MACARTHUR NATIONAL LTD

Annual Report 2022

Macarthur National Ltd
ABN: 77 633 180 346

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Our Business

Section

01

Who is Macarthur National?

Macarthur National Limited and its controlled entities (referred to hereafter as the 'Consolidated Entity', 'Group' or 'Macarthur') consists of Macarthur National Ltd (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during the year ended 30 June 2022. The consolidated entity creates Social Infrastructure communities that improve the lives of those who bring its spaces to life.

- Macarthur intends to capitalise on past management success in the Early Learning and Childcare (ELC) industry and to build out a Residential Land Lease Community (RLLC) housing division;
- Macarthur intends to internally manage and methodically grow the size of its businesses, with each individual business sector exhibiting a distinct point of difference.

As an owner, developer and operator of Social Infrastructure businesses Macarthur is focussed on two identified Social Infrastructure sectors being:

Early Learning and Childcare

Montessori Beginnings

Established in 2018, Montessori Beginnings provides long day care childcare services utilising the 'Montessori' philosophy in teaching young children. The Montessori method, which is widely used in Western Europe and the USA, provides distinct choice for parents, enabling Montessori Beginnings to distinguish itself within the early learning and childcare sector.

Applying the ethos of child centred learning, which for the child is 'help me do it myself', Montessori Beginnings offers full or part-time learning and care services for children aged 6 weeks to 6 years. All children participate in a course of learning within age-specific groupings at Montessori Beginnings' purpose-built facilities.

Residential Land Lease Community

ZEST LIVING

Established to service either semi-retired or retired people wishing to downsize or liberate equity and stored wealth in their current home to fund their lifestyle aspirations. Zest Living aims to provide a financially viable solution to residential living in retirement by separating home and land ownership, a model popular overseas but is in its infancy in Australia.

At Zest Living, residents purchase a house at a price typically less than the median home price and lease the underlying house lot from Zest Living for an annual fee on a long-term basis. This realises cash savings from excluding the land purchase component while also offering community living benefits such as broad companionship and access to exclusive communal recreational facilities within a gated community setting.

The Pillars of Macarthur's Business model

Business model

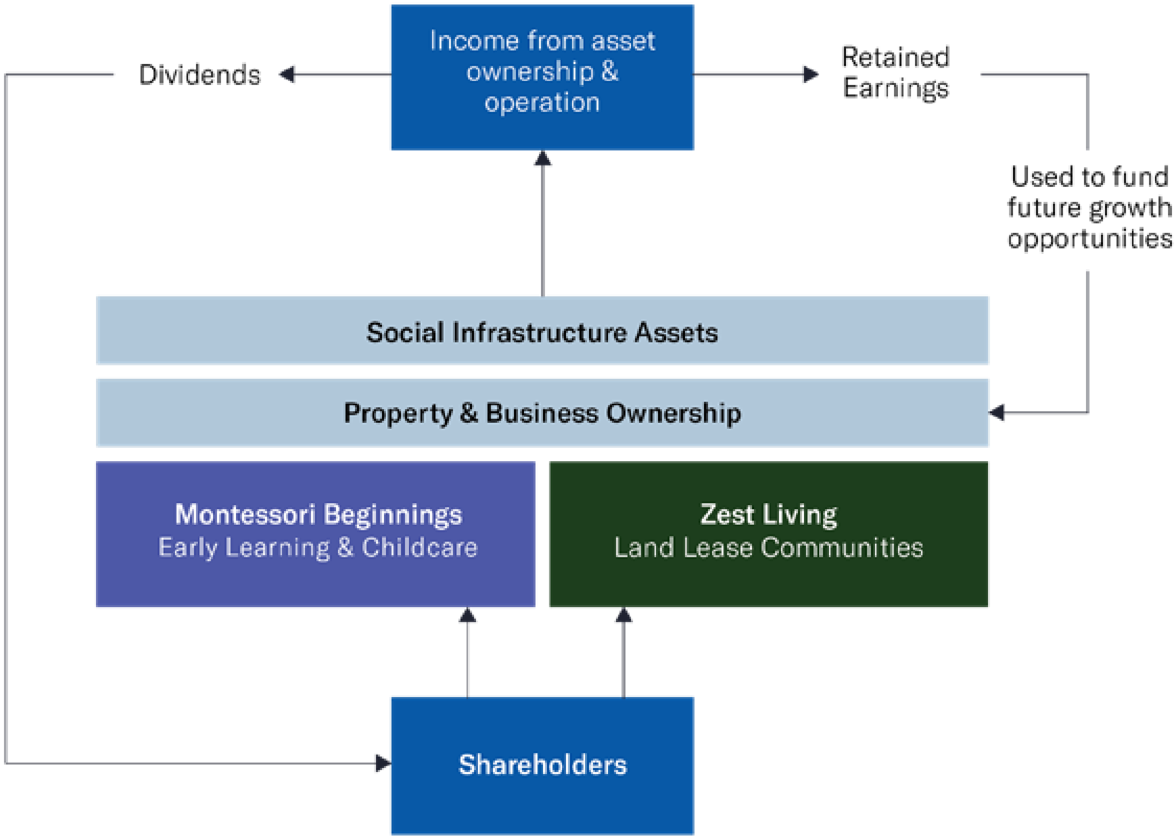
Macarthur's business model charts a course to own, develop and manage ELC services and RLLC housing projects that provide specialised offerings to local communities.

