MACARTHUR NATIONAL LTD

Interim Financial Report

Macarthur National Ltd
ABN: 77 633 180 346

Contents

Directors' Report

Section

01

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or Macarthur) consisting of Macarthur National Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were Directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Henry Townsing
Dr. Les Fitzgerald
Dennis Wilkie

Principal activities

Macarthur is an owner, developer and operator of social infrastructure communities.

During the financial half-year, the Company continued to implement the Board's strategic plans to expand its businesses with the aim to grow the Company's value for the benefit of shareholders. The strategic plans included new investments in two identified social infrastructure sectors being Early Learning Education and Childcare ('ELC') and Retirement Lifestyle Living ('RLL'). To this end, Macarthur, in accordance with shareholder approvals has at the date of this report acquired:

a) 8 ELC businesses in Victoria, trading under the 'Montessori Beginnings' brand which Macarthur currently owns and operates
b) 3 properties from which Macarthur operates Montessori Beginnings ELCs;
c) a partial interest in 2 ELC properties;
d) a RLL business operating under the brand 'Zest Living' which owns and is developing a 155 home RLL community at Yarrawonga, Victoria; and
e) the Company's head office located in Southbank, Melbourne.

The establishment of the core Montessori Beginnings ELC and Zest Living businesses provide the platform from which Macarthur intends to continue to build out its footprint in each social infrastructure sector. The initial expansion in each sector will be achieved under Macarthur's own, develop, and operate strategy including;

a) 3 ELC sites located in Victoria which Macarthur will develop and from which Montessori Beginnings ELC's will operate once building works are complete; and
b) a RLL development site in Fyansford subject to permits being attained.

To support the build out of Montessori Beginnings' ELC business, the Company has entered into a partnership for the capital-intensive real estate component associated with the long-term ownership of ELC properties operated by Montessori Beginnings with Eildon Capital Group, an ASX listed real estate investment and funds management business. The Directors are of the belief that this partnership will provide the capital required to be invested to grow the MNL Property Trust which in turn supports the growth of Montessori Beginnings under the Company's own, develop, and operate strategy.

Review of operations

Macarthur completed the acquisition of 8 Montessori Beginnings ELC businesses and the 3 properties from which Montessori Beginnings ELC operate at the end of September 2021. Accordingly, Macarthur generated revenue from these acquisitions of $3.29m for 3 of the 6 months under review. For the half year to December 2021 revenue was $3.42m (HY20: $0.003m).

The acquisition cost of the 4 properties Macarthur acquired in the period under review was $17.62m (including its head office). These properties were subsequently independently valued at $18.73m as at 31 December 2021, an increase of $1.10m. 3 of the properties increased in value by $2.11m as reflected on Macarthur's asset revaluation reserve and 1 property decreased in value by $1.00m which was expensed in the profit and loss statement.

For the half year to December 2021 Macarthur recorded a loss of $0.93m after tax (HY20: $0.55m) after taking into account the $1.00m valuation write down referred to above. Excluding the valuation write down the combined EBITDA of the ELC and RLL operations was $0.44m (refer Note 3 Operating segments for details) for the half year to December 2021.

Macarthur's net assets rose to $23.66m at 31 December 2021 (30 June 2021: $0.43m).

Significant changes in the state of affairs

During the period, the Company issued 112,886,103 new shares at $0.20 each comprising: 100,136,103 shares issued to fund the acquisitions outlined above; and 12,750,000 shares issued via a share placement. Refer to Note 15 Issued Capital for further details.

There was no other significant change in affairs of the consolidated entity during the half year to December 2021.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and

Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

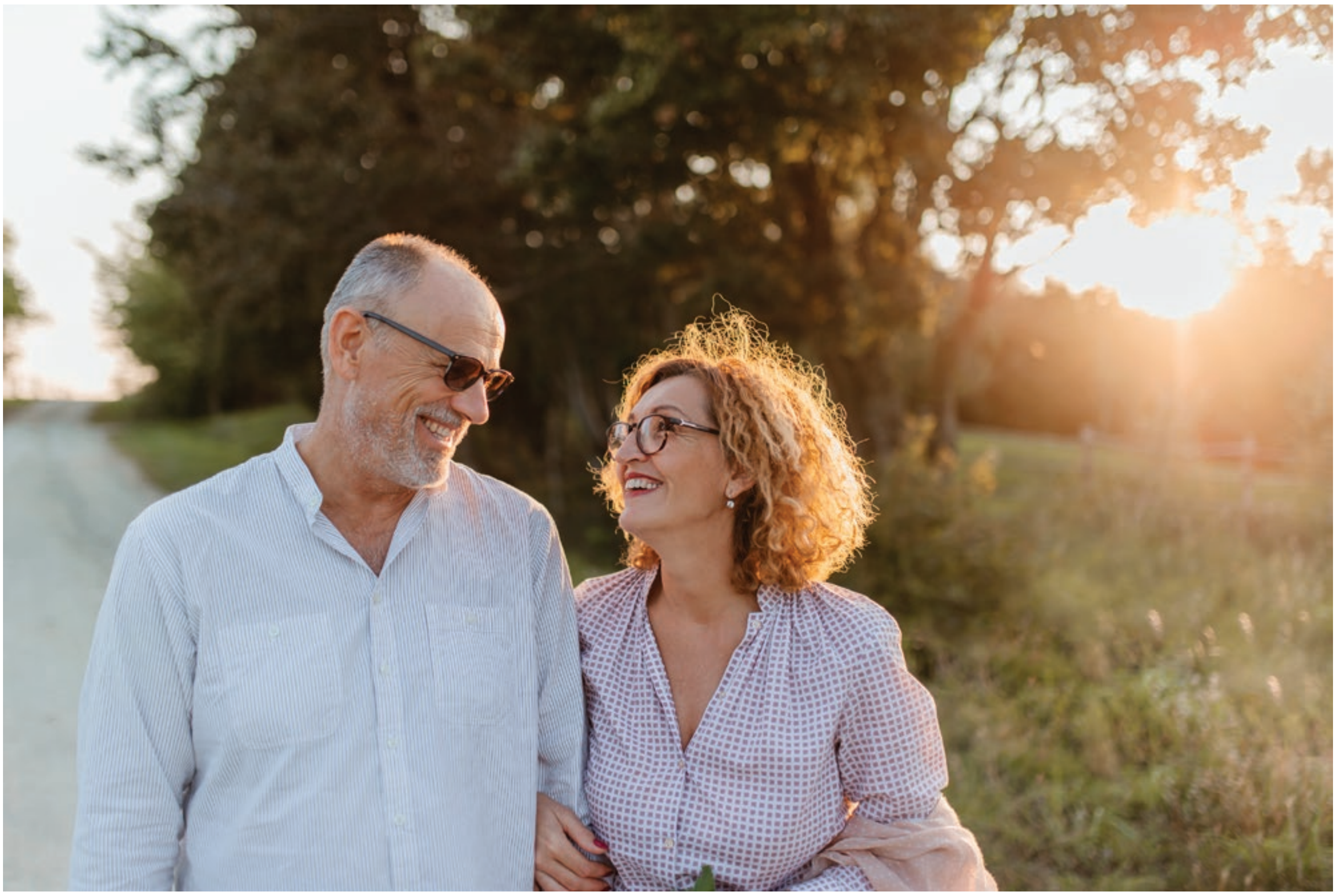
Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out within this report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the Director.

Henry Townsing
Director
Dated: 18 May 2022



RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Macarthur National Ltd and its controlled entities for the half year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Melbourne, Victoria
Dated: 18 May 2022

2021 Financial Report

Section

02

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2021

	Notes	31 Dec 2021 $	31 Dec 2020 $
Revenue	4	3,420,431	3,701
Expenses			
Employee benefit expenses		(2,643,688)	-
Occupany expenses		(202,532)	-
Direct expenses		(109,242)	-
Administrative expenses		(500,920)	(204,250)
Depreciation and Amortisation		(344,039)	-
Impairment of investment in associate		-	(349,551)
Impairment of property	16	(1,001,908)	-
Other expense		(458)	-
Finance costs		(201,836)	-
Loss before income tax benefit		**(1,584,193)**	**(550,100)**
Income tax benefit		652,580	-
Loss after income tax benefit for the half year		**(931,613)**	**(550,100)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of properties at fair value through other comprehensive income, net of tax	16	1,579,250	-
Other comprehensive income for the half-year, net of tax		**1,579,250**	**-**
Total comprehensive income for the half-year		**647,637**	**(550,100)**

