



ICOLLEGE LIMITED

ABN 75 105 012 066

**PRELIMINARY FINAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016**

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ICOLLEGE LIMITED

CORPORATE DIRECTORY

Directors

Mr Ross Cotton – Executive Chairman
Mr Philip Re - Non-Executive Director
Mr Andrew Crevald – Non-Executive Director

Chief Executive Officer

Mr Stuart Manifold

Stock Exchange Listing

ASX Limited

(Home branch - Perth, Western Australia)
ASX Code: ICT

Company Secretary

Mr Stuart Usher

Auditor

Bentleys Audit & Corporate (WA) Pty Ltd
Level 3, 216 St Georges Terrace
PERTH WA 6000

Registered Office

Suite 1 GF
437 Roberts Road
SUBIACO WA 6008

Telephone: + 61 8 6380 2555
Facsimile: + 61 8 9381 1122

Bankers

Commonwealth Bank Limited
Ground Floor, 50 St Georges Terrace
PERTH WA 6000

Solicitors

Price Sierakowski
Level 24, St Martins Tower
44 St Georges Terrace
Perth WA 6000

Share Registry

Link Market Services Limited
Level 4, 152 St Georges Terrace
PERTH WA 6000

ICOLLEGE LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

PRINCIPAL ACTIVITIES

iCollege Limited is an Australian company listed on the Australian Securities Exchange (ASX code: ICT). iCollege is a training organisation that has positioned itself to become one of Australia's leading educators through growth spurred by acquisitions and current portfolio companies. iCollege was launched in 2014 to help students and workers stay relevant in an ever-changing employment environment. During the last 12 months, iCollege has concentrated on a rationalisation of course offerings. iCollege is now focussed on three pillars of operations, Health and Community, Sports and Fitness and International operations. Each of these pillars attracts various different funding, assisting to mitigate the risk of singular funding sources. iCollege utilises blended learning methods encompassing face - to - face learning and innovative technology designed to make the e-learning experience more flexible, dynamic and mobile.

REVIEW OF OPERATIONS AND RESULTS

The Company recorded a loss after tax for the year ended 30 June 2016 of \$8,807,745 (2015: \$2,257,894).

The loss is mainly due to the following factors:

- Discovery of inconsistencies in the Management Institute of Australia (MIA) with what was portrayed of the business prior to its acquisition. These inconsistencies have provided information to the Company that suggest that, based on all information available at this point in time, the intangible asset acquired as part of the business combination with MIA is impaired. As a result the Company has recognized non-cash impairment charges of \$4,854,240 for the entire value of the intangible assets acquired as part of the MIA business. This amount includes the fair value of ordinary shares issued to the Vendor as part consideration, recorded at a value of \$1,00,000 which are escrowed and the remaining amount payable of \$1,500,000 which the board has taken the view that additional payments to the vendor of MIA are not justifiable given the inconsistencies discovered and has proposed that a formal mediation be held promptly to resolve these issues. Until that time any further payments and release of any shares currently held in escrow will be suspended.
- The Directors have deemed that the on-going development of the iCollege Platform was not feasible. An alternative system has been licensed to the Company and was rolled out in March 2016. As a result the Company has recognized non-cash impairment charges of \$3,672,783.
- Subsequent to acquisition of MIA it has been identified that there are \$195,000 in debtors that are not collectible and therefore a provision has been established against this.
- Acquisition and due diligence costs of subsidiaries.
- Integration costs associated with acquisitions.
- Reduction in funding opportunities in South Australia.

Taking into account the above non-recurring and non-cash costs the operational loss was \$682,077 and is shown as follows.