Stable and recurring income streams

Properties owned by Macarthur will generate rental income for the company. Surplus funds from rental income paid to Macarthur may be utilised to pay dividends to shareholders.

Building a portfolio of Social Infrastructure assets

Macarthur investment in the operating businesses associated with the properties being acquired provides a management platform with additional revenue streams and diversification for Macarthur.



Growth strategy

Macarthur plans to expand its geographic footprint, address the needs of an increasing pool of infants and children and service the population increase in the retirement sector through methodically developing its profile and identity within the Social Infrastructure industry.

It is considered the nature of each market, supported by changing population and social trends together with government assistance programs combine to underpin future growth in the ELC and RLLC housing sectors.

The Group possesses the relevant skills to deploy the strategy to select, buy, design, build, own and operate assets. This approach is considered less capital intensive compared to a pure acquisition strategy as it removes a need to pay competitive market premiums for assets.

Chief Executive Officer's Review

Review of business operations

During the financial year, the Group continued to implement its' strategic plans to expand its social infrastructure businesses with the aim to grow its value for the benefit of shareholders. At the date of this report the Group's social infrastructure businesses had grown to comprise;

Brand	Montessori Beginnings	Zest Living
Social infrastructure sector	Early learning and childcare	Residential land lease communities
Operating	8	0
Under construction	2	1
Pipeline	3	1
Total	**13**	**2**

To support the Group's growth aspirations, during the year Macarthur;

a) Raised $3.13m via issue of shares during the financial year FY22 and subsequent raising of $3.32m via a placement, rights issue and top up offer to shareholders post balance date; and

b) Entered into a partnership with an ASX listed real estate investment and funds management business. It is expected that this partnership will provide the capital required to grow the ELC business under the Macarthur's own, develop and operate strategy which is capital intensive given it is associated with long term ownership of ELC properties.

A summary of the Group's main operating segments is detailed below.

ELC Operations: mature ELC services

Generated $7.9 million revenue for the Group in the year ended 30 June 2022.

These services continue to benefit from increasing Montessori awareness as a choice for families within the localised markets that these services operate. In financial year 2023 further government, both Victorian state and federal, policies aimed at improving affordability for families will be enacted. Historically, the inception of affordability improvement policy has provided tailwinds for demand for ELC services. However, in the current environment there is a shortage of educators which is curtailing the ELC industry ability to cater to current demand.

ELC Investments

Generated $4.2 million revenue for the Group in the year ended 30 June 2022.

This segment comprises 3 components:

a) **ELC services:** 3 operating ELC services being incubated that will be transferred to ELC Operations segment once mature. The trigger to transfer these services to ELC operations is at the time when the "sunk" investment made by the consolidated entity into each service has been fully repaid to the Group from operating earnings of the service. This segment also includes the ELC operational platform being developed to operate the consolidated entity's ELC services at an enlarged scale.

b) **New early learning centres:** At the date of this report Montessori Beginnings had 2 centres under construction and a pipeline of a further 3 centres for which development permits are being sought. Completion of construction and opening of these 5 services in future years will see the total ELC services operated by the Group grow to 13.

c) **MNL Property Trust:** Owner of ELC properties developed by the Group held for long term rental income generation. At 30 June 2022 Macarthur held an 83.6% unitholding in the trust.

