Kaplan Higher Education Pty Limited

ABN: 85 124 217 670

Financial Statements

For the Year Ended 31 December 2019

Contents

For the Year Ended 31 December 2019

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Directors' Report
31 December 2019

The directors present their report on the Company for the financial year ended 31 December 2019.

Directors

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

David Jones
Patricia Vilkinas
Andrew Gonczi
Robert William Regan

The 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 the Company 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.

No significant change in the nature of these activities occurred during the year.

Operating results

The profit of the Company amounted to $46,717,987 (2018: profit of $10,385,596).

Dividends paid or recommended

Dividends paid or declared during or since the end of the financial year are as follows:

A fully franked dividend of $30,000,000 was declared on 16 December 2019 for payment through issue of a promissory note to the Company's sole shareholder, Kaplan Australia Pty Limited, for the year ended 31 December 2019.

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.

Events after the reporting date

The COVID-19 pandemic and its associated lockdown protocols has impacted the operations and trading performance of the Company. It is not possible to reliably assess the potential impacts at the present time.

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.

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Directors' Report

31 December 2019

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 2019 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:

Director: ....
Robert William Regan

Dated 25 May 2020

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 2019, 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

PKF

M Matthews

MARTIN MATTHEWS
PARTNER

25 MAY 2020
SYDNEY, NSW

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2019

	Note	2019 $	2018 $
Revenue from continuing operations	5	**57,353,097**	46,670,013
Other income	5	**30,000,000**	-
Cost of rendering services		**(20,656,583)**	(19,622,069)
Administrative expenses	6	**(9,174,513)**	(8,860,218)
Marketing expenses		**(1,479,799)**	(1,504,983)
Occupancy expenses		**(2,086,388)**	(2,263,140)
Amortisation expense		**(47,083)**	-
Profit before income tax		**53,908,731**	14,419,603
Income tax expense	7	**(7,190,744)**	(4,034,007)
Profit for the year		**46,717,987**	10,385,596
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**46,717,987**	10,385,596
Profit attributable to:			
Owners of Kaplan Higher Education Pty Ltd		**46,717,987**	10,385,596
Total comprehensive income attributable to:			
Owners of Kaplan Higher Education Pty Ltd		**46,717,987**	10,385,596

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 31 December 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	**11,430,223**	11,815,187
Trade and other receivables	9	**77,418,741**	70,134,708
TOTAL CURRENT ASSETS		**88,848,964**	81,949,895
NON-CURRENT ASSETS			
Investments in subsidiaries	12	**7,944,967**	7,944,967
Intangible assets	11	**517,917**	-
Property, plant and equipment	10	**160,347**	327,860
Deferred tax assets	13	**12,169**	393,613
TOTAL NON-CURRENT ASSETS		**8,635,400**	8,666,440
TOTAL ASSETS		**97,484,364**	90,616,335
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	**25,072,524**	35,717,077
Provisions	15	**606,432**	723,905
Deferred income		**12,580,195**	11,690,897
TOTAL CURRENT LIABILITIES		**38,259,151**	48,131,879
NON-CURRENT LIABILITIES			
Provisions	15	**1,019,197**	996,427
TOTAL NON-CURRENT LIABILITIES		**1,019,197**	996,427
TOTAL LIABILITIES		**39,278,348**	49,128,306
NET ASSETS		**58,206,016**	41,488,029
EQUITY			
Issued capital	16	**46,500,000**	46,500,000
Retained earnings/(accumulated losses)	17	**11,706,016**	(5,011,971)
TOTAL EQUITY		**58,206,016**	41,488,029

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Statement of Changes in Equity

For the Year Ended 31 December 2019

		Ordinary Shares	Retained Earnings/ (Accumulated losses)	Total
		$	$	$
Balance at 1 January 2019		**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)**
Balance at 31 December 2019		**46,500,000**	**11,706,016**	**58,206,016**
Balance at 1 January 2018		46,500,000	(16,157,921)	30,342,079
Change in accounting policy		-	760,354	760,354
Profit for the year		-	10,385,596	10,385,596
Balance at 31 December 2018	18	46,500,000	(5,011,971)	41,488,029

The accompanying notes form part of these financial statements.

