

# **Kaplan Higher Education Pty Limited**

ABN: 85 124 217 670

## **Financial Statements**

**For the Year Ended 31 December 2020**

**Kaplan Higher Education Pty Limited**

**ABN: 85 124 217 670**

**Contents**

**For the Year Ended 31 December 2020**

	<b>Page</b>
<b>Financial Statements</b>	
Directors' Report	1
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	3
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Directors' Declaration	26
Independent Auditor's Report	27

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Directors' Report**  
**31 December 2020**

The directors present their report on the Company for the financial year ended 31 December 2020.

**Directors**

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The names of each person who has been a director during the year and to the date of this report are:

<b>Name</b>	<b>Appointed/Resigned</b>
David Jones	Resigned 24 January 2020
Deborah Eileen Ralston	Appointed 21 July 2020
Patricia Vilkinas	
Andrew Gonczy	Resigned 24 April 2020
Robert William Regan	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Principal activities**

The principal activities of Kaplan Higher Education Pty Limited during the financial year consisted of the provision of higher education services, comprising:

- a) an online business offering Higher Education qualifications, and
- b) Murdoch Institute of Technology, a pathways college partnered with the Murdoch University, and
- c) University of Adelaide College, providing English courses, Degree Transfer and Foundation studies as a pathways college partnered with the University of Adelaide.

New pathways ceased operating as at November 2020, which was the only significant change in the nature of the principal activities to occur during the financial year.

**Operating results**

The profit of the Company amounted to \$11,767,427 (2019: profit of \$46,717,987).

**Dividends paid or recommended**

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

**Significant changes in state of affairs**

There have been no significant changes in the state of affairs of entities in the Company during the year.

**Kaplan Higher Education Pty Limited**  
ABN: 85 124 217 670

## **Directors' Report**

### **31 December 2020**

#### **Events after the reporting date**

In June 2021, it is expected a college school will be closing. It is not expected the closure of the college to have significant effect on the ability for Kaplan Higher Education to continue operating.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

#### **Future developments and results**

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

#### **Environmental issues**

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

#### **Indemnification and insurance of officers and auditors**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of Kaplan Higher Education Pty Limited.


#### **Proceedings on behalf of company**

No person has applied for leave of court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

#### **Auditor's independence declaration**

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 December 2020 has been received and can be found on page 3 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

DocuSigned by:  
  
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Director: .....  
Robert William Regan

Dated 28 April 2021

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Kaplan Higher Education Pty Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2020, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF



MARTIN MATTHEWS  
PARTNER

28 APRIL 2021  
NEWCASTLE, NSW

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the Year Ended 31 December 2020**

		2020	2019
	Note	\$	\$
Revenue from continuing operations	4	53,083,637	57,353,097
Other income	4	-	30,000,000
Cost of rendering services		(18,532,198)	(20,656,583)
Administrative expenses	5	(13,378,204)	(9,174,513)
Marketing expenses		(1,206,238)	(1,479,799)
Occupancy expenses		(2,703,482)	(2,086,388)
Foreign exchange loss		(168)	-
Amortisation expense		(366,643)	(47,083)
<b>Profit before income tax</b>		<b>16,896,704</b>	<b>53,908,731</b>
Income tax expense	6	(5,129,277)	(7,190,744)
<b>Profit for the year</b>		<b>11,767,427</b>	<b>46,717,987</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>11,767,427</b>	<b>46,717,987</b>
Profit attributable to:			
Owners of Kaplan Higher Education Pty Ltd		11,767,427	46,717,987
Total comprehensive income attributable to:			
Owners of Kaplan Higher Education Pty Ltd		11,767,427	46,717,987

The accompanying notes form part of these financial statements.

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Statement of Financial Position**  
**As at 31 December 2020**

