Studio Schools of Australia Ltd
ABN 82 637 122 644

Annual financial report
For the 18 month period ended 31 December 2022

Contents

Abbreviations

BDAC	Bunuba Dawangarri Aboriginal Corporation RNTBC
BHP	Broken Hill Proprietary Company Limited
DESE	Department of Education, Skills and Employment
GST	Goods and services tax
NIAA	National Indigenous Australians Agency
WCM	Wesley College Melbourne
YSS	Yiramalay Studio School

Statement of comprehensive income

For the 18 month period ended 31 December 2022

	Note	18 months ended 31 Dec 2022 $	12 months ended 30 Jun 2021 $
Income			
Revenue and income	7a	13,882,742	1,481,568
Other Income	7b	20,234	-
		13,902,976	1,481,568
Expenses			
Advertising and brand development		165,844	10,880
Catering and groceries		192,571	-
Depreciation		571,181	-
Employee expenses	8	2,022,839	1,796
Events and open days		79,084	-
Information technology expenses		110,726	2,232
Insurance		87,994	4,272
Legal fees		37,082	7,035
Motor vehicle expenses		427,348	-
Printing, postage and stationery		58,168	1,496
Professional fees	9	1,354,453	1,384,752
Recruitment expenses		111,746	6,581
Repairs and maintenance		317,203	-
Teaching aids and supplies		14,649	-
Telephone and internet		102,831	-
Training and professional development		17,246	208
Travel		492,770	62,294
Uniforms		27,448	-
Other expenses		25,523	60
		6,216,706	1,481,606
Results from operating activities		7,686,270	(38)
Finance income		11,750	38
Finance costs		-	-
Net finance income		11,750	38
Net surplus before tax		7,698,020	-
Income tax expense	6.5	-	-
Net surplus		7,698,020	-
Other comprehensive income		-	-
Total comprehensive income		7,698,020	-

This statement should be read in conjunction with the notes to the financial statements.

Statement of financial position

As at 31 December 2022

	Note	31 Dec 2022	30 Jun 2021
Assets			
Cash and cash equivalents	10	1,925,367	1,108,896
Trade and other receivables	11	242,787	230,009
Prepayments		131,847	1,527
Current assets		2,300,001	1,340,432
Property, plant and equipment	12	6,849,424	-
Capital work in progress	13	818,574	-
Non-current assets		7,667,998	-
Total assets		9,967,999	1,340,432
Liabilities			
Trade and other payables	14	2,267,601	1,340,432
Provisions	16	1,546	-
Current liabilities		2,269,147	1,340,432
Provisions	16	832	-
Non-current liabilities		832	-
Total liabilities		2,269,979	1,340,432
Net assets		7,698,020	-
Equity			
Retained surplus		7,698,020	-
Total equity		7,698,020	-

This statement should be read in conjunction with the notes to the financial statements.

Statement of changes in equity

For the 18 month period ended 31 December 2022

Retained surplus

	18 months ended 31 Dec 2022	12 months ended 30 Jun 2021
Balance at the beginning of the period	-	-
Total comprehensive income		
Net surplus	7,698,020	-
Total other comprehensive income	-	-
Total comprehensive income	7,698,020	-
Balance at end of period	7,698,020	-

This statement should be read in conjunction with the notes to the financial statements.

Statement of cash flows

For the 18 month period ended 31 December 2022

	Note	18 months ended 31 Dec 2022	12 months ended 30 Jun 2021
Cash flows from operating activities			
Grants and donations received		9,672,718	-
Cash receipts from customers		453,151	-
Cash paid to suppliers and employees		(6,878,733)	(887,477)
Cash generated from operating activities		3,247,136	(887,477)
Interest received		11,750	38
Net cash from/(used in) operating activities	17	3,258,886	(887,439)
Cash flows from investing activities			
Acquisition of capital work in progress	13	(818,574)	-
Acquisition of Yiramalay Studio School - consideration paid	19	(1,000,000)	-
Acquisition of property, plant and equipment	12	(658,341)	-
Proceeds from insurance claim in relation to a motor vehicle		34,500	-
Net cash from/(used in) investing activities		(2,442,415)	-
Net increase (decrease) in cash and cash equivalents		816,471	(887,439)
Cash and cash equivalents at 1 July 2021	10	1,108,896	1,996,335
Cash and cash equivalents at 31 December 2022	10	1,925,367	1,108,896

This statement should be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1 Reporting entity

Studio Schools of Australia Ltd (the "Company") is domiciled in Australia. The Company's registered office is at c/- BCA Level 42, 120 Collins St, Melbourne VIC 3000. The Company is a not-for-profit entity and is primarily involved in providing opportunity and greater access for Indigenous students across Australia to a new model of schooling for the secondary years.