Kaplan Higher Education Pty Limited
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Statement of Cash Flows
For the Year Ended 31 December 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**61,948,715**	51,867,168
Payments to suppliers and employees		**(44,739,529)**	(38,654,872)
Net cash provided by operating activities	27	**17,209,186**	13,212,296
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		**(2,224)**	(32,680)
Payments for intangibles		**(565,000)**	-
Net cash used in investing activities		**(567,224)**	(32,680)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net payments made to related entities		**(17,026,926)**	(8,010,812)
Net cash used in financing activities		**(17,026,926)**	(8,010,812)
Net (decrease)/increase in cash and cash equivalents held		**(384,964)**	5,168,804
Cash and cash equivalents at beginning of year		**11,815,187**	6,646,383
Cash and cash equivalents at end of financial year	8	**11,430,223**	11,815,187

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2019

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 25 May 2020.

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 - Reduced Disclosure Requirements 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 Change in Accounting Policy

Leases - Adoption of AASB 16

AASB 16 became mandatory for all entities commencing 1 January 2019, replacing AASB 117 Leases. On adoption of AASB 16, lease liabilities are recognised in relation to leases which had previously been classified as ‘operating leases’ under the principles of AASB 117 Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases, the carrying amount of the lease asset and lease liability are recognised immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

Financial statement impact of adoption of AASB 16

The company has assessed the impact of this standard through performing a review of contractual relationships in place and determined that there are no operating leases requiring disclosure. Kaplan Higher Education operates out of property leased by a related party, Kaplan Australia Pty Ltd.

3 Summary of Significant Accounting Policies

(a) Investment in subsidiary

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

(b) 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

3 Summary of Significant Accounting Policies

(b) Foreign currency transactions and balances

- 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.

(c) 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.

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.

(iii) Unearned revenue

Amounts invoiced and received but not yet earned are recorded as unearned income on the statement of financial position.

(d) 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.

3 Summary of Significant Accounting Policies

(d) Income Tax

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.

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.

(e) Leases

For comparative year

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

3 Summary of Significant Accounting Policies

(f) 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.

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.

3 Summary of Significant Accounting Policies

(f) Financial instruments

Financial assets

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.

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.

3 Summary of Significant Accounting Policies

(f) Financial instruments

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.

(g) 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.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(i) 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.

3 Summary of Significant Accounting Policies

(i) Property, plant and equipment

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:

Fixed asset class	Useful life
Leasehold improvements	5 to 8 years
Computer Equipment	2.5 to 3 years
Library	3 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.

(j) 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.

(k) Trade and other payables

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

(l) 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.

3 Summary of Significant Accounting Policies

(l) Provisions

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.

(m) 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.

(n) Contributed equity

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.

(o) 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.

4 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.

The significant estimates and judgements made have been described below.

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.

Notes to the Financial Statements

For the Year Ended 31 December 2019

5 Revenue from contract with customers

		2019	2018
		$	$
Revenue from continuing operations			
Sales revenue - Rendering of services	(a)	**57,353,097**	46,670,013
Other income			
Dividend income	(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	**53,485,651**	42,098,834
- At a point in time	**3,867,446**	4,571,179
	57,353,097	46,670,013

(b) Dividend income

A fully franked dividend of $30,000,000 was received on the 16 December 2019 from the Company's subsidiary, Kaplan Business School Pty Ltd. The dividend was paid through issuance of a promissory note and reduced against the intercompany loan balance.

