

iCollege Limited Quarterly Cash Flow

- Cash receipts of ~\$2.7m which includes \$400k of government stimulus despite Covid 19 upheaval
- FY2020 cash receipts exceed \$11.2m
- Successful COVID-19 response plan now facilitating progressive return to classroom learning

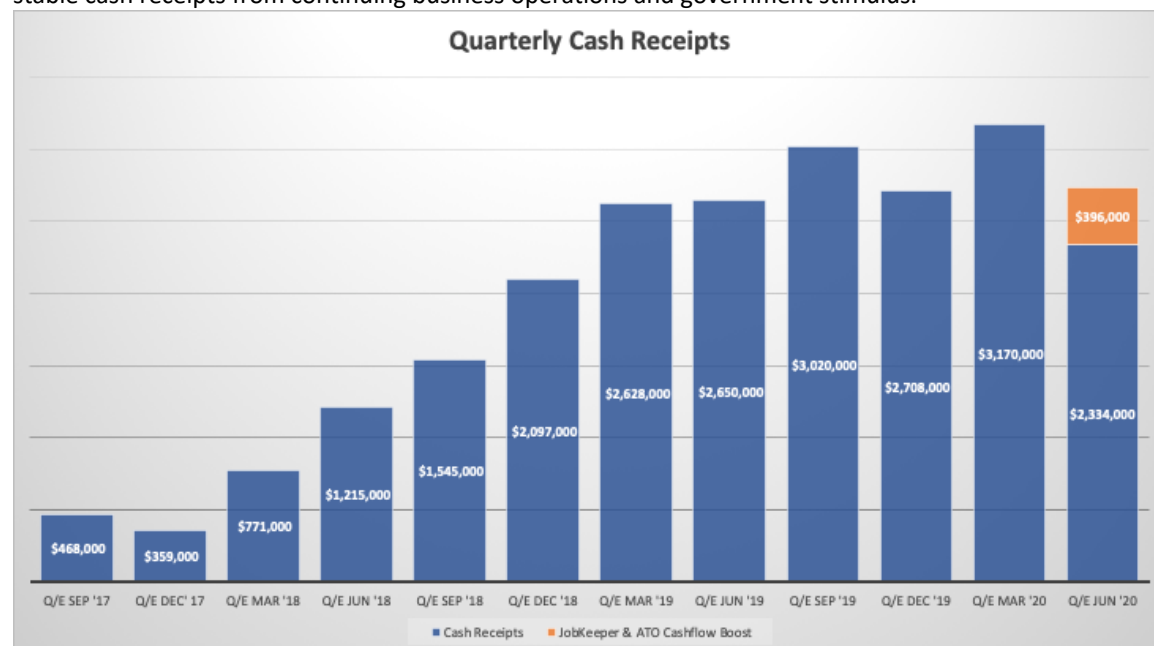
The Board and Executive of iCollege Limited ('iCollege' or 'the company') (ASX: ICT) is pleased to report on operational and financial performance for the quarter ended 30 June 2020 and provide an update on current activities.

Financial performance

The company recorded cash receipts for the quarter of \$2,700,771 (normalised cash receipts were \$2,334,617 after removing \$396,154 of government stimulus) which is down from \$3,170,000 in the prior quarter but almost double the cash receipts of the previous corresponding quarter (June quarter 2019: \$1,215,000). Additional commentary around the contributing factors to the lower cash receipts for the quarter is further explained below in the student recruitment update and Managing Directors comments.

This is a particularly strong performance for the company and achieved in a period of unprecedented business disruption. While the operating divisions faced multiple rolling challenges in the quarter, including the movement of students to online training and the closure of most campuses, iCollege delivered unaudited revenue for FY2020 of approximately \$11,300,000.

iCollege ended the quarter with cash at bank of \$845k. This was due to aggressive cost management initiatives, stable cash receipts from continuing business operations and government stimulus.



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Student recruitment update

International student recruitment

The company noticed a predictable slowing of international student enrolments during the quarter. This can be directly attributed to the closure of Australian borders and increased competition for the students already within Australia. There is still a steady flow of student enquiries being received through the marketing team and the company is expecting enrolments to improve by Q2 FY 20/21.

Domestic student recruitment

As mentioned in the previous quarterly update, iCollege's revenue is generated from its international student business (51%) and its government subsidised, domestic student business (49%).

Domestic enrolments remained steady for the quarter with Capital Training Institute and Celtic Training continuing to contribute significantly.

During the first two quarters of FY2021, the company expects to witness increased demand for domestic training. We expect that Capital Training Institute, the registered training organisation that delivers Building and Construction training from Certificate III to Advanced Diploma, to benefit from the federal government's building stimulus and see an upturn in the number of enrolments. Celtic Training, which delivers Certificate III through to Diploma in Health and Community Services is already experiencing a strong demand for places in courses being run in Queensland and South Australia. With a strong need for additional aged care and medical support staff we expect this part of the business to expand rapidly following further relaxation on restrictions.

