# Sophia Mundi Limited

## ACN 006 411 016

## Special purpose financial report for the financial year ended 31 December 2022

# Special purpose financial statements for the year ended 31 December 2022

# Directors' report

The Directors of Sophia Mundi Limited submit herewith the annual report of the company for the financial year ended 31 December 2022.

### Information about the Directors

The names, qualifications and experience of the Directors of the company during or since the end of the financial year are as follows:

| | |
|---|---|
| Name: | Hicks, Damien |
| Date of Birth: | 20/11/1971 |
| Qualifications: | PhD, Master of Science, Bachelor of Science |
| Experience: | |

| | |
|---|---|
| Name: | Arcella, Michael |
| Date of Birth: | |
| Qualifications: | PhD, Grad Dip Business, Bachelor of Legal Studies |
| Experience: | |

| | |
|---|---|
| Name: | Nekvapil, Cheryl |
| Date of Birth: | 01/11/1951 |
| Qualifications: | Bachelor of Applied Science (Physiotherapy), Grad Dip Theology |
| Experience: | Board Member, Education Facilitator, Congregational Minister |

| | |
|---|---|
| Name: | Simpson, David (Appointed 02/08/2022) |
| Date of Birth: | 07/02/1981 |
| Qualifications: | Master of Education; Grad Dip Education; Bachelor of Science |
| Experience: | |

| | |
|---|---|
| Name: | Zamani, Fereshteh (Appointed 02/08/2022) |
| Date of Birth: | 30/07/1981 |
| Qualifications: | Master of Applied Science; Bachelor of Engineering |
| Experience | Managing Consultant Cybersecurity |

The above-named Directors held office during the whole financial year and since the end of the financial year unless otherwise stated.

### Directors' meetings

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director.

| | Board of Directors Meetings | | Finance Committee Meetings | |
|---|---|---|---|---|
| **Directors** | **Eligible to attend** | **Attended** | **Eligible to attend** | **Attended** |
| Hicks, Damien | 8 | 8 | 8 | 8 |
| Arcella, Michael | 8 | 7 | 8 | 7 |
| Nekvapil, Cheryl | 8 | 8 | 8 | 8 |
| Simpson, David | 3 | 3 | 3 | 3 |
| Zamani, Fereshteh | 3 | 3 | 3 | 3 |

## Mission

Sophia Mundi Limited, operating as the **Sophia Mundi Steiner School**, is committed to a human-centered form of education. To this end we strive:

- To allow children to experience the joys and mysteries of childhood fully. This avoids a premature hastening towards adult consciousness and experience, taking time to do things well.
- To awaken the children's thinking and imagination. Students are encouraged to find beauty and wonder in the world. Creative thinking in the sciences and humanities is enlivened by an artistic way of working and a focus on observation.
- To educate the whole human being through the harmonious working of not only the head, but also the heart and hands. The students' capacity for clear thinking is stimulated, their life of feelings is broadened and enriched and united with their sense for doing good in the world.
- To educate the child as a being of body, soul, and spirit. This is not a religious education, but neither does it espouse merely materialistic values. Education of the soul and spirit takes place through the uplifting power of beauty and the imagination and out of the content of the curriculum.
- To educate individuals who can meet the future out of a sense of inner freedom and purpose. The aim of the journey at Sophia Mundi is the formation of young adults who can think, judge and act freely and responsibly through their strength of individuality.
- To provide our students with the knowledge, skills and means to work competently in the world promotes excellence in learning and academic achievement by means of inquiry and critical thinking and by creating a desire for lifelong learning.

The strategy for achieving these objectives is the implementation and adherence to the School Development Plan.

## Principal activities

The principal activity of the company during the year was the provision of educational activities. No significant change in these activities occurred during the financial year.

## Review of operations

The surplus for the financial year was $4,817 (2021: $59,810). The smaller surplus resulted predominantly from an increase in property maintenance and one-off system setup costs; the directors expect the school to maintain a surplus for FY 2023. Revenue was derived from fees, donations and government grants which the school was eligible to receive. Those grants were applied accordingly. The school is exempt from paying income tax.

