Holdings

31 DECEMBER 2021

ANNUAL REPORT

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CORPORATE DIRECTORY

DIRECTORS

Gary Burg: Non-Executive Chair

Adam Davis: Chief Executive Officer and Managing Director

Peter Mobbs: Non-Executive Director

Jonathan Pager: Non-Executive Director

COMPANY SECRETARY

Lyndon Catzel

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 1
333 Kent Street
Sydney NSW 2000
Phone: +61 2 9112 4540

AUDITOR

RSM Australia Partners
Level 13, 60 Castlereagh Street
Sydney NSW 2000

SHARE REGISTRY

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000
Investor Enquiries: +61 2 9698 5414

STOCK EXCHANGE LISTING

Australian Securities Exchange (ASX)
ASX Code: EDU

WEBSITE

www.eduholdings.com.au

DIRECTORS' REPORT

Your Directors present their Annual Report on the consolidated entity consisting of EDU Holdings Limited (ABN 85 108 962 152) (**EDU**, **EDU Holdings** or the **Company**) (formerly UCW Limited (UCW)) and its controlled entities (**Group**) for the 6 months ended 31 December 2021.

During the reporting period, in order to align the reporting schedule of the Company with the calendar and academic year, the Company changed its financial year-end to 31 December. Accordingly, the results show the 6-month period from 1 July 2021 to 31 December 2021. The previously reported FY21 results are for the 12 month-period to 30 June 2021, the statutory comparison period in this report. Comparison between these reporting periods is not meaningful given the different period lengths. Accordingly, in order to provide more useful information, the Operating Review in the Directors' Report, commencing on page 10, shows a comparison of the results of the operating businesses of the Group for the 12 months ended 31 December 2021 against the 12 months ended 31 December 2020.

DIRECTORS' REPORT (CONT.)

1. DIRECTORS

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

Gary Burg: Non-Executive Chair (non-independent) (appointed 24 March 2016)

Adam Davis: Chief Executive Officer and Managing Director (non-independent) (appointed 16 February 2015)

Peter Mobbs: Non-Executive Director (independent) (appointed 16 February 2015)

Jonathan Pager: Non-Executive Director (independent) (appointed 16 February 2015)

2. INFORMATION ON DIRECTORS

GARY BURG

BAcc (Wits), MBA (Wits)

Experience and Expertise

Gary has been involved with the broader Global Capital Group since 1995 in South Africa and in Australia since 2001. In Australia, Gary has been involved in a number of businesses across a range of sectors including energy, life insurance, financial services and education. Gary is currently a Director of ClearView Limited and Global Capital Holdings (Australia) Pty Ltd, which is the investment manager of Global Capital Principal Investment business in Australia.

Gary is a former Director of Alinta Energy Pty Ltd. He is a former Director of (and investor in) South African listed Capital Alliance Holdings Limited which owned Capital Alliance Life Limited and Capital Alliance Bank Limited. Gary is also a former Director and investor in Prefsure Life Limited and Insurance Line.

Other Current ASX Directorships

ClearView Wealth Limited (ASX: CVW)

Former ASX Directorships in the Last Three Years

None

Special Responsibilities

- Audit and Finance Committee member
- Risk and Compliance Committee member
- Remuneration and Nomination Committee member

Interests in Shares and Options

As at the date of this report, Gary Burg has the following direct or indirect interest in the Company:

- 32,608,791 fully paid ordinary shares

Contractual rights to shares: None

DIRECTORS' REPORT (CONT.)

ADAM DAVIS

BAppFin (Macquarie University)

Experience and Expertise

Adam has extensive experience in the education sector, having founded and then acted as Chief Executive Officer and Managing Director of ASX-listed Tribeca Learning Limited (Tribeca). The company was acquired in 2006 by Kaplan, Inc., a division of NYSE-listed Graham Holdings Company (formerly The Washington Post Company), to form the foundation of its Australian operations.

Under Adam's stewardship, Tribeca acquired and integrated numerous education businesses servicing the Australian financial services sector, consolidating a fragmented market and creating the leading national provider. Tribeca offered a broad range of accredited courses and continuing education programs and its customers included most of the major financial institutions in Australia. Adam holds a Bachelor of Applied Finance degree from Macquarie University.

Other Current ASX Directorships

None

Former ASX Directorships in the Last Three Years

None

Special Responsibilities

- Chief Executive Officer & Managing Director
- Director of Proteus Technologies Pty Ltd (Ikon Institute)
- Director of Australian Learning Group Pty Limited (ALG)
- Director of Tasman Institute Pty Limited
- Director of EDU Corporate Services Pty Ltd

Interests in Shares and Options

As at the date of this report, Adam Davis has the following direct or indirect interest in the Company:

- 8,000,000 fully paid ordinary shares
- 750,000 unlisted and unvested zero exercise price options (**Performance Rights**), exercisable if the 20-day VWAP of EDU ordinary shares at 5 December 2022, exceeds $0.42
- 1,350,000 Performance Rights, exercisable as follows:
  - 675,000 exercisable if the 20-day VWAP of EDU ordinary shares at 24 November 2023 exceeds $0.28
  - 675,000 exercisable if the 20-day VWAP of EDU ordinary shares at 24 November 2023 if the 20-day VWAP exceeds $0.32
- 1,200,000 Performance Rights, exercisable as follows:
  - 400,000 exercisable if the 20-day VWAP of EDU ordinary shares at 11 November 2024 exceeds $0.20
  - 400,000 exercisable if the 20-day VWAP of EDU ordinary shares at 11 November 2024 exceeds $0.24
  - 400,000 exercisable if the 20-day VWAP of EDU ordinary shares at 11 November 2024 exceeds $0.27

Since the date of the last Annual Report, the following Performance Rights were cancelled as the performance conditions for vesting were not achieved:

- 800,000 Performance Rights, exercisable if the 20-day VWAP of EDU ordinary shares at 22 November 2021, exceeded $0.30

Contractual rights to shares: None

PETER MOBBS

B.Com, LL.B (WSU), Grad Dip Legal Practice (College of Law), GAICD

Experience and Expertise

Peter is Managing Director of Greyrock, a private investment company with a focus on education and technology. Prior to establishing Greyrock, Peter was an entrepreneur and executive within the private education industry, where he holds 15+ years' experience across higher education, vocational and corporate training sectors.

Peter led the private equity-backed merger of his company, Ivy College, with the education arm of the Australian Institute of Management (AIM) – a 75 year old brand. Peter was Group CEO and is now a Director and shareholder of the merged group – Scentia.

In previous roles, Peter was the Director of Operations, Career Education within Study Group – a global education provider – and held the role of Managing Director, Martin College, also a Study Group business.

In earlier years, Peter established real estate education business, Agency Training Australia, which in 2006 was acquired by Kaplan Inc., a division of NYSE listed Graham Holdings Company (formerly The Washington Post Company).

He holds degrees in commerce and law and is admitted to practise in the Supreme Court of NSW, is a member of YPO Sydney and is a graduate of the Australian Institute of Company Directors course.

Other Current ASX Directorships

None

Former ASX Directorships in the Last Three Years

None

Special Responsibilities

- Audit and Finance Committee member
- Risk and Compliance Committee Chair
- Remuneration and Nomination Committee member
- Chair of Proteus Technologies Pty Ltd (Ikon Institute)

Interests in Shares and Options

As at the date of this report, Peter Mobbs has the following direct or indirect interest in the Company:

- 4,326,151 fully paid ordinary shares

Contractual rights to shares: None

JONATHAN PAGER

MEc (Macquarie University)

Experience and Expertise

Jonathan has over 25 years' experience as a management consultant and corporate adviser across a wide range of industries in Australia and overseas, and is currently Managing Director of Pager Partners Corporate Advisory. He has a Masters of Economics and qualified as a Chartered Accountant with Deloitte, where he commenced his career. He has restructured and listed a range of public companies and been a director of publicly listed companies in the resources and industrial sectors.

Other Current ASX Directorships

None

Former ASX Directorships in the Last Three Years

- Holista CollTech Limited (ASX: HCT)(Non-Executive Director)

Special Responsibilities

- Audit and Finance Committee Chair
- Risk and Compliance Committee member
- Remuneration and Nomination Committee Chair

Interests in Shares and Options

As at the date of this report, Jonathan Pager has the following direct or indirect interest in the Company:

- 1,356,605 fully paid ordinary shares

Contractual rights to shares: None

DIRECTORS' REPORT (CONT.)

3. INFORMATION ON COMPANY SECRETARY

LYNDON CATZEL

Bec (Sydney University), CA

Experience and Expertise

Lyndon has over 25 years' financial, operational and strategic experience as a CEO, CFO and COO across numerous private businesses in funds administration, financial services, healthcare, software and wholesale distribution. He has a proven track record of financial management, capital raising, development of management teams and strategy execution.

Lyndon started his career in Deloitte's Assurance and Advisory Division before moving to its Corporate Finance Division. He then worked for SG Hambros (the Mergers & Acquisitions Division of Societe Generale). Lyndon is a Chartered Accountant and holds a Bachelor of Economics (Finance and Accounting) from the University of Sydney.

Special Responsibilities

- Director of Proteus Technologies Pty Ltd (Ikon Institute)
- Director of Australian Learning Group Pty Limited (ALG)
- Director of Tasman Institute Pty Limited
- Director of EDU Corporate Services Pty Ltd

Interests in Shares and Options

As at the date of this report, Lyndon Catzel has the following direct or indirect interest in the Company:

- 850,000 fully paid ordinary shares;
- 500,000 unlisted and unvested zero exercise price options (**Performance Rights**), exercisable if the 20-day volume weighted average price (**VWAP**) of EDU ordinary shares at 5 December 2022, exceeds $0.42
- 1,000,000 Performance Rights, exercisable as follows:
  - 500,000 exercisable if the 20-day VWAP of EDU ordinary shares at 24 November 2023 exceeds $0.28
  - 500,000 exercisable if the 20-day VWAP of EDU ordinary shares at 24 November 2023 exceeds $0.32
- 1,000,000 Performance Rights, exercisable as follows:
  - 333,333 exercisable if the 20-day VWAP of EDU ordinary shares at 11 November 2024 exceeds $0.20
  - 333,333 exercisable if the 20-day VWAP of EDU ordinary shares at 11 November 2024 exceeds $0.24
  - 333,334 exercisable if the 20-day VWAP of EDU ordinary shares at 11 November 2024 exceeds $0.27

Since the date of the last Annual Report, the following options have expired:

- 400,000 unlisted and vested options, exercisable at $0.29620 per option expired on 31 July 2021
- 400,000 unlisted and vested options, exercisable at $0.39620 per option expired on 31 July 2021

In addition, since the date of the last Annual Report, the following Performance Rights were cancelled as the performance conditions for vesting were not achieved:

- 800,000 Performance Rights, exercisable if the 20-day VWAP of EDU ordinary shares at 22 November 2021, exceeded $0.30

Contractual rights to shares: None

DIRECTORS' REPORT (CONT.)

Environmental regulation and performance

The Group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Dividends

No dividends have been paid or declared during the financial year ended 31 December 2021 (June 2021: $nil).

Principal activities

The principal activity of the Company during the financial year was the provision of tertiary education services.

4. OPERATING AND FINANCIAL REVIEW

EDU Holdings owns and operates tertiary education businesses, with a current focus on Health and Community Services fields of study.

The Company's strategy is to foster and support growth in its existing businesses, through initiatives such as course, campus and delivery-mode expansion, while concurrently pursuing complementary acquisition opportunities.

The Board includes directors with extensive experience in for-profit education.

EDU currently has two wholly-owned operating businesses:

- Australian Learning Group Pty Limited (**ALG**); and
- Proteus Technologies Pty Ltd trading as Ikon Institute of Australia (**Ikon**).

ALG is a vocational education and training (**VET**) provider, primarily focussed on the international student market. The business operates from campuses in Sydney, Melbourne, Brisbane and Perth.

Ikon is a higher education (**HE**) sector provider, with a primary focus on the domestic student market. Ikon operates from campuses in Sydney, Melbourne, Brisbane, Perth, Adelaide and more recently, online.

In addition, the Group owned a 24.57% shareholding Gradability Pty Ltd (**Gradability**). On 26 November 2021, the board and shareholders of Gradability approved and completed the sale of 100% of Gradability to Online Education Services Pty Ltd. EDU Holdings received $1.9m in return for its 24.57% shareholding in Gradability and expects to receive a further $0.3m in deferred consideration over the next 15 months, subject to certain performance milestones. EDU Holdings will incur a capital loss on the disposal, with no tax payable on these receipts.

As noted prior, the Company's financial year-end was changed in September 2021 from 30 June to 31 December. The decision was taken to align the reporting schedule of the Company with the calendar and academic year.

The results presented in this Annual Report include the corporate operations of EDU Holdings (including its shared services entity, EDU Corporate Services Pty Ltd) and the operations of its wholly-owned operating businesses, ALG and Ikon for a 6-month transitional financial period (**Transitional Financial Year**) from 1 July 2021 to 31 December 2021 and the comparative 12-month period from 1 July 2020 to 30 June 2021.

DIRECTORS' REPORT (CONT.)

4.1. ALG

Overview

ALG offers vocational courses, primarily to international students, delivered from campuses in Sydney, Melbourne, Brisbane and Perth. It operates a central administration function in Sydney. For the term ended 31 December 2021, ALG had 1,603 international students studying at its various campus locations.

ALG's international students are recruited primarily through education agents, both onshore in Australia and offshore in source countries. ALG has over 250 active education agents and students from more than 70 source countries.

ALG currently offers 14 qualifications, all of which are in Health and Community Services related fields of study:

- Ageing Support (Certificate III and Certificate IV)
- Community Services (Diploma)
- Counselling (Diploma)
- Early Childhood Education and Care (Certificate III and Diploma)
- Fitness (Certificate III and Certificate IV)
- Mental Health (Diploma)
- Remedial Massage (Certificate IV and Diploma)
- Sport and Recreation Management (Diploma)
- Yoga Teaching (Certificate IV and Diploma)

All courses are structured to facilitate rolling intakes, to allow students to commence any course (subject to satisfaction of entry requirements) in any term, with a simultaneous timetable offered in each state. ALG operates four 10-week academic terms per annum.

ALG also has a small self-paced, Fitness distance-education offering (0.4% of revenue for the 6 months ended 31 December 2021), which is currently not accepting new enrolments.

Enrolments

ALG's international student enrolments for the calendar year ended 31 December 2021 (CY21), being the sum of enrolments in the four academic terms during the period, were 7,570, down 16.6% compared to the previous corresponding period (**PCP**). In the context of COVID-19 related travel restrictions and the continued closure of the Australian border to non-residents, this result was encouraging. This was aided by the strong retention rate of existing students (including through students extending their studies into follow-on courses) and continued new student recruitment (albeit at a lower level than before the pandemic), reinforced by ALG's positioning as a high-quality provider.