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 Dec 2021 $	30 Jun 2021 $
Assets			
Current Assets			
Cash and cash equivalents		1,125,378	-
Trade and other receivables	5	1,532,266	42,490
Investment in associate	6	-	650,685
Inventories	7	-	556,640
Total Current Assets		**2,657,644**	**1,249,815**
Non-current Assets			
Investment	8	675,513	-
Property, plant and equipment	9	20,252,727	1,875
Right-of-use assets		14,231,025	-
Intangibles		10,671,573	-
Deferred tax assets		818,154	-
Other assets	10	1,174,428	1,750
Total Non-Current Assets		**47,823,421**	**3,625**
Total Assets		**50,481,065**	**1,253,440**
Liabilities			
Current Liabilities			
Trade and other payables	11	728,667	189,786
Employee benefit provision		1,203,270	11,909
Interest-bearing loan	12	10,000,000	621,999
Lease liabilities		824,938	-
Provision for income tax		52,400	-
Other liabilities	13	313,078	-
Total Current Liabilities		**13,122,353**	**823,694**
Non-current Liabilities			
Lease liabilities		13,478,942	-
Other non-current liability	14	225,166	-
Total Non-current Liabilities		**13,704,108**	**-**
Total Liabilities		**26,826,461**	**823,694**
Net Assets		**23,654,603**	**429,746**
Equity			
Issued capital	15	23,846,278	1,269,057
Asset revaluation reserves	16	1,579,250	-
Accumulated losses		(1,770,925)	(839,311)
Total Equity		**23,654,603**	**429,746**

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2021

	Notes	Issued Shares $	Asset revaluation reserve $	Accumulated losses $	Total $
As at 1 July 2020		**1,264,057**		**(164,098)**	**1,099,959**
Loss after income tax benefit for the half year, net of tax		-	-	(550,100)	(550,100)
Other comprehensive income for the half year, net of tax		-	-	-	-
Total comprehensive loss for the half-year		**-**	**-**	**(550,100)**	**550,100**
Transactions with owners, in their capacity as owners		-	-	-	-
Issue of shares during the period		-	-	-	-
Balance at 31 December 2020		**1,264,057**	**-**	**(714,198)**	**549,859**
As at 1 July 2021		**1,269,057**	**-**	**(839,312)**	**429,745**
Loss after income tax benefit for the half year, net of tax		-	-	(931,613)	(931,613)
Other comprehensive income for the half year, net of tax	16	-	1,579,250	-	1,579,250
Total comprehensive income for the half-year			**1,579,250**	**(931,613)**	**647,637**
Transactions with owners, in their capacity as owners		-	-	-	-
Issue of shares during the period	15	22,577,221	-	-	22,577,221
Balance at 31 December 2021		**23,846,278**	**1,579,250**	**(1,770,925)**	**23,654,603**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements

Consolidated Statement of Cashflows

For the half year ended 31 December 2021

	Notes	31 Dec 2021 $	31 Dec 2020 $
Cashflows from operating activities			
Receipts in the course of operations		3,466,181	105
Payments in the course of operations		(3,514,043)	(92,438)
Interest received		246	-
Interest paid		(208,389)	-
Net cash from operating activities		(256,005)	(92,333)
Cash flows from investing activities			
Recoupment of investment		-	80,284
Payment for security deposit		(68,060)	-
Deposit paid		(791,000)	(50,000)
Loan repayment from associate entity		(240,205)	
Payment for property, plant and equipment		(8,109,286)	-
Payment for purchase of business, net of cash acquired		428,618	-
Net cash used in investing activities		(8,779,932)	30,284
Cash flows from financing activities			
Proceed from issue of shares		2,550,000	-
Drawdown of related party loan		129,721	50,000
Repayment of related party loan		(1,802,686)	-
Drawdown of interest-bearing loan		10,000,000	-
Repayment of interest-bearing loan		(478,746)	-
Repayment of lease liability		(236,975)	-
Net cash from financing activities		10,161,315	50,000
Net increase in cash and cash equivalents		**1,125,378**	**(12,049)**
Cash and cash equivalents at start of the half-year		**-**	**96,238**
Cash and cash equivalents at end of the half-year		**1,125,378**	**84,189**

The Consolidated Statement of Cashflows is to be read in conjunction with the notes to the financial statements

Notes to the Financial Statements

Section

03

For the half year ended 31 December 2021

1. Corporate Information

The financial statements cover the consolidated entity consisting of Macarthur National Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Macarthur National Ltd's functional and presentation currency.

Macarthur National Ltd is a for-profit unlisted public company, limited by shares, incorporated and domiciled in Australia.

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

The financial statements were authorised for issue, in accordance with a resolution of directors, dated 6 May 2022.