## Changes in state of affairs

There was no significant change in the state of affairs of the company during the financial year.

## Subsequent events

During the year the company signed a contract to purchase a commercial property in Johnston St Abbotsford for future development. A deposit was paid in December with final settlement in January 2023. The purchase was funded by a combination of cash and borrowings. Other than this there have not been any other matters or circumstances occurring subsequent to the end of the financial year that have significantly affected, or may 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

Disclosures of other information regarding likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

## Environmental regulations

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of any State or Territory.

## Dividends

The company is a company limited by guarantee. It does not have any share capital. The company has not issued debentures. The directors of the company are precluded by the company's constitution from recommending payment of any dividend.

## Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above) and all executive officers of the company against a liability incurred as such a director or secretary to the extent permitted by the Australian Charities and Not-for-profits Commission Act 2012. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

During or since the end of the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

## Proceedings on behalf of the company

No person has applied for leave of Court 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. The company was not a party to any such proceedings during the financial year.

## Members' guarantee

The school is a company limited by guarantee and does not have share capital. The contribution of each member to its debts and liabilities in the event of a winding up is restricted to an amount not exceeding **$20** (2021: $20). There were 10 members as at 31 December 2022 (2021: 10).

## Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the annual report.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.60.15 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

On behalf of the Directors

DAMIAN HICKS 19/5/23

Director

Melbourne

# SOPHIA MUNDI LIMITED
# AUDITOR'S INDEPENDENCE DECLARATION

**UNDER SECTION 60.40 OF THE AUSTRALIAN CHARITIES AND NONT-FOR-PROFITS COMMISSION ACT 2012**

I declare that, to the best of my knowledge and belief, during the year ended 31st December 2022 there has been:

(i) no contraventions of the auditor's independence requirements as set out in the Australian Charitites and Not-for-Profit Commission Act 2012 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Ryan Mizael
Dated this 21st Day of June 2023

# Independent Auditor's Report
# To the Members of Sophia Mundi Limited

## Opinion

We have audited the financial report of Sophia Mundi Limited ("the Entity"), which comprises the statement of financial position as at 31 December 2022, statement of 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 declaration by those charged with governance.

In our opinion, the accompanying financial report of the Entity is in accordance with Division 60 the Australian Charities and Not-for-profits Commission Act 2012, including:

a) giving a true and fair view of the Entity's Statement of Financial Position as at 31 December 2022 and of its Statement of Comprehensive Income and Statement of Cash Flows for the year then ended; and

b) complying with Australian Accounting Standards to the extent described in Note 1 and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

## 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 Entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

## Information Other than the Financial Report and Auditor's Report Thereon

The responsible entities are responsible for the other information. The other information comprises the information included in the registered entity's annual report for the year ended 31 December 2022 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Financial Report**

The management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the ACNC Act, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the registered entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible entities either intends to liquidate the registered entity or to cease operations, or has no realistic alternative but to do so.

The management is responsible for overseeing the registered entity's financial reporting process.

**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 this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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

- Conclude on the appropriateness of the management's 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

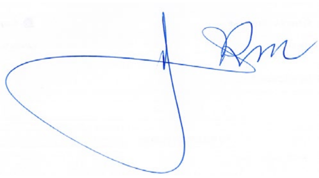
- Evaluate the overall presentation, structure, and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

**Independence**

We confirm that the independence declaration required by the ACNC Act, which has been given to the responsible entities of Sophia Mundi Limited, would be in the same terms if given to the responsible entities as at the time of this auditor's report.

**Mizael Auditors Pty Ltd**



**Ryan Mizael, CA**
Director

Dated 21st June 2023

# Directors' declaration

As detailed in Note 3 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial statements who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the *Australian Charities and Not-For-Profit Commissions Act 2012.*

The Directors declare that:

(a) 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; and

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Australian Charities and Not-For-Profit Commissions Act 2012*, including compliance with the financial reporting requirements as disclosed in Note 3 and giving a true and fair view of the financial position and performance of the company.