	2020	2019
Note	\$	\$
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	7 <b>7,266,069</b>	11,430,223
Trade and other receivables	8 <b>101,263,355</b>	77,418,741
<b>TOTAL CURRENT ASSETS</b>	<b>108,529,424</b>	88,848,964
NON-CURRENT ASSETS		
Property, plant and equipment	9 <b>10,988</b>	160,347
Intangible assets	10 <b>436,957</b>	517,917
Investments in subsidiaries	11 <b>7,944,967</b>	7,944,967
Deferred tax assets	12 <b>532,583</b>	12,169
<b>TOTAL NON-CURRENT ASSETS</b>	<b>8,925,495</b>	8,635,400
<b>TOTAL ASSETS</b>	<b>117,454,919</b>	97,484,364
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Trade and other payables	13 <b>35,890,055</b>	25,072,524
Provisions	14 <b>1,207,592</b>	606,432
Contract liabilities	<b>9,847,063</b>	12,580,195
<b>TOTAL CURRENT LIABILITIES</b>	<b>46,944,710</b>	38,259,151
NON-CURRENT LIABILITIES		
Provisions	14 <b>536,766</b>	1,019,197
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>536,766</b>	1,019,197
<b>TOTAL LIABILITIES</b>	<b>47,481,476</b>	39,278,348
<b>NET ASSETS</b>	<b>69,973,443</b>	58,206,016
<b>EQUITY</b>		
Issued capital	15 <b>46,500,000</b>	46,500,000
Retained earnings	16 <b>23,473,443</b>	11,706,016
<b>TOTAL EQUITY</b>	<b>69,973,443</b>	58,206,016

The accompanying notes form part of these financial statements.

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Statement of Changes in Equity**  
**For the Year Ended 31 December 2020**

	<b>Issued capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 January 2020</b>	<b>46,500,000</b>	<b>11,706,016</b>	<b>58,206,016</b>
Profit for the year	-	<b>11,767,427</b>	<b>11,767,427</b>
<b>Balance at 31 December 2020</b>	<b>46,500,000</b>	<b>23,473,443</b>	<b>69,973,443</b>
<b>Balance at 1 January 2019</b>	46,500,000	(5,011,971)	41,488,029
Profit for the year	-	46,717,987	46,717,987
Dividends paid	-	(30,000,000)	(30,000,000)
<b>Balance at 31 December 2019</b>	<b>46,500,000</b>	<b>11,706,016</b>	<b>58,206,016</b>

The accompanying notes form part of these financial statements.



**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Statement of Cash Flows**  
**For the Year Ended 31 December 2020**

	2020	2019
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	<b>55,308,801</b>	61,948,715
Payments to suppliers and employees	<b>(47,189,444)</b>	(44,739,529)
Net cash provided by operating activities	25(a) <b>8,119,357</b>	17,209,186
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for property, plant and equipment	<b>(6,203)</b>	(2,224)
Payments for intangibles	<b>(281,957)</b>	(565,000)
Net cash used in investing activities	<b>(288,160)</b>	(567,224)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net payments made to related entities	<b>(11,995,351)</b>	(17,026,926)
Net cash used in financing activities	<b>(11,995,351)</b>	(17,026,926)
Net decrease in cash and cash equivalents held	<b>(4,164,154)</b>	(384,964)
Cash and cash equivalents at beginning of year	<b>11,430,223</b>	11,815,187
Cash and cash equivalents at end of financial year	7 <b>7,266,069</b>	11,430,223

The accompanying notes form part of these financial statements.

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Notes to the Financial Statements**  
**For the Year Ended 31 December 2020**

The financial report covers Kaplan Higher Education Pty Limited as an individual entity. Kaplan Higher Education Pty Limited is a for-profit proprietary Company, incorporated and domiciled in Australia.

The functional and presentational currency of Kaplan Higher Education Pty Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 28 April 2021.

Comparatives are consistent with prior years, unless otherwise stated.

**1 Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

*Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

**2 Summary of Significant Accounting Policies**

**(a) Foreign currency transactions and balances**

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

**(b) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**Kaplan Higher Education Pty Limited**  
ABN: 85 124 217 670

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2020**

#### **2 Summary of Significant Accounting Policies**

##### **(b) Revenue recognition**

The revenue recognition policies for the principal revenue streams of the Company are:

###### *(i) Rendering of services*

Tuition revenue is recognised over time when the Company satisfies its performance obligation by delivering tuition services to the student.

Other services and commission related revenue are recognised at a point in time when the Company satisfies its performance obligations. This usually occurs upon commencement of the course by the student.

###### *(ii) Interest income*

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

##### **(c) Income Tax**

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

**Kaplan Higher Education Pty Limited**  
ABN: 85 124 217 670

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2020**

#### **2 Summary of Significant Accounting Policies**

##### **(c) Income Tax**

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

##### *Tax consolidation*

Kaplan Australia Holdings Pty Ltd and its wholly owned subsidiaries (which includes Kaplan Higher Education Pty Ltd) elected to implement the tax consolidation legislation and form a tax consolidated group.

