



ICOLLEGE LIMITED

ABN 75 105 012 066

2018 ANNUAL REPORT

ICOLLEGE LIMITED

ABN 75 105 012 066

Index:	Page
Corporate Directory	1
Chairman's letter	2
Directors Report	3
Auditor's Independence Declaration	20
Consolidated Statement of Profit or Loss and Other Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Cash Flows	23
Consolidated Statement of Changes in Equity	24
Notes to the Financial Statements	25
Directors' Declaration	56
Independent Auditor's Report	57
Additional ASX Information	62

ICOLLEGE LIMITED

CORPORATE DIRECTORY

Directors

Mr Simon Tolhurst – Non-Executive Chairman
Mr Ashish Katta – Managing Director
Mr Badri Gosavi – Executive Director

Home Stock Exchange

Australian Securities Exchange Limited
Level 40
Central Park
152-158 St George's Terrace
PERTH WA 6000

ASX Code:
ICT (Ordinary Shares)
ICT0, ICTOB (Options)

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

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

Share Registry

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
PERTH WA 6000

CHAIRMAN'S LETTER

Dear Shareholder,

It has been a big year for iCollege, a successful one and one that gives me great confidence for the future.

When I started in the role of Chairman in October 2017, I found a company with good bones but facing a number of serious challenges. With the support of my board, a hard working and loyal executive and dedicated staff we have been able to make the necessary structural changes to the organisation that was needed to drive the company to being a high quality and efficient vocational education destination of choice.

This would not have been possible though without the support of key stakeholders in the business. We are extremely lucky to have shareholders who have not only seen the vision for iCollege and the opportunity we have before us, but are supportive in many other ways. To you, our shareholders, I say thank you. Similarly, we have received tremendous support from our suppliers, our 130 agents, our broker network and professional service providers. We hope that the efforts that we have gone to in the last 12 months vindicates the humbling support that we have been the recipient of.

We have worked hard on increasing the lines of communication and hopefully you have seen significant improvement in that area. You will have seen from the various ASX announcements that we have taken significant steps to grow iCollege during 2017/18 financial year, delivering quarter on quarter gains in revenue while working hard to reign in expenditure and better manage ongoing costs.

In February 2018, the board and executive of iCollege held a two-day strategic planning session. As a result of this, iCollege determined the following short-term priorities:

- Ensuring financially responsible decisions are made for the company;
- Pursue vertical integration, providing control of supply chain and educational outcomes;
- Deliver training using up to date and relevant delivery methods;
- Develop appropriate government and industry relationships; and
- Increase on-shore demand through international delivery.

The outcome of the strategic planning weekend gave the board and executive a level of direction and focus that it had not experienced previously. Each decision that iCollege makes must now be consistent with, and promote these priorities and you would have seen that in the language used in the various ASX announcements made.

Some of the more exciting activities undertaken by the company to give effect to these priorities include the commencement of iStudy Australia (India), which is focused on the delivery of international students who wish to study in Australia; acceptance of iCollege as a sponsor under the 407 training visa subclass; and the formalisation of our joint venture with Birla in India where we are now establishing the first campus located in New Delhi which will become a centre of excellence for our hospitality courses.

The infrastructure needed to drive significant growth of iCollege is nearly in place. The challenge for the board and executive over the next 12 months will be to execute on its plans – drive an increase in enrolments and consequently gains in revenue, work hard to reign in expenditure and to make a company that we can all be proud to be a part of. I look forward to being able to share with you all of our planned successes throughout 2018/19.

Thank you again for your ongoing support, it is greatly appreciated.



Simon Tolhurst
Chairman

ICOLLEGE LIMITED
DIRECTORS REPORT

The Directors of iCollege Limited present their report on iCollege Limited and its Controlled Entities ("the Company" or "iCollege" or "Consolidated Entity") for the year ended 30 June 2018.

DIRECTORS

The Directors in office at the date of this report and at any time during the year are as follows. Directors were in office for the entire period unless otherwise stated.

Current Directors

Mr Simon Tolhurst – Nonexecutive Chairman (Appointed 10 October 2017)

Mr Ashish Katta – Managing Director (Appointed 23 August 2017)

Mr Badri Gosavi – Executive Director and CFO (Appointed 15 May 2018)

Directors who resigned during the year

Mr Daniel Moore - Non-Executive Director (Resigned 17 August 2018)

Mr Philip Re - Non-Executive Director (Resigned 14 May 2018)

Mr Ross Cotton – Non-Executive Chairman (Resigned 19 October 2017)

INFORMATION ON DIRECTORS

Simon Tolhurst (Appointed 10 October 2017)

Non-Executive Chairman

Qualifications: Bachelor of Laws, Master of Laws (Hons), Grad Dip legal Practice, Solicitor to Supreme Court Queensland, Solicitor High Court of Australia

Simon is a Partner at national law firm, HWL Ebsworth and has 25 years' experience managing complex legal projects.

Simon is also a director and sits on the board of a number of private companies including a coal exploration company and retail truck tyre distributor. As such, Simon has a clear understanding of the business process, governance, problem solving and teamwork.

Simon has been named in The Australian Financial Review's *Best Lawyers*[®] as one of Australia's best lawyers in the litigation category and has also been recognised in Doyle's Guide as a leading commercial Litigation & Dispute Resolution lawyer.

He is also part of the HWL Ebsworth National Competition Law and Anti Trust Group that has been recognised as a leading firm by both Chambers and Legal 500.

Other Current Directorships of Listed Companies:

Nil

Former Directorships of Listed Companies in the last three years:

Nil

ICOLLEGE LIMITED
DIRECTORS REPORT

Ashish Katta (Appointed 23 August 2017)

Managing Director

Qualifications: MAICD, MBA

On 15 August, Mr Katta through Sero Learning became a significant shareholder of iCollege. Mr Katta's appointment significantly strengthens the education experience within the company.

Mr Katta is working with the existing team on expanding current business opportunities and operations. Mr Katta has significant experience in the development of VET training and CRICOS businesses both domestically and internationally.

Mr Katta has enjoyed a successful business career building a variety of businesses in various sectors including retail, IT and education. Mr Katta is passionate about the education business and has successfully built and run his own education businesses.

Mr Katta is a member of Australian Institute of Company Directors and serves as a director on private company Boards in Australia and overseas. He has an MBA from the University of Ballarat where he specialised in International Management.

Other Current Directorships of Listed Companies:

Nil

Former Directorships of Listed Companies in the last three years:

Nil

Badri Gosavi (Appointed 15 May 2018)

Executive Director

Qualifications: B.Bus

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

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

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

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

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

Other Current Directorships of Listed Companies:

Nil

Former Directorships of Listed Companies in the last three years:

Nil

ICOLLEGE LIMITED
DIRECTORS REPORT

Philip Re (Resigned 14 May 2018)

Non-Executive Director

Qualifications: B.Bus, CA

Philip Re is a Chartered Accountant and has his own successful Corporate Advisory business, Regency Corporate, based in Western Australia. He has significant depth of experience in the capital markets, having held positions such as Managing Director and Non-Executive Director of various ASX-listed companies. He has successfully raised capital, restructured businesses and undertaken IPO's during his career.

Other Current Directorships of Listed Companies:

Westar Industrial Limited

Arrowhead Resources Limited

The Agency Group Australia Limited

Former Directorships of Listed Companies in the last three years:

Nil

Daniel Moore (Resigned 17 August 2018)

Non-Executive Director

Qualifications: BEcon LLB

Mr Moore recently sat on the board of Coronado Resources Ltd before it listed on the ASX as a speciality pharmaceutical business 'Race Oncology Ltd'. He was also a director of Stratum Metals Ltd before it undertook a reverse takeover merger with retail energy company Locality Planning Energy Ltd. Previously he spent ten years as a financial advisor for Morgan Stanley in London for 4 years.

Other Current Directorships of Listed Companies:

Nil

Former Directorships of Listed Companies in the last three years:

Nil

Ross Cotton (Resigned 19 October 2017)

COMPANY SECRETARY

Mr Stuart Usher

Qualifications: MBA, BBus, CPA, ACIS

Mr Usher is a CPA and Chartered Company Secretary with 20 year's extensive experience in the management and corporate affairs of public listed companies. He holds a Bachelor of Business degree and an MBA from the University of Western Australia and has extensive experience across many industries focusing on Corporate & Financial Management, Strategy & Planning, Mergers & Acquisitions, and Investor Relations & Corporate Governance.

ICOLLEGE LIMITED

DIRECTORS REPORT

MEETINGS OF THE COMPANY'S DIRECTORS

There were four meetings of the Company's Directors held during the year ended 30 June 2018. The number of meetings attended by each Director were:

Directors		Directors meetings	
		Meetings Eligible to Attend	Meetings Attended
Simon Tolhurst	Appointed 10-Oct-17	9	8
Ash Katta	Appointed 23 Aug-17	11	9*
Badri Gosavi	Appointed 15-May-18	2	2
Daniel Moore	Resigned 17 Aug-18	12	11
Philip Re	Resigned 14-May-18	10	9
Ross Cotton	Resigned 19-Oct-17	4	2

* Mr Katta was excluded from two meetings due to a conflict of interest
Eight resolutions during the year were passed by a circulating resolution.

DIRECTORS' SHAREHOLDING INTERESTS

The interest of each Director in the share capital of the Company at the date of this report is as follows:

	Ordinary Shares		Options		Performance Shares	
	Direct Interest	Indirect Interest	Direct Interest	Indirect Interest	Direct Interest	Indirect Interest
Simon Tolhurst	-	2,150,000	-	-	-	-
Ashish Katta	-	73,050,000	-	-	-	-
Badri Gosavi	-	10,000,000	-	-	-	-
TOTAL	-	85,200,000	-	-	-	-

EARNINGS PER SHARE

Basic Earnings Per Share was a loss of 1.50 cents (2017: loss of 2.11 cents).

ICOLLEGE LIMITED
DIRECTORS REPORT

PRINCIPAL ACTIVITIES

iCollege Limited comprises of seven businesses which deliver accredited and non-accredited vocational education and training solutions throughout Australia and internationally. iCollege currently has five registered training organisations (RTO's) based in Australia, an internationally recognised training provider based in Singapore and an international student recruitment agency, with offices opening in India, Malaysia and China, by December 2018.

The iCollege training scope assists people looking to develop essential skills and knowledge required to gain employment or advance their careers across a range of industry sectors including construction, nursing, disability, hospitality, business, English language and health & fitness.

iCollege is approved to train both domestic and international students throughout Australia. iCollege currently provides training to a range of existing workers, job seekers and school leavers throughout our seven campuses in Sydney, Brisbane, Gold Coast, Perth, Adelaide and Canberra.

Our mission is to give students a flexible and more engaging learning experience. Quite simply iCollege provides the pathway for individuals to realise success in their chosen field.

OPERATING AND FINANCIAL REVIEW

The Company recorded a loss after tax for the year ended 30 June 2018 of \$4,415,875(2017: \$3,268,758).

The 2017/18 FY saw iCollege engage with Manthano Limited with the first half of the year dedicated to an in-depth due diligence program leading to the acquisition of Manthano in February 2018. The second half of the year saw the integration of Manthano assets into the broader iCollege Group. This integration process unearthed several significant growth opportunities and has set a solid foundation for iCollege to continue to capitalise on the growth and solid revenue numbers reported in Q3 and Q4. 2017/18 has seen the restructure of the iCollege board with the new members highlighting the following midterm strategic objectives which have been strictly adhered to by the executive:

- Ensuring financially responsible decisions are made for the company;
- Pursue vertical integration, providing control of supply chain and educational outcomes;
- Deliver training using up to date and relevant delivery methods;
- Develop appropriate Government and industry relationships; and
- Increasing on-shore demand through international delivery.