Signed in accordance with a resolution of the Directors made pursuant to s.60.15 of the *Australian Charities and Not-For-Profits Commission Regulation 2013.*

On behalf of the Directors

DAMIEN HICKS 19/5/23

Director

Melbourne

# Statement of profit or loss and other comprehensive income for the year ended 31 December 2022

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | 5,090,727 | 5,029,033 |
| Employee benefits expenses | 5 | (3,742,875) | (3,812,940) |
| Depreciation and amortisation expense | 5 | (501,824) | (499,010) |
| Education expenses | | (320,068) | (245,688) |
| Operational expenses | | (491,759) | (372,470) |
| Finance costs | | (29,384) | (39,115) |
| Surplus before tax | | 4,817 | 59,810 |
| Income tax expense | 3(d) | - | - |
| **Surplus for the year** | | 4,817 | 59,810 |
| | | | |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income for the year** | | 4,817 | 59,810 |

The accompanying notes form part of these financial statements.

# Statement of financial position at 31 December 2022

| | Notes | 2022 $ | 2021 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 13(a) | 1,867,964 | 1,995,194 |
| Trade and other receivables | 6 | 762,855 | 677,270 |
| Other assets | 7 | 36,214 | 33,958 |
| **Total current assets** | | 2,667,033 | 2,706,422 |
| **Non-current assets** | | | |
| Trade and other receivables | 6 | 11,048 | - |
| Right of use asset | 8 | 683,391 | 956,747 |
| Property, plant and equipment | 9 | 1,283,769 | 1,207,322 |
| **Total non-current assets** | | 1,978,208 | 2,164,069 |
| **Total assets** | | 4,645,241 | 4,870,491 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 812,513 | 712,191 |
| Borrowings | 11 | 300,914 | 286,424 |
| Provisions | 12 | 242,920 | 299,999 |
| **Total current liabilities** | | 1,356,347 | 1,298,614 |
| **Non-current liabilities** | | | |
| Trade and other payables | 10 | - | - |
| Borrowings | 11 | 384,543 | 685,457 |
| Provisions | 12 | 85,109 | 69,189 |
| **Total non-current liabilities** | | 469,652 | 754,646 |
| **Total liabilities** | | 1,825,999 | 2,053,260 |
| **Net assets** | | 2,819,242 | 2,817,231 |
| **Equity** | | | |
| Accumulated funds | | 2,819,242 | 2,817,231 |
| **Total equity** | | 2,819,242 | 2,817,231 |

The accompanying notes form part of these financial statements.

# Statement of changes in equity for the year ended 31 December 2022

| | Accumulated funds $ | Total $ |
|---|---|---|
| Balance at 1 January 2021 | 2,757,421 | 2,757,421 |
| Surplus for the year | 59,810 | 59,810 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 59,810 | 59,810 |
| **Balance at 31 December 2021** | 2,817,231 | 2,817,231 |
| | | |
| Surplus for the year | 4,817 | 4,817 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 4,817 | 4,817 |
| Adjustment | (2,806) | (2,806) |
| **Balance at 31 December 2022** | 2,819,242 | 2,819,242 |

The accompanying notes form part of these financial statements.

# Statement of cash flows for the year ended 31 December 2022

| | Note | 2022 $ | 2021 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from parents, grants and donations received | | 4,598,148 | 5,005,115 |
| Payments to suppliers and employees | | (4,414,235) | (4,551,720) |
| Interest received | | 23,156 | - |
| Interest paid | | (29,384) | - |
| Net cash generated by operating activities | 13(b) | 177,685 | 453,395 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (304,915) | (29,268) |
| Net cash (used) / generated by investing activities | | (304,915) | (29,268) |
| **Cash flows from financing activities** | | | |
| (Repayments) / Proceeds from borrowings | | - | (39,115) |
| **Cash flows (used in) generated by financing activities** | | - | (39,115) |
| **Net (decrease) / increase in cash and cash equivalents** | | (127,230) | 385,012 |
| **Cash and cash equivalents at the beginning of the year** | | 1,995,194 | 1,610,182 |
| **Cash and cash equivalents at the end of the year** | 13(a) | 1,867,964 | 1,995,194 |

The accompanying notes form part of these financial statements.

