and finance charges paid/payable on lease liabilities	641	174
Finance costs expensed	663	174
<i>Leases</i>		
Short-term lease payments	607	328
Low-value assets lease payments	11	-
Total short term and low value lease payments	618	328
<i>Superannuation expense</i>		
Defined contribution superannuation expense	788	248

NOTE 5. EARNINGS PER SHARE (EPS)

	31 December 2021 \$'000	31 December 2020 \$'000
a. Reconciliation of earnings to profit or loss		
Profit / (Loss) for the half-year	(4,299)	1,223
Profit / (Loss) used in the calculation of basic and diluted EPS	(4,299)	1,223

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	31 December 2021 No.	31 December 2020 No.
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	762,834,711	542,193,066

	31 December 2021	31 December 2020
c. Earnings per share		
Basic EPS (cents per share)	(0.56)	0.23

d. As at 31 December 2021, the consolidated entity has 27,000,000 unissued shares under options (31 December 2020: 22,000,000). During the half-year ended 31 December 2021, the consolidated entity unissued shares under option were anti-dilutive.

NOTE 6. CASH AND CASH EQUIVALENTS

	31 December 2021 \$'000	30 June 2021 \$'000
a. Current		
Cash at bank	19,415	4,549
	<u>19,415</u>	<u>4,549</u>

NOTE 7. TRADE AND OTHER RECEIVABLES

	31 December 2021 \$'000	30 June 2021 \$'000
a. Current		
Trade receivables	7,200	940
Less: Allowance for expected credit losses	(1,144)	(288)
	<u>6,056</u>	<u>652</u>

NOTE 8. INVENTORIES

	31 December 2021 \$'000	30 June 2021 \$'000
a. Current		
Linguaskills bundles	176	179
	<u>176</u>	<u>179</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 9. PREPAYMENTS AND OTHER ASSETS

	31 December 2021 \$'000	30 June 2021 \$'000
a. Current		
Bank guarantees and other deposit	166	193
Prepayments	1,000	105
Other current assets	2,188	735
	3,354	1,033
b. Non-current		
Bank guarantees and term deposits	3,360	478
	3,360	478
Total Prepayment and other assets	6,714	1,511

NOTE 10. INTANGIBLE ASSETS

	Note	31 December 2021 \$'000	30 June 2021 \$'000
a. Non-current			
Goodwill			
Goodwill	2	65,547	-
		65,547	-
Licensed operations			
Licensed operations		4,688	4,688
Accumulated amortisation		(2,748)	(2,440)
		1,940	2,248
Copyrights			
Copyrights – at cost		7,848	-
Accumulated amortisation		(6,926)	-
		922	-
Websites			
Websites – at cost		700	-
Accumulated amortisation		(523)	-
		177	-
Total Intangible Assets		68,586	2,248

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 11. LEASES

	31 December 2021 \$'000	30 June 2021 \$'000
a. Right of use assets		
Properties	11,464	3,199
	11,464	3,199
b. Lease liabilities		
Current	5,693	389
Non-current	15,428	3,205
	21,121	3,594

NOTE 12. TRADE AND OTHER PAYABLES

	31 December 2021 \$'000	30 June 2021 \$'000
Current		
Trade payables	5,413	2,106
Payroll accruals	2,185	665
Other payables	2,553	536
	10,151	3,307

NOTE 13. CONTRACT LIABILITIES

	31 December 2021 \$'000	30 June 2021 \$'000
a. Current		
Contract liabilities	14,245	1,614
	14,245	1,614

Tuition related performance obligations

The aggregate amount of the transaction price allocated to tuition related services, which are paid in advance or due for payment and are yet to be delivered at balance date was \$14,245,000 as at 31 December 2021 (30 June 2021: \$1,614,000) and is expected to be recognised as revenue in future periods.

The duration of study is used to measure the progress of the performance obligation to determine how much revenue should be recognised, and that revenue is recognised as the performance obligation is satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

The ageing of the expected performance obligation of contract liabilities are as follows:

	31 December 2021 \$'000	30 June 2021 \$'000
To be realised within 12 months	14,245	1,614

	31 December 2021 \$'000	30 June 2021 \$'000
Contract liabilities consists of:		
Contract liabilities paid, and due for payment	14,245	1,614
Contract liabilities not yet due for payment	18,363	-
Total contract liabilities	32,608	1,614

Contract liabilities relate to tuition fees in relation to domestic and international students where an agreement has been signed and a payment plan is in place with students for studies which are expected to be undertaken after the balance date.

NOTE 14. BORROWINGS

	31 December 2021 \$'000	30 June 2021 \$'000
a. Current		
Convertible notes (i) & (ii)	650	650
Loans (iii)	164	476
	814	1,126
b. Non-current		
Long-term loan (iv)	224	224
	224	224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

(i) Convertible Note (Unsecured)

Face value:	\$150,000
Coupon:	10% - accrues and is payable on a monthly basis
Maturity:	A variation to the terms has been verbally agreed with the note holder to extend the maturity date to 30 June 2022 with all other terms unchanged. Formal documentation of this extension is expected to be completed shortly after the publication of the Interim Financial Report
Conversion:	The loan-holder shall have the option of requesting repayment in full from the borrower either in cash or in the issue of ordinary shares at the conversion price of \$0.05 per share, subject to a conversion notice by the redemption date being 12 months from date of issue and ending on the final conversion date subject to arrangement by the Company and Shareholder approval and in full compliance with ASX Listing Rules.