2. Summary of Significant Accounting Policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Business combinations

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

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

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

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

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

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

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

3. Operating segments

Identification of reportable operating segments

For the purpose of currently reportable operations, the consolidated entity is organised into segments. The two key operating segments being: ‘Early Learning Centres’ and the ‘Early Learning Property’ segment, the latter of which develop, own and manage the underlying Early Learning Centre properties.

The ‘Other’ segment represents the income from investments and management services income of the consolidated entity.

The operating segments described herein represent the manner in which the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) together with the management team manage the Company. The management accounts are reviewed on a monthly basis and preparation of same reflect the segmentation below which are consistent with those adopted in the financial statements. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, impairment, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Segment	Type of Product & Service	Income source
Early Learning Centres operations	Provision of long day early learning services to children between 6 weeks and 6 years old	Fee income (parent & government contributed)
Early learning centres properties	Properties held and used for operating its Early Learning Centres	Development profit and rental income

Other segments represent the income from investments, shared expenses and other non-operational items of the consolidated entity not within the core segments above.

Intersegment transactions

Intersegment transactions were relating to rental charges and share service charges on handling the administrative affairs between the entities in the consolidated group. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

During the half year ended 31 December 2021 approximately $3.2 million of the consolidated entity's external revenue was derived from early childhood education services provided to families.

	Early Learning Centres Operations* $	Early Learning Centres Properties $	Other $	Consolidated 31/12/2021 $	Early Learning Centres Operations $	Early Learning Centres Properties $	Other $	Consolidated 30/06/2021 $
Revenue								
Sales to external customers	3,184,416	-	-	3,184,416	-	-	-	-
Intersegment sales	-	142,390	193,500	335,890	-	-	-	-
Total sales revenue	**3,184,416**	**142,390**	**193,500**	**3,520,306**	**-**	**-**	**-**	**-**
Other revenue	101,045	-	134,970	236,015	-	-	3,701	3,701
Total segment revenue	**3,285,461**	**142,390**	**328,470**	**3,756,321**	**-**	**-**	**3,701**	**3,701**
Intersegment eliminations				(335,890)				-
Total revenue				**3,420,431**				**3,701**
EBITDA	**443,746**	**1,753**	**(481,908)**	**(36,410)**	**-**	**-**	**(550,100)**	**(550,100)**
Impairment of property				(1,001,908)				-
Depreciation and amortisation				(344,039)				-
Finance costs				(201,836)				-
Loss before income tax expense				**(1,584,193)**				**(550,100)**
Income tax benefit				652,580				-
Loss after income tax expense				**(931,613)**				**(550,100)**
Assets								
Segment assets	23,334,514	30,883,274	17,908,759	72,126,547	-	560,197	1,276,762	1,836,960
Intersegment eliminations				(22,463,637)				(583,519)
Unallocated assets								
Deferred tax asset				818,154				-
Total assets				**50,481,065**				**1,253,440**
Liabilities								
Segment liabilities	20,355,650	19,881,088	9,000,960	49,237,698	4,610.60	1,117,268	285,335	1,407,213
Intersegment eliminations				(22,463,637)				(583,519)
Unallocated liabilities								
Provision for income tax				52,400				-
Total liabilities				**26,826,461**				**823,694**

*Segment assets and liabilities in Early Learning Centres Operations included $14,231,025 Right-of-use assets and $14,303,880 lease liabilities.

4. Revenue

	Notes	31 Dec 2021 $	31 Dec 2020 $
Revenue			
Revenue from early education services			
Rendering of services	(i)	3,184,416	-
		3,184,416	**-**
Other revenue			
Interest income		4,514	**3,701**
Business continuity and other government grant		100,676	-
Profit on sale of investment	(ii)	99,005	-
Distribution income from investment	(iii)	19,320	-
Other revenue		12,500	-
		236,015	**3,701**
Revenue		**3,420,431**	**3,701**

i. The disaggregation of revenue from contracts with customers by types of goods and services is disclosed above and the timing of revenue recognition for rendering services is over time.

ii. Disposal of shares in Mitre Focus Sdn Bhd for MYR 302,400 on 17 September 2021. Further details are provided in Note 6.

iii. CVCV Childcare No.1 Partnership, in which the Clifstone Pty Ltd as trustee for MNL Property Trust owns 9.66% received a cash distribution of $19,320 on 29 November 2021.