In the opinion of the directors, the Company is not a reporting entity because there are no users dependent on a general purpose financial report. The financial statements of the Company have been drawn up as special purpose financial statements for distribution to the members and for the purpose of fulfilling the requirements of the *Australian Charities and Not-for-profits Commission Act 2012.*

2 Basis of accounting

Statement of compliance

The financial statements are special purpose financial statements which have been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the recognition, measurement and classification aspects of all applicable Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB"). The financial statements do not comply with International Financial Reporting Standards ("IFRSs") adopted by the International Accounting Standards Board.

The financial statements do not include the disclosure requirements of all AASBs except for the following minimum requirements:

AASB 101	*Presentation of Financial Statements*
AASB 107	*Statement of Cash Flows*
AASB 108	*Accounting Policies, Changes in Accounting Estimates and Errors*
AASB 1048	*Interpretation of Standards*
AASB 1054	*Australian Additional Disclosures*

The financial statements were authorised for issue by the Board of Directors on the date shown on the directors' declaration.

Basis of measurement

The financial statements have been prepared on the historical cost basis.

Economic dependency and going concern

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

The Company is a not-for-profit entity and is reliant on government funding in order to continue its operations. Management has no reason to believe that the required funding will not be forthcoming for the foreseeable future. However, should future government funding be significantly reduced or curtailed, the Company would be unlikely to be able to continue its operations at current levels.

3 Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

4 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 16 *Provisions*.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 19 *Acquisition of Yiramalay Studio School*

The fair value of the assets acquired and liabilities assumed have been measured on a provisional basis.

5 Changes to standards and significant accounting policies

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023, and have not been applied in preparing these financial statements. The following new standards may have an impact on the Company's financial statements, although any such impact has not yet been fully assessed.

- AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*.
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates.*

The Company does not plan to adopt these standards or amendments early.

New and amended standards adopted

The Company has adopted all the amendments to Australian Accounting Standards issued by the AASB which are relevant to, and effective for, the Company's financial statements for the annual period beginning 1 July 2021. None of the amendments have had a significant impact on the Company.

The following Accounting Standards and Interpretations are most relevant to the Company:

- The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact Software-as-a-Service (SaaS) arrangements:
  - *Customer's right to receive access to the supplier's software hosted on the cloud (March 2019)* – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term; and
  - *Configuration or customisation costs in a cloud computing arrangement (April 2021)* – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

  The new accounting policy is set out below.

The above standards and interpretations did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

5.1 Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. As such the Company does not recognise a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the Company the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

6 Significant accounting policies

Apart from the above, the accounting policies set out below have been applied consistently to all periods presented in these financial statements except if mentioned otherwise.

6.1 Revenue recognition

Revenue arises mainly from grant funding that is received through the Department of Education, Skills and Employment and the National Indigenous Australians Agency.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with the customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Company expects to be entitled to in exchange for transferring promised goods or services to a customer, net of goods and services tax, returns, rebates and discounts. The transaction price is allocated to each performance obligation on the basis of the relevant standalone selling price of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Company recognises other revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities. 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.

Boarding and tuition fees

Revenue from boarding and tuition fees is recognised as revenue in the year to which fees relate.

Donations

Donations are recognised on receipt. Where donation agreements require that funds are returned where they are unspent at the end of a specified period, a financial liability is recorded.

6.2 Grants

Grants under AASB 15

Grants (other than certain capital grants) are accounted for under AASB 15 where the grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations. As such, the revenue is recognised when each performance obligation is satisfied.

Grants under AASB 1058

Other grants, including certain capital grants, are generally accounted for under AASB 1058.

The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where:

- an asset is received in a transaction, such as by way of grant, bequest or donation;
- there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and
- the intention is to principally enable the entity to further its objectives.

Assets arising from grants in the scope of AASB 1058 are recognised at the assets' fair values when the assets are received. Any related liability or equity items associated with the asset are recognised in accordance with the relevant accounting standard. Once the asset and any related liability or equity items have been recognised, then income is recognised for any remaining asset value at the time the asset is received.