The following initiatives have been announced to the market and are progressing to the point where they provide additional revenue streams or cost savings to the business:

- In February 2018 the Manthano acquisition was completed in line with all terms outlined in the share sale agreement, this acquisition included two additional Registered Training Organisations and one internationally accredited Oil and Gas specialist training business.
- In April 2018 the company replaced an existing convertible note allocating the instrument to a sophisticated investor on improved commercial terms.
- iCollege signed a Memorandum of Understanding with Birla Edutech (a large Indian listed organisation) for the establishment of a Hospitality Centre of Excellence and additional vocational training opportunities, In August 2018 this agreement was finalised with the signing of a binding Joint Venture Agreement. The initial centre will be based in New Delhi with additional opportunities being investigated.
- In line with "increasing on-shore demand through international delivery" iCollege signed a binding HOA to establish iStudy Australia (India), an international student recruitment arm designed to begin the vertical integration of student acquisition lessening the burden of commissions paid to third party agents. iCollege is now in the process of expanding Indian operations and looking to establish iStudy Australia offices in China.

OPERATING AND FINANCIAL REVIEW - CONTINUED

- iCollege welcomed Mr. Badri Gosavi into the business as an Executive Director and full time CFO. Badri brings with him significant experience and has already streamlined the accounting functions of all operating entities.
- May 2018 saw iCollege successfully apply to the Department of Home Affairs as a sponsor organisation under the 407 Visa subclass. This allows iCollege to provide structured training plans and instruction to suitable overseas graduates and professionals allowing them to complete 16– 24 months on the job training programs.
- In June 2018 iCollege (through Sero Institute) applied for and was granted an increase in its existing CRICOS places. This increase saw the number of places increased from 450 to 1450 and included the addition of a Perth Campus which will become active in September 2018.
- Finally, iCollege successfully completed a share placement to sophisticated investors in July 2018. This placement was oversubscribed and saw the company raised over \$2,000,000 after costs seeing the company well-funded and, in the position, to aggressively pursue growth initiatives.
- Importantly the last quarter of 2017/18 saw iCollege report the highest ever quarterly revenue achieved by the business. The board of iCollege expect this trend to continue and are confident of reporting growth quarter on quarter during the 2018/19 FY.

Under the guidance of the new CFO the company continued to focus on the provision of critical services through a shared services model located at the Gold Coast Campus. The shared services division includes commercial, financial and an extremely robust compliance team. This model has been extremely successful in minimising expenditure and continuing to better manage ongoing costs.

iCollege has expanded its physical campus footprint with current CRICOS accredited campuses at Queen Street Brisbane, North Quay Brisbane, Mt. Gravatt Brisbane and Maylands WA, these campuses currently have the capacity to house 1800 international students. Additional campuses focusing specifically on domestic education are in Canberra, Botany NSW, Adelaide SA and Kedron Brisbane. iCollege now boasts significant skills offering including: Individual Care (Aged and Disability), Building and Construction, Business, Leadership and Management, Hospitality and Commercial Cookery. Most Training packages delivered by the business are offered from Certificate II through to Advanced Diploma catering to participants who come from varied levels of experience and existing education. During 2018/19 the company will rationalise the existing physical infrastructure seeing many of the companies sharing classrooms and resources and offering all course content at each individual campus.

The iCollege board and executive has worked diligently to form a strong base of operations with revenue currently split evenly between international students and domestic offerings. A strong and increasing revenue base as demonstrated by the quarter on quarter growth in the latter half of 2017/18 places iCollege in an excellent position from which to leverage all existing and future growth initiatives.

As a company we are excited to continue to execute on the projects that have begun during this financial year and look forward to sharing many new and profitable enterprises planned for the coming financial year. We will, at the same time, continue to focus on the short-term strategic goals designed to ensure the greatest possible returns to our valued shareholders.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

OPERATING AND FINANCIAL REVIEW - CONTINUED

FINANCIAL POSITION

The Company recorded a loss after tax for the year ended 30 June 2018 of \$4,415,875 (2017: \$3,268,758).

The net assets of the Consolidated Entity were \$9,735,633 (2017: \$2,767,091 deficiency).

The Consolidated Entity's working capital deficiency, being current assets less current liabilities was \$5,157,693 (2017: \$2,800,936 deficiency).

On 12 February 2018, the company completed the acquisition of Manthano Limited. As part of the terms \$1,000,000 in cash was acquired at acquisition date. From this amount creditors were paid down and the last deferred cash consideration payment was completed on the acquisition of Celtic Training and Consultancy Pty Ltd of \$250,000 and 5,000,000 ordinary shares valued at \$430,000.

At the time the Appendix 4E Preliminary Final Results were published, the audit had not started. As a result there have been a number of adjustments made that have increased the loss result from \$3,281,246 to \$4,415,875. Adjustments included mainly accrual cost adjustments of approximately \$300,000, unearned revenue adjustments of \$369,388 and a \$338,750 amount previously recognised as goodwill as a result of a deferred payment on the acquisition of Celtic Training & Consultancy, that had to be reversed and recognised as an acquisition cost under Australian Accounting Standards AASB 3 where additional goodwill is unable to be recognised once the measurement period has finished.

DIVIDENDS PAID OR RECOMMENDED

No amounts have been paid or declared by way of dividends by the Company since the end of the previous financial period and up until the date of this report. The directors do not recommend the payment of any dividend for the financial year ended 30 June 2018.

MATTERS SUBSEQUENT TO THE END OF THE YEAR

On 10 August 2017, Walker Enterprises (Australia) Pty Ltd (Walker) filed a Commercial List Statement in the Supreme Court of New South Wales (Equity Division) seeking payment of the sum of \$9,000,000. On 2 February 2018, Walker filed a Notice of Motion seeking the Court's leave to file an Amended Commercial List Statement which reduces the quantum of the claim from \$9 million to \$3,520,822. Leave to reduce that claim was provided by the Court on 9 February 2018.

Walker seeks recovery of the balance sale price alleged to be payable under a share sale agreement (SSA) for the acquisition by iCollege of 100% of the capital of certain MIA companies (Walker subsidiaries). These MIA Companies were subsequently placed into litigation by iCollege following completion of the transaction.

iCollege has defended the proceeding and filed an amended Commercial List Response. iCollege's defence asserts misrepresentations by Walker, breaches of certain obligations under SSA and inaccurate warranties in the SSA rendering each of the MIA companies of no value.

In addition, iCollege has claimed by way of set-off and cross claim, orders permitting iCollege to cancel the shares issued by iCollege in the name of Walker's nominee, being shares issued as part of the purchase consideration and an Order that Walker pay iCollege \$1 million, being cash paid to Walker pursuant to the SSA.

ICOLLEGE LIMITED

DIRECTORS REPORT

MATTERS SUBSEQUENT TO THE END OF THE YEAR (CONTINUED)

In the alternative, iCollege seeks an Order that Walker pay to iCollege the sum of \$2 million, being the return of the cash component paid by iCollege and the value of the shares issued by iCollege to Walker pursuant to the SSA.

On 8 December 2017, the Court ordered Walker to provide security for iCollege's costs of the proceeding against it (excluding costs attributable solely to iCollege's cross claim). The amount to be paid by Walker by way of security was determined on Friday, 9 February 2018 in the sum of \$231,000. Walker has paid those costs into court. Walker made an application to have iCollege provide security for his costs. That application was ultimately abandoned by Walker.

Each of the parties have now filed their lay evidence on which they intend to rely at trial. Walker has filed his expert evidence and iCollege is due to file and serve its expert evidence in response shortly.

The matter has been listed for trial for 10 days commencing 12 November 2018 with a mediation scheduled to take place on 10 October 2018.

On 3 July 2018, the company completed a share placement to sophisticated investors to raise \$2.2M before costs. The placement was completed at \$0.05 per share. Funds raised were to be used for the expansion of iStudy Australia operations into India and proposed expansion into China, Indonesia, Singapore and Malaysia. The reconfiguration of local campuses to increase CRICOS allocations and redevelopment and re-accreditation of nursing and aged care qualifications.

Repayment was completed in full of \$150,000 in convertible notes and \$125,000 of short term loans.

No other matters or circumstances has arisen since 30 June 2018 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 years.

ICOLLEGE LIMITED
DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director and executive of iCollege Limited. The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

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

Details of Key Management Personnel

Mr Simon Tolhurst	Non-executive Chairman (Appointed 10 October 2017)
Mr Ashish Katta	Managing Director (Appointed 23 August 2017)
Mr Badri Gosavi	Executive Director and CFO (Appointed 15 May 2018)
Mr Daniel Moore	Non-Executive Director (Resigned 17 August 2018)
Mr Philip Re	Non-Executive Director (Resigned 14 May 2018)
Mr Ross Cotton	Non-Executive Chairman (Resigned 19 October 2017)

Remuneration Governance

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

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

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

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

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-executive Director and executive compensation is separate and distinct.

Non-executive Directors' Remuneration

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

Executive Remuneration

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

ICOLLEGE LIMITED
DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

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

Details of the nature and amount of each element of each Director, including any related company and each of the officers of the Company receiving the highest emoluments are set out below.

Service Agreements

Managing Director – Ash Katta

Mr Ashish Katta has entered into an Executive Services Agreements (**ESA**) on 12 February 2018 with the Company to be employed as Managing Director upon and subject to the terms and conditions of the ESA. The key terms of this agreement are disclosed below:

(i) Remuneration

- Mr Katta will receive a salary, inclusive of superannuation, of \$180,000 per year, on a total employment cost basis, which will be reviewed annually by the Company (**Salary**).
- Mr Katta will not receive any further director's fees in addition to the Salary from the Company during such period as Mr Katta serves as a director of the Company as determined by the Board.
- In addition, the Company may subject to company profitability and breakeven during the term of the ESA pay Mr Katta a performance-based bonus of an amount to be determined by the Board. In determining the extent of any performance based bonus, the Company shall take into consideration the key performance indicators of Mr Katta and the Company, as the Company may set from time to time, and any other matter that it deems appropriate.
- The Company will reimburse Mr Katta for all reasonable travelling intra/interstate or overseas, accommodation, and general expenses incurred in the performance of all duties in connection with the business of the Company and its related bodies corporate
- Mr Katta is entitled to all leave in accordance with the National Employment Standard (**NES**) and Queensland long service leave legislation.

(ii) Termination by the Company without reason

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

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

(iii) Termination by Mr Katta

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

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

ICOLLEGE LIMITED
DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

Executive Director and Chief Financial Officer - Mr Badri Gosavi

Mr Badri Gosavi has agreed to enter into an Executive Services Agreements (**ESA**) with the Company, as an Executive Director and Chief Financial Officer upon and subject to the terms and conditions of the ESA. The key terms of the agreement will be as follows:

(i) Remuneration

- Mr Gosavi will receive a salary, of \$150,000 per year plus superannuation, on a total employment cost basis, which will be reviewed annually by the Company (**Salary**).
- Mr Gosavi will not receive any further director's fees in addition to the Salary from the Company during such period as Mr Gosavi serves as a director of the Company as determined by the Board.
- In addition, the Company may subject to company profitability and breakeven during the term of the ESA pay Mr Gosavi a performance-based bonus of an amount to be determined by the Board. In determining the extent of any performance based bonus, the Company shall take into consideration the key performance indicators of Mr Bosavi and the Company, as the Company may set from time to time, and any other matter that it deems appropriate.
- The Company will reimburse Mr Bosavi for all reasonable travelling intra/interstate or overseas, accommodation, and general expenses incurred in the performance of all duties in connection with the business of the Company and its related bodies corporate
- Mr Gosavi is entitled to all leave in accordance with the National Employment Standard (**NES**) and Queensland long service leave legislation.