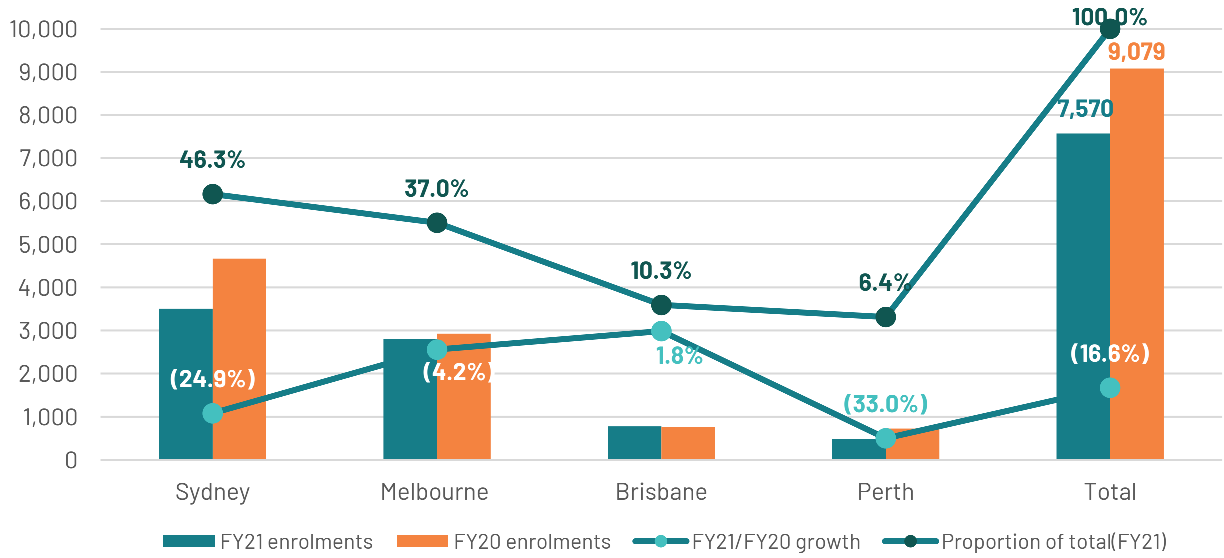
The Company welcomes the recent opening of the Australian border and government initiatives to support the rebuilding of the international education sector. 'Green shoots' are already emerging with new student commencements (a leading indicator of total enrolments) in Term 1, 2022 up 55.1%[1] on Term 4, 2021.

Notwithstanding the rebound in new student commencements, total enrolments in Term 1, 2022 were 1,354, down 15.5% on the previous term due to the number of students completing their studies or exiting for other reasons, being greater than new commencements. The Board expects this to reverse at some point in 2022, with ALG well-positioned and leveraged to a meaningful return to growth.

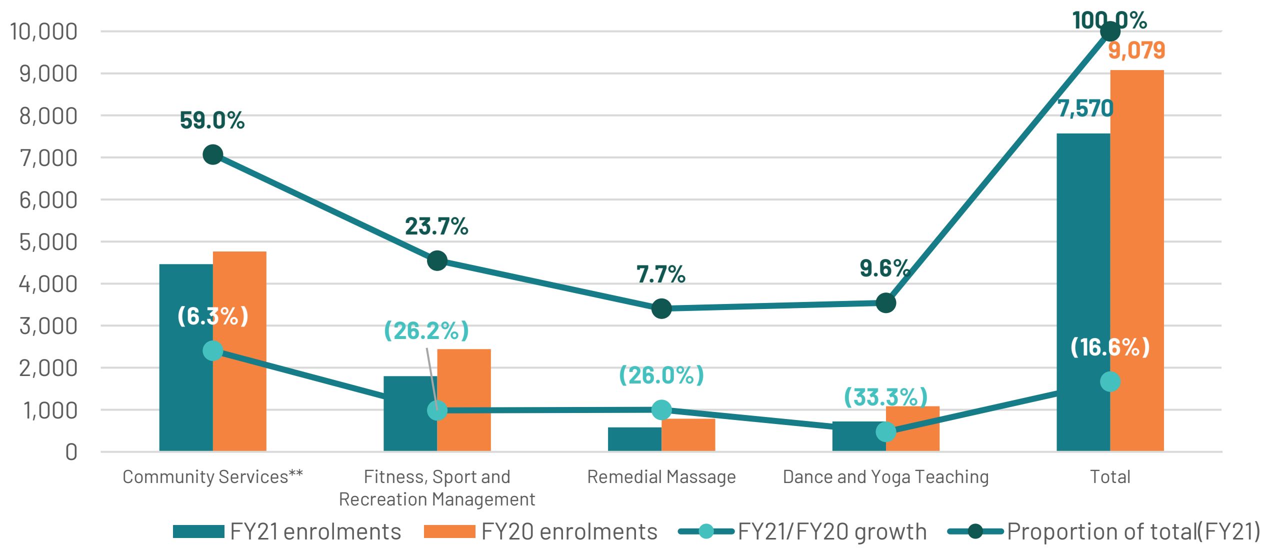
[1] New student commencements in Term 1, 2022 were 152 compared to 98 in Term 4, 2021. New student commencements peaked at 530 in Term 1, 2020 (the term immediately preceding declaration of the pandemic) and had been trending down since then

DIRECTORS' REPORT (CONT.)

International enrolments by campus location ad



International enrolments by field of study ad



[a] Enrolments shown are the sum of enrolled students in each of ALG's academic terms during the respective period
[b] Community Services includes: Ageing Support, Community Services, Counselling, Early Childhood Education and Care and Mental Health
[c] ALG ceased offering Dance Teaching during 2020
[d] January to December

DIRECTORS' REPORT (CONT.)

ALG results for the 6 months ended 31 December 2021

ALG	6 months ended 31 December 2021	12 months ended 31 December 2021	12 months ended 31 December 2020	Variance	Variance
	$'000	$'000	$'000	$'000	%
Revenue					
International student revenue	7,039	15,808	17,705	(1,897)	(10.7%)
Domestic and other revenue	346	504	840	(336)	(40.0%)
Total revenue	**7,385**	**16,312**	**18,545**	**(2,233)**	**(12.0%)**
Cost of sales					
Commission	1,649	3,660	3,984	(324)	(8.1%)
Venue	178	510	196	314	160.2%
Teaching	1,742	4,004	4,278	(274)	(6.4%)
Other	98	187	491	(304)	(61.9%)
Total cost of sales	**3,667**	**8,361**	**8,949**	**(588)**	**(6.6%)**
Gross profit	**3,718**	**7,951**	**8,596**	**(1,645)**	**(17.1%)**
Gross margin (%)*	50.3%	48.7%	51.7%	n/a	(3.0%)
Operating expenses	**2,522**	**5,031**	**4,510**	**521**	**11.6%**
Operating EBITDA	**1,196**	**2,920**	**5,086**	**(2,166)**	**(42.6%)**
Operating EBITDA margin (%)*	16.2%	17.9%	27.4%	n/a	(9.5%)
Depreciation & amortisation					
- Lease related	810	1,616	1,852	(236)	(12.7%)
- Plant & equipment	309	613	580	33	5.7%
- Intangible assets	88	171	167	4	2.4%
Total depreciation & amortisation	**1,207**	**2,400**	**2,599**	**(199)**	**(7.7%)**
EBIT	**(11)**	**520**	**2,487**	**(1,967)**	**(79.1%)**
EBIT margin (%)*	(0.1%)	3.2%	13.4%	n/a	(10.2%)
Net finance expense – lease related	201	451	637	(186)	(29.2%)
Income tax expense / (benefit)	(210)	(89)	411	(500)	n/a
Net (loss) / profit for the period	**(2)**	**158**	**1,439**	**(1,281)**	**(89.0%)**

* Movement in percentage points

DIRECTORS' REPORT (CONT.)

Financial performance

ALG generated revenue of $7.4m and EBITDA of $1.2m, with a net loss of $2k for the 6 months ended 31 December 2021. For the 12 months ended 31 December 2021, ALG's revenue was $16.3m (down 12.0% vs PCP), its EBITDA $2.9m (down 42.6% vs PCP) and profit landed at $0.2m (down 89.0% vs PCP), noting the business benefited from $0.3m in JobSaver receipts during the last quarter of calendar 2021.

The 42.6% decline in EBITDA against PCP was largely a result of the fall in international student enrolments, cessation of JobKeeper, rent relief and other assistance and also a return of some headcount and associated employment costs, which had been reduced at the outset of the pandemic in 2020, and which has been progressively restored.

Despite the 'turbulence' in recent times, ALG has continued its journey of building a high-quality education institution. Investment continues to be made in improving its academic resources and processes, student support services and governance structures. While these investments dampen short-term financial performance, the Board believes they will deliver sustainably higher returns over the long term.

4.2. Ikon

Overview

Ikon is a FEE-HELP approved higher education (HE) provider. It operates nationally with campuses in Sydney, Melbourne, Brisbane, Perth and Adelaide and more recently, online. Ikon delivers three study periods (or trimesters) per calendar year, each offering an intake for new student commencements. In its Trimester 3, 2021 Ikon had 495 students (Trimester 3, 2020: 349).

Ikon's current HE courses include a Bachelor of Counselling and Psychotherapy, a Bachelor of Arts Therapy and a Bachelor of Early Childhood Education (launched at the start of 2021), each with nested Diplomas and/or Associate Degrees.

Ikon's current primary demographic is the domestic student market but has recently enjoyed early success in expanding its courses to the international student market, with international students now 25.5% of enrolments in Trimester 3, 2021. . Domestic leads are generated through digital marketing activities, and prospective students are supported through to enrolment by Ikon's course advisory and admissions team. International students are largely recruited through education agents, supported by promotion of pathways from ALG.

Enrolments

Ikon had 495 students in its Trimester 3, 2021, up 41.8% compared to the PCP. This comprised 369 domestic and 126 international students. The growth was recorded across all campuses including online and was aided by the launch of Bachelor of Early Childhood Education.

As is typical in higher education, the Trimester 1 intake, in February of each year, at the commencement of the academic and calendar year, is Ikon's largest, with the second and third trimester intakes in May and September typically smaller. A total of 344 new students commenced during CY21, compared to 248 in the PCP.

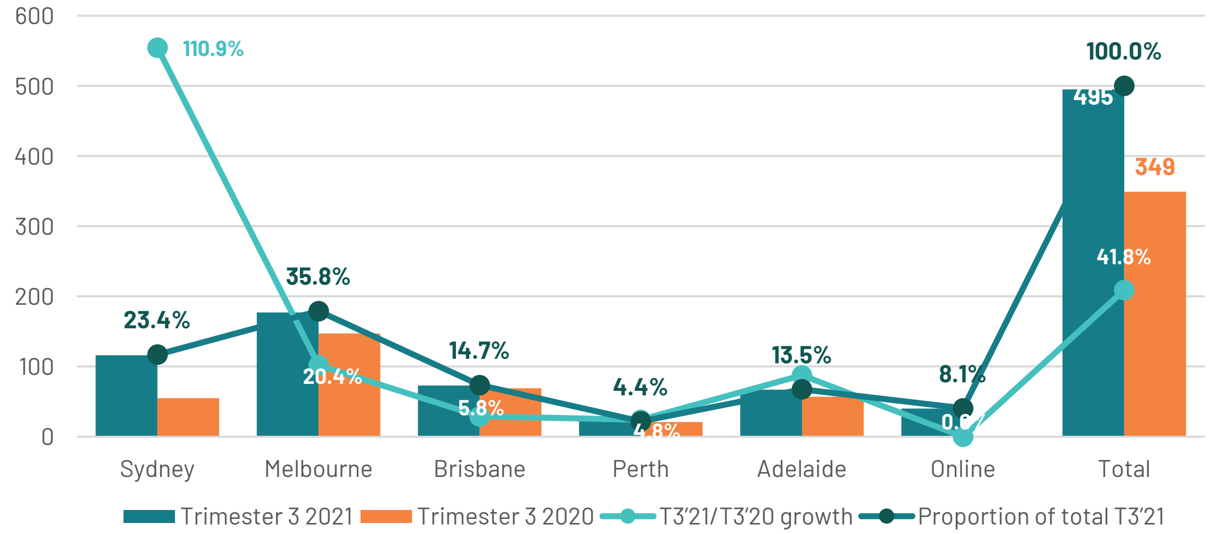
Ikon commenced offering its Bachelor of Early Childhood Education last year. While off to a modest start, the course appears to be gaining some traction with student numbers expected to be approximately 100 in Trimester 1, 2022, with further growth expected during the year.

The launch of the course was supported by a 50% scholarship program, which has resulted in lower average revenue per student and thus gross margins. Pleasingly the program reached break-even in its first year.

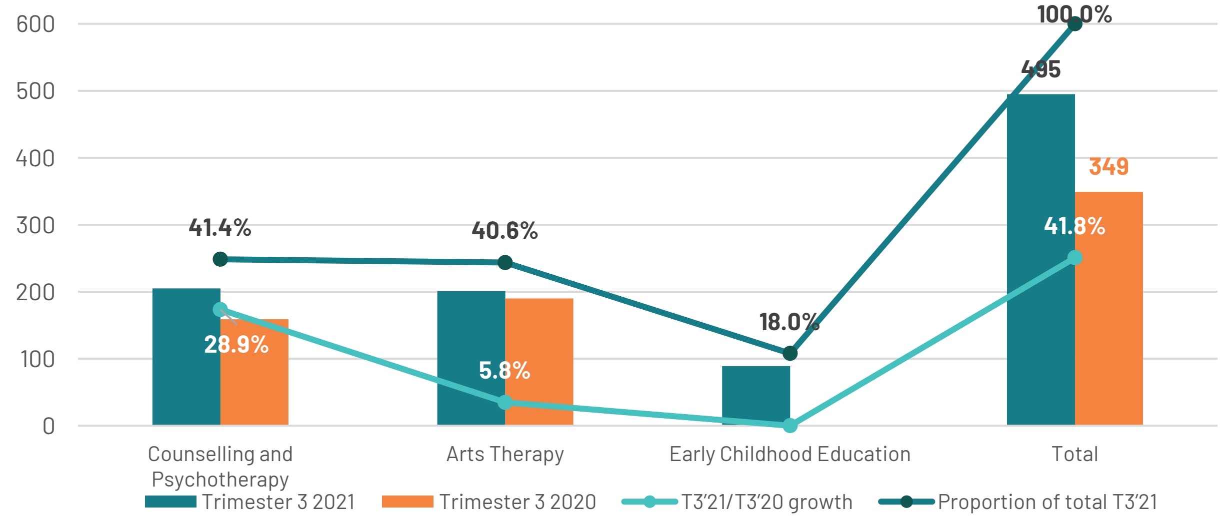
Ikon also launched its online offer in 2021. It has also had a modest start but is starting to show some good traction with student numbers expected to be approximately 80 in Trimester 1, 2022, with further growth expected during the year.