Each individual entity within the tax consolidated group accounts for its own income tax expense and deferred tax balances following the policy as above. Any current tax balance payable or receivable by the entity based on its own results are accounted for as an intercompany balance to Kaplan Australia Holdings Pty Ltd provided they are recoverable. Kaplan Australia Holdings Pty Ltd records the consolidated tax payable position of the tax consolidated group.

##### **(d) Leases**

At inception of a contract, the Company assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Company has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

The Company has reviewed its contractual relationships in place and determined that there are no operating leases requiring disclosure. Kaplan Higher Education Pty Limited operates out of leased property leased by a related party, Kaplan Australia Pty Limited.

##### **(e) Financial instruments**

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### **Financial assets**

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Kaplan Higher Education Pty Limited**  
ABN: 85 124 217 670

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2020**

#### **2 Summary of Significant Accounting Policies**

##### **(e) Financial instruments**

###### **Financial assets**

###### **Classification**

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

###### **Amortised cost**

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

###### **Financial assets through profit or loss**

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

###### **Impairment of financial assets**

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

**Kaplan Higher Education Pty Limited**  
ABN: 85 124 217 670

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2020**

#### **2 Summary of Significant Accounting Policies**

##### **(e) Financial instruments**

###### **Financial assets**

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

###### **Trade receivables and contract assets**

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

###### **Other financial assets measured at amortised cost**

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

###### **Financial liabilities**

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables, bank and other loans and finance lease liabilities.

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2020**

#### **2 Summary of Significant Accounting Policies**

##### **(f) Impairment of assets**

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

##### **(g) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

##### **(h) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

##### **Depreciation**

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

<b>Fixed asset class</b>	<b>Useful life</b>
Leasehold improvements	5 to 8 years
Office Equipment	4 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

**Kaplan Higher Education Pty Limited**  
ABN: 85 124 217 670

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2020**

#### **2 Summary of Significant Accounting Policies**

##### **(i) Intangible assets**

###### **Software**

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and four years.

###### **Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

##### **(j) Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

##### **(k) Employee benefits**

###### **Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as a payable.

###### **Other long-term employee benefit obligations**

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.



**Kaplan Higher Education Pty Limited**  
ABN: 85 124 217 670

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2020**

#### **2 Summary of Significant Accounting Policies**

**(l) Intercompany receivables**

Receivables from related parties are initially recognised at fair value, carry no interest and are repayable on demand.

**(m) Investment in subsidiary**

The investment in the Company's subsidiary is measured at cost less accumulated impairment.

**(n) Intercompany payables**

Related party payables are interest bearing and are carried at cost.

**(o) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

**(p) Goods and services tax (GST)**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**(q) Contract liabilities**

The entities within the economic entity adopt the income recognition approach for tuition fees and accommodation income so that income is recognised evenly over the duration of the course of study for each student as it is earned. All unearned income is recorded as a liability under 'contract liabilities'. All funds paid by overseas students are held in the operating account of the economic entity and are not held separately.

#### **3 Critical Accounting Estimates and Judgments**

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

**Kaplan Higher Education Pty Limited**  
ABN: 85 124 217 670

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2020**

#### **3 Critical Accounting Estimates and Judgments**

The significant estimates and judgements made have been described below.

##### **Key estimates - provisions**

The liability for long service leave is recognised and measured at the present value of the estimated future cashflows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account. .

##### **Impairment of non-financial assets other than goodwill and other indefinite life intangible assets**

The Company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

##### **Impairment of intangibles**

The Company determines whether intangibles are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the intangibles with indefinite useful lives are allocated.

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Notes to the Financial Statements**  
**For the Year Ended 31 December 2020**

**4 Revenue from contract with customers**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Revenue from continuing operations		
Sales revenue - Rendering of services	(a) <b>53,083,637</b>	57,353,097
Other income		
Dividend income	(b) <b>-</b>	30,000,000

**(a) Disaggregation of revenue from contracts with customers**

Revenue from contracts with customers has been disaggregated into revenue recognised over time and at a point in time and the following table shows this breakdown:

**Timing of revenue recognition**

- Over time	<b>50,217,384</b>	53,485,651
- At a point in time	<b>2,866,253</b>	3,867,446
	<b>53,083,637</b>	57,353,097

**(b) Dividend income**

No dividends were received in 2020 (2019: \$30,000,000) from the Company's subsidiary, Kaplan Business School Pty Ltd.