5. Trade and other Receivables

	Notes	31 Dec 2021 $	30 June 2021 $
Current			
Accounts receivables		43,523	-
GST Receivable		35,018	5,490
Prepayment		437,232	37,000
Other receivables		18,974	-
Receivable on sale of investments		102,508	-
Loan receivable from related parties		895,012	-
		1,532,266	**42,490**

6. Investment in associate (Current)

	Notes	31 Dec 2021 $	30 Jun 2021 $
Current			
Investment in Associate	(i)	-	650,685
		-	**650,685**

i. In September 2021, the Consolidated Entity sold its shares in Mitre Focus Sdn Bhd for RM 302,400 (AUD 102,508).

7. Inventories

	Notes	31 Dec 2021 $	30 Jun 2021 $
Current			
Properties under construction	(i)	-	556,640
		-	**556,640**

i. Swan Hill ELC property was under construction at the time of purchase in January 2021. These costs have been reclassified to property, plant and equipment as the property will be owner occupied, operating as a Montessori Beginnings ELC (refer Note 9).

8. Investment (Non-Current)

	Notes	31 Dec 2021 $	30 Jun 2021 $
Non-current assets			
Investment in CVCV Childcare No.1 Partnership	(i)	675,513	-
		675,513	**-**

i. Acquisition of 9.66% shareholding in CVCV Childcare No 1 Partnership in November 2021.

9. Property, plant and equipment

	Notes	31 Dec 2021 $	30 June 2021 $
Land and building - at independent valuation	(i)	18,725,000	-
Construction in progress	(ii)	1,024,020	-
Leasehold Improvements - at cost		52,001	-
Less Accumulated Depreciation		(3,097)	-
		48,905	**-**
Plant and Equipment - at cost		464,175	-
Less Accumulated Depreciation		(30,243)	-
		433,932	**-**
Computer equipment - at Cost		1,931	1,931
Less Accumulated Depreciation		(528)	(56)
		1,403	**1,875**
Motor Vehicles - at Cost		20,000	-
Less Accumulated Depreciation		(533)	-
		19,467	**-**
		20,252,727	**1,875**

i. The following ELC properties were purchased by the consolidated entity during the reporting period:

Early Learning Centre	No. of places
Greenvale	100
Malvern	58
Maribyrnong	96
Dorcas Street (Head Office)	n/a

Independent valuations were conducted at 31 December 2021 and the ELC properties are disclosed at fair value (refer to note 17). As the properties are tenanted by businesses in the same consolidated group the revaluation gain is included in Asset Revaluation Reserve.

ii. The Swan Hill ELC property acquisition was settled in 2021 and refurbishment and improvement works will be completed in 2022. Refurbishment and improvement costs were included as inventory in the previous reporting period and were transferred to property, plant and equipment during the current period (refer to Note 7).

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land and building $	Construction in progress $	Leasehold Improvements $	Plant and Equipment $	Computer Equipment $	Motor Vehicle $	Total $
Consolidated							
Balance 1 July 2021	**-**	**-**	**-**	**-**	**1,875**	**-**	**1,875**
Transfer from prior period	-	556,640	-	-	-	-	556,640
Additions	17,621,242	467,380	-	-	-	-	18,088,622
Acquisition	-	-	52,001	46,175	-	20,000	536,177
Disposals	-	-	-	-	-	-	-
Revaluation increments/ (impairment)	1,103,758	-	-	-	-	-	1,103,758
Amortisation/Depreciation	-	-	(3,097)	(30,243)	(472)	(533)	(34,346)
Balance 31 December 2021	**18,725,000**	**1,024,020**	**48,905**	**433,932**	**1,403**	**19,467**	**20,252,727**

10. Other Assets

	Notes	31 Dec 2021 $	30 Jun 2021 $
Non-current assets			
Rental security deposits		381,337	-
Deposit paid on property purchase		791,000	-
Capitalised investment costs		2,091	1,750
		1,174,428	**1,750**

11. Trade and other payables

	Notes	31 Dec 2021 $	30 Jun 2021 $
Current			
Accounts payable		310,895	174,786
Accrued expenses		285,302	15,000
Other payables		132,470	-
		728,667	**189,786**

12. Interest bearing loan

	Notes	31 Dec 2021 $	30 Jun 2021 $
Current			
Loan from Eildon Funds Management Limited	(i)	10,000,000	-
Loan from Mobe Growth Pty Ltd	(ii)	-	621,999
		10,000,000	**621,999**

i. Loan from Eildon Funds Management Limited to fund various property acquisitions on market terms and conditions.

ii. Loan from Mobe Growth Pty Ltd (MG), a related party, was repaid in the current period under review.