DIRECTORS' REPORT (CONT.)

HE students by location [a]



HE students by course



DIRECTORS' REPORT (CONT.)

Ikon – results for the 6 months ended 31 December 2021

Ikon	6 months ended 31 December 2021	12 months ended 31 December 2021	12 months ended 31 December 2020	Variance	Variance
	$'000	$'000	$'000	$'000	%
Revenue					
International student revenue	674	1,001	783	218	27.8%
Domestic and other revenue	2,656	5,010	5,283	(273)	(5.2%)
Total revenue	**3,330**	**6,011**	**6,066**	**(55)**	**(0.9%)**
Cost of sales					
Commission	94	140	124	16	12.9%
Venue	27	102	140	(38)	(27.1%)
Teaching	1,355	2,245	1,533	712	46.4%
Other	17	23	5	18	360.0%
Total cost of sales	**1,493**	**2,510**	**1,802**	**708**	**39.3%**
Gross profit	**1,837**	**3,501**	**4,264**	**(763)**	**(17.9%)**
Gross margin (%)*	55.2%	58.2%	70.3%	n/a	(12.1%)
Operating expenses	**1,633**	**3,079**	**1,791**	**1,288**	**71.9%**
Operating EBITDA	**204**	**422**	**2,473**	**(2,051)**	**(82.9%)**
Operating EBITDA margin (%)*	6.1%	7.0%	40.8%	n/a	(33.8%)
Depreciation & amortisation					
- Lease related	446	688	416	272	65.4%
- Plant & equipment	22	43	25	18	72.0%
- Intangible assets	63	117	58	59	101.7.0%
Total depreciation & amortisation	**531**	**848**	**499**	**349**	**69.9%**
EBIT	**(327)**	**(426)**	**1,974**	**(2,400)**	**n/a**
EBIT margin (%)*	(9.8%)	(7.1%)	32.5%	n/a	(39.6%)
Net finance expense – lease related	145	246	145	101	69.7%
Income tax benefit / (expense)	(38)	(106)	445	(551)	n/a
Net (loss) / profit for the period	**(434)**	**(566)**	**1,384**	**(1,950)**	**n/a**

* Movement in percentage points

DIRECTORS' REPORT (CONT.)

Financial performance

Ikon generated revenue of $3.3m, EBITDA of $0.2m and a net loss of $0.4m for the 6 months ended 31 December 2021. For the 12 months ended 31 December 2021, Ikon's revenue was $6.0m (slightly down 0.9% vs PCP), its EBITDA was $0.4m (materially lower than the $2.5m in the PCP) and it produced a loss of $0.6m (compared to a $1.4m profit in 2020).

Higher education represented 100% of total revenue for the 12 months ended 31 December 2021, compared to 91.9% in the PCP.

Earnings in 2021 were impacted by: the exit from non-core activities; the launch of the Bachelor of Early Childhood Education with a 50% scholarship program (which has now achieved break-even), cessation of JobKeeper, rent relief and other assistance ($0.8m in 2020) together with intentional investment being made into the business. This investment included recruitment of a broader and deeper academic and management team, new campus in Melbourne, internal course development capacity, online learning capability and in the enhancement of its governance and risk management structures.

Ongoing program development is a key element of Ikon's growth strategy. It is currently developing a postgraduate course, which it anticipates submitting for accreditation in 2022. Additional course offerings are currently being assessed for regulatory submissions in 2022 and beyond.

Ikon's strategy is to materially grow the business through a focus on product development over the coming years. In this context, the Board considers the negative short-term profit impact of this investment to be appropriate in achieving its long-term goals.

Corporate focus

EDU Holdings' strategy is to continue to invest in the growth of its existing businesses while concurrently pursuing acquisition opportunities.

DIRECTORS' REPORT (CONT.)

Results summary

The table below reconciles the underlying EBITDA of ALG and Ikon (EDU's wholly-owned operating businesses) for the period ended 31 December 2021, to the Group's consolidated profit reported for the period.

Group	6 months ended 31 December 2021	12 months ended 31 December 2021	12 months ended 31 December 2020	Variance	Variance
	$'000	$'000	$'000	$'000	%
ALG/Ikon					
Total revenue	10,715	22,323	24,611	(2,288)	(9.3%)
Cost of sales	(5,160)	(10,871)	(10,751)	(120)	(1.1%)
Gross profit	**5,555**	**11,452**	**13,860**	**(2,408)**	**(17.4%)**
Gross profit margin (%)*	51.8%	51.3%	56.3%	n/a	(5.0%)
Operating expenses	(4,155)	(8,110)	(6,301)	(1,809)	(28.7%)
Operating EBITDA	**1,400**	**3,342**	**7,559**	**(4,217)**	**(55.8%)**
Operating EBITDA margin (%)*	13.1%	15.0%	30.7%	n/a	(15.7%)
EDU Holdings					
Corporate costs	(680)	(1,353)	(920)	(433)	(47.1%)
EBITDA	**720**	**1,989**	**6,639**	**(4,650)**	**(70.0%)**
EBITDA margin (%)*	6.7%	8.9%	27.0%	n/a	(18.1%)
Depreciation & amortisation					
- Lease related	(1,256)	(2,304)	(2,268)	(36)	(1.6%)
- Plant & equipment	(331)	(656)	(605)	(51)	(8.4%)
- Intangible assets	(224)	(430)	(370)	(60)	(16.2%)
Total depreciation & amortisation	**(1,811)**	**(3,390)**	**(3,243)**	**(147)**	**(4.5%)**
EBIT	**(1,091)**	**(1,401)**	**3,396**	**(4,797)**	**n/a**
EBIT margin (%)*	(10.2%)	(6.3%)	13.8%	n/a	(20.1%)
Interest on lease liabilities	(346)	(700)	(781)	81	10.4%
Interest and borrowing expenses	(80)	(163)	(227)	64	28.2%
Income tax expense	447	770	(532)	1,302	n/a
Net (loss) / profit before once-off items	**(1,070)**	**(1,494)**	**1,856**	**(3,350)**	**n/a**
Due diligence and transaction costs**	(76)	(753)	(132)	(621)	(470.5%)
Gain on disposal of assets	1,912	1,912	-	1,912	n/a
Net profit / (loss) for the period	**766**	**(335)**	**1,724**	**(2,059)**	**n/a**

*Movement in percentage points
** Costs in relation to proposed acquisition of RedHill

DIRECTORS' REPORT (CONT.)

EBIT: EBIT is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards, adjusted for specific non-cash and significant items. The above table summarises reconciling items between statutory net profit after tax attributable to the shareholders of EDU and EBIT.

EBITDA: EBITDA is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards, adjusted for specific non-cash and significant items. The above table summarises reconciling items between statutory net profit after tax attributable to the shareholders of EDU Holdings and EBITDA. EBITDA includes EDU Holdings corporate costs but excludes one-off due diligence and transaction costs relating to the acquisition of investments.

Operating EBITDA: Operating EBITDA is the EBITDA of the Company's operating businesses, being ALG and Ikon.

Corporate costs: Costs related to the EDU Holdings corporate function and operation of the listed entity, including ASX listing fees, share registry fees, audit fees, the remuneration of the Board and EDU Holdings executives.

Due diligence and transaction costs: External due diligence and transaction costs relating to acquisition activities.

Gain on disposal of assets: Represents the gain on sale of 100% of EDU Holding's shares in Gradability Pty Ltd, having fully impaired the investment in 2019.

Interest: Interest income was earned on excess cash held in the Group. Interest expense relates primarily to interest on the Company's borrowings.

Interest on lease liabilities: Interest on lease liabilities represents the interest expenses recognised on the lease liabilities following the adoption of *AASB 16 Leases (adopted on 1 July 2019)*.

Depreciation and amortisation: Depreciation relates largely to campus plant & equipment and amortisation relates to fitout, course development, licences and software.

Depreciation of right-of-use assets: Depreciation of right-of-use assets relates to the right-of-use assets recognised following the adoption of *AASB 16 Leases* (adopted on 1 July 2019).

Net assets

The net assets of the Group as at the reporting date was $11,847,421 (30 June 2021: $10,970,335).

Significant changes in the state of affairs

During the year, EDU Holdings made a takeover bid for fellow ASX-listed education group, RedHill Education Limited (**RedHill**). The bid was ultimately unsuccessful and lapsed on 2 July 2021.

There were no significant changes in the state of affairs of the Group during the Transitional Financial Year ended 31 December 2021.

Significant events after balance date

The impact of the COVID-19 pandemic is ongoing and while it has had a material financial impact for the consolidated entity in the period up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continually developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Notwithstanding, the recent changes to allow double vaccinated students and international tourists into Australia are expected to positively impact the business during 2022.

DIRECTORS' REPORT (CONT.)

The Group entered into a four-year lease in January 2018 for Level 1, 333 Kent Street, Sydney. The lease contained a six-month demolition clause and no option to renew. The Company has been 'holding over' since the expiry of the lease term at the end of 2021. The landlord has provided a vacation notice requiring the Company to exit the premises by 11 June 2022. Post the balance date, following an extensive search process, the Company entered into a heads-of-agreement to lease new premises, with existing 9B education use fitout in place.

Other than the above, there have been no other significant events after balance date.

Indemnification of officers and auditor

During the financial year ended 31 December 2021, the Company paid a premium in respect of an insurance contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against liability incurred in the fulfilment of such positions, to the extent permitted by the Corporations Act. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has entered into agreements with the Directors to provide access to company records and to indemnify them in certain circumstances. The indemnity relates to liability as a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law, and for legal costs incurred in successfully defending civil or criminal proceedings. No liability has arisen under these indemnities as at the date of this report.

The Company has not, during or since the end of the Transitional Financial Year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

Unissued shares under option

Details of unissued ordinary shares of EDU under option as at the date of this report are:

Date options granted	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
5 Dec 2019	1,250,000	Ordinary	$nil	4 Jan 2023[a]
25 Nov 2020	2,350,000	Ordinary	$nil	24 Dec 2023[b]
12 Nov 2021	2,200,000	Ordinary	$nil	11 Dec 2024[c]
	5,800,000			

[a] Performance rights, exercisable if the 20-day VWAP of EDU ordinary shares as at 5 December 2022, exceeds $0.42.

[b] Performance rights, 50% exercisable if the 20-day VWAP of EDU ordinary shares as at 24 November 2023, exceeds $0.28 and 50% exercisable if the 20-day VWAP exceeds $0.32 .

[c] Performance rights, 1/3rd exercisable if the 20-day VWAP of EDU ordinary shares as at 11 November 2024 exceeds $0.20, 1/3rd exercisable if the 20-day VWAP exceeds $0.24, and 1/3rd exercisable if the 20-day VWAP exceeds $0.27.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporation Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

DIRECTORS' REPORT (CONT.)

Auditor

The auditor of the Group for the period ended 31 December 2021 was RSM Australia Partners (**RSM**). Details of the amounts paid to the auditors of the Group for audit services (including non-audit services) provided during the year are set out in Note 9 to the Annual Report.

The Directors are satisfied that the provision of non-audit services, during the Transitional Financial Year, by the auditor (or by 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.

The Directors are of the opinion that the non-audit services do not compromise the external auditor's independence requirements of the Corporations Act 2011 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in *APES 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.

There are no officers of the Company who are former partners of RSM.

The Auditor's Independence Declaration is included on page 86 of the Annual Report.

Rounding of amounts

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

Directors' Meetings

The following table sets out the number of Directors' Meetings (including meetings of Committees of Directors) held during the Transitional Financial Year and the number of meetings attended by each Director (while they were in office):

Name of Director	Directors' Meetings		Audit & Finance Committee		Risk & Compliance Committee		Remuneration & Nomination Committee	
	Meetings held	In attendance	Meetings held	In attendance	Meetings held	In attendance	Meetings held	In attendance
Gary Burg	4	4	1	1	2	2	1	1
Adam Davis	4	4	1	1	2	2	1	1
Peter Mobbs	4	4	1	1	2	2	1	1
Jonathan Pager	4	4	1	1	2	2	1	1

DIRECTORS' REPORT (CONT.)

Remuneration Report (Audited)

The Directors present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration;
2. Details of remuneration;
3. Service agreements;
4. Share-based compensation; and
5. Shareholding and option holding of Directors and other Key Management Personnel.

The information provided under headings 1 to 5 below in the Remuneration Report has been audited as required by Section 308(3C) of the Corporations Act 2001.

1. Principles used to determine the nature and amount of remuneration (audited)

The Board has established a Remuneration and Nomination Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and Key Management Personnel.

The Company's Constitution specifies that subject to the initial fixed annual aggregate sum of $500,000, the aggregate remuneration of non-executive Directors shall not exceed the sum determined by the shareholders of the Company in general meeting.

Fees and payments to Directors and Key Management Personnel:

- i. Are to reflect the demands which are made on, and the responsibilities of, the Directors and Key Management Personnel; and
- ii. Are reviewed annually by the Board to ensure that Directors' fees and payments to Key Management Personnel are appropriate and in line with the market.

Retirement allowances and benefits for Directors

There are no retirement allowances or other benefits paid to Directors.

Directors' fees

The amount of remuneration of the Directors of the Company (as defined in AASB 124 Related Party Disclosures) is set out in the following table. There was no remuneration of any type paid to the Directors, other than as reported below for the provision of director and professional services.

DIRECTORS' REPORT (CONT.)

2. Details of remuneration (audited)

This table has been prepared in accordance with relevant accounting standards. With the change in the Group's year-end to 31 December, remuneration to 31 December is for a 6-month period whilst remuneration to 30 June 2021 is for a 12-month period.