(ii) Convertible Note (Unsecured)

Face value:	\$500,000
Coupon:	10% - accrues and is payable on a monthly basis
Maturity:	A variation to the terms was agreed on 3 February 2022 to vary the terms to mature on 30 June 2022 with all other terms remaining in place.
Conversion:	The loan-holder shall have the option of requesting repayment in full from the borrower either in cash or in the issue of ordinary shares at the conversion price of \$0.05 per share, subject to a conversion notice by the redemption date being 12 months from date of issue and ending on the final conversion date subject to arrangement by the Company and Shareholder approval and in full compliance with ASX Listing Rules.

(iii) Loans

The unsecured loans relate to motor vehicle financing and are interest bearing.

(iv) Long term loan (Secured)

Facility limit:	\$223,960
Commencement date:	19 May 2020
Interest rate:	0.00% for the first 12 months from the commencement date. Then 2.50% for the remainder of the loan term
Interest period:	Monthly
Term:	10 years from the commencement date
Repayment terms:	No repayments for the first 12 months, followed by 24 months of interest only repayments then 84 months of principal and interest repayments
Security:	Loan is secured over the assets of Capital Training Institute Pty Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 15. RELATED PARTY TRANSACTIONS

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

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

The loan outstanding payable to Mr Ashish Katta of \$380,000 at 30 June 2021 has been fully repaid during the half year.

There is a loan outstanding receivable from Sero Learning Pty Ltd, of which Mr Ashish Katta is a Director and shareholder, of \$131,344 (30 June 2021: \$261,302). Following the completion of a detailed reconciliation, cash of \$76,274 and fixed assets with a value of \$55,070 will be transferred to iCollege in the near future as full settlement of this loan outstanding. As part of this settlement, an impairment of \$130,000 has been recorded against this receivable.

NOTE 16. EMPLOYEE BENEFITS

	31 December 2021 \$'000	30 June 2021 \$'000
a. Current		
Provision for annual leave	1,855	346
Provision for long service leave	489	15
	<u>2,344</u>	<u>361</u>
b. Non-current		
Provision for long service leave	131	-
	<u>2,475</u>	<u>361</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 17. PROVISIONS

	31 December 2021 \$'000	30 June 2021 \$'000
a. Current		
Provision for make good	264	-
b. Non-current		
Provision for make good	675	-
Onerous contract provisions	334	-
	<u>1,009</u>	<u>-</u>
Total Provisions	<u>1,273</u>	<u>-</u>

NOTE 18. ISSUED CAPITAL

	6 months to 31 December 2021 No.	12 months to 30 June 2021 No.	6 months to 31 December 2021 \$'000	12 months to 30 June 2021 \$'000
Fully paid ordinary shares at no par value	1,082,752,723	581,564,649	101,795	34,194
a. Ordinary shares				
At the beginning of the half-year	581,564,649	526,564,649	34,194	29,986
Shares issued during the period/year:				
Placement shares issued at \$0.1000 per share		55,000,000		5,500
Placement shares issued at \$0.1350 per share	467,245,747		63,078	
Placement shares issued at \$0.1350 per share	30,030,841		4,054	
Placement shares issued at \$0.1199 per share	3,911,486		469	
Transaction costs relating to share issues	-		-	(1,292)
At reporting date	<u>1,082,752,723</u>	<u>581,564,649</u>	<u>101,795</u>	<u>34,194</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	6 months to 31 December 2021 No.	12 months to 30 June 2021 No.	6 months to 31 December 2021 \$'000	12 months to 30 June 2021 \$'000
a. Options				
Options				
At the beginning of the period	27,000,000	7,500,000	3,079	1,957
Options issued/(lapsed) during the year:				
Expired 03/07/2020		(7,500,000)		
Issued to broker (i)				
Expiry Date: 10/07/2023 Exercise Price: \$0.05		10,000,000		165
Issued to broker (ii)				
Expiry Date: 09/11/2023 Exercise Price: \$0.15		17,000,000		957
At reporting date	27,000,000	27,000,000	3,079	3,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 19. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity is organised into four operating segments: Technology & Design, Greenwich, Go Study and Sero / Celtic / CTI. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer who is identified as the CODM in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews both adjusted earnings before interest, tax, depreciation, and amortisation ('EBITDA') and profit before income tax. The information reported to the CODM is on at least a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Technology & Design	A provider of face-to-face and online courses in information technology, digital design, interactive multimedia, computer coding, digital marketing, games and apps programming, and interior design.
Greenwich	An Australian provider of English Language Intensive Courses for Overseas Students ('ELICOS'), and Vocational Education and Training ('VET') courses for overseas students.
Go Study	An international student advisory recruitment agency with offices in Australia (Sydney, Melbourne, Brisbane, Gold Coast, Perth), Europe (Spain, France, Italy) and South America (Colombia, Chile).
Sero / Celtic / CTI	An Australian provider of face to face and online VET courses to both domestic and international students. Courses cover Commercial Cookery, Hospitality, Business, Community Services, Healthcare, Construction, English, and Information Technology.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021
NOTE 19. OPERATING SEGMENTS (continued)