(ii) Termination by the Company without reason

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

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

(iii) Termination by Mr Gosavi

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

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

Consolidated entity performance and link to remuneration

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

ICOLLEGE LIMITED

DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

Details of remuneration

2018

Key Management Personnel	Cash, salary & fees \$	Short-term Benefits		Other \$	Post-employment Benefits Super-annuation \$	Other Long-term Benefits \$	Share based Payment		Total \$	Total Remuneration Represented by Options %	Performance Related %
		Cash profit share \$	Non-cash benefit \$				Equity \$	Options \$			
Simon Tolhurst (Appointed 10-Oct-17)	-	-	-	-	-	-	77,400	-	77,400	-	-
Ask Katta (Appointed 23-Aug-17)	54,721	-	-	-	4,058	-	-	-	58,779	-	-
Badri Gosavi (Appointed 15-May-18)	19,615	-	-	-	1,863	-	-	-	21,478	-	-
Phil Re (Resigned 14-May-18)	27,500	-	-	-	-	-	-	-	27,500	-	-
Daniel Moore (Resigned 17-Aug-18))	36,000	-	-	-	-	-	-	-	36,000	-	-
Ross Cotton (Resigned 19-Oct-17)	15,000	-	-	-	-	-	-	-	15,000	-	-
	152,836	-	-	-	5,921	-	77,400	-	236,157	-	-

2017

Key Management Personnel	Cash, salary & fees \$	Short-term Benefits		Other \$	Post-employment Benefits Super-annuation \$	Other Long-term Benefits \$	Share based Payment		Total \$	Total Remuneration Represented by Options %	Performance Related %
		Cash profit share \$	Non-cash benefit \$				Equity \$	Options \$			
Ross Cotton	96,666***	-	-	-	-	-	-	-	96,666	-	-
Philip Re	40,000	-	-	-	-	-	-	-	40,000	-	-
Andrew Crevald (Resigned 30 November 2016)	17,431	-	-	-	1,656	-	-	-	19,087	-	-
Daniel Moore (Appointed 30 November 2016)	23,500	-	-	-	-	-	-	-	23,500	-	-
Stuart Manifold (to 1 February 2017)	151,000	-	-	80,000 ⁽¹⁾	-	-	128,000 ⁽²⁾	-	359,000	-	-
Andrew Vlahov (1 February – 3 May 2017)	110,000	-	-	-	-	-	-	-	110,000	-	-
	438,597	-	-	80,000	1,656	-	128,000	-	648,253	-	-

***Payment was made to Richmond Food Systems Pty Ltd (as trustee for the Monterey Trust) where Mr Ross Cotton is a beneficiary. Refer to Executive Service Agreements.

⁽¹⁾ Cash payment on termination in the position of CEO

⁽²⁾ On termination as CEO was issued shares valued at \$48,000

ICOLLEGE LIMITED

DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

Equity Instruments held by Key Management Personnel

(i) *Share holdings*

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

There were 900,000 shares granted to Directors (2017: 3,200,000). There were no shares issued upon exercise of options (2017: nil).

2018

Shares (held directly and indirectly)

Name	Balance at 30 June 2017	Net change during the year	Change due to appointment/ (resignation)	Balance at 30 June 2018
Simon Tolhurst	-	1,250,000	900,000	2,150,000
Ash Katta	-	60,550,000	12,500,000	73,050,000
Badri Gosavi	-	-	10,000,000	10,000,000
Daniel Moore	6,094,774	-	-	6,094,774
Philip Re (Resigned 14-May-18)	3,630,001	-	(3,630,001)	-
Ross Cotton (Resigned 19-Oct-17)	5,748,199	-	(5,748,199)	-
Total Shares	15,472,974	61,800,000	14,021,800	91,294,774

2017

Shares (held directly and indirectly)

Name	Balance at 30 June 2016	Net change during the year	Change due to appointment/ (resignation)	Balance at 30 June 2017
Ross Cotton	5,298,199	450,000	-	5,748,199
Philip Re	2,946,667	683,334	-	3,630,001
Andrew Crevald (Resigned 30-Nov-17)	-	-	-	-
Daniel Moore (Appointed 30-Nov-17)	-	-	6,094,774	6,094,774
Stuart Manifold (to 1 Feb-17)	-	3,200,000	(3,200,000)	-
Total Shares	8,244,866	4,333,334	2,894,774	15,472,974

ICOLLEGE LIMITED

DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

(ii) *Option holdings*

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

2018

Options (held directly and indirectly)

Name	Balance at 30 June 2017	Granted as remuneration during the year	Other granted/purchased during the year	Change due to appointment/ (resignation)	Balance at 30 June 2018	Number vested and exercisable
Simon Tolhurst	-	-	-	-	-	-
Ash Katta	-	-	-	-	-	-
Badri Gosavi	-	-	-	-	-	-
Daniel Moore	3,047,387	-	-	-	3,047,387	3,047,387
Philip Re (Resigned 14-May-18)	1,458,333	-	-	(1,458,333)	-	-
Ross Cotton (Resigned 19-Oct-17)	309,112	-	-	(309,112)	-	-
Total Options	4,814,832	-	-	(1,767,445)	3,047,387	3,047,387

2017

Options (held directly and indirectly)

Name	Balance at 30 June 2016	Granted as remuneration during the year	Other granted/purchased during the year	Change due to appointment/ (resignation)	Balance at 30 June 2017	Number vested and exercisable
Ross Cotton	309,112	-	-	-	309,112	309,112
Philip Re	2,430,556	-	(972,223)	-	1,458,333	1,458,333
Andrew Crevald (Resigned 30 November 2016)	-	-	-	-	-	-
Daniel Moore (Appointed 30 November 2016)	-	-	-	3,047,387	3,047,387	3,047,387
Stuart Manifold (Resigned 1 Feb-17)	-	-	-	-	-	-
Total Options	2,739,668	-	(972,223)	3,047,387	4,814,832	4,814,832

ICOLLEGE LIMITED

DIRECTORS REPORT

REMUNERATION REPORT (AUDITED)

Other Transactions with Key Management Personnel

Mr Philip Re, Director, is a Director of Regency Partners. During the year an amount of \$99,000 (net of GST) (2017: \$110,079) was paid to his business for accounting, bookkeeping, and administration at normal commercial rates plus \$8,067 (2017:\$83,407) was paid for office rental at normal commercial rates.

Mr Ross Cotton, Director, is a Director of Richmond Food Systems Pty Ltd. During the year an amount of \$15,000 (net of GST) (2017: 96,666) were paid to him under an executive services agreement in his position of Executive Chairman. No corporate advisory fees were paid during the year (2017: \$334,846) (net of GST) for placement fees.

There is a loan outstanding payable to Mr Ash Katta of \$581,233 at year end being an amount payable as a result of an equity sell-down completed pre-acquisition. No Interest is accrued on the loan and will be repaid to him as and when he provides notice to the company subject to available cash and sufficient working capital remaining in the company.

There is a loan outstanding receivable from Sero Learning Pty Ltd, of which Mr Ash Katta is a Director of \$63,070 at year end.

Use of Remuneration Consultants

During the financial year ended 30 June 2018, the Company did not engage any external remuneration consultants to review its existing remuneration policies.

Voting and comments made at the Company's 2017 Annual General Meeting (AGM)

The Company received 434,924 votes against its remuneration report for the 2017 financial year representing 0.9% of the total proxies voted on the resolution and there was no specific feedback at the AGM or throughout the year on its remuneration policies.

*******END OF AUDITED REMUNERATION REPORT*******

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are as follows:

	Number	Exercise Price	Expiry Date
Listed Options (ICTOB)	63,509,687	\$0.08	15 July 2019
Unlisted Options	11,666,674	\$0.30	31 March 2019
Unlisted Options	2,000,000	\$0.10	1 April 2019
Unlisted Options	15,000,000	\$0.04	12 February 2020
Unlisted Options	5,000,000	\$0.08	12 February 2020
Unlisted Options	7,500,000	\$0.08	3 July 2020

Refer to the Directors Report for details of options held by the Directors.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During or since the end of the financial year the Consolidated Entity has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Consolidated Entity has paid premiums to insure each of the following current and former Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity

ICOLLEGE LIMITED

DIRECTORS REPORT

of Director of the Consolidated Entity, other than conduct involving a wilful breach of duty in relation to the Consolidated Entity. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

PROCEEDINGS ON BEHALF OF THE COMPANY

On 10 August 2017, Walker Enterprises (Australia) Pty Ltd (Walker) filed a Commercial List Statement in the Supreme Court of New South Wales (Equity Division) seeking payment of the sum of \$9,000,000. On 2 February 2018, Walker filed a Notice of Motion seeking the Court's leave to file an Amended Commercial List Statement which reduces the quantum of the claim from \$9 million to \$3,520,822. Leave to reduce that claim was provided by the Court on 9 February 2018.

Walker seeks recovery of the balance sale price alleged to be payable under a share sale agreement (SSA) for the acquisition by iCollege of 100% of the capital of certain MIA companies (Walker subsidiaries). These MIA Companies were subsequently placed into litigation by iCollege following completion of the transaction.

iCollege has defended the proceeding and filed an amended Commercial List Response. iCollege's defence asserts misrepresentations by Walker, breaches of certain obligations under SSA and inaccurate warranties in the SSA rendering each of the MIA companies of no value.

In addition, iCollege has claimed by way of set-off and cross claim, orders permitting iCollege to cancel the shares issued by iCollege in the name of Walker's nominee, being shares issued as part of the purchase consideration and an Order that Walker pay iCollege \$1 million, being cash paid to Walker pursuant to the SSA. In the alternative, iCollege seeks an Order that Walker pay to iCollege the sum of \$2 million, being the return of the cash component paid by iCollege and the value of the shares issued by iCollege to Walker pursuant to the SSA.

On 8 December 2017, the Court ordered Walker to provide security for iCollege's costs of the proceeding against it (excluding costs attributable solely to iCollege's cross claim). The amount to be paid by Walker by way of security was determined on Friday, 9 February 2018 in the sum of \$231,000. Walker has paid those costs into court. Walker made an application to have iCollege provide security for his costs. That application was ultimately abandoned by Walker.

Each of the parties have now filed their lay evidence on which they intend to rely at trial. Walker has filed his expert evidence and iCollege is due to file and serve its expert evidence in response shortly.

The matter has been listed for trial for 10 days commencing 12 November 2018 with a mediation scheduled to take place on 10 October 2018.

AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor's independence declarations as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2018 has been received and can be found on page 20.

AUDITOR

Bentleys Audit and Corporate (WA) Pty Ltd continues in office in accordance with Section 327 of the Corporations Act 2001.