Directors and other Key Management Personnel		Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments		
Employee		Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Termination benefits	Options	Total	Performance based % of remuneration
		$	$	$	$	$	$	$	$	%
Executive Director and Key Management Personnel										
Adam Davis	31 Dec 2021	142,500	-	-	-	-	-	62,496	204,996	30.5%
(Managing Director and CEO)	30 Jun 2021	256,500	61,425	-	-	-	-	97,362	415,287	38.2%
Lyndon Catzel	31 Dec 2021	103,302	-		10,330	-	-	48,219	161,851	29.8%
(CFO and Company Secretary)	30 Jun 2021	195,206	51,188	-	18,545	-	-	76,461	341,400	37.4%
Non-Executive Directors										
Gary Burg	31 Dec 2021	30,000	-	-	-	-	-	-	30,000	-
(Chair)	30 Jun 2021	45,000	-		-	-	-	-	45,000	-
Peter Mobbs	31 Dec 2021	36,364	-	-	-	-	-	-	36,364	-
	30 Jun 2021	54,795	-	-	5,205	-	-	-	60,000	-
Jonathan Pager	31 Dec 2021	25,000	-	-	-	-	-	-	25,000	-
	30 Jun 2021	37,500	-		-	-	-	-	37,500	-
Total	**31 Dec 2021**	**337,166**	**-**	**-**	**10,330**	**-**	**-**	**110,715**	**458,211**	**24.2%**
Total	**30 Jun 2021**	**589,001**	**112,613**	**-**	**23,750**	**-**	**-**	**173,823**	**899,187**	**31.9%**

DIRECTORS' REPORT (CONT.)

3. Service agreements (audited)

The Directors serve until they resign, are removed, cease to be a Director or are prohibited from being a Director under the provisions of the Corporations Act 2001, or are not re-elected to office.

The Directors and Key Management Personnel have entered into service agreements on the following terms:

- Mr Gary Burg (Non-Executive Chair) - base fee (including Director's fees) of $60,000 per annum excluding GST. During the period from 1 April 2020 until 30 September 2020, Mr Burg waived 100% of this amount.
- Mr Adam Davis (Chief Executive Officer and Managing Director) - base fee (including Director's fees) of $300,000 per annum excluding GST (effective 1 October 2021), plus a short-term incentive (STI) of up to 35% of the base fee, subject to achievement of financial (weighted 20%) and strategic and operational (weighted 80%) performance objectives, determined by the Board. During the period from 1 April 2020 until 30 September 2020, Mr Davis waived 20% of his base fee and 100% of his STI entitlement for the year ended 30 June 2020. The STI for the year ended 30 June 2021 was weighted 50% to financial objectives and 50% to strategic and operational objectives. A total STI of $61,425 was achieved (representing 65% of the maximum STI achievable). Given the change in the Company's year-end, the STI for the period from 1 July 2021 to 31 December 2021 has been waived and will be effective for the year ended 31 December 2022. Mr Davis' remuneration for the 6-month period ended 31 December 2021 included a long-term incentive (LTI) of 1,200,000 Performance Rights, issued under the Company's Employee Option Plan, as approved by shareholders at the AGM on 5 November 2021 (refer to next page for further details).
- Mr Jonathan Pager (Non-Executive Director) - base fee (including Director's fees) of $50,000 per annum excluding GST. During the period from 1 April 2020 until 30 September 2020, Mr Pager waived 100% of this amount.
- Mr Peter Mobbs (Non-Executive Director) - base salary (including Director's fees) of $80,000 per annum (including his additional role as Chair of the Ikon Board since 30 October 2019) (including superannuation). During the period from 1 April 2020 until 30 September 2020, Mr Mobbs waived 100% of this amount.
- If the Company terminates the agreement with cause (such as gross misconduct, conviction of a major criminal offence or misuse of price sensitive information), the Company will provide the Director with no notice and will be summarily dismissed. If the Company terminates the agreement without reason (notwithstanding any other provision of the agreement), the Company will provide the Director with three months' written notice or make a payment of three months' salary in lieu of the notice period.
- Directors, other than the Chief Executive Officer, may terminate their respective agreements at their sole discretion and at any time, and in doing so are entitled to payment of a fee equivalent to three months of their base fees/salary.
- Other than the Directors, the only Key Management Person is Lyndon Catzel, Chief Financial Officer and Company Secretary. Mr Catzel is paid a base salary of $250,000 (including superannuation and effective from 1 October 2021) plus an STI of up to 35% of his base salary, subject to achievement of financial (weighted 20%) and strategic and operational (weighted 80%) performance objectives, determined by the Board. During the period from 1 April 2020 until 30 September 2020, Mr Catzel waived 20% of his base salary and 100% of his STI entitlement for the year ended 30 June 2020). The STI for the year ended 30 June 2021 was weighted 50% to financial objectives and 50% to strategic and operational objectives. A total STI of $51,188 was achieved (representing 65% of the maximum STI achievable). Given the change in the Company's year-end, the STI for the 6-month period from 1 July 2021 to 31 December 2021 has been waived and will be effective for the year ended 31 December 2022. Mr Catzel's remuneration for the period ended 31 December 2021 included an LTI of 1,000,000 Performance Rights, issued under the Company's Employee Option Plan, as approved by shareholders at the AGM on 5 November 2021 (refer to next page for further details).

DIRECTORS' REPORT (CONT.)

4. Share-based compensation (Audited)

The Company has granted performance rights over ordinary shares in the Company to its Chief Executive Officer, Adam Davis and Chief Financial Officer and Company Secretary, Lyndon Catzel, in accordance with the Company's Employee Option Plan and as approved by shareholders at the AGM on 5 November 2021.

The total of share-based payments for the 6-month period ended 31 December 2021 was $110,715 (12 months ended 30 June 2021: $173,823). There were no other share-based payments made to the Directors or Key Management Personnel for the 6 months ended 31 December 2021.

Performance rights

Executive	Number of options granted	Grant date	Value per option at grant date ($)	Value of options at grant date ($)	Number Vested	Exercise price ($)	Vesting and first exercise date	Last exercise date
Adam Davis **(Managing Director and CEO)**	750,000	5 Dec 2019	0.1518	113,822	-	$nil	5 Dec 2022	4 Jan 2023
	675,000	25 Nov 2020	0.1253	84,583	-	$nil	24 Nov 2023	24 Dec 2023
	675,000	25 Nov 2020	0.1179	79,570	-	$nil	24 Nov 2023	24 Dec 2023
	400,000	12 Nov 2021	0.1123	44,912	-	$nil	11 Nov 2024	11 Dec 2024
	400,000	12 Nov 2021	0.1052	42,072	-	$nil	11 Nov 2024	11 Dec 2024
	400,000	12 Nov 2021	0.0985	39,382	-	$nil	11 Nov 2024	11 Dec 2024
Lyndon Catzel **(CFO and Company Secretary)**	500,000	5 Dec 2019	0.1518	75,881	-	$nil	5 Dec 2022	4 Jan 2023
	500,000	25 Nov 2020	0,1253	62,654	-	$nil	24 Nov 2023	24 Dec 2023
	500,000	25 Nov 2020	0.1179	58,941	-	$nil	24 Nov 2023	24 Dec 2023
	333,333	12 Nov 2021	0.1123	37,427	-	$nil	11 Nov 2024	11 Dec 2024
	333,333	12 Nov 2021	0.1052	35,060	-	$nil	11 Nov 2024	11 Dec 2024
	333,334	12 Nov 2021	0.0985	32,818	-	$nil	11 Nov 2024	11 Dec 2024

DIRECTORS' REPORT (CONT.)

The performance rights were provided at no cost to the recipients and have the following principal terms:

- Vesting condition: three (3) years of continuous employment or office with the Company from the date of issue;
- Exercise condition:
  - for the performance rights issued on 12 November 2021:
    - 1/3rd exercisable if the 20-day VWAP of EDU ordinary shares at 11 November 2024 (being 3 years from the date of issue) exceeds $0.20
    - 1/3rd exercisable if the 20-day VWAP of EDU ordinary shares at 11 November 2024 (being 3 years from the date of issue) exceeds $0.24
    - 1/3rd exercisable if the 20-day VWAP of EDU ordinary shares at 11 November 2024 (being 3 years from the date of issue) exceeds $0.27
  - for the performance rights issued on 25 November 2020:
    - half exercisable if the 20-day VWAP of EDU ordinary shares at 24 November 2023 (being three years from the date of issue) exceeds $0.28
    - half exercisable if the 20-day VWAP of EDU ordinary shares at 24 November 2023 (being three years from the date of issue) exceeds $0.32
  - for the performance rights issued on 5 December 2019, at 5 December 2022 (being three years from the date of issue) the EDU share price (20-day VWAP of shares traded on the ASX) exceeds $0.42; and
- Expiry: 1 month after the vesting date.

DIRECTORS' REPORT (CONT.)

5. Shareholding and option holding of Directors and other Key Management Personnel (Audited)

a. Options and performance rights

The number of options to acquire ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel, including their personal related parties, are set out below:

6 months ended 31 December 2021	Balance at start of the year	Granted as remuneration(ii)	Other changes during the year	Expired(i)	Vested and exercisable at the end of the year	Unvested and not exercisable at the end of the year
Gary Burg	-	-	-	-	-	-
Adam Davis	2,900,000	1,200,000	-	800,000	-	3,300,000
Peter Mobbs	-	-	-	-	-	-
Jonathan Pager	-	-	-	-	-	-
Lyndon Catzel	3,100,000	1,000,000	-	1,600,000	-	2,500,000
	6,000,000	**2,200,000**	**-**	**2,400,000**	**-**	**5,800,000**

12 months ended 30 June 2021	Balance at start of the year	Granted as remuneration(iii)	Other changes during the year	Expired	Vested and exercisable at the end of the year	Unvested and not exercisable at the end of the year
Gary Burg	-	-	-	-	-	-
Adam Davis(ii)	1,550,000	1,350,000	-	-	-	2,900,000
Peter Mobbs	-	-	-	-	-	-
Jonathan Pager	-	-	-	-	-	-
Lyndon Catzel(ii)	2,100,000	1,000,000	-	-	800,000	2,300,000
	3,650,000	**2,350,000**	**-**	**-**	**800,000**	**5,200,000**

Notes:

i. Options and performance shares expired under the Company's Employee Option Plan: 800,000 options vested on 31 July 2019 and expired on 31 July 2021. 1,600,000 performance rights vested on 22 November 2021 and expired on 22 December 2021.

ii. Performance rights issued under the Company's Employee Option Plan: 2,200,000 performance rights were issued on 12 November 2021, vesting on 12 November 2024, exercisable at $nil and expiring on 12 November 2024. 1/3rd of the performance rights can be exercised if the 20-day volume weighted average price (VWAP) of EDU ordinary shares at 11 November 2024 exceeds $0.20, 1/3rd exercisable if the 20-day VWAP exceeds $0.24, and the remaining 1/3rd exercisable if the 20-day VWAP exceeds $0.27.

iii. Performance rights issued under the Company's Employee Option Plan: 2,350,000 performance rights were issued on 25 November 2020, vesting on 24 November 2023, exercisable at $nil and expiring on 24 December 2023. 50% of the performance rights can be exercised if the 20-day volume weighted average price (VWAP) of EDU ordinary shares at 25 November 2023 exceeds $0.28 and the remaining 50% exercisable if the 20-day VWAP exceeds $0.32.

DIRECTORS' REPORT (CONT.)

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

No option holder has any right under the options to participate in any other share issue of the Company.

b. Shareholding

The number of ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel, including their personal related parties, are set out below:

31 December 2021	Balance at start of the year	Shares acquired	Balance at end of the year
Gary Burg	32,608,791	-	32,608,791
Adam Davis	8,000,000	-	8,000,000
Peter Mobbs	4,326,151	-	4,326,151
Jonathan Pager	1,356,605	-	1,356,605
Lyndon Catzel	850,000	-	850,000
	47,141,547	**-**	**47,141,547**

30 June 2021	Balance at start of the year	Shares acquired	Balance at end of the year
Gary Burg	32,608,791	-	32,608,791
Adam Davis	8,000,000	-	8,000,000
Peter Mobbs	4,326,151	-	4,326,151
Jonathan Pager	1,356,605	-	1,356,605
Lyndon Catzel	850,000	-	850,000
	47,141,547	**-**	**47,141,547**

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

DIRECTORS' REPORT (CONT.)

Other Key Management Personnel transactions

There have been no other transactions other than those described in the tables above.

Use of remuneration consultants

No remuneration consultants were used to provide remuneration recommendations during the year.

This report is made in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Gary Burg
Non-Executive Chair
25 February 2022

STATEMENT OF CORPORATE GOVERNANCE

The Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Corporate Governance Statement is available on the Company's website at www.eduholdings.com.au and a copy has been lodged with the ASX.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

		6 months ended 31 December 2021	12 months ended 30 June 2021
	Notes	$	$
Revenue from continuing operations			
Revenue from contracts with customers	4	10,388,155	23,229,408
Other revenue	4	10,774	79,760
Total revenue		**10,398,929**	**23,309,168**
Cost of sales		(5,159,595)	(11,112,904)
Gross profit		**5,239,334**	**12,196,264**
Other income			
Gain from disposal of surplus entity		1,912,256	-
Other income	4	316,851	167,557
Interest income		304	5,878
Total other income		**2,229,411**	**173,435**
Expenses			
Employee benefits expense		(3,439,726)	(5,831,752)
Depreciation of right-of-use assets	16	(1,256,881)	(2,132,850)
Depreciation and amortisation expense	14 - 15	(554,885)	(1,050,239)
Interest on lease liabilities	16	(345,840)	(729,547)
Communication and IT expenses		(307,392)	(561,966)
Professional fees		(269,873)	(190,034)
Advertising, marketing and promotion expenses		(264,030)	(458,265)
Cleaning, utility and occupancy expenses		(146,570)	(340,593)
Administration, support and other expenses		(155,627)	(275,608)
Licence fees		(113,990)	(243,748)
Credit losses		(82,686)	(125,413)
Finance costs		(80,475)	(187,836)
Due diligence and transaction fees		(76,441)	(752,827)
Insurance expenses		(39,040)	(65,349)
Recruitment expenses		(16,164)	(106,980)
Total expenses		**(7,149,620)**	**(13,053,007)**
Profit / (loss) before income tax expense from continuing operations		**319,125**	**(683,308)**
Income tax benefit	2	447,246	102,717
Profit / (loss) for the period		**766,371**	**(580,591)**
Other comprehensive income for the year		-	-
Total comprehensive profit / (loss) for the year (net of tax)		**766,371**	**(580,591)**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT.)