Zest Living

At 30 June 2022 Zest Living had 1 RLLC in development and 1 under option to acquire subject to permits being attained.

Zest Living Yarrawonga continues its development with first residents expected to move into the estate in mid-2023, coinciding with the scheduled opening of the Community Centre. To aid in the selling of the homes to be built in the estate the Zest Living Yarrawonga display home village comprising 4 houses was completed in preparation for the stage 1 sales launch as we head into the summer months.

Pictured: Zest Living Yarrawonga display village at Sep-22

The timing of the development of the Zest Living Yarrawonga community and the future recognition of development profits and rental income will be subject to the rate at which residents move into the estate.

Likely developments and outlook

It is anticipated that the Group's reported financial performance will remain modest in the medium term as it continues to invest into the ongoing build out its social infrastructure businesses. As the Group builds out its social infrastructure businesses it intends to implement its stated objectives;

a) **Growth:** Businesses owned by Macarthur will provide income streams from which Macarthur intends to utilise the earnings to re-invest into these businesses;
b) **Dividends:** Properties owned by Macarthur will generate rental income which Macarthur intends to utilise to pay dividends to shareholders; and
c) Seek an ASX listing of Macarthur.

Henry Townsing Jnr
Chief Executive Officer
16 November 2022

Directors' Report

Section

02

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 Ltd (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The names and details of the Company’s Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Henry Townsing

Chairman

Dip Val (Royal Melbourne Institute of Technology)

Mr Townsing brings over 35 years’ experience in investment management across real estate, private equity investment in early-stage companies and corporate finance. His real estate career has spanned residential, commercial and agricultural sectors. His recent residential real estate experience has focussed on the creation of new residential communities within established metropolitan areas where he has led large scale in-fill urbanisation and high-rise residential projects. He is Chairman of Vita Life Sciences a company listed on the ASX.

Dr Les Fitzgerald

Director

RN., RM., Dip Teach Nurs., BEd., MNursStud., PhD

Dr Fitzgerald has over 38 years of education experience in the higher education and health sectors. He has extensive experience in curriculum design, development and professional accreditation of undergraduate and postgraduate courses. Currently he leads the development and implementation of a Montessori based education curriculum for the ELC business and a training program for staff.

Dr Fitzgerald has been appointed as an independent Director and the Board considers that he is free from any relationship that could materially interfere with the independent exercise of his judgement.

Mr Dennis Wilkie

Director

MBA

Mr Wilkie has extensive experience in local and international capital markets gained over a career exceeding 35 years. He possesses a broad range of expertise across many industries, including private equity, property, financing, and renewable energy. He is a co-founder and current CEO of HydroFiji.

Mr Wilkie has been appointed as an independent Director and the Board considers that he is free from any relationship that could materially interfere with the independent exercise of his judgement.

Mr Richard Barton

Company secretary

B.Arch, LLB

Mr Barton has been the Company Secretary since June 2019. He is currently the Company Secretary of various private companies and was previously the Company Secretary of The Royal Australian Institute of Architects and its subsidiary companies for more than 15 years.

Director’s interests

The following table sets out each Director’s relevant interest in shares of the Company as at the date of this report.

Directors	Shareholdings as at Directors’ report date	
	Beneficial interest	Non-Beneficial interest
Henry Townsing	-	60,097,720
Dr Les Fitzgerald	250,000	-
Dennis Wilkie	25,160	-

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Board Meetings		Renumeration Committee	
Director	Held by members	Attended	Held by members	Attended
Henry Townsing	9	9	2	2
Dr Les Fitzgerald	9	9	n/a	n/a
Dennis Wilkie	9	9	2	2

Note that held represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Dividends

No dividend was declared or paid during the financial year.

Principal activities

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

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,967,610 (30 June 2021: $675,213).

The principal activities of the consolidated entity during the course of the financial year consisted of operation of social infrastructure businesses focused on 2 identified social infrastructure sectors being;

1) ELC services operating under the "Montessori Beginnings" brand; and
2) RLLC housing operating under the “Zest Living” brand.