**5 Expenses**

The result for the year includes the following specific expenses:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Administrative expenses		
Bad and doubtful debts	<b>209,182</b>	30,187
Head office recharge	<b>268,514</b>	269,029
On-costs	<b>1,450,629</b>	955,557
Communication expense	<b>55,538</b>	93,328
Wages and salaries	<b>11,061,098</b>	7,025,427
Other expenses	<b>333,243</b>	800,985
	<b>13,378,204</b>	9,174,513

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Notes to the Financial Statements**  
**For the Year Ended 31 December 2020**

**6 Income Tax Expense**

(a) The major components of tax expense (income) comprise:

	2020	2019
	\$	\$
Current tax expense		
Current tax	4,662,528	5,649,691
Deferred tax expense		
Decrease in deferred tax balances	466,749	(520,414)
<b>Income tax expense</b>	<b>5,129,277</b>	<b>5,129,277</b>

(b) Reconciliation of income tax to accounting profit:

	2020	2019
	\$	\$
Tax at the Australian tax rate of 30% (2019: 30%)	5,069,011	16,172,619
Tax effect of:		
- entertainment	1,568	4,000
- deferred tax asset no longer brought to account	58,698	14,125
- exempt dividend income	-	(9,000,000)
	<b>5,129,277</b>	<b>7,190,744</b>

**7 Cash and Cash Equivalents**

	2020	2019
	\$	\$
Cash at bank and in hand	7,266,069	11,430,223

The cash and cash equivalents disclosed above and in the statement of cash flows include \$1,457,393 (2019: \$6,489,267) which are held by the Company. These deposits are required by the Education Regulator to be held in escrow and not accessed until the students who paid the deposits have commenced tuition and are therefore not available for general use by the Company.

**8 Trade and Other Receivables**

	2020	2019
	\$	\$
CURRENT		
Trade receivables	3,037,817	2,961,062
Provision for impairment	(291,730)	(71,546)
	<b>2,746,087</b>	<b>2,889,516</b>
Amounts receivable from related parties	96,284,973	70,719,386
Other receivables	8,253	-
Prepayments	2,210,807	3,776,628
GST and withholding tax receivable	13,235	33,211
	<b>101,263,355</b>	<b>77,418,741</b>

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Notes to the Financial Statements**  
**For the Year Ended 31 December 2020**

**9 Property, plant and equipment**

	2020	2019
	\$	\$
Office equipment		
At cost	19,070	12,604
Accumulated depreciation	(8,082)	(4,093)
	<u>10,988</u>	<u>8,511</u>
Leasehold Improvements		
At cost	1,770,068	2,169,841
Accumulated depreciation	(1,770,068)	(2,018,005)
	<u>-</u>	<u>151,836</u>
	<u>10,988</u>	<u>160,347</u>

**Movements in carrying amounts of property, plant and equipment**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Office Equipment	Leasehold Improvements	Total
	\$	\$	\$
<b>Year ended 31 December 2020</b>			
Balance at the beginning of year	8,511	151,836	160,347
Additions	6,203	-	6,203
Depreciation expense	(3,726)	(151,836)	(155,562)
	<u>10,988</u>	<u>-</u>	<u>10,988</u>

**10 Intangible Assets**

	2020	2019
	\$	\$
Computer software - at cost	846,957	565,000
Accumulated amortisation	(410,000)	(47,083)
	<u>436,957</u>	<u>517,917</u>

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Notes to the Financial Statements**  
**For the Year Ended 31 December 2020**

**10 Intangible Assets**

**Movements in carrying amounts of intangible assets**

	<b>Intangible assets</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
<b>Year ended 31 December 2020</b>		
Balance at the beginning of the year	517,917	517,917
Additions	281,957	281,957
Amortisation expense	(362,917)	(362,917)
<b>Closing value at 31 December 2020</b>	<b>436,957</b>	<b>436,957</b>

**11 Investment in subsidiary**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Investments in subsidiaries	7,944,967	7,944,967

**12 Deferred Tax (Liabilities)/Assets**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>The balances comprises temporary differences attributable to:</b>		
Employee benefits	595,166	479,103
Other accruals and provisions	(1,127,749)	(466,934)
Total deferred tax (liabilities)/assets	(532,583)	12,169
Set-off of deferred tax liabilities pursuant to set-off provisions	-	-
<b>Net deferred tax (liabilities)/assets</b>	<b>(532,583)</b>	<b>12,169</b>