## 1. General information

Sophia Mundi Limited is a company limited by guarantee that is incorporated and domiciled in Australia. The address of its registered office and its principal place of business is as follows:

St Mary's Campus
Abbotsford Convent
1 St Heliers Street
ABBOTSFORD VIC 3067

## 2. Adoption of new and revised Accounting Standards

### 2.1 New and amended Accounting Standards that are effective for the current year

The School has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2021.

| Reference | Title | Application |
|---|---|---|
| AASB 2020-8 | *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* | 1 January 2021 |

The application of these amendments did not have any material impact on the disclosures, or the amounts recognised in the entity's financial statements.

### 2.2 New and revised Australian Accounting Standards on issue but not yet effective.

At the date of authorisation of the financial statements, the School has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| *AASB 1060 – General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 entities* | 1 January 2022 | 31 December 2022 |
| *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date.* | 1 January 2022 | 31 December 2022 |
| *AASB 2020-3 Amendments to Australian accounting Standards – Annual Improvements 2018-2020 and Other Amendments* | 1 January 2022 | 31 December 2022 |
| *AASB 2020-9 - Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments* | 1 January 2022 | 31 December 2022 |
| *AASB 2021-2 - Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* | 1 January 2023 | 31 December 2023 |
| *AASB 2021-6 - Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* | 1 January 2023 | 31 December 2023 |

The Directors and management are in the process of initiating a project to review and assess the impact of the adoption of the standards and interpretations listed above on the financial statements of the School. This project will be completed prior to the next reporting date.

## 3. Significant accounting policies

**Financial reporting framework**
The company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial statements who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the *Australian Charities and Not-for-profits Commission Act 2012.*

For the purpose of preparing the financial statements, the Company is a not-for-profit entity.

**Statement of compliance**
The financial statements have been prepared in accordance with the Australian Charities and Not-for-profits Commission Act 2012, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1031 'Materiality', and AASB 1054 'Australian Additional Disclosures'.

**Basis of preparation**
The financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

**Critical accounting judgements and key sources of estimation uncertainty**
In the application of the company's accounting policies, which are described below, the directors are required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Details of estimates and judgements made include the allowance for doubtful debts, depreciation rates and the long service leave provision.

**Going concern**
The financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The working capital position as at 31 December 2022 for the company results in a surplus of net current assets of $1,994,077 (2021: surplus of $2,364,556). The company will receive large cash injections in January 2023 from payment of tuition fees and annual government grants.

On the basis of the matters discussed above, the directors believe that the going concern basis of preparation is appropriate.

## 3. Significant accounting policies (cont'd)

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

### (a) Revenue recognition

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Tuition fees*
Revenue is recognised as it becomes due and receivable in accordance with the provision of services.

*Interest*
Revenue is recognised as the 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 instrument) to the net carrying amount of the financial asset.

*Donations*
Donations are recognised as revenue when received.

*Government grants*
Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

### (b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### (d) Income tax

Sophia Mundi Limited is exempt from income tax.

## 3. Significant accounting policies (cont'd)

### (e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. 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.

### (f) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Overheads are applied on the basis of normal operating capacity.

### (g) Financial instruments

**Recognition and Derecognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

**Classification of Financial assets**

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

## 3. Significant accounting policies (cont'd)

### (g) Financial instruments (cont'd)

Despite the foregoing, the entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The entity may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

**Initial measurement of financial assets**

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs.

**Subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI
- Financial assets at FVTPL

**(i) Amortised cost and effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

**(ii) Debt instruments at fair value through other comprehensive income (Debt FVTOCI)**

Debt FVTOCI initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss.

**(iii) Equity instruments at fair value through other comprehensive income (Equity FVTOCI)**

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

**(iv) Financial assets at fair value through profit or loss (FVTPL)**

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line.