	12 Month ended 30 June 2016
	\$
Net revenues from operations	2,794,692
Operating loss before tax and before the following non-recurring, non-cash and financing items:	(682,077)
Non-cash items	
Provision for Doubtful debts	195,000
Intangible asset impairment	8,527,023
Share based payments	63,800
Cash items	
Initial course establishment costs	200,000
Strategic review costs	150,000
Costs of acquisitions	120,000
Interest costs	312,645
Net loss before Income tax	(10,306,502)
Income tax benefit	1,498,757
Net Loss after Income Tax	(8,807,745)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

During the financial year, iCollege Limited completed the acquisition of Celtic Training and Consulting, a South Australian based organisation focussed on Health, Aged Care, Nursing and Community Development.

Appointment of Chief Operating Officer

During March 2016, iCollege Limited announced the appointment of Matt Sutherland as our new Chief Operating Officer. Matt is based in Canberra and has been integral in developing new and exciting opportunities for the group. Matt has a background in Vocational Training and has served as the CEO of Capital Training Institute.

Platform integration Overview

Following the decision to discontinue the development of an iCollege proprietary platform, the group has successfully rolled out Wisenet as the central reporting structure for the business. The program allows ease of reporting and swift access to all student records from any company within the group. iCollege has also integrated Circulus LMS for ease of E Learning delivery with both the Diploma of Sport Development and Certificate III and IV of Fitness will be added in the coming months when formatted appropriately.

New Initiatives Overview

iCollege invested in the development and rollout of the Foundation Skills Certificate II during the second half of the year. This program is now being successfully delivered in two Correctional Facilities and 6 Probation and Parole regions in Queensland. This program has now been successfully delivered to 60 participants and has spurred greater interest in the Corrections sector. Numbers are expected to increase significantly during FY17. So far we have seen in excess of 30% of graduates gain meaningful employment and a further cohort go on to further studies under the Queensland Government Certificate III Guarantee.

Through a partnership established with BCA National Training in April 2016, iCollege has now begun the delivery of two Diploma of Sport Development programs located in Perth. This partnership has included the joint redevelopment of the teaching and assessment materials for delivery of the Diploma. The blended teaching method includes classroom, gym, field and online components. The main focus at this point has been the Basketball and Baseball programs. Following the success of the initial cohorts this program is expected to grow significantly with new intakes planned for Q2 FY17, including expansion into several other sports.

In March 2016 iCollege took the exciting step of committing to be the Brumbies Rugby Union Official Training partner. The strategic thinking behind this partnership is to work closely with an extremely well regarded sporting franchise to further develop the rollout of the Diploma of Sport Development program. Progress in this partnership has been ongoing with Matt Sutherland taking the lead on the negotiations to start an inaugural cohort at the Brumbies Academy, mixing sporting talent with education to provide well rounded athletes. This partnership will be based in Canberra and will likely be delivered both at the Brumbies Headquarters and the Canberra Institute of Technology where a letter of Intent was signed between iCollege and CIT in July 2016.

Further developing the Diploma of Sport Development, iCollege has entered into a partnership agreement with Cricket ACT, again with the goal of educating local sports enthusiasts and providing well rounded athletes to Cricket ACT. The plan for the first year of operation as outlined in the agreement is to deliver the Diploma of Sport Development to 20 domestic students.

Both of the above agreements come with significant naming rights and exposure, greatly enhancing the iCollege brand.

It is anticipated that iCollege and BCA will achieve over a 90% completion rate within this program, far exceeding the national average.