	<b>Opening Balance</b>	<b>Charged to Income</b>	<b>Closing Balance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Employee benefits	579,079	(99,976)	479,103
Other accruals and provisions	(185,466)	(281,468)	(466,934)
<b>Balance at 31 December 2019</b>	<b>393,613</b>	<b>(381,444)</b>	<b>12,169</b>
Employee benefits	479,103	116,063	595,166
Other accruals and provisions	(466,934)	(660,815)	(1,127,749)
<b>Balance at 31 December 2020</b>	<b>12,169</b>	<b>(544,752)</b>	<b>(532,583)</b>

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Notes to the Financial Statements**  
**For the Year Ended 31 December 2020**

**13 Trade and other payables**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
CURRENT		
Trade payables	<b>2,715,155</b>	39,083
Amount payable to related parties	<b>29,058,224</b>	15,639,824
Sundry creditors and accruals	<b>1,233,260</b>	5,788,041
Employee benefits liability	<b>2,883,416</b>	3,605,576
	<b><u>35,890,055</u></b>	<b><u>25,072,524</u></b>

**14 Provisions**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
CURRENT		
Employee benefits	<b>1,207,592</b>	606,432
NON-CURRENT		
Employee benefits	<b>346,766</b>	829,197
Provision for dismantling and rent	<b>190,000</b>	190,000
	<b><u>536,766</u></b>	<b><u>1,019,197</u></b>

**15 Issued Capital**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
46,500,000 (2019: 46,500,000) Ordinary shares	<b>46,500,000</b>	46,500,000

**16 Retained earnings**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Retained earnings at the beginning of the financial year	<b>11,706,016</b>	(5,011,971)
Net profit for the year	<b>11,767,427</b>	46,717,987
Ordinary dividends paid	-	(30,000,000)
<b>Balance at 31 December</b>	<b><u>23,473,443</u></b>	<b><u>11,706,016</u></b>

**17 Dividends**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
The following dividends were declared and paid:		
Franked ordinary dividend of \$Nil (2019: \$0.645) per share	-	30,000,000

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Notes to the Financial Statements**  
**For the Year Ended 31 December 2020**

**18 Capital commitments**

The Company had no capital commitments at 31 December 2020 (2019: \$Nil).

**19 Financial Risk Management**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Held at amortised cost		
Cash and cash equivalents	<b>7,266,069</b>	11,430,223
Trade and other receivables	<b>101,263,355</b>	77,418,741
<b>Total financial assets</b>	<b>108,529,424</b>	88,848,964
<b>Financial liabilities</b>		
Held at amortised cost		
Financial liabilities	<b>35,890,055</b>	25,072,524
<b>Total financial liabilities</b>	<b>35,890,055</b>	25,072,524

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Company held sufficient cash to cover its needs in the short and medium term. As the Company receives the majority of payments for services in advance of performing the services, Group Treasury is confident that liquidity risk is low.

**Credit risk**

Credit risk arises from cash and cash equivalents, held-to-maturity investments, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. The Company is part of the Kaplan Group, whose ultimate parent is Graham Holdings Company (GHC).

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increase in credit risk on other financial instruments of the same borrower

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment.



**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

## **Notes to the Financial Statements**

### **For the Year Ended 31 December 2020**

#### **19 Financial Risk Management**

##### **Credit risk**

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor falling to engage in a repayment plan with the Company. The Company categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 90 days past due. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

#### **20 Key Management Personnel Remuneration**

Compensation for the key management personnel of \$Nil (2019: \$375,099) has been borne by its related party entity, Kaplan Australia Pty Ltd, for the years ending 31 December 2020 and 31 December 2019.

#### **21 Auditors' Remuneration**

The audit fees are paid by a related entity, Kaplan Australia Pty Ltd.

#### **22 Contingencies**

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2020 (31 December 2019: \$Nil).

#### **23 Interests in Subsidiaries**

Name of entity	Country of Incorporation	Percentage Owned (%)*	Percentage Owned (%)*
		2020	2019
<b>Subsidiaries:</b>			
Kaplan Business School Pty Ltd	Australia	100	100

\*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

#### **24 Related Parties**

##### **(a) The Company's main related parties are as follows:**

The immediate parent Company is Kaplan Australia Holdings Pty Ltd. The ultimate parent company is The Graham Holdings Company, a company incorporated and domiciled in the United States of America.