Corrections training recommences in Queensland

As highlighted in the previous quarterly report, since 2016, iCollege has been running a bespoke training package within the Queensland Correctional Services facilities. The training course was specifically designed against the AQF Foundation Skills training package to assist inmates prepare themselves for employment after their release. This has been a highly successful program operating in five of Queensland's 11 Correctional facilities and it is a program of which we are most proud.

Courses were scheduled to continue through March and into Q4, however on Friday 27 March 2020, all correctional facilities in Queensland were closed to non-essential personnel in response to COVID-19. On the 15th of June these restrictions were lifted, with the training team developing their own COVID Safe Plan and ensuring compliance with the Department of Corrections plan. This includes suitable social distancing and temperature checks before being allowed to enter the facility. During the last two weeks of June, the team did an outstanding job of completing all students' course work for those who had begun courses prior to the COVID 19 shutdown. This enormous effort on behalf of the corrections team saw revenue of \$117,000 being generated from the lifting of entry restrictions in facilities on the 15th to the 30th of June.

COVID – 19 impact on operations

Beginning in March, the company developed a COVID-19 response and action plan with the main objective of the plan being to ensure the health and safety of all staff and students. This plan was effectively implemented in a staged fashion to ensure minimal disruption to students. This proved successful with much of the student

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feedback being very positive. These steps have provided the business with an excellent result of **ZERO** cases of COVID-19 in students, staff or anyone associated with the company. The steps taken include:

ELICOS (English Language Training)

- All students were asked to stay at home and study remotely with classes being delivered on the Zoom platform from 27 March 2020.
- With easing of restrictions and available classroom space, students were invited to return to class or continue to study remotely via Zoom with trainers at the campus East Coast 1 June 2020 and West Coast 8 June 2020.
- Students have been advised that we are now switching back to full face-to-face delivery from 6 July 2020 as restrictions eased. Attending campus will now be a requirement of their course.

International Vocational training

- All students were asked to stay at home and study remotely with classes being delivered utilising the Zoom platform and the existing Learning Management System as at 27 March 2020.
- Students have been advised that practical sessions will resume in the kitchens on 20 July 2020. Classes will be resized to ensure compliance with government recommendations.
- The Zoom platform will still be utilised to deliver training, but students have been invited to attend class at the campuses from 20 July 2020.
- Students will be returning to full face to face delivery end of term 3, on October 26 after student holidays.

In a recent letter to students, National Operations Manager Dallas Kenn commented: *"There has been significant relaxions announced recently in both Queensland and Western Australia which may suggest a return to our kitchens is on the agenda. As you all know, COVID19 is not something that is predictable, and we must make sure we are not placing ourselves in a vulnerable position by returning to normal operations whilst the world searches for a cure. Whilst we watch and monitor government guidelines, we must also plan to bring some normality back to our workplace. The senior leadership team has formulated a provisional plan following the proposed timelines for staff and students to return to campus."*

Domestic Vocational Training

- Celtic Training classes in Individual Care (Aged) for domestic students continued to be delivered out of Southport campus during the restrictions ensuring that all guidelines and regulations were met.

18 May 2020

- Administration team returns to Southport Head Office.
- Compliance team returns to Southport Head Office.
- Sales team returns to head office.

25 May 2020

- Administration team returns to Perth office.
- Administration team returns to North Quay.

1 June 2020

- ELICOS classes return to Southport, North Quay and Perth.
- Trainers across all VET qualifications return 2 days a week operating from campus.

15 June 2020

- Business classes recommence face to face delivery.

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6 July 2020

- Hospitality trainers return to classroom and practical kitchen training and assessment schedule (**Classes resume 20 July 2020**).

iCollege will continue to take advice from government agencies and the regulator ensuring that we provide the safest possible training facilities for staff and students.

iCollege is pleased to advise that following significant communications with Minister Cash's office, we have now met with the Minister to discuss a potential support package for the International Student Skills and Vocational sector. A level of support from the government will be important to position the sector in Australia as the number one destination for students when government deems the situation safe to open the borders. We look forward to providing further advice as matters develop.

When the restrictions relating to COVID-19 are eased or lifted, we expect to see a significant number of international students who have remained in Australia looking at their situation closely which may see many students seeking to change education providers. There is an opportunity for iCollege to become the college of choice for these students and the company's marketing team have been working closely with our significant agent base to provide support to students when we return to the classroom. Marketing activities have continued through the shutdown and we are witnessing a steady level of new applications for courses offered by iCollege.