13. Other Liabilities (Current)

	Notes	31 Dec 2021 $	30 Jun 2021 $
Current			
Deferred rent		174,517	-
Loan to CVCV Venture Manager Pty Ltd		138,561	-
		313,078	**-**

14. Other Liabilities (Non-Current)

	Notes	31 Dec 2021 $	30 Jun 2021 $
Non-Current			
Accrued brokerage fees		100,000	-
Provision for long service leave		125,166	-
		225,166	**-**

15. Issued Capital

	31 Dec 2021 No of Shares	31 Dec 2021 $	30 Jun 2021 No of Shares	30 Jun 2021 $
Ordinary shares – fully paid	118,295,496	**23,846,278**	5,409,393	**1,269,057**

Movements in ordinary share capital

Details	Date	Shares	Issued price	Total
Balance	1-Jul-20	5,384,393		1,264,057
Issue of shares on purchase of Montessori Beginnings Pty Ltd	25-Mar-21	25,000	$0.20	5,000
Balance	30-Jun-21	5,409,393		1,269,057
Issue of shares	14-Sep-21	25,000	$0.20	5,000
Issue of shares	28-Sep-21	400,000	$0.20	80,000
Mobe Growth Pty Ltd and subsidiaries	28-Sep-21	38,536,110	$0.20	7,707,222
Issue of shares on purchase of CVCV Childcare No 1 Pty Ltd	30-Sep-21	25,000	$0.20	5,000
Issue of shares on purchase of Springkids Pty Ltd	30-Sep-21	8,507,490	$0.20	1,701,498
Issue of shares on purchase of property Head office and associate carparks “G2”, “G3” 68 Dorcas Street, South Melbourne VIC 3205	5-Nov-21	4,705,350	$0.20	941,070
Issue of shares on purchase of property Maribyrnong 3 case street, Maribyrnong VIC 3032	5-Nov-21	23,750,000	$0.20	4,750,000
Issue of shares on purchase of property Greenvale 985C Mickleham Road, Greenvale VIC 3059	5-Nov-21	12,174,938	$0.20	2,434,988
Issue of shares on purchase of property Malvern Lot 1, 14-18 Spring Road, Malvern VIC 3144	15-Nov-21	8,954,825	$0.20	1,790,965
Issue of shares on purchase of partnership shares in CVCV Childcare No. 1 Partnership	15-Nov-21	3,057,390	$0.20	611,478
Issue of shares	16-Dec-21	10,000,000	$0.20	2,000,000
Issue of shares	21-Dec-21	2,750,000	$0.20	550,000
Balance	**31-Dec-21**	**118,295,496**		**23,846,278**

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have 1 vote and upon a poll each share shall have 1 vote.

16. Asset revaluation reserve

	Notes	31 Dec 2021 $	30 Jun 2021 $
Revaluation surplus reserve		1,579,250	-
		1,579,250	**-**

Revaluation surplus reserve

The reserve is used to recognize increments and decrements in the fair value of land and buildings, excluding investment properties. The reserve reflects non-realised increase in the value of assets based on external valuations. Accordingly, where there is a decrease in valuation, the associated decrease is recorded as a loss in the Profit & Loss.

We note that the Company has recorded a net valuation gain of $827,819 notwithstanding the different accounting treatment of a gain/loss in value. Details of the property valuation along with the overall valuation movement are as follows:

Properties	Note	Valuation date	Costs	Valuation	Valuation increase/ (decrease)	Deferred tax (benefits)/ Liabilities	Valuation increase/ (decrease), net of tax
Valuation Surplus							
Head Office		1/02/2022	986,655	1,225,000	238,345	59,586	178,759
Maribyrnong Early Learning Centre		31/01/2022	5,078,940	5,800,000	721,060	180,265	540,795
Greenvale Early Learning Centre		31/01/2022	5,053,738	6,200,000	1,146,262	286,566	859,697
	(i)		**11,119,333**	**13,225,000**	**2,105,667**	**526,417**	**1,579,250**
Valuation Loss							
Malvern Early Learning Centre	(ii)	31/01/2022	6,501,908	5,500,000	(1,001,908)	(250,477)	(751,431)
Net valuation gain			**17,621,241**	**18,725,000**	**1,103,759**	**275,940**	**827,819**

i. The valuation increase, net of tax of $1,579,250 represents the asset revaluation reserve carried in the Balance Sheet

ii. The valuation decreases of $1,001,908 has been recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as this is the 1st year of carrying property assets and there was no previous revaluation surplus amount available for set-off.

17. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a 3 level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1	Level 2	Level 3	Total
Consolidated - 31 Dec 2021				
Assets				
Land and buildings	-	1,225,000	17,500,000	18,725,000
Total assets	**-**	**1,225,000**	**17,500,000**	**18,725,000**
Consolidated - 30 Jun 2021				
Assets				
Land and buildings	-	-	-	-
Total assets	**-**	**-**	**-**	**-**

No liabilities were held at fair value as at 31 December 2021 or 30 June 2021.

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued at the half-year end based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

	Land and buildings	Total
Consolidated		
Balance at 1 July 2021	-	-
Additions	16,634,586	16,634,586
Gains recognised in other comprehensive income	1,867,322	1,867,322
Losses recognised through profit or loss	(1,001,908)	(1,001,908)
Balance at 31 December 2021	**17,500,000**	**17,500,000**

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Land and buildings	Rental yield	4.50% - 5.50% (4.92%) (Represented by a multiplier of 18.8 - 22.2 (20.5))	A change of +/-1 of the multiplier would increase/decrease fair value by $892,000

18. Capital commitments and contingencies

The entity had no contingent assets or liabilities as at 31 December 2021.

Contracted but not paid

Mobe Developments Pty Ltd, a subsidiary of MNL Operations Pty Ltd, entered into a property purchase agreement on 14 December 2021, a deposit was paid with a balance of $3,519,000 due at settlement on 12 May 2022.

19. Business combinations

The amounts outlined below refer to acquisitions of entities which own and operate Montessori Beginnings ELC's. These acquisitions are in line with the strategic objectives of the consolidated entity to own and operate social infrastructure communities. The consideration price paid reflects the fair and reasonable price as determined by management in consultation with the board of Directors. The amounts typically reflect market value of the respective trading and operating businesses which may exceed the fair value of the assets acquired. This difference is reflected in the accounts as goodwill.

	Springkids Fair value	Mobe Growth Fair value	Bay City Fair value
Note	i	ii	iii
Cash and cash equivalents	17,100	738,962	-
Trade and other receivables	48,203	738,972	-
Plant and equipment	60,759	322,234	-
Deferred tax assets	-	691,991	-
Other assets	-	313,323	-
Trade and other payables	(15,032)	(455,394)	-
Employee benefit provision	(78,253)	(734,189)	-
Provision for income tax	(47,938)	-	-
Other Liabilities	-	(290,943)	-
Interest-bearing loans and borrowings	-	(2,216,179)	-
Net asset / (liability) acquired	**(15,160)**	**(891,223)**	**-**
Goodwill	1,716,658	8,678,445	263,250
Acquisition-date fair value of the total consideration transferred	**1,701,498**	**7,787,222**	**263,250**
Representing:			
Shares issued	1,701,498	7,787,222	-
Cash paid or payable to vendor	-	-	263,250
Acquisition costs expensed to profit or loss	-	-	-
Cash used to acquire business; net of cash acquired:			
Acquisition-date fair value of the total consideration transferred	-	-	(263,250)
Cash and cash equivalents	17,100	738,962	-
Net cash received	**17,100**	**738,962**	**(263,250)**

i. On 30 September 2021 Montessori Beginnings Pty Ltd, a subsidiary of MNL Operations Pty Ltd (100% owned by Macarthur), acquired 100% of the ordinary shares of Springkids Pty Ltd. Spring Kids operated a newly opened ELC at Malvern. The acquired business contributed revenues of $321,878 and loss before tax of $6,955 to the consolidated entity for the period from 30 September to 31 December 2021. If the acquisition occurred on 1 July 2021, the half-year contributions would have been revenues of $592,491 and profit before tax of $55,056. The values identified in relation to the acquisition of Springkids are provisional as at 31 December 2021.

ii. On 28 September 2021 MNL Operations Pty Ltd, a subsidiary of Macarthur, acquired 100% of the ordinary shares of Mobe Growth Pty Limited. The acquired business contributed revenues of $2,717,251 and profit before tax of $1,655,852 to the consolidated entity for the period from 28 September 2021 to 31 December 2021. If the acquisition occurred on 1 July 2021, the half year contributions would have been revenues of $5,283,091 and loss before tax of $295,389. The values identified in relation to the acquisition of Mobe Growth Pty Ltd are provisional as at 31 December 2021

iii. On 31 December 2021 Bay City Early Learning Geelong Pty Ltd, subsidiary of MNL Operations Pty Ltd acquired the business of Bay City Early Learning Center in Geelong. The acquisition occurred on the last day of the financial half-year and did not contribute any revenues or profit before tax for the half year. The Company is unable to determine the half year contributions to revenue and profit before tax due to insufficient financial information and records.