ICOLLEGE LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	30 June 2016 \$	30 June 2015 \$
Revenues			
Revenue from customers		2,794,692	627,146
Cost of sales		(973,214)	(294,457)
Gross Profit		1,821,478	332,689
Interest Revenue		1,720	46,379
Research & Development Tax Incentive		398,165	156,284
Expenses			
Audit and tax expenses		(92,551)	(43,248)
Commissions paid		(110,786)	(132,500)
Compliance		(127,044)	(93,568)
Consultant fees		(1,046,422)	(811,328)
Depreciation and amortisation		(33,123)	(3,769)
Directors fees		(247,834)	(237,715)
Doubtful debts		(210,131)	-
Employee expenses		(684,341)	(593,723)
Finance costs		(312,645)	(53,371)
Impairment of assets		-	(1,511)
Intangible asset impairment		(8,527,023)	-
Legal expenses		(276,611)	(49,898)
Marketing/Sponsorships expenses		(210,027)	(141,597)
Occupancy expenses		(184,504)	(99,707)
Share based payments	8	-	(163,333)
Travel and accommodation		(259,204)	(197,567)
Other expenses		(205,619)	(170,411)
Total expenses		(12,527,865)	(2,793,246)
Profit/(loss) before Income Tax		(10,306,502)	(2,257,894)
Income tax benefit		1,498,757	-
Profit/(loss) after income tax attributable to members of iCollege Limited		(8,807,745)	(2,257,894)
Other comprehensive income		-	-
Total comprehensive profit/(loss) attributable to members of iCollege Limited		(8,807,745)	(2,257,894)
Earnings/(loss) per share		Cents per Share	Cents per Share
Basic Earnings/(loss) per share		(12.23)	(3.81)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

ICOLLEGE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

		30 June 2016	30 June 2015
	Note	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		20,343	271,847
Trade and other receivables	2	560,895	382,073
Other assets		40,759	3,680
Total Current Assets		621,997	657,600
Non-Current Assets			
Property, plant & equipment		74,342	85,257
Intangible assets	3	1,802,149	9,253,532
Total Non-Current Assets		1,876,491	9,338,789
Total Assets		2,498,488	9,996,389
LIABILITIES			
Current Liabilities			
Trade and other payables	4	2,859,866	1,900,615
Convertible notes	5	1,500,000	1,300,000
Current tax liabilities		-	515,968
Short-term provisions		21,487	17,302
Total Current Liabilities		4,381,353	3,733,885
Non-Current Liabilities			
Convertible notes	5	500,000	-
Deferred tax liabilities		447,877	1,319,433
Total Non-Current Liabilities		947,877	1,319,433
Total Liabilities		5,329,230	5,053,318
Net Assets/(Deficiency)		(2,830,742)	4,943,071
Equity			
Issued capital	5	7,014,581	32,045,047
Reserves		1,040,330	1,017,497
Accumulated losses		(10,885,653)	(28,119,473)
Total Equity		(2,830,742)	4,943,071

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

ICOLLEGE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Year ended 30 June 2016	Year ended 30 June 2015
Note	\$	\$
Cash flows from operating activities		
Receipts from customers	2,459,229	409,042
Research & Development Tax Incentive	398,165	156,284
Interest received	1,720	46,379
Interest paid	(212,738)	-
Payments to suppliers and employees	(3,823,301)	(2,468,451)
Net cash flows used in operating activities	<u>(1,176,925)</u>	<u>(1,856,746)</u>
Cash flows from investing activities		
Net cash flow from acquisition of subsidiaries	-	(1,598,596)
Payments for acquisition of subsidiary	(375,000)	-
Payments for intellectual property	-	(709,524)
Payments for plant and equipment	(24,000)	(39,564)
Net cash flows used in investing activities	<u>(399,000)</u>	<u>(2,347,684)</u>
Cash flows from financing activities		
Proceeds from borrowings	1,875,000	1,300,000
Repayment of borrowings	(900,000)	-
Proceeds from issue of shares and options	490,098	687,546
Payment of share issue costs	(140,677)	(26,603)
Net cash flows provided by financing activities	<u>1,324,421</u>	<u>1,960,943</u>
Net increase in cash and cash equivalents held	(251,504)	(2,243,591)
Add opening cash and cash equivalents brought forward	271,847	2,515,334
Closing cash and cash equivalents carried forward	<u>20,343</u>	<u>271,847</u>

The Consolidated Statement of Cash Flows should be read in conjunction
with the notes to the financial statements.