Government initiatives and stimulus packages

iCollege's Board and finance team have been successful with their applications for several government initiatives and stimulus measures. These include:

- **ATO cash-flow boost:** A cash flow boost from the ATO of \$150,000 has been received during this quarter
- **Payroll tax initiative:** Payroll tax refunds and waivers of approximately \$47,000.
- **Job-keeper wage subsidy:** The Job-Keeper wage subsidy program which provides \$1,500 per employee each fortnight to eligible employers to pay their staff. The company is currently receiving \$145,000 a month since the program commenced;
- **Regulator fee holiday:** Fees and charges for providers registered with the Australian Skills Quality Authority (ASQA) between 1 January 2020 and 30 June 2021 are to be waived.
- **Queensland Rural and Industry Development Authority (QRIDA) Loan facility** (assistance under Queensland COVID-19 Job Support Loans Program: Interest free for first 12 months then 2.5% for remainder of loan term of 10 years, repayable by instalments from second year. Loan secured over the assets of Capital Training Institute Pty Ltd.

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Payments to related parties and their associates

Payments for executive director fees for the quarter totalled \$90,000, representing \$45,000 each paid to Managing Director Ash Katta and Executive Director Badri Gosavi.

Payments of \$2475 to associates included legal fees paid to HWL Ebsworth in which Chairman, Simon Tolhurst is a partner. Fees paid were at normal market rates.

Management commentary

Managing Director Ash Katta said: "Despite the unprecedented challenges posed to the business in the quarter where the full impact of COVID-19 has been felt, our cash receipts have fared remarkably well. This reflects the diverse nature of our revenue base, our ability to quickly adapt to rapidly changing market conditions and our dedicated staff."

"I am most encouraged with the extraordinary display of teamwork that has allowed the business to come through this particularly challenging time. Each staff member has been important to the transition from classroom training to online and now back again. The business is in a stable position to move forward into the coming financial year with a solid financial foundation and a fully determined workforce. Our cohort of loyal students who have remained in Australia have worked closely with us and adapted very well to the online delivery of programs using both the Learning Management System and Zoom video delivery platform. Our accounts department has worked tirelessly to redesign payment plans and give students every opportunity to meet their financial obligations. This has been no small task. The effort made by the entire team has ensured that we can return to the 'new normal' that keeps our staff and students healthy and safe."

"We will continue to provide updates as the year unfolds. COVID-19 is an evolving situation and iCollege's board and management team is working hard to underpin current operations, actively assess new revenue streams and ensure the company remains a trusted and dependable education provider that delivers for all its stakeholders."

This announcement approved by the board of iCollege Limited.

For further Information:

Mr. Ashish Katta –
Managing Director
iCollege Limited
ash.katta@icollge.edu.au

icollge.edu.au

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investors@icollge.edu.au

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media@icollge.edu.au

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

iCollege Limited

ABN

75 105 012 066

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	2,335	11,233
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(30)	(106)
	(d) leased assets	(7)	(52)
	(e) staff costs	(942)	(4,438)
	(f) administration and corporate costs	(657)	(2,592)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	(36)	(108)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	396	396
1.8	Other (Costs of course delivery)	(840)	(3,900)
	Other (Inventory for Linguaskill tests)	-	(245)
1.9	Net cash from / (used in) operating activities	219	189
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	(50)	(50)
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(17)
	(d) investments	-	-
	(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(52)	(67)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	500
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	224	434
3.6	Repayment of borrowings	(94)	(334)
3.7	Transaction costs related to loans and borrowings	-	(15)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	130	585

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	545	135
4.2	Net cash from / (used in) operating activities (item 1.9 above)	219	189

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(52)	(67)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	130	585
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	842	842

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	842	545
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	842	545

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
92
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Executive Director Salaries - \$90k

Payments for legal services provided by HWL Ebsworth of which Simon Tolhurst is a Partner.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
354	304
-	-
-	-
354	304

7.5 Unused financing facilities available at quarter end

50

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

\$80k Floating drawdown facility interest at 15% secured by director guarantee

\$50k Credit card facility

\$224k Queensland Rural and Industry Development Authority (QRIDA) Loan facility (assistance under Queensland COVID-19 Job Support Loans Program.

- Interest free for first 12 months then 2.5% for remainder of loan term of 10 years, repayable by instalments from second year. Loan secured over the assets of Capital Training Institute Pty Ltd.

8. Estimated cash available for future operating activities

\$A'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	219
8.2	Cash and cash equivalents at quarter end (Item 4.6)	842
8.3	Unused finance facilities available at quarter end (Item 7.5)	50
8.4	Total available funding (Item 8.2 + Item 8.3)	892
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.07

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: -

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: -

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: -

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 9 July 2020

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.