For transfers of financial assets (usually cash and/or a receivable) to the Company which enable it to acquire or construct a recognisable non-financial asset, a liability is recognised for the excess of the fair value of the transfer received over any related amounts recognised. Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB 9, or provisions in accordance with AASB 137. The liability is brought to account as income over the period in which the Company satisfies its performance obligation.

6.3 Finance income and finance costs

Finance income and finance costs include interest income, interest expense. Interest income or expense is recognised using the effective interest method.

6.4 Employee benefits

Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in income or expense in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs of restructuring. If the benefits are not expected to be settled wholly within 12 months at the end of the reporting period, then they are discounted.

6.5 Income tax

The Company has been granted exemption from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

6.6 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in income or expense.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight line basis over their estimated useful lives.

The estimated useful lives of property, plant and equipment are as follows:

• Buildings	10 years
• Computer equipment	3 years
• Office equipment and furniture and fittings	1 – 3 years
• Motor vehicles	5 years

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

6.7 Financial instruments

Recognition, initial measurement and derecognition

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset, unless it is a trade receivable without a significant financing component, or a financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards of ownership are transferred.

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expire.

Classification and subsequent measurement

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss
- equity instruments at fair value through other comprehensive income
- debt instruments at fair value through other comprehensive income

Classifications are determined by both:

- the Company's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance income, finance costs or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company has determined that all of its financial assets fall within the amortised cost category.

Financial liabilities

For the purpose of subsequent measurement, financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as fair value through profit or loss if it is held-for-trading. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company has only financial liabilities classified as measured at amortised cost.

6.8 Impairment

Non-derivative financial assets

Financial assets and contract assets

The Company uses forward looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of these requirements include loans and trade receivables.

The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial asset.

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.

The Company assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. As the Company is a not-for-profit entity, value in use is the written down current replacement cost of an asset as the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows and as the entity would, if deprived of the asset, replace its remaining future economic benefits.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in expenses.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6.9 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

6.10 Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in AASB 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following where applicable:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income if the carrying amount of the right-of-use asset has been reduced to nil.

The Company presents right-of-use assets as a separate line item and lease liabilities within "loans and borrowings" in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6.11 Share capital

The Company is a company limited by guarantee. The Company has no share capital.

6.12 Business combinations

The Company is a company limited by guarantee. The Company has no share capital.

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Company has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in income immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in income .

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in income.

7a Revenue and income

	18 months ended 31 Dec 2022 $	12 months ended 30 Jun 2021 $
Revenue from contracts with customers (AASB 15)		
Grant revenue - DESE	6,800,000	-
Grant revenue – First Languages Australia	8,422	
Grant revenue - NIAA	325,270	-
Grant balances at start of period	513,533	1,995,101
Grant balances at end of period	(656,726)	(513,533)
Boarding and tuition fees (Abstudy)	178,972	-
Reimbursements	177,721	-
	7,347,192	1,481,568
Income (AASB 1058)		
Donation – BHP	1,000,000	-
Unspent donations*	(1,000,000)	-
Grant revenue – Department of Education	694,347	-
Grant revenue – Department of Education Western Australia	64,672	-
Grant balances at start of period	-	-
Grant balances at end of period	-	-
Gain on acquisition of Yiramalay Studio School (Note 19)	5,776,531	-
	6,535,550	-
	13,882,742	1,481,568

7b Other Income

Gain on disposal of motor vehicle	20,234	-
	20,234	-

*Where donation agreements require that funds are returned where they are unspent at the end of a specified period, a financial liability has been recorded.

8 Employee expenses

	18 months ended 31 Dec 2022 $	12 months ended 30 Jun 2021 $
Wages and salaries	1,802,100	-
Superannuation expense	150,867	-
Annual leave and TOIL expense	41,720	-
Long service leave expense	1,846	-
WorkCover	26,306	1,796
	2,022,839	1,796

9 Professional fees

	18 months ended 31 Dec 2022 $	12 months ended 30 Jun 2021 $
Accounting and audit fees (refer note 18)	72,415	78,204
Business consultancy and outsourced services	857,451	-
Business model and business planning	167,889	880,753
Governance framework and school systems design	54,544	93,995
Learning framework development and review	62,671	198,240
Stakeholder engagement and site selection	139,483	133,560
	1,354,453	1,384,752