Subsidiaries - refer to Note 23.

##### **(b) Transactions with related parties**

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

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Notes to the Financial Statements**  
**For the Year Ended 31 December 2020**

**24 Related Parties**

**(b) Transactions with related parties**

Related party transactions include:

- Current tax payable or receivable by the Company is accounted for as an intercompany balance to Kaplan Australia Holdings Pty Ltd, as Kaplan Australia Holdings Pty Ltd records the consolidated tax payable position of the tax consolidated group. The balance owing to Kaplan Australia Holdings at 31 December 2020 in respect of consolidated tax payable has been disclosed at Note 24(c) below.
- Kaplan Higher Education Pty operates out of property leased by a related party, Kaplan Australia Pty Ltd. Amounts paid to Kaplan Australia Pty Limited during the year ended 31 December 2020 were \$2,702,446 (2019: \$2,085,258).
- Other recharges made to related entities during the year ended 31 December 2020 were \$1,485,415 (2019: \$1,260,202).

**(c) Receivables/payables to/from related parties**

	<b>Opening balance</b>	<b>Other increase/ (decrease</b>	<b>Closing balance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Loans receivable from related entities</b>			
Kaplan Australia Pty Limited	70,765,887	24,570,727	95,336,614
Other related entities	(46,501)	994,860	948,359
	<u>70,719,386</u>	<u>25,565,587</u>	<u>96,284,973</u>
<b>Loans payable to related entities</b>			
Kaplan Australia Holdings Pty Limited	14,255,230	5,649,691	19,904,921
Kaplan Business School Pty Limited	(19,896)	339,388	319,492
Kaplan Education Pty Limited	228,136	7,580,695	7,808,831
Other related entities	1,176,354	(151,374)	1,024,980
	<u>15,639,824</u>	<u>13,418,400</u>	<u>29,058,224</u>

**(d) Terms and conditions**

All transactions with related parties were made on commercial terms and conditions and at market rates.

The loans with related parties are unsecured, interest free and repayable on demand.

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

**Notes to the Financial Statements**  
**For the Year Ended 31 December 2020**

**25 Cash Flow Information**

**(a) Reconciliation of result for the year to cashflows from operating activities**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Net profit for the year	<b>11,767,427</b>	46,717,987
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	<b>366,643</b>	47,083
- dividend income	-	(30,000,000)
Changes in assets and liabilities:		
- decrease/(increase) in trade and other receivables	<b>1,720,973</b>	(1,717,735)
- decrease in deferred tax balances	<b>(520,414)</b>	381,444
- (decrease)/increase in contract liabilities	<b>(2,733,132)</b>	889,298
- (decrease)/increase in trade and other payables	<b>(2,600,869)</b>	985,812
- increase/(decrease) in provisions	<b>118,729</b>	(94,703)
Cashflows from operations	<b>8,119,357</b>	17,209,186

**(b) Non-cash financing and investing activities**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Dividends paid through issue of a promissory note	-	30,000,000

**26 Events Occurring After the Reporting Date**

In June 2021, it is expected a college school will be closing. It is not expected the closure of the college to have significant effect on the ability for Kaplan Higher Education to continue operating.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

**27 Statutory Information**

The registered office and principal place of business of the company is:  
Kaplan Higher Education Pty Limited  
Level 4, 45 Clarence Street  
Sydney NSW 2000

**Kaplan Higher Education Pty Limited**  
**ABN: 85 124 217 670**

## Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 25, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
  - b. give a true and fair view of the financial position as at 31 December 2020 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

DocuSigned by:  
  
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Director .....

Robert William Regan

Dated 28 April 2021

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF KAPLAN HIGHER EDUCATION PTY LTD

#### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Kaplan Higher Education Pty Ltd (the Company), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Kaplan Higher Education Pty Ltd, is in accordance with the *Corporations Act 2001*, including:

- (a) Giving a true and fair view of the Company's financial position as at 31 December 2020, and of its financial performance for the year then ended; and
- (b) Complying with the Australian Accounting Standards – Reduced Disclosure Requirements and *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (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.

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

## Other Information (cont'd)

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 – Reduced Disclosure Requirements 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has 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 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 the financial report.

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

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

## Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

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

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

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



PKF



MARTIN MATTHEWS  
PARTNER

28 APRIL 2021  
NEWCASTLE, NSW