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

	Notes	6 months ended 31 December 2021 $	12 months ended 30 June 2021 $
Profit / (loss) per share attributable to equity holders of the parent entity			
Basic profit / (loss) per share (cents)			
Continuing operations	11	0.65	(0.49)
Diluted profit / (loss) per share (cents)			
Continuing operations	11	0.65	(0.49)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	31 December 2021 $	30 June 2021 $
Current assets			
Cash and cash equivalents	24	6,274,519	7,817,821
Trade and other receivables	12	290,749	1,402,066
Other assets	13	417,697	649,366
Total current assets		**6,982,965**	**9,869,253**
Non-current assets			
Trade and other receivables	12	2,122	10,161
Other assets	13	2,572	3,492
Plant and equipment	14	2,627,258	2,846,237
Intangible assets	15	1,662,903	1,690,114
Right-of-use assets	16	11,834,967	12,298,372
Deferred tax asset	3	1,564,212	1,116,966
Goodwill on consolidation	7	11,918,128	11,918,128
Total non-current assets		**29,612,162**	**29,883,470**
Total assets		**36,595,127**	**39,752,723**
Current liabilities			
Trade and other payables	17	3,392,113	3,152,564
Contract liabilities	18	1,501,834	4,821,360
Borrowings	28	2,750,000	1,000,000
Employee benefits	19	437,101	422,837
Deferred lease liability	16	2,122,964	1,941,267
Income tax liabilities	2	-	44,270
Total current liabilities		**10,204,012**	**11,382,298**
Non-current liabilities			
Trade and other payables	17	2,676,457	2,890,904
Borrowings	28	-	2,250,000
Employee benefits	19	146,490	142,151
Contract liabilities	18	84,468	125,757
Deferred lease liability	16	11,636,279	11,991,278
Total non-current liabilities		**14,543,694**	**17,400,090**
Total liabilities		**24,747,706**	**28,782,388**
Net assets		**11,847,421**	**10,970,335**
Equity			
Issued capital	20	25,132,480	25,132,480
Reserves	21	440,087	329,372
Accumulated losses	22	(13,725,146)	(14,491,517)
		11,847,421	**10,970,335**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

	Issued Capital	Share Based Payments Reserve	Options Premium Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
Balance at 1 July 2021	**25,132,480**	**329,372**	**-**	**(14,491,517)**	**10,970,335**
Net profit for the year	-	-	-	766,371	766,371
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive profit for the year	**-**	**-**	**-**	**766,371**	**766,371**
Transactions with owners in their capacity as owners					
Shares issued at net cost	-	-	-	-	-
Options issued at fair value	-	110,715	-	-	110,715
Total transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2021	**25,132,480**	**440,087**	**-**	**(13,725,146)**	**11,847,421**

	Issued Capital	Share Based Payments Reserve	Options Premium Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$
Balance at 1 July 2020	**25,132,480**	**155,551**	**-**	**(13,910,975)**	**11,377,056**
Net loss for the year	-	-	-	(580,591)	(580,591)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	**-**	**-**	**-**	**(580,591)**	**(580,591)**
Transactions with owners in their capacity as owners					
Shares issued at net cost	-	-	-	49	49
Options expired			-	-	-
Options issued at fair value	-	173,821	-	-	173,821
Total transactions with owners in their capacity as owners	**-**	**173,821**	**-**	**49**	**173,870**
Balance at 30 June 2021	**25,132,480**	**329,372**	**-**	**(14,491,517)**	**10,970,335**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

	Notes	6 months ended 31 December 2021 $	12 months ended 30 June 2021 $
Cash flow from operating activities			
Receipts from customers and other income		8,516,728	25,995,080
Interest received		303	2,405
Income taxes paid		(44,268)	(904,028)
Payments to suppliers and employees		(9,682,721)	(20,083,395)
Net cash (used in) / provided by operating activities	**24(b)**	**(1,209,958)**	**5,010,062**
Cash flow from investing activities			
Net receipts from disposal of assets		1,912,256	-
Transaction costs in relation to the proposed acquisition		(136,911)	(425,450)
Payments for plant and equipment		(114,197)	(99,567)
Payments for intangibles		(89,003)	(164,083)
Net cash provided by / (used in) investing activities		**1,572,145**	**(689,100)**
Cash flow from financing activities			
Borrowing costs		(68,196)	(171,252)
Repayment of borrowings	28	(500,000)	(916,667)
Repayment of lease liabilities		(1,337,293)	(2,036,374)
Net cash used in financing activities		**(1,905,489)**	**(3,124,293)**
Net (decrease) / increase in cash and cash equivalents		(1,543,302)	1,196,669
Cash and cash equivalents at beginning of year		7,817,821	6,621,152
Cash and cash equivalents at end of year	**24(a)**	**6,274,519**	**7,817,821**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This Annual Report covers EDU Holdings and its controlled entities. EDU Holdings is a listed public company, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 1, 333 Kent Street Sydney NSW 2000. For the purposes of preparing this Annual Report EDU Holdings is a for-profit company.

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements are presented in AUD dollars, which is the Group's functional and presentational currency.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity. Following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the Annual Report. The accounting policies have been consistently applied, unless otherwise stated.

(a) New or amended Accounting Standards and Interpretations adopted

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

(b) Basis of preparation of the Annual Report

Statement of compliance

The Annual Report is a general-purpose financial report prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law where possible.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 25 February 2022. The Directors have the power to amend and reissue the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

c. Basis of preparation

The Annual Report has been prepared on the historical cost and accruals basis, except where stated otherwise.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, certain classes of property, plant and equipment and derivative financial instruments.

d. Principles of consolidation

Subsidiaries

The Annual Report incorporates the assets, liabilities and results of entities controlled by EDU Holdings as at the end of the reporting period.

A controlled entity is any entity over which EDU Holdings has the power to govern the financial and operating policies so as to obtain benefits from its activities. Given the change in financial year-end for EDU Holdings to 31 December, all controlled entities now have a December financial year-end.

All intercompany balances and transactions (if any) between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been aligned to ensure consistency with those policies adopted by the parent entity.

Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date that control ceased.

Investments in subsidiaries are accounted for at cost, less any impairment.

Interests in associates

Associates are those entities over which the Group has significant influence, but not control or joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Interests in associates are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the Group's share of the profit or loss of associates is included in the Group's profit or loss.

The carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, and decreased to recognise any dividend received from the associate and adjusted where necessary to ensure consistency with the accounting policies of the Group.

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 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

e. Income tax

The income tax expense for the year comprises of current tax expense and deferred tax expense. The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date. Current tax liabilities are measured at the amounts expected to be paid to the relevant tax authority. Deferred income tax expense reflects movements in deferred tax asset (DTA) and deferred tax liability (DTL) balances during the year in addition to unused tax losses.

Deferred tax is accounted for using the balance liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income, except where it relates to items that may be credited directly to equity, in which case the deferred tax asset is adjusted directly against equity.

Deferred income tax assets are recognised only to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

The Company and its wholly-owned subsidiaries comprise an income tax consolidated group under tax consolidation legislation. Each entity within the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities / (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

f. Business combinations

The acquisition method is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

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

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

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

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset is recognised in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a re-assessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the re-measurement period, based on the new information obtained about the facts and circumstances that existed at the acquisition date. The re-measurement period ends on either the earlier of:

- 12 months from the date of the acquisition; or
- When the acquirer receives all the information possible to determine fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

g. Government grants

Government grants, including non-monetary grants at fair value, are only recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. If the Government grant cannot be determined with reasonable certainty, then the grant is only recognised on receipt.

COVID-19 relief is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income either through offsetting the expense to which it relates (where the relief provided can be directly attributed to that expense) or to other income where such direct link is not clearly evidenced.

JobKeeper payments, payroll tax waivers and regulatory fee waivers (such as from ASQA) have been recognised as a credit against the corresponding matching expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, specifically in cost of sales (teaching expense), payroll and licence fees.

Cashflow Boost and JobSaver payments received have been recognised as other income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on receipt.

h. Plant and equipment

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

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method so as to generally write off the cost of each fixed asset over its estimated useful life on the following basis:

Class of fixed assets	Depreciation rate (useful life)
Office equipment	3 to 20 years
Leasehold improvements	3 to 10 years
Library resources	3 to 10 years

Leasehold improvements are depreciated over the unexpired period of the lease (including any option period, to the extent that it is reasonably certain that the option will be exercised) or their estimated useful life, whichever is shorter.

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

i. Right-of use assets and lease liabilities

The Company has adopted AASB 16 Leases using the modified retrospective approach from 1 July 2019, recognising right-of-use assets (**ROUA**) equivalent to the lease liability at transition. Under this approach, the ROUA relating to the operating lease and the lease liability is measured as the present value of the remaining unavoidable future lease payments and discounted using the Group's incremental borrowing rate at the date of initial application. In applying the modified retrospective approach, there is no requirement to restate either retained earnings or prior period comparatives.

The expensing of lease payments evenly over the lease period has been replaced with a depreciation charge against the leased ROUA and an interest expense against the recognised lease liability. In accordance with AASB 16, lease payments are no longer recognised as operating cash flows, but as financing cash flows in the Statement of Cash Flows.

The ROUA and corresponding lease liabilities have been recorded upon adoption of AASB 16. AASB 16 eliminates the distinction between operating and finance leases and brings all leases (other than short term and low value leases) onto the balance sheet. The Group recognises ROUA, representing its right to use the underlying assets and a corresponding lease liability representing its obligation to make unavoidable future lease payments. The Group recognises ROUA and lease liabilities at the commencement date of the lease.

ROUA are initially measured at cost (present value of the lease liability plus deemed cost of acquiring the underlying asset and the cost of restoring the underlying asset less any lease incentives received), and subsequently at cost less any accumulated depreciation, impairment losses and adjusted for remeasurement of the lease liability. The ROUA are depreciated using the straight-line method from the commencement date to the end of the lease term.

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

The lease liabilities are initially measured as the present value of the unavoidable future lease payments expected to be paid over the lease term, discounted using the Group's incremental borrowing rate as the interest rate implicit in the leases are not readily determinable. The lease liability is further re-measured if the estimated future lease payments change as a result of index or rate changes, residual value guarantees or likelihood of exercise of purchase, extension or termination options. The lease liabilities are subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

The Group has applied some judgement in determining whether the lease term for specific lease contracts should include renewal options. This involved an assessment of whether the Group is reasonably certain as to the exercise of such options and thus the impact on the lease terms, thereby affecting the measurement of lease liabilities and ROUA recognised.

j. Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits at call with financial institutions, and other highly liquid investments with short periods to maturity (less than three months) which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

k. Trade and other receivables

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

A number of methods have been applied to measure expected credit losses including lifetime expected loss allowance, assessment of failed fee collection patterns and of days overdue. The outstanding trade receivables balance is compared to both the revenue recognised and recognisable balances recorded under contract liabilities as at the reporting date.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

l. Comparative figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Accounting Standard or to achieve consistency in disclosure with current financial amounts and other disclosures.

m. Onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

n. Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

o. Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which remain unpaid. The amounts are unsecured and are usually settled within 30 days of recognition.

p. Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are recognised as a deduction from equity, net of any tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are not included in the cost of acquisition as part of the purchase consideration.

q. Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at the reporting date.

r. Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the operating profit after tax attributable to members of the Group by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

s. Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which employees render the related service. Examples of such benefits include wages and salaries and annual leave, including non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Long-term employee benefits

Long-term employee benefits not expected to be settled within 12 months of the reporting date, are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

The Group presents employee benefit obligations as current liabilities in the Statement of Financial Position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

Profit share and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- There are formal terms in the plan for determining the amount of the benefit;
- The amounts to be paid are determined before the time of completion of the Annual Report; or
- Past practice gives clear evidence of the amount of the obligation.

Superannuation

The consolidated entity participates in a defined contribution plan. The amount charged to the Statement of Profit or Loss and Other Comprehensive Income in respect of superannuation represents the contributions paid or payable by the consolidated entity to the superannuation fund during the reporting period.

Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when the Company is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payment is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits include payments as a consequence of termination or those that are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employees' benefits to which they relate, are recognised as liabilities.

Share-based employee remuneration

The Company operates an Employee Option Plan (**EOP**). The purpose of the EOP is to provide eligible employees with an opportunity to acquire options over ordinary shares in the Company. By doing so, the EOP seeks to provide eligible employees with an opportunity to share in the growth in value of the Company and to encourage them to improve the longer-term performance of the Company and its return to shareholders.

The cost of the share-based payments is measured at fair value (determined using the Black-Scholes option pricing model) indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

Performance rights

The Company has issued performance rights under the existing EOP to selected employees during the period ended 31 December 2021. An independent valuation of these performance rights was undertaken by an independent adviser based on a barrier pricing model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

t. Financial instruments

Classification

The Group classifies its financial assets under the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (**FVOCI**).

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (**FVPL**), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Refer to Note 1(k) for details on the policy in relation to the allowance for expected credit losses.

u. Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

v. Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that individual assets may be impaired. Where impairment indicators exist, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and its value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill, right-of-use assets and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (**CGU**) to which the assets belong. Refer to Note 1(z) for further details.

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition.

Computer software

Significant external costs associated with the implementation of the student management system have been deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of five years.

Course development and licences

Course development costs are recognised as an asset and measured at cost less any impairment. Once delivery of the course to which the costs relate, has commenced, the associated costs are then amortised over four years.

Licences include the higher education registration acquired during the year and independently valued. This cost is amortised from the date of acquisition for the reminder of the registration period and plus an estimate of one re-registration period.

Website development

Website development has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the asset over its estimated useful life, which is four years.

w. Foreign currency transactions and balances

Foreign currency transactions during the year are translated to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance date are converted at the rates of exchange ruling at the date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss.

x. Borrowings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

y. Revenue recognition

Revenue from contracts with customers

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

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received, that are subject to the constraining principle, are recognised as a refund liability.

Tuition revenue

Tuition revenue and other education related revenue such as course materials, are recognised as the service is provided. Application fees, which are non-refundable and relate to the enrolment application process, are recognised over the duration of the course of study, in line with the performance obligations. All revenue in relation to course tuition is initially recorded in deferred revenue and released into income over the period of the related course. Other administration fees relating to tuition (such as late fees) are recognised at the time they are invoiced.

Contract liabilities

Contract liabilities represent the Company's obligation to deliver course content to its students and are recognised when a student pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Company has delivered the course content to the student.

Interest revenue

Interest revenue is recognised using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised at the effective interest rate.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

z. Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the Annual Report based on historical knowledge and best available current information. Estimates assumed a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Impairment: The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to an impairment of assets. Where an impairment indicator exists, the recoverable amount of the asset is determined. Value-in-use calculations have been performed in assessing recoverable amounts. These incorporate a number of key estimates. To determine value-in-use, management has estimated expected future cash flows from each asset or CGU and also determined a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each asset or CGU and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors. The discount rate calculation is based upon the specific circumstances of the Company and its CGUs and is derived from its weighted average cost of capital (WACC).

Performance rights: The Company has issued performance rights under the existing Employee Option Plan (EOP) to select employees during the period ended 31 December 2021. A valuation of these performance rights was undertaken by an independent adviser based on a barrier pricing model.