ICOLLEGE LIMITED

DIRECTORS REPORT

NON-AUDIT SERVICES

During the year non-audit services totalling nil in relation to non-audit services were provided by associated entities of Bentleys Audit and Corporate (WA) Pty Ltd (2017: Nil).

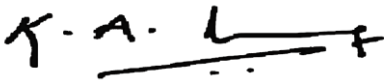
The Directors may engage auditors for non-audit services.

The Directors are satisfied that the provision of future non-audit services, by the auditor (or by CA300(11 B)(b).(c) another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and will not, in the opinion of the Directors, compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services will be reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services will undermine the general principles relating to auditor independence as set out in APES CA300(11B)(c) 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Refer to Note 20 to the financial statements for details of fees paid / payable to the auditor of the Company.

Signed in accordance with a resolution of the Directors.



Ash Katta
Managing Director
Perth, Western Australia
30 September 2018

**Bentleys Audit & Corporate
(WA) Pty Ltd**

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

To The Board of Partners

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

As lead audit partner for the audit of the financial statements of iCollege Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Partner

Dated at Perth this 30th day of September 2018

ICOLLEGE LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

		30 June 2018	30 June 2017
	Note	\$	\$
Revenues			
Revenue from customers	3	2,739,522	2,041,838
Cost of sales		(803,633)	(817,756)
Gross Profit		1,935,889	1,224,082
Interest Revenue		9,996	792
Expenses			
Audit and tax expenses		(30,000)	(118,203)
Acquisition cost		(338,750)	-
Compliance		(94,257)	(130,469)
Consultant fees		(395,317)	(727,156)
Depreciation and amortisation		(94,927)	(33,357)
Directors fees		(130,000)	(120,166)
Doubtful debts		(149,957)	(73,810)
Employee expenses		(2,143,905)	(1,003,951)
Finance costs		(853,569)	(146,733)
Intangible asset impairment	4	-	(1,157,257)
Legal expenses		(307,807)	(198,901)
Marketing/Sponsorships expenses		(31,007)	(147,294)
Occupancy expenses		(639,657)	(153,025)
Share based payments		(515,400)	(133,000)
Travel and accommodation		(142,086)	(294,198)
Other expenses		(495,121)	(304,396)
Total expenses		(6,361,760)	(4,741,916)
Profit/(loss) before Income Tax		(4,415,875)	(3,517,042)
Income tax benefit	2	-	248,284
Profit/(loss) after income tax attributable to members of iCollege Limited		(4,415,875)	(3,268,758)
Other comprehensive income		-	-
Total comprehensive profit/(loss) attributable to members of iCollege Limited		(4,415,875)	(3,268,758)
Earnings/(loss) per share		Cents per Share	Cents per Share
Basic Earnings/(loss) per share		(1.50)	(2.11)

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 2018**

		30 June 2018	30 June 2017
	Note	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	16(a)	339,214	12,000
Trade and other receivables	7	642,998	314,128
Other assets		10,350	23,013
Total Current Assets		992,562	349,141
Non-Current Assets			
Property, plant & equipment	8	161,235	33,845
Intangible assets	9	18,695,789	-
Total Non-Current Assets		18,857,024	33,845
Total Assets		19,849,586	382,986
LIABILITIES			
Current Liabilities			
Trade and other payables	11	4,682,009	2,472,745
Borrowings	12	1,293,537	650,000
Current tax liabilities		6,854	-
Short-term provisions	13	167,855	27,332
Total Current Liabilities		6,150,255	3,150,077
Non-Current Liabilities			
Deferred tax liabilities	2(d)	3,963,698	-
Total Non-Current Liabilities		3,963,698	-
Total Liabilities		10,113,953	3,150,077
Net Assets/(Deficiency)		9,735,633	(2,767,091)
Equity			
Issued capital	14	27,278,641	11,066,741
Reserves	15	1,747,029	1,040,330
Accumulated losses		(19,290,037)	(14,874,162)
Total Equity		9,735,633	(2,767,091)

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

ICOLLEGE LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Cash flows from operating activities			
Receipts from customers		2,847,385	1,990,294
Interest received		9,996	792
Finance costs		(146,871)	(289,936)
Payments to suppliers and employees		(3,344,502)	(4,130,591)
Net cash flows used in operating activities	16(b)	(633,992)	(2,429,441)
Cash flows from investing activities			
Net cashflow from acquisition of subsidiaries	5(c)	722,800	(79,968)
Deferred consideration from acquisition of a subsidiary		(250,000)	-
Payments for plant and equipment		(8,968)	-
Net cash flows (used in) and from investing activities		463,832	(79,968)
Cash flows from financing activities			
Proceeds from borrowings		1,925,566	150,000
Repayment of borrowings		(1,723,192)	(1,500,000)
Proceeds from issue of shares and options		-	4,330,775
Proceeds from share issues received in advance		300,000	-
Payment of share issue costs		(5,000)	(479,709)
Net cash flows provided by financing activities		497,374	2,501,066
Net increase/(decrease) in cash and cash equivalents held		327,214	(8,343)
Add opening cash and cash equivalents brought forward		12,000	20,343
Closing cash and cash equivalents carried forward	16(a)	339,214	12,000

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 2018**

	Issued Capital	Accumulated Losses	Share based payments Reserve	Total Equity
	\$	\$	\$	\$
At 1 July 2017	11,066,741	(14,874,162)	1,040,330	(2,767,091)
Total comprehensive loss for the period		(4,415,875)	-	(4,415,875)
Transactions with owners in their capacity as owners:				
Issue of share capital	15,701,500	-	-	15,701,500
Share based payment	515,400	-	-	515,400
Options	-	-	706,699	706,699
Shares issued in lieu of services	-	-	-	-
Costs of capital raising	(5,000)	-	-	(5,000)
At 30 June 2018	27,278,641	(19,290,037)	1,747,029	9,735,633

At 1 July 2016	7,082,674	(11,605,404)	1,040,330	(3,482,400)
Total comprehensive loss for the period	-	(3,268,758)	-	(3,268,758)
Transactions with owners in their capacity as owners:				
Issue of share capital	4,330,775	-	-	4,330,775
Share based payment	128,000	-	-	128,000
Shares issued in lieu of services	5,000	-	-	5,000
Costs of capital raising	(479,708)	-	-	(479,708)
At 30 June 2017	11,066,741	(14,874,162)	1,040,330	(2,767,091)

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

ICOLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

1. ACCOUNTING POLICIES

The financial report covers iCollege Limited as a consolidated entity consisting of iCollege Limited and the entities it controlled during the year. iCollege Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business are disclosed in the Corporate Directory of the annual report. The consolidated entity is a for profit entity.

(i) Basis of Accounting

This general purpose financial report for the year ended 30 June 2018 has been prepared in accordance with Corporations Act 2001 and Australian Accounting Standards (including Australian Accounting Interpretations) and authoritative pronouncements of the Australian Accounting Standards Board.

This financial report has been prepared in accordance with the historical costs convention. The functional currency and presentation currency of iCollege Limited is Australian dollars.

(ii) Statement of Compliance

This financial report complies with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board (AASB).

(iii) Going Concern

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

The Consolidated Entity recorded a loss after tax for the year of \$4,415,875 (2017: \$3,268,758 Loss). The net asset surplus/deficiency of the Consolidated Entity was \$9,735,633 surplus (2017:\$2,767,091 deficiency). The Consolidated Entity's working capital deficiency, being current assets less current liabilities was \$5,157,693 in 2018 (2017: \$2,800,936). Included in this working capital deficiency is deferred consideration payable of \$1,500,000 to the vendor of MIA (refer Note 11, 18). The board has taken the view that additional payments to the vendor are not justifiable given the inconsistencies discovered and will seek court judgment to cancel the liabilities including the shares currently held in escrow.

Subsequent to 30 June 2018, the Consolidated Entity issued of 44,000,000 shares with an issue price of \$0.05 per share to raise \$2,200,000 before costs for working capital purposes.

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

- Forecasted profitability of the companies within the Consolidated Entity including increasing the service offerings provided and expanding its geographical foot print;
- Directors Loan provided to Consolidated Entity will not be called upon until the company has sufficient cash flows and it is the intention to convert the loans into ordinary shares
- The continued support of the Consolidated Entity's creditors. At the date of the report there were no outstanding statutory demands made against the company;
- the successful defence of the claims made against the Company as disclosed in note 18;
- the ability of the Consolidated Entity to secure funds by raising capital from equity markets for working capital; and
- The remaining convertible notes will converted into shares and or look to be refinanced with new convertible notes; and
- Managing cash flows in line with available funds.

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

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

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

Should the Consolidated Entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Consolidated Entity be unable to continue as a going concern and meet its debts as and when they fall due.

(iv) Adoption of New and Revised Standards

New, revised or amending Accounting Standards and Interpretations adopted

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

The Consolidated Entity has a number of leases for its training facilities and therefore there will be an impact. The Consolidated Entity is assessing the impact of this standard.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 Financial Instruments: Recognition and Measurement. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income (OCI).

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' (ECL) model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

The Consolidated Entity's financial instruments consist of cash, debtors, investments other debtors and payable as disclosed in Note 21 (Financial Instruments) This standard is expected to have an impact on the Consolidated Entity financial report. The Consolidated Entity is assessing the impact of this standard.

AASB 15: Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018)

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.

For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Consolidated Entity is currently assessing the impact of this standard.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

(v) Significant Accounting Estimates and Judgments

Significant accounting judgments

In the process of applying the Consolidated Entity's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Useful life of intangible assets

Intangible assets are amortised in profit or loss on a straight line basis over their estimated useful lives from the date they are available for use.

Recoverability of trade and other receivables

The Consolidated Entity assesses the likelihood of any impairment of the Consolidated Entity's receivables at each reporting date by evaluating those payments that are in arrears and making a judgement as to the likelihood of that receivable not being paid passed on all knowledge available of the debtor.

Deferred tax assets

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

(vi) Summary of 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.

Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by iCollege Limited at the end of the reporting period. A controlled entity is any entity over which iCollege Limited has the power to direct the relevant activities of the entity and has exposure to variable returns. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to direct the relevant activities, the existence and effect of holdings of actual and potential voting rights are also considered. Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 10 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity. Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Profit or Loss and other Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie: parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree. The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer. Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of Profit or Loss and other Comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement.

Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the Statement of Profit or Loss and other Comprehensive income unless the change in value can be identified as existing at acquisition date. All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables

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

Share-based payment transactions

The Consolidated Entity 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 or rights over shares ('equity-settled transactions').

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

If the non-vesting condition is within the control of the 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, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and any impairment.

Depreciation is calculated on a reducing balance basis to write off the net cost of each item of plant and equipment over its expected useful life, being 2.5 to 6.7 years.

Impairment of assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Intangible Assets

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Initial costs of acquisition of intellectual property are capitalised in the Statement of Financial Position where there is evidence it will generate economic benefits.

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.

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.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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 FINANCIAL STATEMENTS
30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

Borrowing Costs

Borrowing costs attributable to qualifying assets are capitalised as part of the asset. All other borrowing costs are expensed in the period in which they are incurred, including:

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

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

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

Trade and other payables

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

Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

Employee entitlements

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Employee entitlements expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other entitlements are charged against profits on a net basis.

Contributions are made to employee superannuation plans and are charged as expenses when incurred.

Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Revenue from education and training services is recognised by reference to the stage of completion method, based on actual service provided as a proportion of total services to be provided. This is measured with reference to the number of units completed as a proportion of the total numbers units to complete the course.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Income tax

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

Deferred income tax is provided on all temporary differences in the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognised for all taxable temporary differences, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in Statements of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to the Consolidated Entity, adjusted for:

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

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 current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve 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 twelve months after the reporting period. All other assets are classified as non-current.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Fair value of assets and liabilities

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

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

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie 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 (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account 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 statement

Valuation techniques

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

Fair value hierarchy

AASB 13 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*
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.
- *Level 2*
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3*
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 Group would change the categorisation within the fair value hierarchy only in the following circumstances:

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

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

Rounding of amounts

The Consolidated entity has not applied Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off to the nearest dollar.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23.

ICOLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018**

2. INCOME TAX

The reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:

(a) Income tax expense/(benefit)

	30 June 2018	30 June 2017
	\$	\$
Current tax	-	-
Deferred tax	-	(248,284)
	-	(248,284)

(b) Reconciliation of income tax expense/(benefit) to prima facie tax payable

Loss from ordinary activities before income tax	(4,415,875)	(3,517,042)
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The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax on operating profit at 27.5%	(1,214,366)	(967,186)
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Add / (Less)

Tax effect of:

Share based payments	141,735	35,200
Other non-deductible expenses	93,156	318,246
Non assessable income	-	-
Deferred tax assets relating to tax losses not recognised	999,159	705,477
(Benefit) from previously unrecognised temporary difference	(19,684)	(248,284)
Other temporary differences not recognised	-	(91,737)
Income tax expense/(benefit) attributable to operating profit	-	(248,284)

The applicable weighted average effective tax rates are as follows:

	nil%	nil%
Balance of franking account at year end	\$ Nil	\$ Nil

(c) Deferred tax assets

Tax Losses	3,157,827	2,158,537
Provisions & accruals	170,982	118,276
Capital raising costs	137,720	195,771
Other	-	-
	3,466,529	2,472,584
Set-off deferred tax liabilities	-	-
Net deferred tax assets	3,466,529	2,472,584
Less deferred tax assets not recognised	(3,466,529)	(2,472,584)
Net tax assets	-	-

ICOLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018**

2. INCOME TAX (continued)

	30 June 2018	30 June 2017
(d) Deferred tax liabilities	\$	\$
Arising on recognition of separately identifiable intangible assets as part of the business combination (Note 5)	3,963,698	-
	-	-
Set-off deferred tax assets	-	-
Net deferred tax liabilities	3,963,698	-
 (e) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	11,483,006	7,849,224

Tax losses of \$11,483,006 (2017: \$7,849,224) were derecognised during the current year, as a result of an assessment of the availability of prior period tax losses. From the assessment performed, tax losses prior to the acquisition of iCollege Pty Ltd were deemed to no longer be available and were derecognised

Potential deferred tax assets attributable to tax losses and temporary differences carried forward have not been brought to account at 30 June 2018 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. Future tax benefits will only be obtained if:

- i. the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and temporary differences to be realised;
- ii. the company continues to comply with conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

ICOLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018**

3. REVENUE

	30 June 2018	30 June 2017
	\$	\$
Course income	2,739,522	2,019,838
Other revenue	-	22,000
	<u>2,739,522</u>	<u>2,041,838</u>

4. IMPAIRMENT OF ASSETS

	30 June 2018	30 June 2017
	\$	\$
Intangible assets	-	1,157,257
	<u>-</u>	<u>1,157,257</u>

5. BUSINESS COMBINATIONS

On 12 February 2018, iCollege Ltd acquired 100% of the ordinary share capital and voting rights in Manthano Ltd.

(a) Acquisition Consideration

As consideration for the issued capital of Manthano Ltd, iCollege Ltd paid by the issue of 250,000,000 Consideration Shares valued at the date of acquisition to be \$15,250,000. Under AASB 3: Business Combinations, iCollege Ltd was deemed to be the acquirer and deemed to retain control of the consolidated entity.

(b) Fair value of consideration transferred

Under the principles of AASB 3, the assets and liabilities of Manthano Ltd are measured at fair value on the date of acquisition.

(c) Intangible assets

Provisionally accounted for intangible assets are calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of Manthano Ltd. Details of the transaction are as follows:

	Fair Value
	\$
<i>Consideration</i>	
Consideration Shares	<u>15,250,000</u>
<i>Fair value of assets and liabilities held at acquisition date:</i>	
Cash	722,800
Trade and other receivables	856,838
Other	6,275
Plant and equipment	213,349
Trade and other payables	(720,212)
Employee provisions	(70,057)
Borrowings	(491,084)
Deferred tax liability	<u>(3,963,698)</u>
Fair value of identifiable assets and liabilities assumed	<u>(3,445,789)</u>
Provisionally accounted for intangible assets	<u>18,695,789</u>

The contribution of Manthano Ltd to the consolidated entity's loss for the financial year ended 30 June 2018 was a loss of \$1,324,261

ICOLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

	30 June 2018	30 June 2017
6. EARNINGS PER SHARE		
	Cents	Cents
Basic profit/(loss) per share	(1.50)	(2.11)
The following reflects the earnings used in basic and diluted earnings per share computations:		
a) Earnings used in calculating earnings per share		
	30 June 2018	30 June 2018
<i>Basic Earnings per share:</i>	\$	\$
Profit/(loss) after income tax		
attributable to members of iCollege Limited	(4,415,875)	(3,268,758)
b) Weighted average number of shares		
	30 June 2018	30 June 2017
Weighted average number of ordinary shares for basic earnings per share	295,364,822	155,157,192
	30 June 2018	30 June 2017
	\$	\$
7. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	529,829	41,148
GST receivable	17,492	111,931
Receivable from directors (Note 19 related party transactions)	-	90,375
Other receivables	95,677	70,674
Total current receivables	642,998	314,128
<i>Fair Value and Risk Exposures:</i>		
(i) Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.		
(ii) The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.		
(iii) Details regarding interest rate risk exposure are disclosed in Note 21.		
(iv) Other receivables generally have repayments within 30 days.		
Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered receivable.		
	30 June 2018	30 June 2017
	\$	\$
Age of receivables that are past due but not impaired		
60-90 days	10,745	3,140
90-180 days	-	13,558
180+ days	-	-
Total	10,745	16,698
Average age (days) *	90	86

* Invoiced in advance and paid in accordance with course unit completions

ICOLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

8. PROPERTY, PLANT & EQUIPMENT

	30 June 2018	30 June 2017
	\$	\$
<i>Office equipment</i>		
Opening balance	5,072	18,318
Additions	1,860	-
Disposals	-	(12,052)
Depreciation	(60,829)	(1,194)
Assets Acquired through business acquisition Assets (refer note 5(c))	119,876	-
Total office equipment	65,979	5,072
<i>Training equipment</i>		
Opening balance	10,190	12,290
Additions	-	-
Depreciation	(9,380)	(2,100)
Assets Acquired through business acquisition Assets (refer note 5(c))	-	-
Total office equipment	810	10,190
<i>Motor vehicles</i>		
Opening balance	13,208	17,601
Additions	-	-
Depreciation	(13,077)	(4,393)
Assets Acquired through business acquisition Assets (refer note 5(c))	37,346	-
Total office equipment	37,477	13,208
<i>Building improvements</i>		
Opening balance	5,375	6,135
Additions	-	-
Depreciation	(9,434)	(760)
Assets Acquired through business acquisition Assets (refer note 5(c))	51,997	-
Total office equipment	47,938	5,375
<i>Computer equipment</i>		
Opening balance	-	19,998
Additions	7,107	4,912
Disposals	-	-
Depreciation	(2,207)	(24,910)
Assets Acquired through business acquisition Assets (refer note 5(c))	4,131	-
Total computer software	9,031	-
Total Property, Plant & Equipment	161,235	33,845

9. INTANGIBLE ASSETS

	30 June 2018	30 June 2017
	\$	\$
<i>Intangible Assets – Provisionally Accounted for</i>		
Opening balance	-	1,075,898
Additions on acquisition of subsidiaries	-	81,359
Provisionally accounted for Intangible Assets (refer note 5(c))	18,695,789	-
Impairment charges	-	(1,157,257)
Net carrying amount	18,695,789	-

ICOLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018**

10. CONTROLLED ENTITIES

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest held by the Group	
			30 June 2018	30 June 2017
iCollege Holdings Pty Ltd	Educational Services	Western Australia	100%	100%
Bookkeeping School Pty Ltd	Educational Services	Queensland	100%	100%
Mathisi Pty Ltd	Educational Services	Queensland	100%	100%
Management Institute of Australia Pty Ltd ⁽²⁾	Educational Services	New South Wales	100%	100%
Management Institute of Australia No.1 Pty Ltd ⁽²⁾	Educational Services	New South Wales	100%	100%
Management Institute of Australia No. 2 Pty Ltd ⁽²⁾	Educational Services	New South Wales	100%	100%
MIA Franchise Operations Pty Ltd ^{*(1)}	Educational Services	New South Wales	-	100%
Easy RPL No.1 Pty Ltd ^{*(1)}	Educational Services	New South Wales	-	100%
Celtic Training & Consultancy Pty Ltd	Educational Services	South Australia	100%	100%
Manthano Limited	Educational Services	Queensland	100%	-
Brisbane Career College Pty Ltd	Educational Services	Queensland	100%	-
Capital Training Institute Pty Ltd	Educational Services	New South Wales	100%	-
I.C.E. MAN. Consulting Pte. Ltd	Specialist education services in the Oil and Gas market	Singapore	100%	-

*these company's were all acquired at the same time when Management Institute of Australia Pty Ltd was acquired.

⁽¹⁾ Deregistered 5 July 2017

⁽²⁾ In Liquidation awaiting deregistration

ICOLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018**

11. TRADE AND OTHER PAYABLES

Current

	30 June 2018	30 June 2017
	\$	\$
Trade payables	1,501,463	375,337
Sundry payables and accrued expenses	973,591	226,518
Short term loans	326,714	-
Accrued interest on convertible notes	80,241	29,640
Share subscriptions payable	300,000	-
Consideration payable ⁽¹⁾	1,500,000	1,841,250
Total current payables	4,682,009	2,472,745

(1) \$1,500,000 represents consideration payable to Walker Enterprises (Australia) Pty Ltd (the vendor of the Management Institute of Australia Group of Companies (MIA)). Discovery of inconsistencies in MIA during the FY2016 with what was portrayed of the business prior to its acquisition has meant the board has taken the view that additional payments to the vendor are not justifiable given the inconsistencies discovered. Until it can be resolved further payments in the form of share issues (currently taken up in trade and other payables of \$1.5M) and release of any shares currently held in escrow will be suspended (Refer to Note 18 for further details)

Fair Value and Risk Exposures

- (i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
- (ii) Trade and other payables are unsecured and usually paid within 30 days of recognition.
- (iii) All amounts are expected to be settled within 12 months.

12. BORROWINGS

Current

	30 June 2018	30 June 2017
	\$	\$
Convertible notes	650,000 ⁽¹⁾	650,000
Loan	125,000 ⁽²⁾	-
Related Party Loan	518,537 ⁽³⁾	-
	1,293,537	650,000

⁽¹⁾ As at the date of this report a \$150,000 convertible note has been fully repaid

⁽²⁾ As at the date of this report the loan of \$125,000 has been fully repaid

⁽³⁾ Loans are repayable within 12 months and are non-interest bearing (refer to note 19 for further details)

Terms and conditions of the convertible notes

Convertible note terms

- 1. Maturity: 12 months maturing 10 April 2019
 - Face Value: \$500,000
 - Coupon: 10% pa
 - Conversion: the notes may be converted at the election of the noteholder following the provision of a conversion election notice by the noteholder, which must be received by the company in the period:
 - Commencing 12 months following the issue date (11 April 2019); and
 - Ending on the final conversion date (12 April 2019).

ICOLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

12. CONVERTIBLE NOTES - continued

- The note shall convert into Ordinary Fully Paid Shares at the discretion of the noteholder, subject to the company obtaining the approval pursuant to the Company obtaining all necessary shareholder and regulatory approvals. The note converts on the date the company obtains the approval.
- Conversion Reference Price: 3 cents
- Redemption: the Company can redeem the Notes at its election at the following times:
 - On the first business day following the date that is 3 months from the Issue date, where the Notes have not previously Converted; or
 - At any time between:
 - The first business day following the date that is 6 months from the issue date; and
 - The final redemption date, where the notes have not previously been converted.
 - In any event the notes have not previously been converted, the company must redeem the notes on the final redemption date.
- 2. Maturity: at the discretion of the holder
- Face Value: \$150,000
- Coupon: 12%, payable quarterly in arrears
- 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 Fully Paid Shares, subject to agreement by the Company and Shareholder approval and in full compliance with ASX Listing Rules
- Conversion period: The period commencing 10 days after the Issue Date and ending 10 business days prior to the maturity date. The Issuer to advise the Loan-holder within 30 days of maturity
- Conversion Reference Price: Calculated at a weighted average price based on the loan term.
- Interest of 12%, payable quarterly in arrears plus 5,000,000 unlisted options convertible at 4cents expiring in two years. (The securities were issued after shareholder approval was received on 12-Jan-2018)

Loan terms

- 2. Maturity: daily roll-over
- Face Value: \$125,000
- Interest of 12% pa, payable quarterly in arrears plus 5,000,000 unlisted options convertible at 8cents expiring in two years. (The securities were issued after shareholder approval was received on 12-Jan-2018)

13. SHORT-TERM PROVISIONS

Current

	30 June 2018	30 June 2017
	\$	\$
Provision for annual leave	140,355	27,332
Provision for long service leave	27,500	-
	<u>167,855</u>	<u>27,332</u>

ICOLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

14. ISSUED CAPITAL

(a) Issued Capital

	30 June 2018	30 June 2017
	\$	\$
Ordinary shares fully paid	27,278,641	11,066,741

(b) Movements in Ordinary Share Capital

Number of Shares	Summary of Movements:	Issue Price	\$
196,672,082	Opening balance 1 July 2017		11,066,741
5,000,000	Shares issued to the vendors of Celtic Training & Consultancy Pty Ltd as deferred settlement	\$0.086	430,000
250,000,000	Consideration shares issued to the vendors of Manthano Ltd	\$0.061	15,250,000
3,000,000	Shares issued to senior management	\$0.086	258,000
3,000,000	Shares issued to senior management	\$0.060	180,000
900,000	Shares issued to Chairman for services as director	\$0.086	77,400
2	Shares issued in accordance with a cleansing prospectus	\$0.000	-
250,000	Shares issued in lieu of services	\$0.086	21,500
-	Costs of capital	-	(5,000)
458,822,084	Closing balance at 30 June 2018		27,278,641

Number of Shares	Summary of Movements:	Issue Price	\$
83,269,374	Opening balance 1 July 2016		7,082,674
77,019,374	Shares issued in accordance with a Non-renounceable rights issue	\$0.04	3,080,775
3,200,000	Shares issued to CEO	\$0.04	128,000
31,250,000	Shares issued on share placement	\$0.04	1,250,000
1,833,334	Shares issued on conversion of performance shares	-	-
100,000	Shares issued in lieu of services	\$0.05	5,000
-	Costs of capital	-	(479,708)
196,672,082	Closing balance at 30 June 2017		11,066,741

ICOLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

14. ISSUED CAPITAL (continued)

Capital risk management

The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. There are no plans to distribute dividends in the next year.

There are no externally imposed capital requirements.

	30 June 2018 \$	30 June 2017 \$
15. RESERVES		
Options Reserve	1,747,029	1,040,330
	<u>1,747,029</u>	<u>1,040,330</u>

The options reserve is used to recognise the grant date fair value of options issued but not exercised.

The Consolidated Entity completed the following share-based payment arrangements for the year ended 30 June 2018:

	2018	Weighted Average Exercise Price \$	2017	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	-	-	-	-
Granted	20,000,000	0.05	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
*Outstanding at year-end	-	-	-	-
Total Vested	20,000,000	0.05	-	-

Quantity of Options	5,000,000	15,000,000
Deemed value	\$0.0284	\$0.0376
Underlying share price	\$0.059 per share	\$0.059
Risk free interest rate	1.93%	1.93%
Share exercise price	\$0.08	\$0.04
Effective date	12 February 2018	12 February 2018
Share expiry date	12 February 2020	12 February 2020

ICOLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018**

The Consolidated Entity other share based payments issued during the year are located in note 14(b).

16. STATEMENT OF CASH FLOW INFORMATION

	30 June 2018	30 June 2017
	\$	\$
(a) Cash and cash equivalents		
Cash at bank and in hand	339,214	12,000
	<u>339,214</u>	<u>12,000</u>
(b) Reconciliation of profit/(loss) after tax to the net cash flows used in operations		
Profit/(loss) after income tax	(4,415,875)	(3,268,758)
Non-Cash Items:		
Depreciation	94,257	33,357
Doubtful debts	149,957	73,810
Impairment of assets	-	1,157,257
Share based payments - shares	515,400	133,000
Share based payments - options	706,698	-
Change in assets and liabilities:		
(Increase)/decrease in receivables	(316,207)	146,446
Increase/(decrease) in payables	2,440,600	(318,910)
Increase/(decrease) in accrued interest	43,801	(143,203)
Increase/(decrease) in employee provision	140,523	5,844
Increase/(decrease) in income tax provision	6,854	(248,284)
Net cash flows (used in)/provided by operating activities	<u>(633,992)</u>	<u>(2,429,441)</u>

17. SEGMENT INFORMATION

Identification of reportable segments

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

The Group is managed primarily on the basis of business category and geographical areas. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Accounting policies adopted

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

Segment assets

Where an asset is used across multiple segments, the asset is allocated proportionately to the applicable segments based on its use. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

ICOLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

17. SEGMENT INFORMATION (continued)

Segment liabilities

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

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

Description of Operating Segments

Financing

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

Research and Development

iCollege Holdings Pty Ltd conducts all activities in relation to development of the iCollege education platform.

Education Services

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

Information about Reportable Segments

2018	Financing \$	Research & Development \$	Education Services \$	Consolidated \$
Segment Income				
Revenue from customers	-	-	2,739,522	2,739,522
Finance income	12	-	-	12
Other income	9,984	-	-	9,984
Total income	9,996	-	2,739,522	2,749,518
Segment Expenses				
Cost of goods sold	-	-	(803,633)	(803,633)
Finance costs	(830,709)	-	(22,860)	(853,569)
Depreciation and amortisation	-	-	(94,927)	(94,927)
Impairment	-	-	-	-
Net other costs	(1,652,058)	-	(3,761,206)	(5,413,264)
Total Expenses	(2,482,767)	-	(4,682,626)	(7,165,393)
Segment Loss before income tax	(2,472,771)	-	(1,943,104)	(4,415,875)
Segment Assets and Liabilities				
Reportable segment assets	18,581,947	-	1,267,639	19,849,586
Reportable segment liabilities	(8,423,374)	-	(1,690,579)	(10,113,953)
Net assets	(10,158,573)	-	(422,940)	9,735,633

ICOLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018**

17. SEGMENT INFORMATION (continued)

2017	Financing \$	Research & Development \$	Education Services \$	Consolidated \$
Segment Income				
Revenue from customers	-	-	2,018,608	2,018,608
Finance income	2,008	-	14	2,022
Other income	-	22,000	-	22,000
Total income	2,008	22,000	2,018,622	2,042,630
Segment Expenses				
Cost of goods sold	-	-	(817,756)	(817,756)
Finance costs	(146,733)	-	-	(146,733)
Depreciation and amortisation	(484)	-	(32,873)	(33,357)
Impairment	-	-	(1,157,257)	(1,157,257)
Net other costs	(2,208,450)	-	(1,196,119)	(3,404,569)
Total Expenses	(2,355,667)	-	(3,204,005)	(5,559,672)
Segment Loss before income tax	(2,353,659)	22,000	(1,185,383)	(3,517,042)
Segment Assets and Liabilities				
Reportable segment assets	178,181	-	204,805	382,986
Reportable segment liabilities	(2,873,919)	-	(276,158)	(3,150,077)
Net assets	(2,695,738)	-	(71,353)	(2,767,091)

Geographical Segments

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

18. COMMITMENTS AND CONTINGENT LIABILITIES

On 10 August 2017, Walker Enterprises (Australia) Pty Ltd (Walker) filed a Commercial List Statement in the Supreme Court of New South Wales (Equity Division) seeking payment of the sum of \$9,000,000. On 2 February 2018, Walker filed a Notice of Motion seeking the Court's leave to file an Amended Commercial List Statement which reduces the quantum of the claim from \$9 million to \$3,520,822. Leave to reduce that claim was provided by the Court on 9 February 2018.

Walker seeks recovery of the balance sale price alleged to be payable under a share sale agreement (SSA) for the acquisition by iCollege of 100% of the capital of certain MIA companies (Walker subsidiaries). These MIA Companies were subsequently placed into litigation by iCollege following completion of the transaction.

iCollege has defended the proceeding and filed an amended Commercial List Response. iCollege's defence asserts misrepresentations by Walker, breaches of certain obligations under SSA and inaccurate warranties in the SSA rendering each of the MIA companies of no value.

In addition, iCollege has claimed by way of set-off and cross claim, orders permitting iCollege to cancel the shares issued by iCollege in the name of Walker's nominee, being shares issued as part of the purchase consideration and an Order that Walker pay iCollege \$1 million, being cash paid to Walker pursuant to the SSA. In the alternative, iCollege seeks an Order that Walker pay to iCollege the sum of \$2 million, being the return of the cash component paid by iCollege and the value of the shares issued by iCollege to Walker pursuant to the SSA.

ICOLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

18. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

On 8 December 2017, the Court ordered Walker to provide security for iCollege's costs of the proceeding against it (excluding costs attributable solely to iCollege's cross claim). The amount to be paid by Walker by way of security was determined on Friday, 9 February 2018 in the sum of \$231,000. Walker has paid those costs into court. Walker made an application to have iCollege provide security for his costs. That application was ultimately abandoned by Walker.

Each of the parties have now filed their lay evidence on which they intend to rely at trial. Walker has filed his expert evidence and iCollege is due to file and serve its expert evidence in response shortly.

The matter has been listed for trial for 10 days commencing 12 November 2018 with a mediation scheduled to take place on 10 October 2018.

Non-cancellable operating leases contracted for rental properties

	June 2018 \$	June 2017 \$
Not longer than 1 year	1,176,228	65,609
Longer than 1 year and not longer than 5 years	1,119,636	32,804
Longer than 5 years	-	-
	<u>2,295,864</u>	<u>98,413</u>

Apart from the above there are no other commitments or contingent assets/liabilities as at 30 June 2018.

19. RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Compensation

	2018 \$	2017 \$
Short-term benefits	152,836	438,597
Post employment benefits	5,921	1,656
Other long-term benefits	-	-
Termination benefits	-	128,000
Share-based payments	77,400	80,000
	<u>236,157</u>	<u>648,253</u>

(b) Other Transactions with Related Parties

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

Mr Philip Re, Director, is a Director of Regency Partners. During the year an amount of \$99,000 (net of GST) (2017: \$110,079) was paid to his business for accounting, bookkeeping, and administration at normal commercial rates plus \$8,067 (2017: \$83,407) was paid for office rental at normal commercial rates.

Mr Ross Cotton, Director, is a Director of Richmond Food Systems Pty Ltd. During the year an amount of \$15,000 (net of GST) (2017: 96,666) were paid to him under an executive services agreement in his position of Executive Chairman. No corporate advisory fees were paid during the year (2017: \$334,846) (net of GST) for placement fees.

ICOLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018**

19. RELATED PARTY TRANSACTIONS (continued)

There is a loan outstanding payable to Mr Ash Katta of \$581,233 at year end being an amount payable as a result of an equity sell-down completed pre-acquisition. No Interest is accrued on the loan and will be repaid to him as and when he provides notice to the company subject to available cash and sufficient working capital remaining in the company.

There is a loan outstanding receivable from Sero Learning Pty Ltd, of which Mr Ash Katta is a Director of \$63,070 at year end.

	30 June 2018	30 June 2017
	\$	\$

20. AUDITORS' REMUNERATION

Amount received or due and receivable by the auditor or their related entities:

Audit and review of the financial statements

Bentleys Audit & Corporate (WA) Pty Ltd	45,000	48,500
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21. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND INSTRUMENTS

The Consolidated Entity's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to provide working capital for the Consolidated Entity's operations.

The Consolidated Entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. Furthermore, the Consolidated Entity obtained funding via convertible notes during the year.

The Consolidated Entity's financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

It is, and has been throughout the year under review, the Consolidated Entity's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

Categories of financial instruments

	30 June 2018	30 June 2017
	\$	\$
Financial Assets		
Cash and cash equivalents	339,214	12,000
Trade and other receivables	642,998	337,141
Financial Liabilities		
Trade payables	1,501,464	375,337
Sundry payables and accrued expenses	973,590	226,518
Short-term loans	326,714	-
Accrued interest on convertible notes	80,241	-
Consideration payable	1,500,000	1,841,250
Share Subscription Payable	300,000	-
Borrowings	1,293,537	650,000

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

21. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND INSTRUMENTS (continued)

Interest Rate Risk

At reporting date the Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Consolidated Entity's short-term cash deposits. The Consolidated Entity constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed.

At reporting date, the Consolidated Entity had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	2018	2017
	\$	\$
Financial Assets:		
Cash and cash equivalents (interest-bearing accounts)	339,214	12,000
Net exposure	339,214	12,000

The weighted average rate of interest is 0.5% (2017: 0.5%)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date for variable interest bearing accounts. The 0.5% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical LIBOR movements over the last 3 years.

At 30 June 2018, if interest rates had moved on variable interest bearing accounts, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Consolidated Entity would have been affected as follows:

	2018	2017
	\$	\$
Judgements of reasonably possible movements:		
Post tax profit - higher / (lower)		
+ 0.5%	1,696	60
- 0.5%	(1,696)	(60)
Equity - higher / (lower)		
+ 0.5%	1,696	60
- 0.5%	(1,696)	(60)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity measures credit risk on a fair value basis.

The Consolidated Entity has a credit risk in relation to its cash at bank, short-term deposits and receivables. However, this risk is minimised as the cash is deposited only with AA or greater (Moody's) rated financial institutions. The Consolidated Entity does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

Impairment losses are recorded against receivables unless the Consolidated Entity is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

ICOLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

21. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND INSTRUMENTS (continued)

Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

Liquidity Risk

The Consolidated Entity has no significant exposure to liquidity risk as there is effectively no debt. Trade payables are all expected to be paid within 30 days and their carrying amounts are considered to equal their contractual amount. The Consolidated Entity manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

2018	Weighted Average Effective Interest Rate %	Less than one month \$	1 to 3 Months \$	3 Months to one year \$	1 to 5 Years \$	Total \$
Financial Assets						
Non-interest bearing		591,372	-	-	-	591,372
Sundry debtors	7.50%	51,626	-	-	-	51,626
Variable interest rate	0.5%	339,214	-	-	-	339,214
		982,212	-	-	-	982,212
Financial Liabilities						
Non-interest bearing		2,855,295	-	1,500,000	-	4,355,295
Fixed interest rate	19%	518,537	775,000	326,714	-	1,620,251
		3,373,832	775,000	1,826,714	-	5,975,546
Net financial assets/(liabilities)		(2,391,620)	(775,000)	(1,826,714)	-	(4,993,334)
2017	Weighted Average Effective Interest Rate %	Less than one month \$	1 to 3 Months \$	3 Months to one year \$	1 to 5 Years \$	Total \$
Financial Assets						
Non-interest bearing		246,766	-	-	-	246,766
Sundry debtors	7.50%	-	-	90,375	-	90,375
Variable interest rate	0.5%	12,000	-	-	-	12,000
		258,766	-	90,375	-	349,141
Financial Liabilities						
Non-interest bearing		631,495	1,841,250	-	-	2,472,745
Fixed interest rate	20.3%	-	-	650,000	-	650,000
		631,495	1,841,250	650,000	-	3,122,745
Net financial assets/(liabilities)		(372,729)	(1,841,250)	(559,625)	-	(2,773,604)

ICOLLEGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018**

21. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND INSTRUMENTS (continued)

Reconciliation of liabilities arising from financing activities

The cash flows from bank loans, loans from related parties and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

	2017		Non-cash changes		2018
		<i>Financing Cashflows</i>	<i>Shares Issued</i>	<i>Acquisition</i>	
Convertible Notes: (Note 12)	650,000	-	-	-	650,000
Borrowings Note (Note 12)	-	125,000	-	-	125,000
Contingent consideration (Note 11)	341,250	(250,000)	(91,250)	-	-
Short terms Loans (note 11)	-	301,215	-	25,499	326,714
Loans from Related Parties (note 12)	-	(92,572)	-	(425,965)	(518,537)
Share Subscription Payable (note 11)	-	300,000	-	-	300,000
Total liabilities from financing activities	991,250	383,643	(91,250)	(400,466)	883,177

Accrued interest has been recorded in note 11.

22. EVENTS OCCURRING AFTER REPORTING DATE

On 10 August 2017, Walker Enterprises (Australia) Pty Ltd (Walker) filed a Commercial List Statement in the Supreme Court of New South Wales (Equity Division) seeking payment of the sum of \$9,000,000. On 2 February 2018, Walker filed a Notice of Motion seeking the Court's leave to file an Amended Commercial List Statement which reduces the quantum of the claim from \$9 million to \$3,520,822. Leave to reduce that claim was provided by the Court on 9 February 2018.

Walker seeks recovery of the balance sale price alleged to be payable under a share sale agreement (SSA) for the acquisition by iCollege of 100% of the capital of certain MIA companies (Walker subsidiaries). These MIA Companies were subsequently placed into litigation by iCollege following completion of the transaction.

iCollege has defended the proceeding and filed an amended Commercial List Response. iCollege's defence asserts misrepresentations by Walker, breaches of certain obligations under SSA and inaccurate warranties in the SSA rendering each of the MIA companies of no value.

In addition, iCollege has claimed by way of set-off and cross claim, orders permitting iCollege to cancel the shares issued by iCollege in the name of Walker's nominee, being shares issued as part of the purchase consideration and an Order that Walker pay iCollege \$1 million, being cash paid to Walker pursuant to the SSA.

In the alternative, iCollege seeks an Order that Walker pay to iCollege the sum of \$2 million, being the return of the cash component paid by iCollege and the value of the shares issued by iCollege to Walker pursuant to the SSA.

ICOLLEGE LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

MATTERS SUBSEQUENT TO THE END OF THE YEAR (CONTINUED)

On 8 December 2017, the Court ordered Walker to provide security for iCollege's costs of the proceeding against it (excluding costs attributable solely to iCollege's cross claim). The amount to be paid by Walker by way of security was determined on Friday, 9 February 2018 in the sum of \$231,000. Walker has paid those costs into court. Walker made an application to have iCollege provide security for his costs. That application was ultimately abandoned by Walker.

Each of the parties have now filed their lay evidence on which they intend to rely at trial. Walker has filed his expert evidence and iCollege is due to file and serve its expert evidence in response shortly.

The matter has been listed for trial for 10 days commencing 12 November 2018 with a mediation scheduled to take place on 10 October 2018.

On 3 July 2018, the company completed a share placement to sophisticated investors to raise \$2.2M before costs. The placement was completed at \$0.05 per share. Funds raised were to be used for the expansion of iStudy Australia operations into India and proposed expansion into China, Indonesia, Singapore and Malaysia. The reconfiguration of local campuses to increase CRICOS allocations and redevelopment and re-accreditation of nursing and aged care qualifications.

Repayment was completed in full of \$150,000 in convertible notes and \$125,000 of short term loans.

No other matter or circumstance has arisen since 30 June 2018 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.

23. PARENT ENTITY INFORMATION

Statement of Profit or Loss and other comprehensive income

	30 June 2018	30 June 2017
	\$	
Loss after income tax of the parent entity	(2,586,471)	(3,546,724)
Total comprehensive income of the parent entity	<u>(2,586,471)</u>	<u>(3,546,724)</u>

Statement of Financial Position

Total current assets	305,628	178,181
Total non-current assets	14,485,949	-
Total assets	<u>14,791,577</u>	<u>178,181</u>
Total current liabilities	1,052,738	2,873,919
Total Non-current liabilities	3,963,698	-
Total liabilities	<u>5,016,436</u>	<u>2,873,919</u>
Net Asset surplus/(deficiency)	9,775,141	(2,695,738)
Issued Capital	27,278,641	11,266,026
Reserves	1,747,029	1,040,331
Accumulated losses	<u>(19,250,529)</u>	<u>(15,002,095)</u>
	<u>9,775,141</u>	<u>(2,695,738)</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no other guarantees in relation to the debts of its subsidiaries as at 30 June 2018.

Commitments and Contingent liabilities

The parent entity had no commitments as at 30 June 2018.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018.

ICOLLEGE LIMITED

DIRECTORS' DECLARATION

30 JUNE 2018

DIRECTORS DECLARATION

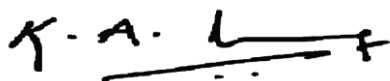
This declaration is made in accordance with a resolution of the Directors.

In the opinion of the Directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position at 30 June 2018 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory reporting requirements; and
- (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 1.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for financial year ended 30 June 2018.