ICOLLEGE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total Equity \$
At 1 July 2015	32,045,047	(28,119,473)	1,017,497	4,943,071
Adjustment to share capital	(26,078,886)	26,078,886	-	-
Total comprehensive loss for the period	-	(8,807,745)	-	(8,807,745)
Transactions with owners in their capacity as owners:	-	(37,321)	-	(37,321)
Issue of share capital	910,398	-	-	910,398
Share based payment	-	-	22,833	22,833
Consideration on acquisition of Celtic	375,000	-	-	375,000
Costs of capital raising	(236,978)	-	-	(236,978)
At 30 June 2016	7,014,581	(10,885,653)	1,040,330	(2,830,742)

At 1 July 2014	30,449,137	(25,861,579)	678,630	5,266,188
Profit/(loss) for the year	-	(2,257,894)	-	(2,257,894)
Total comprehensive income/(loss) for the year	-	(2,257,894)	-	(2,257,894)
Transactions with owners in their capacity as owners:				
Shares & options issued on acquisition of subsidiary	1,000,000	-	-	1,000,000
Issue of share capital, net of transaction costs	595,910	-	-	595,910
Issue of fully paid listed options, net of transaction costs	-	-	175,533	175,533
Share based payments	-	-	163,334	163,334
At 30 June 2015	32,045,047	(28,119,473)	1,017,497	4,943,071

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

ICOLLEGE LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

1. BASIS OF PREPARATION

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E

	30 June 2016	30 June 2015
	\$	\$
2. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	300,740	243,918
GST receivable	123,640	138,154
Receivable from directors	73,022	-
Other receivables	63,493	-
Total current receivables	560,895	382,072

3. INTANGIBLE ASSETS

	30 June 2016	30 June 2015
	\$	\$
<i>Intangible Assets – Provisionally Accounted for</i>		
Opening balance	5,717,543	-
Additions	-	-
Acquired on acquisition of subsidiary	1,075,898	5,717,543
Adjustments due to reversal of income tax payable	(137,052)	-
Impairment charges	(4,854,240)	-
Net carrying amount	1,802,149	5,717,543
<i>iCollege Platform Development Expenditure</i>		
Opening balance	3,535,990	2,781,465
Additions	136,793	754,525
Impairment charges	(3,672,783)	-
Net carrying amount	-	3,535,990
Total Intangibles	1,082,149	9,253,533

4. TRADE AND OTHER PAYABLES

Current

	30 June 2016	30 June 2015
	\$	\$
Trade payables	513,158	276,189
Sundry payables and accrued expenses	505,458	124,426
Deferred consideration liability	1,841,250	1,500,000
Total current payables	2,859,866	1,900,615

ICOLLEGE LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

5. ISSUED CAPITAL

		30 June 2016	30 June 2015
		\$	\$
		7,014,581	32,045,047
Number of Shares	Summary of Movements:	Issue Price	\$
66,724,626	Opening balance 1 July 2015		32,045,047
-	Reduction in share capital adjustment	-	(26,078,886)
2,400,978	Shares issued in accordance with Non-renounceable rights issue	0.10	240,098
2,750,000	Shares issued on conversion of Convertible Note	0.10	275,000
500,000	Shares issued in lieu of services	0.10	50,000
100,000	Shares issued as fees on convertible notes	0.10	10,000
210,000	Shares issued as placement fees	0.15	31,500
6,250,000	Shares issued in placement	0.04	250,000
345,044	Shares issued as placement fees	0.08	27,500
3,713,726	Shares issued on acquisition of subsidiary	0.10	375,000
150,000	Shares issued in lieu of services	0.92	13,800
125,000	Shares issued as fees on convertible notes	0.10	12,500
-	Costs of capital	-	(236,978)
83,269,374	Closing balance at 30 June 2016		7,014,581

6. CONVERTIBLE NOTES

	30 June 2016	30 June 2015
	\$	\$
Current		
Convertible notes	1,500,000	1,300,000
Non current		
Convertible notes	500,000	-
Total convertible notes	2,000,000	1,300,000

Terms and conditions of the convertible notes

Current convertible notes

1.