6 months ended 31 December 2021	Technology & Design	Greenwich	Go Study	Sero/Celtic/ Capital	Intersegment / elimination/ unallocated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment Income						
Revenue from customers	3,706	5,041	796	8,608	86	18,237
Intersegment revenue			151		(151)	-
Other income						
Government grants	-	-	-	-	1,482	1,482
Total income	3,706	5,041	947	8,608	1,417	19,719
Segment Operating result	1,048	1,538	29	296	1,417	4,328
Cost of goods sold	-	-	-	-	64	64
Depreciation and amortisation	(347)	(239)	(18)	(372)	(1,087)	(2,063)
Salaries and employee costs	-	-	-	-	(1,427)	(1,427)
Finance costs	(41)	(58)	-	(200)	(364)	(663)
Impairment of receivables	-	-	-	-	(2)	(2)
Property and occupancy costs	-	-	-	-	(19)	(19)
Professional and consulting	-	-	-	-	(583)	(583)
Marketing expenses	-	-	-	-	(73)	(73)
Public company related costs	-	-	-	-	(422)	(422)
Mergers and acquisition costs	-	-	-	-	(3,306)	(3,306)
Other expenses	-	-	-	-	(225)	(225)
Profit/(loss) before income tax	660	1,241	11	(276)	(6,027)	(4,391)
Income tax expense						92
Profit/(loss) after income tax						(4,299)
31 December 2021						
Segment Assets and Liabilities						
Segment assets	9,163	31,189	3,919	8,700	63,162	116,133
Segment liabilities	6,713	21,583	1,438	7,724	13,375	50,833
Net assets / (deficiency)	2,450	9,606	2,481	976	49,787	65,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

NOTE 19. OPERATING SEGMENTS (continued)

6 months ended 31 December 2020	Financing \$'000	Education Services \$'000	Consolidated \$'000
Segment Income			
Revenue from customers	-	7,886	7,886
Other income	181	755	936
Finance income	-	1	1
Total income	181	8,642	8,823
Segment Expenses			
Cost of goods sold	-	(3,623)	(3,623)
Finance costs	(38)	(136)	(174)
Depreciation and amortisation	(310)	(385)	(695)
Net other costs	(1,280)	(1,913)	(3,193)
Total expenses	(1,628)	(6,057)	(7,685)
Segmented loss before income tax	(1,447)	2,585	1,138
31 December 2020			
Segment Assets and Liabilities			
Reportable segment assets	5,809	6,005	11,814
Reportable segment liabilities	(2,693)	(6,219)	(8,912)
Net assets / (deficiency)	3,116	(214)	2,902

NOTE 20. CONTINGENT LIABILITIES

The consolidated entity has given bank guarantees as at 31 December 2021 of \$4,590,819 (30 June 2021: \$nil) to various lessors.

The consolidated entity has a bank guarantee facility with a limit of \$4,500,000 with National Australia Bank (NAB) of which \$4,059,144 has been utilised as at 31 December 2021. The consolidated entity has term deposits of \$2,476,388 as at 31 December 2021 classified within non-current assets to support this facility. The consolidated entity is required to maintain a minimum cash balance of 100% of the bank guarantee facility with NAB, inclusive of amounts held as term deposits.

In addition to this facility, the consolidated entity has issued bank guarantees totalling \$531,675, which are fully backed by term deposits.

NOTE 21. COMMITMENTS

The consolidated entity is committed to incur capital expenditure of approximately \$0.5 million in relation to the new Charlotte Street Brisbane campus. The expenditure is expected to be settled in the FY2022 financial year.

NOTE 22. EVENTS SUBSEQUENT TO REPORTING DATE

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There has been no additional matter or circumstance that has arisen after balance sheet date that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future reporting periods.

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DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

The Directors of the Company declare that:

1. The consolidated financial statements and notes, are in accordance with the *Corporations Act 2001 (Cth)* and:

(a) complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; and

(b) give a true and fair view of the financial position as at 31 December 2021 and of the performance for the half-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.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to s303(5) of the *Corporations Act 2001 (Cth)* and is signed for and on behalf of the directors by:



Simon Tolhurst

Chairman

23 February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ICOLLEGE LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of iCollege Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Consolidated Entity does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* 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 review report.

Responsibility of the Directors for the Financial Report

The directors of iCollege Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


HALL CHADWICK WA AUDIT PTY LTD


DOUG BELL CA
Partner

Dated Perth, Western Australia the 23rd day of February 2022