**Impairment of financial assets**

The entity recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

## 3. Significant accounting policies (cont'd)

### (g) Financial instruments (cont'd)

**Trade and other receivables and contract assets**

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Non-current trade receivables
Non-current trade receivables are recognised as being recoverable over a period greater than 12 months and are based on an agreement between the company and the parent to defer the balance until such time as the student completes their schooling. Upon completion or departure from the company the entire balance then becomes due and payable (current trade receivables).

**Financial liabilities and Equity**

**Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the entity's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the entity's own equity instruments.

**Financial liabilities**

**Financial liabilities at FVTPL**

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

**Financial liabilities measured subsequently at amortised cost**

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**Financial guarantee contract liabilities**

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with AASB 9 (see financial assets above)
- The amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

## 3. Significant accounting policies (cont'd)

### (h) Impairment of non-financial assets other than goodwill

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. As the future economic benefits of the School's assets are not primarily dependent on their ability to generate net cash inflows, and if deprived of the asset, the company would replace the asset's remaining future economic benefits, 'value in use' is determined as the depreciated replacement cost of the asset, rather than by using discounted future cash flows.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (i) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

| **Class of fixed asset** | **Useful life** |
|---|---|
| Buildings and Improvements | 10 to 40 years |
| Plant and equipment | 3 to 10 years |
| Motor vehicles | 4 years |

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year the item is derecognised.

## 3. Significant accounting policies (cont'd)

### (j) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### (k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

### (l) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

Contributions are made by the company to an employee superannuation fund and are charged as expensed when incurred.

### (m) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current period.

## 3. Significant accounting policies (cont'd)

### (n) Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options.
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.
- The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.
The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in statement of financial position.

The Company applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

| | 2022 $ | 2021 $ |
|---|---|---|
| **4. Revenue** | | |
| **Operating activities** | | |
| Tuition Fees | 2,267,334 | 2,620,680 |
| Levies | 649,575 | 665,885 |
| Less Discounts and Allowances | (419,209) | (376,608) |
| | 2,497,700 | 2,909,957 |
| Government Recurrent Grants | 2,420,492 | 1,934,345 |
| | 4,918,192 | 4,844,302 |
| **Non-operating activities** | | |
| Government Capital Grants | - | - |
| Donations | 49,607 | 23,920 |
| Interest income | 23,156 | 3,711 |
| Other income | 99,772 | 157,100 |
| | 5,090,727 | 5,029,033 |

## 5. Surplus for the year

Surplus for the year has been arrived at after charging the following items of expense:

| | 2022 $ | 2021 $ |
|---|---|---|
| *Depreciation of non-current assets:* | | |
| - Right of Use Assets | 273,356 | 273,356 |
| - Leasehold buildings and improvements | 216,712 | 218,313 |
| - Plant and equipment | 11,757 | 7,341 |
| | 501,825 | 499,010 |
| Bad and doubtful debts | 46,467 | 19,836 |
| *Employee benefits:* | | |
| - Wages and Salaries | 3,364,717 | 3,282,511 |
| - Superannuation | 339,104 | 340,327 |
| - Other | 39,054 | - |
| | 3,742,875 | 3,622,838 |

| | 2022<br>$ | 2021<br>$ |
|---|---|---|
| **6. Trade and other receivables** | | |
| Current | | |
| Trade receivables | 729,910 | 750,596 |
| Allowance for doubtful debts | - | (100,000) |
| | 729,910 | 650,596 |
| Other receivables | 32,945 | 26,674 |
| | 762,855 | 677,270 |
| Non-current | | |
| Trade receivables | 111,048 | - |
| Allowance for doubtful debts | (100,000) | - |
| | 11,048 | - |
| Other receivables | - | - |
| | 11,048 | - |
| Trade and other receivables | 773,903 | 677,270 |