Recovery of deferred tax assets: Deferred tax assets are recognised for deductible temporary differences only if the Group considers that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Allowances for expected credit losses: The allowance for expected credit losses assessment requires a degree of estimation and judgement. A number of methods have been applied to measure expected credit losses including lifetime expected loss allowance, assessment of failed fee collection patterns and of days overdue. Due to the pandemic, allowances for expected credit losses have been increased to account for the increased uncertainty around collection of receivables.

Lease renewal options: The Group has applied some judgement in determining whether the lease term for specific lease contracts should include renewal options. This involved an assessment of whether the Group is reasonably certain to exercise such options and thus the impact on the lease terms, thereby affecting the measurement of lease liabilities and ROUA recognised.

Share-based payment transactions: The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next reporting period but may impact profit or loss and equity. Refer to Note 1(s) for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

aa. Segment reporting

The Group has applied AASB8 Operating Segments. AASB8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The consolidated entity operates in one industry segment being the education industry but for internal purposes, differentiates between international and domestic student income and between higher education and vocational student income. As such, segment reporting has been provided in relation to a split between international and domestic business and between higher education and vocational business.

Operating segments are now reported in a manner with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board.

bb. Goods and service tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. The GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

cc. Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

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

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

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

dd. New accounting standards and interpretations

New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2021.

Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

2. INCOME TAX EXPENSE

a) The components of tax benefit comprise

	6 months ended 31 December 2021	12 months ended 30 June 2021
	$	$
Adjustment recognised for prior periods	-	21,241
Current tax	31,248	400,863
Deferred tax - origination and reversal of temporary differences	(478,494)	(524,821)
	(447,246)	**(102,717)**

	6 months ended 31 December 2021	12 months ended 30 June 2021
	$	$
Income tax benefit from continuing operations	(447,246)	(102,717)
	(447,246)	**(102,717)**

b) Tax expense / (benefit) on profit / (loss) from ordinary activities

	6 months ended 31 December 2021	12 months ended 30 June 2021
	$	$
Profit / (loss) before tax from continuing operations	319,125	(683,308)
	319,125	**(683,308)**
Tax expense / (benefit) at 25.0%	79,781	(177,660)
(Deduct) / add tax effect of:		
Income tax expense for prior years	-	21,241
Gain or loss from disposal of assets	(478,064)	-
Share based payments	27,679	45,194
Other assessable / non-allowable items	(76,642)	8,508
Income tax (benefit) attributable to profit / (loss)	**(447,246)**	**(102,717)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

The Company has recognised deferred tax assets on tax losses acquired based on the available fraction rule.

Forecast profit before income tax for the three financial years following reporting date was assessed and the Company expects to generate sufficient future assessable income to utilise the recognised deferred tax assets.

There are no deferred tax liabilities.

Income tax payable of $nil (June 2021: $44,270) in the Consolidated Statement of Financial Position represents the amount payable to ATO.

3. DEFERRED TAX

Deferred tax assets comprise temporary differences attributable to:

	31 December 2021	30 June 2021
	$	$
Amounts recognised in profit or loss:		
Provisions for employee entitlements	210,070	209,525
Accrued expenses and other provisions	242,320	193,128
Plant, equipment and intangibles	329,026	243,012
Leases	481,069	408,543
Estimated assessed tax losses	240,899	9,050
Prepayments and other receivables	(48,848)	(100,119)
Other	100,502	137,718
	1,555,038	**1,100,857**
Amounts recognised in equity and goodwill:		
Equity raising costs and 'blackhole' expenditure	9,174	16,109
Deferred tax asset	**1,564,212**	**1,116,966**
Movements:		
Opening balance	1,116,966	592,145
Credited to profit or loss	447,246	524,821
	1,564,212	**1,116,966**

Following the sale of Gradability, the Company recorded a capital loss of $4,069,286. A deferred tax asset of $1,017,321 has not been recognised as at this stage it is not probable that the capital loss will be able to be offset against capital gains in the foreseeable future.

Under the loss carry back provisions (subject to prior taxable income and franking surplus restrictions), the deferred tax asset of $241k on the estimated assessed tax losses for the period ended 31 December 2021 may be refundable by the ATO. At this stage, this has not been recognised as a receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	6 months ended 31 December 2021	12 months ended 30 June 2021
	$	$
Revenue from contracts with customers:		
Tuition related revenue	10,388,155	23,229,408
Other revenue:		
Student clinic revenue	10,774	79,759
Other income:		
JobSaver	309,526	-
Cashflow boost	-	144,863
Export market development and other grants	7,325	22,694
	316,851	**167,557**

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	6 months ended 31 December 2021	12 months ended 30 June 2021
	$	$
Timing of revenue recognition from contracts with customers:		
Services transferred over time	10,329,935	22,988,765
Services transferred at a point in time	58,220	240,643
	10,388,155	**23,229,408**

All revenue has been derived in Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

5. CONTROLLED ENTITIES

Entity	Acquired	Disposed	Country of incorporation	Ownership interest 31 December 2021	Ownership interest 30 June 2021
				$	$
Australian Learning Group Pty Limited	24 Mar 2016	-	Australia	100%	100%
Proteus Technologies Pty Ltd	4 Jul 2018	-	Australia	100%	100%
Tasman Institute Pty Limited	11 Jul 2017	-	Australia	100%	100%
EDU Corporate Services Pty Ltd[1]	26 Oct 2021	-	Australia	100%	-

[1] EDU Corporate Services Pty Ltd was incorporated during the reporting period.

6. INVESTMENT IN ASSOCIATES

Investment in associates is accounted for using the equity method of accounting.

	Ownership interest		Equity-accounted	
	31 December 2021	30 June 2021	31 December 2021	30 June 2021
Entity	%	%	$	$
Gradability Pty Ltd	-	24.57		-

The board and shareholders of Gradability Pty Ltd (Gradability) have approved and completed the sale of 100% of the company to Online Education Services Pty Ltd on 26 November 2021. EDU Holdings received $1.9m in return for its 24.57% shareholding in Gradability and expects to receive a further amount up to $0.3m, subject to certain performance milestones over the next 12 to 18 months. EDU Holdings incurred a capital loss on the disposal, with no tax payable on these receipts (refer Note 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

7. ACQUISITION OF SUBSIDIARIES

Goodwill on consolidation

	31 December 2021	30 June 2021
	$	$
Australian Learning Group Pty Limited - Vocational Education and Training (VET)	1,314,720	1,314,720
Proteus Technologies Pty Ltd - Higher Education (HE)	10,603,408	10,603,408
Total goodwill	**11,918,128**	**11,918,128**

The recoverable amount of the Group's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5-year projection period approved by management, together with a terminal value in year 5.

Key assumptions are those to which the recoverable amount of cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for both the VET and HE segments:

- Pre-tax discount rate of 13.0% for VET and 13.4% for HE (2020: 13.0% for both CGUs) (including 8% to account for the current uncertainty from the global pandemic and specific company risk in calculating the Company's cost of equity); and
- Terminal growth rate of 2.5% for VET and 3.0% for HE (2021: 2.5% VET and 3.0% for HE).

The pre-tax discount rate of 13.0% for VET and 13.4% for HE reflects management's estimate of the time value of money and the Company's weighted average cost of capital, adjusted for the risk-free rate and the volatility of the share price relative to other businesses in the same industry.

Impact of possible changes in key assumptions

Management has carried out sensitivity analysis on the recoverable amounts based on a change in both the discount rate and the terminal growth rate of +/- 2.0%, as well as the impact of faster / (slower) growth in sales as set out below.

Sensitivity – VET	Increase in valuation	Potential impairment
2.0% lower / (higher) post-tax discount rate (WACC)	$11,343,558	$nil
2.0% increase / (decrease) in the terminal growth rate	$8,822,830	$nil
10.0% increase / (decrease) in sales growth rate	$14,475,687	$nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

The carrying value of the CGU includes goodwill of $1,314,720, plant, equipment & other intangibles of $2,233,101 and ROUA of $6,292,619 (the discount rates applied range between 4.00% and 5.36%).

Based on the value-in-use model, the DCF valuation of $27,858,956 was in excess of the carrying value of the CGU at $9,840,440. Accordingly, management consider that there is no impairment required at 31 December 2021 (June 2021: $nil).

Sensitivity - HE	Increase in valuation	Potential impairment
2.0% lower / (higher) post-tax discount rate (WACC)	$10,937,923	$nil
2.0% increase / (decrease) in the terminal growth rate	$8,625,027	$nil
10.0% increase / (decrease) in sales growth rate	$11,189,524	$nil

The carrying value of the CGU includes goodwill of $10,603,408, plant, equipment & other intangibles of $1,040,630 and ROUA of $5,542,348 (the discount rates applied range between 4.00% and 5.36%).

Based on the value-in-use model, the DCF valuation of $27,880,266 was in excess of the carrying value of the CGU at $17,186,386. Accordingly, management consider that there is no impairment required at 31 December 2021 (June 2021: $nil).

8. KEY MANAGEMENT PERSONNEL COMPENSATION

	6 months ended 31 December 2021	12 months ended 30 June 2021
	$	$
Short-term employee benefits	337,166	701,614
Post-employment benefits	10,330	23,750
Share-based payments	110,715	173,823
	458,211	**899,187**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

9. AUDITOR'S REMUNERATION

	6 months ended 31 December 2021	12 months ended 30 June 2021
	$	$
Audit and review of financial statements		
- current Group auditors - RSM Australia Partners	59,350	65,316
- current auditors of Ikon and ALG - Allen and Wolfe[1]	4,000	10,000
Other services (non-audit)		
- RSM Australia Pty Ltd for taxation compliance (including prior years)	28,294	19,679
Total auditor's remuneration	**91,644**	**94,995**

[1] An accrual of $5,000 for the audit of ALG was recorded in the year ended 30 June 2021, however at this stage the audit has not proceeded.

10. FRANKING CREDITS

	31 December 2021	30 June 2021
	$	$
Franking credits	4,182,585	4,138,317
	4,182,585	**4,138,317**

The balance of franking credits has been adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

11. EARNINGS PER SHARE

	6 months ended 31 December 2021	12 months ended 30 June 2021
	$	$
(a) Basic profit / (loss) per share (cents per share)		
From continuing operations	0.65	(0.49)
(b) Diluted profit / (loss) per share (cents per share)		
From continuing operations	0.65	(0.49)
(c) Reconciliation of profit / (loss) in calculating earnings per share		
Profit / (loss) from continuing operations attributable to ordinary equity holders of the Company	766,370	(580,591)
	766,370	**(580,591)**
(d) Total shares		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic profit / (loss) per share	117,514,448	117,514,448
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted profit / (loss) per share	**117,514,448**	**117,514,448**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

12. TRADE AND OTHER RECEIVABLES

	31 December 2021	30 June 2021
	$	$
Current		
Trade receivables	184,115	1,130,319
GST receivable	219,626	270,363
Other receivables	8,887	83,746
Less: allowance for expected credit losses	(121,879)	(82,362)
	290,749	**1,402,066**
Non-current		
Trade and other receivables	2,122	10,161
	2,122	**10,161**

Details in respect of debtors as at reporting date that are considered past due and are not considered fully recoverable are reflected below.

The Group has recognised $82,686 of credit losses (June 2021: $125,413) in the Consolidated Profit or Loss and Other Comprehensive Income for the period ended 31 December 2021.

The ageing of the receivables and allowance for expected credit losses provided for current trade receivables above as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	31 December 2021	30 June 2021	31 December 2021	30 June 2021	31 December 2021	30 June 2021
	%	%	$	$	$	$
Not yet overdue	5%	2%	26,748	973,964	1,337	21,559
0 to 3 months overdue	74%	35%	125,920	142,625	93,172	49,377
3 to 6 months overdue	80%	80%	20,387	11,605	16,310	9,261
Over 6 months overdue	100%	100%	11,060	2,125	11,060	2,165
			184,115	**1,130,319**	**121,879**	**82,362**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

Movements in the allowance for expected credit losses are as follows:

	31 December 2021	30 June 2021
	$	$
Opening balance	82,362	167,957
Additional allowance recognised	82,186	131,035
Receivables written off during the year as uncollectable	(42,669)	(216,630)
	121,879	**82,362**

13. OTHER ASSETS

	31 December 2021	30 June 2021
	$	$
Current		
Prepayments	252,058	251,448
Deposits	15,023	1,750
Commission paid in advance	150,616	396,168
	417,697	**649,366**

	31 December 2021	30 June 2021
	$	$
Non-current		
Prepayments	692	1,612
Deposits	1,880	1,880
	2,572	**3,492**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

14. PLANT AND EQUIPMENT

	Office equipment	Leasehold improvements	Library resources	Total
	$	$	$	$
At 31 December 2021				
Cost	1,992,388	2,940,630	32,574	4,965,592
Accumulated depreciation	(1,029,040)	(1,292,433)	(16,861)	(2,338,334)
	963,348	**1,648,197**	**15,713**	**2,627,258**
At 30 June 2021				
Cost	1,937,176	2,883,141	32,574	4,852,891
Accumulated depreciation	(896,504)	(1,097,391)	(12,759)	(2,006,654)
	1,040,672	**1,785,750**	**19,815**	**2,846,237**

Reconciliations

Movement in the carrying amounts of each class of plant and equipment at the beginning and end of the year:

	Office equipment	Leasehold improvements	Library resources	Total
	$	$	$	$
At 1 July 2021	1,040,672	1,785,750	19,815	2,846,237
Additions	55,212	57,489	-	112,701
Depreciation	(132,536)	(195,042)	(4,102)	(331,680)
At 31 December 2021	**963,348**	**1,648,197**	**15,713**	**2,627,258**
At 1 July 2020	1,162,787	2,178,182	26,379	3,367,348
Additions	139,982	(8,879)	1,318	132,421
Depreciation	(262,097)	(383,553)	(7,882)	(653,532)
At 30 June 2021	**1,040,672**	**1,785,750**	**19,815**	**2,846,237**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

15. INTANGIBLE ASSETS

	Computer software	Website development	Course development and licences	Total
	$	$	$	$
At 31 December 2021				
Cost	551,955	16,168	2,426,796	2,994,919
Accumulated amortisation	(359,646)	(8,257)	(964,113)	(1,332,016)
	192,309	**7,911**	**1,462,683**	**1,662,903**
At 30 June 2021				
Cost	469,013	16,168	2,313,744	2,798,925
Accumulated amortisation	(302,062)	(6,763)	(799,986)	(1,108,811)
	166,951	**9,405**	**1,513,758**	**1,690,114**

Reconciliations

Movement in the carrying amounts of each class of intangible assets at the beginning and end of the year:

	Computer software	Website development	Course development and licences	Total
	$	$	$	$
At 1 July 2021	166,951	9,405	1,513,758	1,690,114
Additions	82,942	-	113,052	195,994
Amortisation	(57,584)	(1,494)	(164,127)	(223,205)
At 31 December 2021	**192,309**	**7,911**	**1,462,683**	**1,662,903**
At 1 July 2020	210,862	135	1,744,314	1,955,311
Additions	61,504	11,829	58,177	131,510
Additions through business combinations	-	-	-	-
Amortisation	(105,415)	(2,559)	(288,733)	(396,707)
At 30 June 2021	**166,951**	**9,405**	**1,513,758**	**1,690,114**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

16. RIGHT-OF-USE ASSETS (ROUA) AND LEASE LIABILITIES

The ROUA and lease liabilities have arisen upon adoption of AASB 16 Leases from 1 July 2019. Refer to Note 1 (i) for further details.