Significant changes in the state of affairs

The consolidated entity acquired the ELC business operating as Montessori Beginnings and the RLLC business operating as Zest Living. As these events were undertaken in the year ended 30 June 2022 the financial report contained herein only contains a part period contribution from the date the businesses were acquired. As such the Directors do not consider these accounts to be representative of a full year consolidated operations of Macarthur’s social infrastructure businesses.

During the period, the Company issued 157,285,870 new shares at $0.20 each comprising: 142,035,867 shares, issued to fund several acquisitions; and 15,250,000 shares issued via a share placement. The acquisitions and capital raising underpinned the increase in Macarthur’s assets to $76.9 million at 30 June 2022 (30 June 2021: $1.25m). Refer to Note 29 Issued Capital for further details.

There was no other significant change in affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

In August 2022 Macarthur completed its prospectus offering to shareholders raising $3.32m via a combination of placement, rights issue and top up offer to shareholders.

Apart from the prospectus offering, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the consolidated entity’s operations, the results of those operations, or the consolidated entity’s state of affairs in future financial years.

Future developments and risks

The Board has continued confidence in Macarthur’s strategies, the capability of the management team and the strength of the brands within Macarthur, and are committed to growing the business and delivering improved shareholder returns in the coming year. In this regard, Macarthur plans to increase investment in the ELC and RLLC businesses. This strategy may impact profitability in the short term, with a view to increasing profitability in the medium term.

The consolidated entity is also wary of the potential challenges including the continued need to satisfy consumers, competition from competitors and maintain high quality standards while complying with Government regulations in the markets in which it operates.

Environmental regulations

The consolidated entity’s operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements as they apply to the consolidated entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the consolidated entity, or to intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or part of those proceedings.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium to insure the directors and executives of the company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Rounding of amounts

The consolidated entity 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 immediately after this directors' report.

Auditor

RSM Australia continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001

On behalf of the directors

Henry Townsing
Chairman
16 November 2022

Auditor's Independence Declaration

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Macarthur National Limited for the year ended 30 June 2022, 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 audit; and

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

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 16 November 2022
Melbourne, Victoria

Financial Report 2022

Section

03

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Notes	30 Jun 2022 $	30 Jun 2021 $
Revenue	5	10,862,202	-
Share of profits of associates	6	132,006	-
Other income	7	640,335	24,389
Expenses			
Employee benefit expenses		(8,637,695)	-
Occupany expenses		(734,548)	-
Direct expenses		(397,496)	-
Administrative expenses		(690,846)	(349,995)
Depreciation and Amortisation	8	(1,486,516)	(56)
Impairment of investment in associate	8	-	(349,551)
Fair value loss on investment properties	8	(1,001,908)	-
Other expense		(30,606)	-
Finance costs	8	(925,936)	-
Loss before income tax expense		**(2,271,008)**	**(675,213)**
Income tax benefit	9	283,408	-
Loss after income tax expense for the year		**(1,987,600)**	**(675,213)**
Other comprehensive loss			
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	30	1,429,250	-
Other comprehensive income for the year, net of tax		**1,429,250**	**-**
Other comprehensive loss for the year, net of tax		**(558,350)**	**(675,213)**
Loss for the year is attributable to:			
Non-controlling interest		(19,990)	-
Owners of Macarthur Nationals Ltd		(1,967,610)	(675,213)
	31	**(1,987,600)**	**(675,213)**
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(24,855)	-
Owners of Macarthur Nationals Ltd		1,454,105	(675,213)
	30	**1,429,250**	**(675,213)**