- Face Value \$1,250,000
- Maturity 1 year post issue date

ICOLLEGE LIMITED

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

- Coupon: 12% pa, payable quarterly in arrears
- Conversion: The holder may convert the note into ordinary shares of ASX:ICT at any time during the conversion period at the conversion exercise price of 10 cents plus unquoted options on a 1:2 basis exercisable at 10 cents expiring 31 July 2017

2.

- Face Value \$500,000
- Maturity 90 days post issue date
- Coupon: Fixed \$100,000 payable in arrears on maturity
- Conversion: The holder may convert the note into ordinary shares of ASX:ICT at any time during the conversion period at the conversion exercise price of 12 cents plus unquoted options on a 1:2 basis exercisable at 10 cents expiring 31 March 2019

* Subsequent to year end this convertible note has been fully paid out at maturity date

Non current convertible notes

1.

- Face Value \$250,000
- Maturity 2 year post issue date
- Coupon: 12% pa, payable quarterly in arrears
- Conversion: The holder may convert the note into ordinary shares of ASX:ICT at any time during the conversion period at the conversion exercise price of 12 cents plus unquoted options on a 1:2 basis exercisable at 10 cents expiring 31 March 2019

7. EVENTS OCCURRING AFTER REPORTING DATE

The Company is in the process of finalising its fully underwritten non-renounceable rights issue in accordance with a prospectus dated 14 June 2016 to raise \$3.1M before costs.

No other matter or circumstance has arisen since 30 June 2016 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 subsequent financial year.

8. AUDIT STATUS

This report is based on accounts that are in the process of being audited.



ICOLLEGE LIMITED

ABN 75 105 012 066

ASX Appendix 4E (rule 4.3A)

Preliminary final report for the year ended 30 June 2016

Details of the reporting period and the previous corresponding period

Reporting Period: 30 June 2016
Previous Corresponding Period: 30 June 2015

Results for announcement to the market

(All comparisons to year ended 30 June 2015)

	\$A'000	Up/Down	% Movement
Revenue from ordinary activities	3,195	up	285%
Revenue from ordinary activities excluding interest income	3,193	up	307%
Loss from ordinary activities after tax	(8,808)	up	290%
Loss attributable to members	(8,808)	up	290%

Dividends	Amount per share	Franked amount per share
Interim dividend	N/A	N/A
Final dividend	N/A	N/A
Record date for determining entitlements to dividends		N/A

Brief explanation of any figures reported above necessary to enable the figures to be understood

Refer to ASX Announcement and attached Review and Results of Operations

Net tangible assets backing	30 June 2016	30 June 2015
Net tangible assets/(liability) per security	(5.56) cents	(6.46) cents
Net asset backing per security	(3.40) cents	7.41 cents

Control gained or lost over entities having material effect

Name of entity	Celtic Training & Consultancy Pty Ltd
Date of acquisition	7 th January 2016
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	(\$151,478)
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A
Contribution to consolidated profit/(loss) from ordinary activities from acquisition date	(\$151,478)

Description of acquisition:

Celtic was incorporated in 2005 in response to a need for consistent, quality training in the aged care sector. It is a Registered Training Organisation (RTO Code: 40179) now offering more than 30 qualifications, covering foundation skills through to advanced diplomas in personal care, administration, training & assessment, nursing, health & safety and injury management.

Celtic's core client base is residential and community aged care groups, disability agencies, hospitals and government departments.

Material interest in entities which are not controlled entities

The consolidated entity has an interest (that is material to it) in the following entities: Nil

Compliance Statement

The preliminary final report has been prepared based on the 30 June 2016 accounts which are in the process of being audited by an independent Audit Firm in accordance with the requirements of s302 of the *Corporations Act 2001*.

Attachments forming part of Appendix 4E:

1. Financial Report



Signed: _____

Ross Cotton
Executive Chairman

Date: 31 August 2016