On behalf of the Board



Ashish Katta
Managing Director
Brisbane, Queensland
30 September 2018

Independent Auditor's Report

To the Members of iCollege Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of iCollege Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(ii).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(iii) in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$4,415,875 during the year ended 30 June 2018. As stated in Note 1(iii), these events or conditions, along with other matters as set forth in Note 1(iii), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
Revenue Recognition Revenue is the key driver of the Consolidated Entity and is generated through education and training services. Revenue from education and training services is recognised by reference to the stage of completion, based on actual service provided as a proportion of total services to be provided. The Consolidated Entity focuses on revenue as a key performance measure and is also a key driver by which the performance of the Consolidated Entity is measured. This area is a key audit matter due to the volume of transactions and the total revenue from operations.	Our procedures included amongst others: ➤ Documenting the processes and evaluating the internal controls relating to revenue recognition; ➤ Reviewing the revenue recognition policy for each revenue stream for compliance with AASB 118; ➤ Testing a sample of educational service income to supporting contracts to ensure revenue was recognised in line with the revenue recognition policy; ➤ Performing analytical procedures to understand movements and trends in revenue; ➤ Assessing cut-off of revenue at year end and ensuring revenue has been recorded in the correct reporting period; and ➤ Assessing the adequacy of the Consolidated Entity's revenue disclosure within the financial statements
Acquisition of Manthano Limited As disclosed in note 5 of the financial report, during the year the Consolidated Entity acquired 100% of the equity instruments of Manthano Limited for a total consideration of \$15,250,000 via the issue of shares. This is a key audit matter due to the size of the acquisition, the complexities inherent in a business combination and the significant judgements made by management, including the identification and measurement of the fair value of assets and liabilities acquired. Under Australian Accounting Standards, management is required to identify all assets and	Our Procedures included amongst others: ➤ Reviewing the Sale and Purchase Agreement and the Subscription Agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management; ➤ Agreeing the purchase price to the acquisition agreement and the shares consideration to the share price used in the calculation to the ASX quoted share price at acquisition date; ➤ Obtaining an understanding of the transaction including an assessment as to whether the transaction constituted the acquisition of a business or an asset acquisition;

Key Audit Matter	How our audit addressed the key audit matter
liabilities acquired and estimate the fair value of each item. Any excess consideration that is not attributed to an asset or liability is to be recognised as an intangible asset. At 30 June 2018, the acquisition accounting for this business is provisional and, in line with the Australian Accounting Standards, the Consolidated Entity has up to 12 months from the date of acquisition to finalise the accounting for this acquisition.	- Assessed the provisionally accounted for allocation of assets and liabilities at the date of acquisition; - Testing the mathematical accuracy of the calculation of the resultant intangible assets; and - Assessing the appropriateness of the related disclosures in Note 5 of the financial report.
Contingent liabilities The Consolidated Entity is involved in a legal proceeding against them in relation to the acquisition of the Management Institute of Australia Consolidated Entity of Companies (MIA) in the Supreme Court of New South Wales. The Plaintiff is alleging a breach by iCollege and MIA of the Share Sale Agreement and alleging entitlement to payment of up to \$3,520,822 to be paid to them pursuant to the Share Sale Agreement. The Consolidated Entity disputes the plaintiffs' claims in full and will be fully defending the Proceedings. No provisions have been recognised with respect to the claim other than the \$1,500,000 already recognised in respect to the original consideration payable as disclosed in note 11. The original consideration liability will remain, until the legal matter is resolved. Refer to notes 11, 18 and 22 for further details. The item, is identified as a key audit matter as the accounting and disclosure for contingent liabilities from claims is complex and judgmental, and the amounts involved are, or can be material to the financial statements as a whole.	Our procedures included amongst others: - As part of our audit procedures we have assessed management's processes to identify possible obligations and changes in existing obligations for compliance with the Consolidated Entity accounting policies and AASB 137 Provisions, Contingent Liabilities and Contingent Assets requirements. - Reviewing legal advice received by the Consolidated Entity addressing the position in accordance with the requirements of AASB 137; - Discussions with the Consolidated Entity's legal advisors on the MIA Legal proceedings; and - Assessing the adequacy of the disclosures included in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(ii), the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of iCollege Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.



BENTLEYS
Chartered Accountants

Dated at Perth this 30th day of September 2018



MARK DELAURENTIS CA
Partner

ICOLLEGE LIMITED

ADDITIONAL ASX INFORMATION

Additional information required by ASX Ltd and not shown elsewhere in this report is as follows. The information is current as at 20 September 2018 to be updated.

Distribution of Securities Held

Size of Holding	Fully Paid Ordinary Shares No. Holders	Listed Options ICTOB No. Holders
1 - 1,000	53	6
1,001 - 5,000	50	8
5,001 - 10,000	71	3
10,001 - 100,000	202	10
100,000 and over	256	43
Total holders	632	70
Number of holders holding less than a marketable parcel	117	21

Shareholders by Location

	No. of Holders	No. of Shares
Australian holders	617	467,961,254
Overseas holders	15	34,281,888
	632	502,243,142

Twenty Largest Holders of Fully Paid Ordinary Shares

	Name		Number of Shares	Percentage of Issued Capital
1	DRUID CONSULTING PTY LTD	<THE KATTA FAMILY A/C>	73,050,000	14.54%
2	MONARCHIAL PTY LTD	<RD AND SONS A/C>	73,050,000	14.54%
3	GASMERE PTY LIMITED		17,231,044	3.43%
4	AWJ FAMILY PTY LTD	GUS W JOHNSON FAMILY A/C>	15,760,028	3.14%
5	JOHN SAYERS	SAYERS INVESTMENTS (ACT PL) A/C>	12,500,000	2.49%
6	MR HARRY HATCH		11,501,000	2.29%
7	BADRI GOSAVI	<GOSAAVI FAMILY A/C>	10,000,000	1.99%
8	MR JIMMY FAUSTO CAFFIERI & MRS LUCIA CAFFIERI	<CAFFIERI FAMILY A/C>	10,000,000	1.99%
9	SIDDHARTHA KANTICHAND DHADHA		10,000,000	1.99%
10	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP		9,106,098	1.81%
11	MR DAVID LEIGH-EWERS & MRS ELIZABETH ANN LEIGH-EWERS		8,250,000	1.64%
12	NARULA CORP PTY LTD	<NARULA AND SON FT A/C>	7,500,000	1.49%
13	WALKER INVESTMENTS (AUSTRALIA) PTY LTD	WALKER UNIT	6,666,667	1.33%
14	LARRAKEYAH PTY LTD	<THE MOORE FAMILY A/C>	6,094,774	1.21%
15	PG BINET PTY LTD		5,855,160	1.17%
16	MR JAYSON BUSH		5,000,000	1.00%
17	MR JASON JON BOYER		5,000,000	1.00%
18	MATT SUTHERLAND	<THE MATTHEW SUTHERLAND FAMILY A/C>	5,000,000	1.00%
19	MR GIOVANNI PEZZANO & MR SALVATORE PIZZATA & THE MEATBALL BAR PIT LAWLEY PTY LTD		5,000,000	1.00%
20	BNP PARIBAS NOMINEES PTY LTD	IB AU NOMS RETAILCLIENT DRP>	4,301,975	0.86%
			300,866,746	59.90%

ICOLLEGE LIMITED

ADDITIONAL ASX INFORMATION

Substantial Shareholders

An extract of the Company's register of substantial shareholders is as follows:

Name	Number of Fully Paid Ordinary Shares
Sero learning Pty Ltd ATF Sero Assets Unit Trust	73,050,000
Monarchial Pty Ltd	73,050,000

Twenty Largest Holders of Listed Options - ICTOB

	Name		Number of Listed Options	Percentage of Issued Capital
1	5G CAPITAL INVESTMENTS PTY LTD	<5G EQUITIES A/C>	13,000,000	20.47%
2	SAYERS INVESTMENTS (ACT) PTY LTD	<SAYERS SUPER FUND A/C>	6,700,000	10.55%
3	MR MATTHEW IAN BANKS & MRS SANDRA ELIZABETH BANKS	<MATTHEW BANKS S/F A/C>	5,178,542	8.15%
4	GASMERE PTY LIMITED		3,125,000	4.92%
5	LARRAKEYAH PTY LTD	<THE MOORE FAMILY A/C>	3,047,387	4.80%
6	BROADACRE FINANCE PTY LTD	<THE RULE 303 SUPER A/C>	3,000,000	4.72%
7	ROCK THE POLO PTY LTD	<ROCK THE POLO A/C>	2,500,000	3.94%
8	REXROTH HOLDINGS PTY LTD		2,500,000	3.94%
9	PEARSE STREET PTY LTD		1,975,000	3.11%
10	MRS KIM GREEN		1,645,744	2.59%
11	LIMITS PTY LIMITED	<DUNCAN GAMBLE FAMILY A/C>	1,625,000	2.56%
12	NBT PTY LTD	<ACCOUNT ASTOR>	1,562,500	2.46%
13	JACKILL PTY LTD	<JACOMETTI FAMILY A/C>	1,500,000	2.36%
14	SAYERS INVESTMENTS (ACT) PTY LTD	<SAYERS SUPER FUND A/C>	1,500,000	2.36%
15	MR MARK CARLO D'ALESSANDRO		1,393,488	2.19%
16	REXROTH HOLDINGS PTY LTD		1,067,567	1.68%
17	MR HARRY HATCH		1,047,640	1.65%
18	RONNYMAX PTY LTD	<SCHOENMAKER SUPER A/C>	778,000	1.23%
19	MR BERNARD MARIE FRANCOIS LE CLEZIO	<BMF LE CLEZIO SUPER FUND A/C>	750,000	1.18%
20	MR PHILLIP WILSON LORD		700,000	1.10%
			54,595,868	85.96%

Unlisted Options

Number of Options	Exercise Price \$	Exercise date
11,666,674	\$0.30	31 March 2019
2,000,000	\$0.10	1 April 2019
15,000,000	\$0.04	12 Feb 2020
7,500,000	\$0.08	3 July 2020
5,000,000	\$0.08	12 Feb 2020

ICOLLEGE LIMITED

ADDITIONAL ASX INFORMATION

The names of option holders who hold 20% or more of each class of unlisted options are as follows:

Name	Number of Options	Percentage
<i>Options expiring 31 March 2019</i>		
<i>Exercise Price \$0.30</i>		
Frontier Capital Pte Ltd	2,083,333	32%
<i>Options expiring 1 April 2019</i>		
<i>Exercise Price \$0.10</i>		
Gleneagle Securities (Aus) Pty Ltd	1,000,000	50%
Exit Out Pty Ltd	1,000,000	50%
<i>Options expiring 12 February 2020</i>		
<i>Exercise Price \$0.04</i>		
Gasmere Pty Ltd	10,000,000	67%
PG Binet Pty Ltd	5,000,000	33%
<i>Options expiring 12 February 2020</i>		
<i>Exercise Price \$0.08</i>		
5G Capital Investments Pty Ltd	5,000,000	100%
<i>Options expiring 3 July 2020</i>		
<i>Exercise Price \$0.08</i>		
J & M Hunter Investments Pty Ltd	2,500,000	33%
CIBAW Pty Ltd	2,500,000	33%
Rexroth Holdings Pty Ltd	1,750,000	23%

Performance Shares

A total of 3,666,668 performance shares are on issue. The holders are as follows:

Name	Number of Performance Shares
Frontier Capital Pte Ltd	1,666,666
Traditional Securities Group Pty Ltd <LPR Family A/C>	1,166,668
Rivergrade Pty Ltd <Rivergrade A/C>	833,334

Voting Rights

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

Ordinary Shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Performance Shares

- These shares have no voting rights.

Restricted securities

ADDITIONAL ASX INFORMATION

There are 206,666,667 fully paid ordinary shares subject to company imposed escrow on issue.

Use of Cash

During the reporting period, the use of cash has been consistent with the Company's business objectives.