6 Expenses

The result for the year includes the following specific expenses:

	2019	2018
	$	$
Administrative expenses		
Bad and doubtful debts	**30,187**	(120,522)
Head office recharge	**269,029**	84,301
Communication expense	**93,328**	31,461
On-costs	**955,557**	1,042,127
Wages and salaries	**7,025,427**	7,125,156
Other expenses	**800,985**	697,695
	9,174,513	8,860,218

7 Income Tax Expense

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

	2019	2018
	$	$
Current tax expense		
Current tax	**6,809,301**	3,914,223
Deferred tax expense		
Decrease/(increase) in deferred tax assets	**381,443**	119,784
Income tax expense	**7,190,744**	4,034,007

(b) Reconciliation of income tax to accounting profit:

	2019	2018
	$	$
Tax at the Australian tax rate of 30% (2018 - 30%)	**16,172,619**	4,325,881
Add/less:		
Tax effect of:		
- entertainment	**4,000**	3,199
- sundry items	**14,125**	(295,073)
- exempt dividend income	**(9,000,000)**	-
	7,190,744	4,034,007

8 Cash and Cash Equivalents

	2019	2018
	$	$
Cash at bank and in hand	**11,430,223**	11,815,187

The cash and cash equivalents disclosed above and in the statement of cash flows include $6,489,267 (2018: $8,086,466) 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.

9 Trade and Other Receivables

	2019	2018
	$	$
CURRENT		
Trade receivables	**2,961,062**	1,821,370
Provision for impairment	**(71,546)**	(36,884)
	2,889,516	1,784,486
Amounts receivable from related parties	**70,719,386**	65,153,087
Other receivables	**-**	(111,550)
Goods and withholding tax receivable	**33,211**	6,950
Prepayments	**3,776,628**	3,301,735
	77,418,741	70,134,708

Notes to the Financial Statements

For the Year Ended 31 December 2019

10 Property, plant and equipment

	2019 $	2018 $
Office equipment		
At cost	**12,604**	10,380
Accumulated depreciation	**(4,093)**	(1,081)
	8,511	9,299
Leasehold Improvements		
At cost	**2,169,841**	2,169,841
Accumulated depreciation	**(2,018,005)**	(1,851,280)
	151,836	318,561
	160,347	327,860

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 $
Year ended 31 December 2019			
Balance at the beginning of year	9,299	318,561	327,860
Additions	2,224	-	2,224
Depreciation expense	(3,012)	(166,725)	(169,737)
Balance at the end of the year	8,511	151,836	160,347

11 Intangible Assets

	2019 $	2018 $
Computer software - at cost	**565,000**	-
Accumulated amortisation	**(47,083)**	-
	517,917	-

Movements in carrying amounts of intangible assets

	Intangible assets $	Total $
Year ended 31 December 2019		
Balance at the beginning of the year	-	-
Additions	565,000	565,000
Amortisation expense	(47,083)	(47,083)
Closing value at 31 December 2019	517,917	517,917

Notes to the Financial Statements

For the Year Ended 31 December 2019

12 Investment in subsidiary

		2019	2018
		$	$
CURRENT			
Investments in subsidiaries	25	**7,944,967**	7,944,967

13 Deferred tax assets

	2019	2018
	$	$
The balances comprises temporary differences attributable to:		
Employee benefits	**479,103**	579,079
Other	**(466,934)**	(185,466)
	12,169	393,613
Total deferred tax assets	**12,169**	393,613
Set-off of deferred tax liabilities pursuant to set-off provisions	**-**	-
Net deferred tax assets	**12,169**	393,613

	Opening Balance	Charged to Income	Closing Balance
	$	$	$
Employee benefits	513,397	65,682	579,079
Other	-	(185,466)	(185,466)
Balance at 31 December 2018	513,397	(119,784)	393,613
Employee benefits	**579,079**	**(99,976)**	**479,103**
Other	**(185,466)**	**(281,468)**	**(466,934)**
Balance at 31 December 2019	**393,613**	**(381,444)**	**12,169**

14 Trade and other payables

	2019	2018
	$	$
CURRENT		
Trade payables	**39,083**	(17,248)
Amount payable to related parties	**15,639,824**	27,270,188
Sundry creditors and accruals	**5,788,041**	4,647,468
Employee benefits liability	**3,605,576**	3,816,669
	25,072,524	35,717,077