(a) ROUA at 31 December 2021

	Property	Equipment hire	Total
	$	$	$
Right-of use assets	13,026,510	65,338	13,091,848
Less: Accumulated depreciation	(1,244,901)	(11,980)	1,256,881
	11,781,609	**53,358**	**11,834,967**
Reconciliation			
Opening balance at 1 July 2021	12,233,034	65,338	12,298,372
Additions	793,476	-	793,476
Depreciation	(1,244,901)	(11,980)	(1,256,881)
At 31 December 2021	**11,781,609**	**53,358**	**11,834,967**

Refer to Note 1(i) for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

(b) Lease Liabilities

Upon adoption of AASB 16 Leases, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of AASB 117 Leases. These liabilities have been brought to account as the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as of 1 July 2019. The discount rates applied range between 4.00% and 5.36%.

	31 December 2021	30 June 2021
	$	$
Current	2,122,964	1,941,267
Non-current	11,636,279	11,991,278
Total lease liabilities	**13,759,243**	**13,932,545**
Reconciliation of movement in lease liabilities:		
Lease liability opening balance (including make good provisions)	13,932,545	15,442,363
Additions	793,476	-
Interest expense	345,840	729,547
Modification to lease	-	(36,558)
Lease liabilities accrued, not yet paid	(96,902)	(202,203)
Repayment of lease liabilities	(1,215,716)	(2,000,604)
Total lease liabilities	**13,759,243**	**13,932,545**

17. TRADE AND OTHER PAYABLES

	31 December 2021	30 June 2021
	$	$
Current		
Trade creditors	144,788	589,256
Other payables and accrued expenses	3,247,325	2,563,308
	3,392,113	**3,152,564**

Trade creditors at 31 December 2021 are not considered past due.

	31 December 2021	30 June 2021
	$	$
Non-current		
Trade and other payables	2,676,457	2,890,904
	2,676,457	**2,890,904**

During 2021, Ikon benefited from COVID-19 relief programs, including the Higher Education Relief Package (Relief Package).

Under the Relief Package, the Department of Education, Skills and Employment (the Department) guaranteed the payment of approved 2020 FEE-HELP estimates for all Higher Education Providers, with any excess FEE-HELP advances paid in 2020 to be repaid over the calendar 2022 – 2029 years. Excess FEE-HELP advances from 2019 (originally due for repayment in 2021) are now also repayable over this period.

Ikon received excess FEE-HELP advances of $0.5m during 2019 and $2.6m during 2020. The Department is yet to advise providers as to the repayment profile. The Company has assumed that repayments will be spread evenly over the 7-year period of calendar year 2022 – 2029. Accordingly, $0.4m is recorded as a current liability in the Company's Statement of Financial Position, with the remaining $2.6m recorded as a non-current liability.

Refer to Note 27 for further information on financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

18. CONTRACT LIABILITIES

	31 December 2021	30 June 2021
	$	$
Current		
Contract liabilities	1,501,834	4,821,360
	1,501,834	**4,821,360**
Non-current		
Contract liabilities	84,468	125,757
	84,468	**125,757**

Contract liabilities relate to tuition revenue, enrolment fees and course materials fees which have been received in advance of the tuition beginning or the materials being provided to students. The duration of study is used to measure the progress of the performance obligation to determine how much revenue should be recognised, and that revenue is recognised as the performance obligation is satisfied. See further Note 1 (y).

Unsatisfied performance obligations

The aggregate amount of the performance obligations that remains unsatisfied at the period ended 31 December 2021 was $1,586,302 (June 2021: $4,947,117) and is expected to be recognised as revenue in future periods as follows:

	31 December 2021	30 June 2021
	$	$
Within 6 months	1,265,317	4,459,931
6 to 12 months	236,518	361,429
More than 12 months	84,468	125,757
	1,586,302	**4,947,117**

Contract liabilities are lower at 31 December compared to 30 June, given the lower student volume and also as a result of having the payment due-date for ALG for Term 1 (January intake) in early January and for Term 3 (July intake) in mid-June. This translates into higher fee collections pre-30 June and lower fee collections pre-31 December. In addition, Ikon has a higher balance at 30 June as Trimester 2 runs from May to August, with the performance obligations only partially satisfied by 30 June. Trimester 3 runs from September and ends in December and thus the performance obligations are fully satisfied by 31 December with a resulting lower balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

19. EMPLOYEE BENEFITS

	31 December 2021	30 June 2021
	$	$
Current liabilities		
Annual leave	418,630	400,144
Long service leave	18,471	22,693
	437,101	**422,837**
Non-current liabilities		
Long service leave	146,490	142,151
	146,490	**142,151**

Reconciliation of movements

	31 December 2021	30 June 2021
	$	$
Annual leave		
Opening balance	400,144	290,737
Additions / (reversals)	18,486	109,407
Closing balance	**418,630**	**400,144**
Current long service leave		
Opening balance	22,693	24,038
Reversals	(4,222)	(1,345)
Closing balance	**18,471**	**22,693**
Non-current long service leave		
Opening balance	142,151	99,872
Additions	4,339	42,279
Closing balance	**146,490**	**142,151**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take their full entitlement of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	31 December 2021	30 June 2021
	$	$
Current liabilities		
Employee benefits obligation expected to be settled after 12 months	69,448	71,482
	69,448	**71,482**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

20. SHARE CAPITAL

Issued capital at 31 December 2021 amounted to $25,132,480 (117,514,448 ordinary shares).

(a) Ordinary shares

	31 December 2021		30 June 2021	
	Number	$	Number	$
Opening balance	117,514,448	25,132,480	117,514,448	25,132,480
Issued shares net of tax	-	-	-	-
Capital raising costs	-	-	-	-
Deferred tax credit recognised directly in equity	-	-	-	-
At reporting date	**117,514,448**	**25,132,480**	**117,514,448**	**25,132,480**

(b) Issuance of ordinary shares

There were no movements in the issued capital of the Company.

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(d) Capital risk management

The Group'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 in order to minimise the cost of capital.

To manage the above or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, take on borrowings or sell assets to reduce debt.

Capital is regarded as total equity, as recognised in the Statement of Financial Position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

21. OPTIONS AND PERFORMANCE RIGHTS RESERVES

	31 December 2021		30 June 2021	
	Number	$	Number	$
Opening balance	6,000,000	329,372	3,650,000	155,551
Options issued – vesting expense	-	-	-	-
Options and performance rights expired	(2,400,000)	-	-	-
Performance rights issued	2,200,000	110,715	2,350,000	173,821
At reporting date	**5,800,000**	**440,087**	**6,000,000**	**329,372**

Refer to Note 1 (r) and Note 8 for further details in respect of the options.

22. ACCUMULATED LOSSES

	31 December 2021	30 June 2021
	$	$
Balance at the beginning of the financial year	(14,491,517)	(13,910,975)
Adjustment to accumulated losses	-	49
Net profit / (loss) for the year	766,371	(580,591)
	(13,725,146)	**(14,491,517)**

23. SEGMENT REPORTING

The Company has identified its operating segments based on 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 operates in two segments, being ALG (largely the provision of vocational education to international students) and Ikon (largely the provision of higher education to domestic students) and in one geographical segment, being Australia.

6 months ended 31 December 2021	ALG	Ikon	Unallocated	Total
	$	$	$	$
Total revenue – international	7,039,132	674,244	-	7,713,376
Total revenue - domestic	25,924	2,648,855	-	2,674,779
Other revenue	10,774	-	-	10,774
Other income	309,526	7,325	-	316,851
Interest income	50	193	61	304
Profit / (loss) for the period	(1,248)	(434,815)	1,202,434	766,371

At 31 December 2021	ALG	Ikon	Unallocated	Total
Total segment assets	19,952,058	7,562,684	9,080,385	36,595,127
Total segment liabilities	(16,171,785)	(5,334,987)	(3,240,934)	(24,747,706)

12 months ended 30 June 2021	ALG	Ikon	Unallocated	Total
	$	$	$	$
Total revenue - international	17,971,109	985,407	-	18,956,516
Total revenue - domestic	719,233	5,438,285	-	6,157,518
Other revenue	186,053	-	-	186,053
Share of profits of associates accounted for using the	-	-	(12,174)	(12,174)
Gain on acquisition	-	-	136,093	136,093
Other income	180,000	51,500	36,257	267,757
Impairment of investments	-	-	(6,147,626)	(6,147,626)
Interest income	1,668	774	2,484	4,926
Profit / (loss) for the period	1,342,315	1,173,178	(7,103,039)	(4,587,546)

At 30 June 2021	ALG	Ikon	Unallocated	Total
Total segment assets	22,176,725	9,132,431	8,443,567	39,752,723
Total segment liabilities	(18,395,205)	(6,469,919)	(3,917,264)	(28,782,388)

Per *AASB 134.16A(g)(iv)*, segment assets and liabilities have been categorised as unallocated as such segment amounts are not regularly reported to the chief operating decision maker (the Board).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

24. CASH FLOW INFORMATION

(a) Cash and cash equivalents

	31 December 2021	30 June 2021
	$	$
Cash at bank and on hand	6,274,519	7,817,821
	6,274,519	**7,817,821**

Included in the above amounts are tuition fees held in Tuition Protection Scheme (**TPS**) accounts in Australia. At 31 December 2021, the Group held $502,377 (June 2021: $533,759) in TPS accounts.

In 2012 the Education Services for Overseas Student Act 2000 ("ESOS Act") was amended to provide additional protection for international students studying in Australia. The Group is required to maintain, in Australia, separate bank accounts (TPS accounts) for prepaid fees received from international students prior to commencement of their course. Once the students commence their course, the funds may be transferred from the TPS accounts to operating accounts. At all times, the Group must ensure that there are sufficient funds in the TPS accounts to repay any prepaid tuition fees to international students who have not yet commenced their course. The bulk of fees held in these accounts typically relate to the upcoming period of study, in ALG's case, the term that commenced 24 January 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

(b) Reconciliation of cash flow from operations with profit / (loss) after income tax

	31 December 2021	30 June 2021
	$	$
Profit / (loss) from ordinary activities after income tax	**766,371**	**(580,591)**
Adjustments for non-cash items		
Gain on disposal of assets	(1,912,256)	-
Depreciation and amortisation expense	544,885	1,050,239
Employee share-based expenses	110,715	173,821
Borrowing costs classified as financing activity	68,196	171,251
AASB 16 Leases movement (interest, depreciation, straight-line and other)	1,627,395	2,695,964
Transaction costs in relation to proposed acquisition of RedHill	136,911	425,450
Changes in assets and liabilities		
Trade and other receivables	1,168,888	(349,577)
Other assets	232,588	(3,910)
Deferred tax asset	(447,245)	(524,821)
Plant and equipment and intangible assets	(105,494)	(281)
Trade and other payables	(24,431)	2,394,090
Contract liabilities	(3,360,813)	(591,913)
Employee benefit and other liabilities	(25,668)	150,340
	(1,209,958)	**5,010,062**

(c) Reconciliation of liabilities arising from financing activities

	31 December 2021	30 June 2021
	$	$
Borrowing		
Opening balance	3,250,000	4,166,667
Repayment of loan	(500,000)	(916,667)
Closing balance	**2,750,000**	**3,250,000**

Refer to Note 28 for details.

25. EVENTS AFTER BALANCE DATE

The impact of the COVID-19 pandemic is ongoing and while it has had some financial impact for the consolidated entity in the period up to 31 December 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continually developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The Group entered into a four-year lease in January 2018 for Level 1, 333 Kent Street, Sydney. The lease contained a six-month demolition clause and no option to renew. The Company has been 'holding over' since the expiry of the lease term at the end of 2021. The landlord has provided a vacation notice requiring the Company to exit the premises by 11 June 2022. Post the balance date, following an extensive search process, the Company entered into a heads-of-agreement to lease new premises, with existing 9B education use fitout in place.

Other than the above, there have been no significant events after balance date.

26. RELATED PARTY TRANSACTIONS

The parent entity is EDU Holdings Limited.

Interests in subsidiaries are set out in Note 5.

Interests in associates are set out in Note 6.

Disclosures relating to Key Management Personnel are set out in Note 8 and the detailed remuneration disclosures in the Directors' Report.

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

27. FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The financial instruments of the Company consist of cash, receivables and payables. The Company did not use derivative financial instruments during the year.

Specific financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk.

Interest rate risk

The Company's main exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rate. The Company's policy is to ensure that the best interest rate is received for the short-term deposits. Borrowings obtained at variable rates expose the Company to interest rate risk. Details of the Company's bank loans outstanding are disclosed in Note 28. The Company's policy is to ensure that the best interest rate is paid on borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial arrangements entered into by the Company.

Foreign currency risk

The Company is not exposed to fluctuations in foreign currencies arising from the purchase of goods in currencies other than the Company's measurement currency.

Liquidity risk

The Company maintains sufficient liquid assets and available borrowing facilities to be able to pay its debts as and when they become due and payable. The Company manages liquidity risk by continuously monitoring forecast and actual cash flow, and matching maturity profiles of financial assets and liabilities. The Company is currently invested in cash or short-term deposits.

The material liquidity risk for the Company is the ability to raise equity in the future if and as required.

Sensitivity analysis

The Company has not performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date as the effect on profit or loss is not considered material.

Net fair values

The net fair value of cash, non-interest-bearing monetary assets and financial liabilities approximate their carrying value.

Financial instruments composition and maturity analysis

The Company held interest bearing transaction accounts with Commonwealth Bank of Australia (CBA) and Bendigo and Adelaide Bank of $6,274,519 at 31 December 2021 (June 2021: $7,817,821), which have been disclosed as current in the Statement of Financial Position.