10 Cash and cash equivalents

	31 Dec 2022 $	30 Jun 2021 $
Bank balances	1,915,367	1,098,896
Term deposits	10,000	10,000
	1,925,367	1,108,896

11 Trade and other receivables

Current	31 Dec 2022 $	30 Jun 2021 $
Trade receivables	22,639	230,000
Contract assets	8,422	-
GST receivable	127,101	-
Interest receivable	1,583	9
Sundry debtors	83,042	-
	242,787	230,009

Trade receivables

During the first period of operations the Company received a grant of $2,300,000 from NIAA. At the time of receipt of this funding the Company was not registered for GST, even though it was required to be, due to the grant of $2,300,000 being above the GST registration threshold. The Company has since registered for GST and has received reimbursement of $230,000 from NIAA on the original grant received being the GST portion of this funding. This amount has also been remitted to the ATO during the period ended 31 December 2022.

Sundry debtors

During the 6 months ended 31 December 2022 the Company incurred expenditure totalling $83,042 in respect of NIAA funding received under another organisation, the Yiramalay/Wesley Studio School Scholarship Fund. This amount will be reimbursed by this Fund to the Company.

12 Property, plant and equipment

Reconciliation of carrying amount

	Buildings $	Computer equipment $	Office equipment and furniture and fittings	Motor vehicles $	Total $
Cost					
Balance at 1 July 2021	-	-	-	-	-
Acquisitions through business combination (Note 19)	6,258,096	-	307,091	211,344	6,776,531
Additions	130,147	296,350	80,770	151,074	658,341
Disposals	-	-	-	(14,955)	(14,955)
Balance at 31 December 2022	6,388,243	296,350	387,861	347,463	7,419,917
Depreciation and impairment					
Balance at 1 July 2021	-	-	-	-	-
Depreciation for the year	325,594	38,562	172,692	34,333	571,181
Disposals	-	-	-	(688)	(688)
Balance at 31 December 2022	325,594	38,562	172,692	33,645	570,493
Carrying amounts					
At 30 June 2021	-	-	-	-	-
At 31 December 2022	6,062,649	257,788	215,169	313,818	6,849,424

Buildings and improvements

Buildings and improvements at the Yiramalay Studio School are recorded in the financial statements at a carrying value as at balance date of $6,062,649 (2021: nil). The land upon which these assets are situated is currently administered by the State of Western Australia operating through the Minister for Lands and is currently leased to the local PBC, Bunuba Dawangarri Aboriginal Corporation RNTBC (BDAC). The Company has secured a sub-license with BDAC to occupy this land for 12 months from 3rd October 2022. The Company expects to lodge an application with BDAC to enter into a long- term lease agreement over the land on which the Yiramalay Studio School is situated.

The value of the buildings and improvements to the Company is dependent upon the Company's continuing tenure of the land upon which these buildings are erected.

13 Capital work in progress

	31 Dec 2022 $	30 Jun 2021 $
Capital work in progress	818,574	-

Initial capital expenditure in relation to the design of the Bandilngan Studio School and the Indigenous Education Research Centre has been recorded as work in progress at 31 December 2022.

14 Trade and other payables

	31 Dec 2022 $	30 Jun 2021 $
Trade payables	346,690	613,708
Accrued expenses	162,870	55,775
GST payable	-	157,416
PAYG Withholding	59,595	-
Annual leave liability	41,720	-
Unexpended grants (contract liability)	656,726	513,533
Unspent donations (financial liability)*	1,000,000	-
	2,267,601	1,340,432

*Where donation agreements require that funds are returned where they are unspent at the end of a specified period, a financial liability has been recorded.

15 Employee benefits

The Company makes contributions to defined contribution plans. The amount recognised as an expense was $150,867 for the 18 months ended 31 December 2022 (12 months ended 30 June 2021: Nil).

16 Provisions

	31 Dec 2022 $	30 Jun 2021 $
Current		
Long service leave	1,546	-
Non-current		
Long service leave	832	-

Long service leave

The provision for long service leave represents the Company's best estimate of the future benefit that employees have earned. The amount and timing of the associated outflows is uncertain and dependant on employees attaining the required years of services. Where the Company no longer has the ability to defer settlement of the obligation beyond 12 months from the reporting date, liabilities are presented as current. This would usually occur when employees are expected to reach the required years of service in the 12 months from reporting date.