15 Provisions

	2019	2018
	$	$
CURRENT		
Employee benefits	**606,432**	420,749
Provision for dismantling and rent	**-**	303,156
	606,432	723,905
NON-CURRENT		
Employee benefits	**829,197**	806,427
Provision for dismantling and rent	**190,000**	190,000
	1,019,197	996,427

Movement in carrying amounts - provision for dismantling and rent

Movement in each class of provision during the financial year, other than employee benefits, are set out below:

	Provision for dismantling and rent	Total
	$	$
Opening balance at 1 January 2019	**493,156**	**493,156**
Provisions reversed	**(303,156)**	**(303,156)**
	190,000	**190,000**

16 Issued Capital

	2019	2018
	$	$
46,500,000 (2018: 46,500,000) Ordinary shares	**46,500,000**	46,500,000

17 Retained earnings / (Accumulated losses)

	2019	2018
	$	$
Opening balance at 1 January	**(5,011,971)**	(16,157,921)
Net profit for the year	**46,717,987**	10,385,596
Adoption of new accounting standard	**-**	760,354
Dividends paid	**(30,000,000)**	-
Balance at 31 December	**11,706,016**	(5,011,971)

Notes to the Financial Statements

For the Year Ended 31 December 2019

18 Dividends

	2019	2018
	$	$
The following dividends were declared and paid:		
Franked ordinary dividend of 64.52 cents (2018: nil) per share	**30,000,000**	-

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

Dividends were paid through issue of a promissory note to the Company's sole shareholder, Kaplan Australia Pty Limited.

19 Commitments

(a) Operating Leases

	2019	2018
	$	$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	-	918,168
- between one year and five years	-	854,184
	-	1,772,352

All operating lease commitments have been recorded in the financials statements of Kaplan Australia Pty Limited from 1 January 2019, as it has been assessed by management that the contractual obligation for the lease agreement exists with Kaplan Australia Pty Limited.

(b) Capital commitments

The Company had no capital commitments at 31 December 2019 (2018: $nil).

20 Financial Risk Management

	2019	2018
	$	$
Financial assets		
Held at amortised cost		
Cash and cash equivalents	**11,430,223**	11,815,187
Trade and other receivables	**77,418,741**	70,134,708
Total financial assets	**88,848,964**	81,949,895
Financial liabilities		
Held at amortised cost		
Trade and other payables	**25,072,524**	35,717,077
Total financial liabilities	**25,072,524**	35,717,077

Notes to the Financial Statements

For the Year Ended 31 December 2019

20 Financial Risk Management

Market risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the company's functional currency. The Company operates within Australia only, but accepts payment for services from sources outside of Australia. With the exception of management services provided from related entities, all payments received and amounts paid are denominated in Australian dollars which reduces this risk significantly.

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 (GHCo).

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 meets 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.

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.

21 Key Management Personnel Remuneration

Compensation for the key management personnel of $375,099 (2018:$383,442) has been borne by its related party entities Kaplan Australia Pty Ltd and Kaplan International English (Australia) Pty Ltd for the year ending 31 December 2019 and 31 December 2018.

22 Auditors' Remuneration

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

23 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2019 (31 December 2018: nil).

24 Deed of Cross-Guarantee

Kaplan Australia Holdings Pty Ltd and the group entered into a Deed of Cross Guarantee on 21 September 2006. Entities included in this Deed of Guarantee at that time were Kaplan Australia Holdings Pty Ltd, Kaplan Australia Pty Ltd, Tribeca Learning Pty Ltd and Kaplan Education Pty Ltd.

On 11 November 2008 Kaplan Higher Education Pty Ltd and Kaplan Business School Pty Ltd entered into the Deed of Cross Guarantee, via an Assumption Deed.

On 29 August 2018 the deed of Cross Guarantee entered into on 21 September 2006 and the assumption deed entered into on 11 November 2008 were revoked via a Deed of Revocation.