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statements of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

At 31 December 2021	Weighted average effective interest rate	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Remaining contractual maturities
Financial assets						
Interest-bearing						
Cash & cash equivalents	0.00%	6,089,805	-	-	-	6,089,805
Non-interest bearing						
Cash & cash equivalents		184,714	-	-	-	184,714
Receivables		177,428	6,687	2,122	-	186,237
Total financial assets		**6,451,947**	**6,687**	**2,122**	**-**	**6,460,756**
Financial liabilities						
Interest-bearing						
Borrowings	3.83%	250,000	2,500,000	-	-	2,750,000
Non-interest bearing						
Trade and other payables		1,455,114	650,485	1,286,514	-	3,392,113
Non-current other payables*		-	-	2,230,380	446,076	2,676,456
Total financial liabilities		**1,705,114**	**3,150,485**	**3,516,894**	**446,076**	**8,818,569**

* Fee-Help advance payments as disclosed in Note 17

At 30 June 2021	Weighted average effective interest rate	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Remaining contractual maturities
Financial assets						
Interest-bearing						
Cash & cash equivalents	0.08%	7,705,745	-	-	-	7,705,745
Non-interest bearing						
Cash & cash equivalents		112,076	-	-	-	112,076
Receivables		886,828	243,491	10,161	-	1,140,480
Total financial assets		**8,704,649**	**243,491**	**10,161**	**-**	**8,958,301**
Financial liabilities						
Interest-bearing						
Borrowings	4.04%	250,000	750,000	2,250,000	-	3,250,000
Non-interest bearing						
Trade and other payables		1,922,003	1,230,561	-	-	3,152,564
Non-current other payables		-	-	2,223,773	667,131	2,890,904
Total financial liabilities		**2,172,003**	**1,980,561**	**4,473,773**	**667,131**	**9,293,468**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

28. BORROWINGS

	31 December 2021	30 June 2021
	$	$
Current	2,750,000	1,000,000
	2,750,000	**1,000,000**
Non-current	-	2,250,000
	-	**2,250,000**

The Company has a loan facility (secured by a first ranking charge over all present and after acquired property of the Group) with Commonwealth Bank of Australia (CBA), which was established on 11 July 2017. The components of the loan facility are set out in the table below:

	Facility limit	Drawn	Available
Loan Facility	($)	($)	($)
Market rate loan	2,750,000	(2,750,000)	-
Bank guarantee (rental bonds)	1,050,000	(1,021,236)	28,764
Total loan facility	**3,800,000**	**(3,771,236)**	**28,764**

Market rate loan

The market rate loan is being amortised in accordance with an agreed capital repayment schedule. Quarterly payments of $250,000 are payable to July 2022. On 14 October 2022, an outstanding balance of $2,000,000 will be due. The Company currently intends to refinance that balance for a further term. The loan has typical leverage and cash-flow covenants in place, that have been waived through to the 31 March 2022 quarter. The loan attracts interest (referenced to the Bank Bill Swap Bid Rate), and has a line fee of 3.50% p.a. and a liquidity fee of 0.25% p.a.

Bank guarantee (rental bonds)

A bank guarantee fee of 3.50% p.a. is payable half-yearly in advance in respect of the drawn amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

Reconciliation of movements

	31 December 2021	30 June 2021
	$	$
Opening balance	3,250,000	4,166,667
Repayment of loan	(500,000)	(916,667)
Closing balance	**2,750,000**	**3,250,000**

In relation to the market rate loan, $2,750,000 is considered current and repayable within 12 months and has been classified accordingly in the Consolidated Statement of Financial Position.

29. EDU HOLDINGS LIMITED PARENT COMPANY INFORMATION

	31 December 2021	30 June 2021
	$	$
(a) Summarised Statement of Financial Position		
Assets		
Total assets	8,642,385	8,055,099
Liabilities		
Total liabilities	3,240,930	3,966,792
Net assets	**5,401,455**	**4,088,307**
Equity		
Share capital and reserves	25,572,567	25,461,852
Accumulated losses	(20,171,112)	(21,373,545)
Total equity	**5,401,455**	**4,088,307**
(b) Summarised Statement of Profit or Loss and other Comprehensive Income		
Profit / (loss) for the period	1,202,433	(1,678,953)
Total comprehensive profit / (loss) for the period	**1,202,433**	**(1,678,953)**

The profit for the period ended 31 December 2021 included a $1,912,256 gain from disposal of associates (June 2021: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 31 DECEMBER 2021

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Contingent liabilities

The parent entity had no contingent liabilities at 31 December 2021 (30 June 2021: $nil).

The parent entity has given bank guarantees at 31 December 2021 of $1,021,236 (30 June 2021: $924,871) to various landlords.

Capital commitments – plant and equipment

The parent entity had no capital commitments for plant and equipment at 31 December 2021 (30 June 2021: $nil).

Guarantees

In lieu of providing a bank guarantee or other form of security, the parent entity has guaranteed the obligations of ALG under a lease entered into during the year ended 30 June 2019 for premises at 225 Clarence Street Sydney, NSW 2000.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

a) the accompanying financial statements, notes and the additional disclosures are in accordance with the Corporations Act 2001 including:

   i. giving a true and fair view of the consolidated entity's financial position at 31 December 2021 and of its performance for the 6-month period then ended; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations), other mandatory professional reporting requirements and the Corporations Regulations 2001;

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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 the financial year ended 31 December 2021.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Gary Burg
Non-Executive Chair
25 February 2022

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RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EDU HOLDINGS LIMITED

Opinion

We have audited the financial report of EDU Holdings Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, 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 period from 1 July 2021 to 31 December 2021, the remuneration report and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for period then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 Group 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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 this matter
Recognition of Revenue / Deferred Revenue Refer to Note 1 (y) in the financial statements	
Revenue from contracts with customers for the period ended 31 December 2021 was $10,388,155. The primary revenue stream is tuition related revenue. Revenue is considered to be a Key Audit Matter because the application of AASB 15 Revenue from Contracts with Customers requires a significant number of assessments, judgements, and estimates by management, around the determination and allocation of the transaction price across the performance obligations given the nature of the business and fees being routinely received in advance of the courses being delivered.	Our audit procedures in relation to the recognition of revenue included: • Obtaining an understanding of the systems and procedures put in place by management in adopting AASB 15, and evaluating their effectiveness; • Obtaining a detailed understanding of each of the revenue streams and the process for calculating and recording revenue under AASB 15; • Assessing whether the Company's revenue recognition policies were in compliance with Australian Accounting Standards; • Carrying out tests of controls over occurrence, accuracy and completeness of revenue, to test the effectiveness of the controls; • Performing substantive analytical procedures on tuition related revenue. The substantive analytical review involved setting expectations of revenue by using the reports generated from the Company's student management database; • Performing tests of detail on each revenue stream on a sample basis to test the occurrence and accuracy of revenue. The detailed testing included: agreeing transactions to invoices issued by the Company, agreeing the receipt of cash to bank statements, agreeing course details from the letter of offer to the reports from the Company's student management database; and • Assessing the appropriateness of the disclosures in the financial report.

Recoverability of goodwill and other intangible assets Refer to Note 7 in the financial statements	
At 31 December 2021, the Company's Statement of Financial Position reflected goodwill with a carrying amount of $11,918,128, which represents approximately 33% of the Company's total assets. As required under AASB 136, management have tested goodwill for impairment. As goodwill does not generate cashflows that are largely independent from other assets, its recoverable amount was determined by calculating the recoverable amount each cash generating unit ("CGU") to which it belongs. This recoverable amount was then compared to the CGU's carrying amount. In this instance, the recoverable amount was determined to be its value in use. The carrying value of the Company's non-current assets, which includes Plant and equipment at $2,627,258, other Intangible assets at $1,662,903 and Right-of-use assets of $11,834,967. In addition to the requirements to test goodwill for impairment, the current COVID environment poses a risk of impairment associated with the Company's non-current assets; so the directors have identified that impairment indicators existed at the reporting date which required that the impairment testing be extended to other non-current assets. We determined the impairment review of goodwill and other non-current assets to be a Key Audit Matter because of the materiality of the assets' balances, and because of the significant management judgements and assumptions used to determine the value in use of the CGU which contains them. Namely, the calculation of the recoverable amount of the CGU's involves judgements about the future underlying cashflows of the CGU, estimated growth rates for the CGU for the next 5 years as well as in perpetuity, and judgements of an appropriate discount rate to apply to the estimated cashflows. The uncertainty in relation to the COVID-19 environment and the short, medium, and long term effect of the pandemic on student numbers remains uncertain. The current circumstances are considered to increase the risk in relation to the carrying value of the goodwill and other non-current assets being potentially impaired.	Our audit procedures included: • Updating our understanding of management's annual impairment testing process; • Holding discussions with senior management, reviewing the Company's ASX announcement and reading minutes of the directors' meetings to gather sufficient information regarding the operations of the current reporting period, as well as the expectations going forward; • Assessing the reasonableness of management's determination that the goodwill should be allocated to a particular CGU in accordance with AASB 136 Impairment of Assets, based on the nature of the Company's business; • Assessing the valuation methodology used to determine the recoverable amount of the Goodwill and other non-current assets associated to the CGUs; • Evaluating the methods and assumptions used to estimate the present value of future cash inflows of the Company, including, and challenging the reasonableness of the following: ➢ Future growth rates; ➢ Discount rates; ➢ Terminal value methodology; ➢ The nature and quantum of cashflows included in the model; • Reviewing management's sensitivity analysis over the key assumptions used in the models, including the consideration of the available headroom and assessing whether the assumptions had been applied on a consistent basis across each scenario; • Checking the mathematical accuracy of the cashflow model and reconciling input data to supporting evidence, such as approved budgets, and considering the reasonableness of the evidence (such as budgets); and • Reviewing the completeness and accuracy of the disclosures included in the financial report to ensure compliance with Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the 6-month period then ended 31 December 2021, but does not include the financial report and the 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 preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards/Auditors-Responsibilities.aspx. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 29 of the directors' report for the 6-month period then ended 31 December 2021.

In our opinion, the Remuneration Report of EDU Holdings Limited, for the 6-month period ended 31 December 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

RSM

RSM AUSTRALIA PARTNERS

Anthony Travers

Anthony Travers
Partner

Sydney, NSW
Dated: 25 February 2022

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of EDU Holdings Limited for the period from 1 July 2021 to 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Anthony Travers

Anthony Travers
Partner

Sydney, NSW
Dated: 25 February 2022

ASX ADDITIONAL INFORMATION

AT 7 FEBRUARY 2022

Ordinary shares

117,514,448 fully paid ordinary shares, held by 330 individual shareholders. All ordinary shares carry one vote per share.

Restricted securities

None.

Unquoted securities

2,200,000 performance rights (zero exercise price options) vesting on 11 November 2024 and exercisable before 11 December 2024, held by Mr Adam Davis and Mr Lyndon Catzel. 1/3rd of the performance rights can be exercised if the 20-day volume weighted average price (VWAP) of EDU ordinary shares at 11 November 2024 exceeds $0.20, 1/3rd exercisable if the 20-day VWAP exceeds $0.24, and the remaining 1/3rd exercisable if the 20-day VWAP exceeds $0.27.

2,350,000 performance rights (zero exercise price options) vesting on 24 November 2023 and exercisable before 23 December 2023, held by Mr Adam Davis and Mr Lyndon Catzel. 50% of the performance rights are exercisable if the 20-day volume weighted average price (VWAP) of EDU ordinary shares at 24 November 2023 exceeds $0.28, and the remaining 50% exercisable if the 20-day VWAP exceeds $0.32.

1,250,000 performance rights (zero exercise price options) vesting on 5 December 2022 and exercisable before 4 January 2023, held by Mr Adam Davis and Mr Lyndon Catzel. The performance rights are exercisable if the 20-day volume weighted average price (VWAP) of EDU ordinary shares at 5 December 2022 exceeds $0.42.

Distribution of holders in each class of equity securities:

Total holders of fully paid ordinary shares

Range	Ordinary shares	%	No. of holders	%
100,001 and over	113,074,319	96.23	84	25.45
10,001 to 100,000	3,785,636	3.22	115	34.85
5,001 to 10,000	530,196	0.45	56	16.97
1,001 to 5,000	119,816	0.10	35	10.61
1 to 1,000	4,481	0.00	40	12.12
Total	**117,514,448**	**100.00**	**330**	**100.00**

Unmarketable parcels

There are 59 holders of unmarketable parcels of shares (being less than $500) at the share price at 7 February 2022 of $0.165.

ASX ADDITIONAL INFORMATION

Total holders of options

Range	Options	%	No. of holders	%
100,001 and over	5,800,000	100.00	2	100.00
10,001 to 100,000	-	-	-	-
5,001 to 10,000	-	-	-	-
1,001 to 5,000	-	-	-	-
1 to 1,000	-	-	-	-
Total	**5,800,000**	**100.00**	**2**	**100.00**

Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act are:

Name	Ordinary shares	%
GLOBAL CAPITAL HOLDINGS (AUSTRALIA) PTY LTD	32,608,791	27.75
VIBURNUM FUNDS PTY LTD	12,737,507	10.84
ABD HOLDINGS PTY LIMITED	8,000,000	6.81
MICROEQUITIES ASSET MANAGEMENT PTY LIMITED	7,262,199	6.18
MR MATTHEW CRAWFORD REEDE	6,410,761	5.46

ASX ADDITIONAL INFORMATION

Top 20 holders of equity securities at 7 February 2022

Rank	Name	Ordinary shares	%
1	GLOBAL UCW PTY LIMITED	25,083,686	21.35
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	18,240,103	15.52
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,983,252	7.64
4	ABD HOLDINGS PTY LIMITED	8,000,000	6.81
5	GLOBAL UCW NO 2 PTY LIMITED	7,525,105	6.40
6	MR MATTHEW REEDE	6,410,761	5.46
7	SIMON PAUL & REBECCA JANE PAUL	2,750,000	2.34
7	BRAD RICHARD SEAMAN	2,750,000	2.34
8	MARGARET ARMSTRONG	1,666,667	1.42
8	MATTHEW SMITH	1,666,667	1.42
9	HOLLOWAY COVE PTY LTD	1,655,523	1.41
10	DMX CAPITAL PARTNERS LIMITED	1,450,000	1.23
11	UNITED EQUITY PARTNERS PTY LTD	1,375,000	1.17
12	JD LIPMAN PTY LTD	1,313,855	1.12
13	DIXSON TRUST PTY LIMITED	1,247,110	1.06
14	OCEANVIEW SUPER FUND PTY LTD	1,078,598	0.92
15	MR KEVIN BERKOWITZ	1,005,000	0.86
16	RAMBUTAN ENTERPRISES LTD	1,000,000	0.85
17	JACOBSON FAMILY HOLDINGS PTY LTD	975,000	0.83
18	MR LYNDON CATZEL	850,000	0.72
19	MR JOSEF KYSILKA	847,089	0.72
20	MONICA GINSBERG SUPER PTY LTD	788,313	0.67
	TOTAL	**96,661,729**	**82.26%**

Holdings