17 Reconciliation of cash flows from operating activities

	18 months ended 31 Dec 2022 $	12 months ended 30 Jun 2021 $
Net result	7,698,020	-
Adjustments for:		
Depreciation	571,181	-
Gain on sale of property, plant and equipment	(20,234)	-
Gain on acquisition of Yiramalay Studio School	(5,776,531)	-
	2,472,436	-
Changes in:		
Trade and other receivables	(12,778)	(196,271)
Prepayments	(130,320)	(1,527)
Trade and other payables	927,169	(689,641)
Provisions	2,379	-
Net cash from (used in) operating activities	3,258,886	(887,439)

18 Auditor's remuneration

	18 months ended 31 Dec 2022 $	12 months ended 30 Jun 2021 $
Audit services		
Auditors of the Company – Grant Thornton		
Audit of financial statements – year ended 30 June 2021	-	3,500
Audit of financial statements – year ended 30 June 2022	5,500	-
Audit of financial statements – 18-month period ended 31 Dec 2022	12,000	-
	17,500	3,500
Other services		
Auditors of the Company – Grant Thornton		
In relation to other advisory services	-	490
Assistance with the preparation of the statutory financial statements and statement of grant acquittals		
- year ended 30 June 2021	-	1,500
- year ended 30 June 2022	2,000	-
- 18-month period ended 31 December 2022	3,000	-
	5,000	1,990

19 Acquisition of Yiramalay Studio School

On 1 July 2022, the Company acquired the assets and assumed the liabilities of the Yiramalay Studio School ("YSS") from Wesley College Melbourne ("WCM").

Included in the identifiable assets and liabilities acquired at the date of acquisition of YSS are inputs (a school and enrolments) and processes in relation to the delivery of education services. The Company has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Company has treated the acquired assets and liabilities assumed as an acquisition of a business under AASB 3 *Business Combinations*.

a. Consideration transferred

The consideration for transfer totalled $1,000,000 in cash and was paid in two instalments, $900,000 on 1 July 2022 and the balance of $100,000 on 2 August 2022.

b. Acquisition-related costs

The Company incurred acquisition-related costs of $31,809 on legal fees and due diligence costs. These costs have been expensed under 'legal expenses' during the period.

c. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	$
Property, plant and equipment	12	6,776,531
Total identifiable net assets acquired		6,776,531

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and current replacement cost when appropriate. Current replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Fair values measured on a provisional basis

The fair value of YSS's assets transferred have been measured provisionally, pending completion of an independent valuation. An approximation of fair value until this valuation, was taken as the written down value at the date of transfer from WCM.

If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

d. Gain on bargain purchase

The gain on bargain purchase arising from the acquisition has been recognised as follows:

	Note	$
Consideration transferred	19 (a)	1,000,000
Fair value of identifiable net assets	19 (c)	(6,776,531)
Gain on acquisition of Yiramalay Studio School	7	(5,776,531)

20 Period of account

During 2022, the Company changed its financial year end to 31 December. As a result of this change the Company has presented a financial report for the 18-month period ended 31 December 2022. The comparative figures within the financial report are the 12-month period ended 30 June 2021.

Directors' declaration

The directors of Studio Schools of Australia Ltd (the "Company") declare that in their opinion:

a the Company is not a reporting entity;

b the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

  i giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the 18 month period ended on that date; and

  ii complying with Australian Accounting Standards to the extent described in Note 2; and

c there are reasonable grounds to believe that the Company is able to pay all its debts as and when they become due and payable.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013*:

Signed in accordance with a resolution of the directors:

____
Director

9 May 2023
____
Date

Independent Auditor's Report

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To the Members of Studio Schools of Australia Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Studio Schools of Australia Ltd (the "Company"), which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 18 month period 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 Studio Schools of Australia Ltd has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

a giving a true and fair view of the Company's financial position as at 31 December 2022 and of its financial performance for the 18 month period then ended; and

b complying with Australian Accounting Standards to the extent described in Note 2 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 Company in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of matter – Basis of accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Australian Charities and Not-for-Profits Commission Act 2012*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the 18 month period 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 available at the date of this report and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the needs of the members. The directors' responsibility also includes 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.

The directors are responsible for overseeing the Company'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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Helen Wilkes

H A Wilkes
Partner – Audit & Assurance

Cairns, 9 May 2023