20. Significant events after balance date

Mobe Developments Pty Ltd (subsidiary of the Company)

- Entered into a property purchase agreement on 21 April 2022, paid a deposit with a balance of $990,000 due at settlement on 24 August 2022; and
- On 6 May 2022 entered into a facility agreement for $3,354,000 to fund the settlement of two properties which is repayable in May 2023.

Clifstone Pty Ltd atf MNL Property Trust (subsidiary of the Company)

- A Fourth Supplementary Deed was executed on 9 February 2022 whereby Cliftstone Pty Ltd atf MNL Property Trust succeeded the CVCV Childcare No. 1 Partnership interests of two retiring partners (AWCC Pty Ltd and Stanton Lea Pty Ltd atf Pilmora Superannuation Fund) increasing the Company's interest in the in CVCV Childcare No. 1 Partnership to 30.0%; and
- EFM Nominee Services Pty Ltd as trustee for the Eildon Health and Education Fund had acquired a 14.88% interest in the MNL Property Trust from Macarthur National Limited for consideration of $1,932,740 and replaced Clifstone Pty Ltd as Trustee and Manager of the MNL Property Trust on 11 May 2022.

Zest Living Australia Pty Ltd (subsidiary of the Company)

- Entered into a conditional property purchase agreement on 10 January 2022 with deposit paid on signing. The remaining purchase price of $6,100,000 is due to be paid in instalments subject to certain events occurring no later than 24 December 2023,
- Completed the acquisition of Zest Living Australia Pty Ltd and Zest Living Developments Pty Ltd on 29 April 2022 for which Macarthur issued 35,462,154 Macarthur shares at $0.20 per share in accordance with the shareholder approved terms of the acquisition; and
- CVCV Development Co 17 Pty Ltd has effected its change of company name on 6 May 2022 to Zest Living Developments Pty Ltd.

Corporate

- Placement of $500,000 of new shares at $0.20 per share was completed on 7 March 2022

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors' Declaration

Section

04

Directors' Declaration

In the directors' opinion:

- The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Henry Townsing
Director
Dated: 18 May 2022

Independent Auditor's Report

Section

05

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of Macarthur National Ltd

Conclusion

We have reviewed the accompanying half-year financial report of Macarthur National Ltd which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Macarthur National Ltd is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Macarthur National Ltd and its controlled entities, would be in the same terms if given to the directors as at the time of this auditor's report.

Responsibility of the Directors' for the Financial Report

The directors of the Macarthur National Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Melbourne, Victoria
Dated: 19 May 2022

Corporate Directory

Section

06

Board of Directors

Henry Townsing
Chairman
Non-Executive Director

Dr Les Fitzgerald
Non-Executive Director

Dennis Wilkie
Non-Executive Director

Company Secretary
Richard Barton

Registered Office
68 Dorcas Street,
Southbank
VIC 3006
T: 61 3 9828 0500
E: general@macarthurnational.com.au

Auditor

RSM Australia Partners
Level 21, 55 Collins Street West
Melbourne
VIC 3000
T: 61 3 9286 8038
F: 61 3 9286 8199

Legal

K&L Gates
525 Collins Street,
Melbourne
VIC 3000

Share Registry

Registry Direct Limited
PO Box 18366
Collins Street East
Melbourne VIC 8003:
T: 1300 55 66 35 (within Australia)
T: +61 3 9909 9909 (outside of Australia)
F: +61 3 9111 5652

Change of Address

Shareholders who have registered at Registry Direct should log into their Shareholder account at https://www.registrydirect.com.au/login/ to change their account.

Correspondence mailing

Shareholders who prefer to receive correspondence electronically and have registered at Registry Direct should login in to their Shareholder account at https://www.registrydirect.com.au/login/ to change their preferences and if necessary their email address.

Contact

ACN 633 180 346
+61 3 9828 0500
general@macarthurnational.com.au

68 Dorcas Street, Southbank
VIC 3006

macarthur.com.au