**7. Other assets**

| | | |
|---|---|---|
| Prepayments | 36,214 | 33,958 |
| | 36,214 | 33,958 |

**8. Right of use assets**

| | | |
|---|---|---|
| Right of use asset – at cost | 1,503,459 | 1,503,459 |
| Right of use asset – accumulated amortisation | (820,068) | (546,712) |
| | 683,391 | 956,747 |

## 9. Property, plant and equipment

| | 2022 $ | 2021 $ |
|---|---|---|
| **Land & Buildings** | | |
| Cost | - | - |
| Accumulated Depreciation | - | - |
| Net book value | - | - |
| **Leasehold Improvements** | | |
| Cost | 3,719,168 | 3,711,727 |
| Accumulated Depreciation | (2,758,371) | (2,541,659) |
| Net book value | 960,797 | 1,170,068 |
| **Plant & Equipment** | | |
| Cost | 228,552 | 196,078 |
| Accumulated Depreciation | (170,580) | (158,824) |
| Net book value | 57,972 | 37,254 |
| **Capital work in progress** | | |
| Capital Purchase Clearing | 265,000 | - |
| Net book value | 265,000 | - |
| **Total** | | |
| Cost | 4,212,720 | 3,907,805 |
| Accumulated Depreciation | (2,928,951) | (2,700,483) |
| Net book value | 1,283,769 | 1,207,322 |

**Property, plant and equipment pledged as security for liabilities**

There are no assets pledged as security for any liabilities.

| | 2022 $ | 2021 $ |
|---|---|---|
| **10. Trade and other payables** | | |
| Current | | |
| Trade payables & accruals | 86,600 | 12,549 |
| Tuition fees received in advance | 281,877 | 608,200 |
| Sundry payables | 444,036 | 91,442 |
| Enrolment deposits | - | - |
| | 812,513 | 712,191 |
| Non-current | | |
| | - | - |
| **11. Borrowings** | | |
| Current | | |
| Bank Loans | - | - |
| Lease Liability | 300,914 | 286,424 |
| Non-current | | |
| Bank Loans | - | - |
| Lease Liability | 384,543 | 685,457 |
| | 685,457 | 971,881 |
| **12. Provisions** | | |
| Current | | |
| Annual leave | 51,702 | 58,435 |
| Long service leave | 191,218 | 241,564 |
| | 249,920 | 299,999 |
| Non-current | | |
| Long service leave | 85,109 | 69,189 |

## 13. Cash and cash equivalents

### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | 2022 $ | 2021 $ |
|---|---|---|
| Cash on hand | - | - |
| Cash at bank | 1,867,964 | 1,995,194 |
| | 1,867,964 | 1,995,194 |

### (b) Reconciliation of surplus for the year to net cash flows from operating activities

| | 2022 $ | 2021 $ |
|---|---|---|
| Surplus for the year | 4,817 | 59,810 |
| Depreciation of non-current assets | 501,824 | 499,010 |
| Bad and doubtful debt expense | 46,467 | 19,836 |
| Adjustment | (2,806) | |
| **Changes in assets and liabilities:** | | |
| (Increase)/decrease in assets: | | |
| Trade and other receivables | (143,100) | 32,667 |
| Other assets | (2,256) | 77,289 |
| Increase/(decrease) in liabilities: | | |
| Trade and other payables | 100,322 | 48,458 |
| Provisions | (41,159) | (23,628) |
| Borrowings | (286,424) | (260,047) |
| Net (decrease) / increase in cash from operating activities | 177,685 | 453,395 |

### (c) Financing facilities

| | 2022 $ | 2021 $ |
|---|---|---|
| *Secured bank facility* | | |
| Amount used | - | - |
| Amount unused | 1,500,000 | - |
| | 1,500,000 | - |

| | 2022 $ | 2021 $ |
|---|---|---|
| **14. Remuneration of auditors** | | |
| Audit of the financial statements | 7,000 | 6,600 |
| | 7,000 | 6,600 |

The auditor of the School is Mizael Partners

### 15. Contingent assets and liabilities

There were no contingent assets or liabilities as at the reporting date.

### 16. Subsequent events

There have not been any other matters or circumstances occurring subsequent to the end of the financial year that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.