Kaplan Australia Holdings Pty Ltd and the group entered into a Deed of Cross Guarantee on 29 August 2018. Entities included in this Deed of Guarantee at that time were Kaplan Australia Pty Ltd, Tribeca Learning Pty Ltd, Kaplan Education Pty Ltd, Kaplan Higher Education Pty Ltd, Kaplan Business School Pty Ltd, Kaplan Carrick Pty Ltd, Kaplan International (Melbourne & Adelaide) Pty Ltd and Red Marker Pty Ltd.

On 23 January 2019 this Deed of Cross Guarantee was revoked.

25 Interests in Subsidiaries

Name of entity	Country of Incorporation	Percentage Owned (%)* 2019	Percentage Owned (%)* 2018
Subsidiaries:			
Kaplan Business School Pty Ltd	Australia	**100**	100

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

26 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 25.

26 Related Parties

(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.

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 2019 in respect of consolidated tax payable has been disclosed at Note 26(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 2019 were $1,731,784 (2018: $1,844,656).
- Other recharges made to related entities during the year ended 31 December 2019 were $24,270 (2018: $7,898).

(c) Receivables/payables to/from related parties

	Opening balance	Dividends paid/ received	Other increase/ (decrease	Closing balance
	$	$	$	$
Loans receivable from related entities				
Kaplan Australia Pty Limited	63,027,808	(30,000,000)	37,738,079	70,765,887
Other related entities	2,125,279	-	(2,171,780)	(46,501)
	65,153,087	(30,000,000)	35,566,299	70,719,386
Loans payable to related entities				
Kaplan Australia Holdings Pty Limited	7,445,930	-	6,809,300	14,255,230
Kaplan Business School Pty Limited	12,777,147	(30,000,000)	17,202,957	(19,896)
Kaplan Education Pty Limited	3,008,231	-	(2,780,095)	228,136
Other related entities	4,038,880	-	(2,862,526)	1,176,354
	27,270,188	(30,000,000)	18,369,636	15,639,824

(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.

27 Cash Flow Information

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

	2019	2018
	$	$
Net profit for the year	**46,717,987**	10,385,596
Cash flows excluded from profit attributable to operating activities		
- adoption of new accounting standard	**-**	760,354
Non-cash flows in profit:		
- amortisation	**47,083**	-
- dividend income	**(30,000,000)**	-
Changes in assets and liabilities:		
- increase in trade and other receivables	**(1,717,735)**	(3,979,745)
- decrease in deferred tax asset	**381,444**	119,784
- (decrease)/increase in trade and other payables	**985,812**	4,385,972
- increase in deferred income	**889,298**	1,458,397
- (decrease)/increase in provisions	**(94,703)**	81,938
Cashflows from operations	**17,209,186**	13,212,296

(b) Non-cash financing and investing activities

	2019	2018
Dividends paid through issue of a promissory note	**30,000,000**	-

28 Events Occurring After the Reporting Date

The COVID-19 pandemic and its associated lockdown protocols has impacted the operations and trading performance of the Company. It is not possible to reliably assess the potential impacts at the present time.

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.

29 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

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 26, 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 2019 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.

Director ....

Robert William Regan

Dated 25 May 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KAPLAN HIGHER EDUCATION PTY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kaplan Higher Education Pty Limited (the Company) and its subsidiaries (the Company), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its financial performance for the year ended; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements 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 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* (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.

Emphasis of Matter – Uncertainty Related to Effects of Events Occurring After the Reporting Date

We draw attention to Note 28 to the financial report, which discloses uncertainty arising from the COVID-19 global pandemic and the potential impact on the organisation's future operations. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019 but does not include the financial report and our auditor's report thereon.

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

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Other Information (cont'd)

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 on the other information obtained prior to the date of this auditor's report, 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 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 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 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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

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

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

PKF

PKF

MMatthews

MARTIN MATTHEWS
PARTNER

25 MAY 2020
SYDNEY, NSW