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 30 June 2022

	Notes	30 Jun 2022 $	30 Jun 2021 $
Assets			
Current Assets			
Cash and cash equivalents	10	1,382,596	-
Trade and other receivables	11	1,040,276	42,490
Investment in associate	12	-	650,685
Inventories	13	958,983	556,640
Total Current Assets		**3,381,855**	**1,249,815**
Non-current Assets			
Investment in Associate	14	2,514,000	-
Investment Properties	15	11,240,662	-
Property, plant and equipment	16	24,700,049	1,875
Right-of-use assets	17	14,895,525	-
Intangibles	18	18,645,490	-
Other Assets	19	1,554,107	1,750
Total Non-Current Assets		**73,549,833**	**3,625**
Total Assets		**76,931,688**	**1,253,440**
Liabilities			
Current Liabilities			
Trade and other payables	20	1,284,968	189,786
Employee benefit provision	21	1,897,368	11,909
Borrowing	22	12,605,199	621,999
Lease liabilities	23	1,031,184	-
Other liabilities	24	2,613,940	-
Total Current Liabilities		**19,432,659**	**823,694**
Non-current Liabilities			
Lease liabilities	25	14,203,407	-
Deferred tax liabilities	26	3,919,337	-
Other non-current liability	27	287,378	-
Borrowing	28	5,534,894	-
Total Non-current Liabilities		**23,945,016**	**-**
Total Liabilities		**43,377,675**	**823,694**
Net Assets		**33,554,013**	**429,746**
Equity			
Issued capital	29	32,726,230	1,269,057
Asset revaluation reserves	30	1,454,105	-
Retained earnings	31	(2,806,922)	(839,311)
Equity attributable to the owners of Macarthur National Ltd		31,373,413	429,746
Non-controlling interest	32	2,180,600	-
Total Equity		**33,554,013**	**429,746**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Notes	Issued Shares $	Asset revaluation reserve $	Accumulated losses $	Non-controlling interest $	Total $
At 1 July 2020		**1,264,057**	**-**	**(164,098)**	**-**	**1,099,959**
Loss after income tax expense for the year, net of tax		-	-	(675,213)	-	(675,213)
Total comprehensive loss for the year		**-**	**-**	**(675,213)**	**-**	**(675,213)**
Transactions with owners, in their capacity as owners						
Issue of shares during the period		5,000	-	-	-	5,000
Balance at 30 June 2021		**1,269,057**	**-**	**(839,311)**	**-**	**429,746**
As at 1 July 2021		**1,269,057**	**-**	**(839,311)**	-	**429,746**
Loss after income tax expense for the year, net of tax		-	-	(1,967,610)	(19,990)	(1,987,600)
Other comprehensive income for the year, net of tax		-	1,454,105	-	(24,855)	1,429,250
Total comprehensive income for the year		-	**1,454,105**	**(1,967,610)**	**(44,845)**	**(558,350)**
Transactions with owners, in their capacity as owners						
Issue of shares during the period		31,457,173	-	-	-	31,457,173
Issue of units during the period		-	-	-	2,225,445	2,225,445
Total transactions with owners		**31,457,173**	**-**	**-**	**2,225,445**	**33,682,619**
Balance at 30 June 2022		**32,726,230**	**1,454,105**	**(2,806,921)**	**2,180,600**	**33,554,013**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	30 Jun 2022 $	30 Jun 2021 $
Cashflows from operating activities			
Receipts in the course of operations		12,019,824	108
Payments in the course of operations		(10,401,468)	(241,844)
Interest received		620	-
Other revenue		138,297	-
Interest and other finance costs paid		(440,827)	-
Income tax paid		-	-
Net cash from operating activities		**1,316,446**	**(241,736)**
Cash flows from investing activities			
Recoupment of investment		-	80,284
Capitalised investment costs		-	(556,640)
Payment for security deposit		(66,309)	-
Deposit paid		(1,486,048)	-
Loan repayment from associate entity		553,479	-
Payment for property, plant and equipment		(6,015,057)	(1,931)
Payments for investment properties		(477,920)	-
Payment for purchase of business, net of cash acquired		(437,658)	(3,215)
Payments for investment in associate		(118,897)	-
Net cash used in investing activities		**(8,048,410)**	**(481,502)**
Cash flows from financing activities			
Proceed from issue of shares		3,050,001	5,000
Proceeds from issue of units in trust		2,225,445	-
Drawdown of related party loan		53,485	-
Drawdown of interest-bearing loan		4,058,158	621,999
Repayment of interest-bearing loan		(621,999)	-
Repayment of lease liability		(650,530)	-
Net cash from financing activities		**8,114,560**	**626,999**
Net increase in cash and cash equivalents		1,382,596	(96,238)
Cash and cash equivalents at start of the half-year		-	96,238
Cash and cash equivalents at end of the half-year		**1,382,596**	**-**

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

Notes to the Financial Statements

Section

04

For the year ended 30 June 2022

1. Corporate Information

These are the financial statements of Macarthur National Ltd (the Company) and its subsidiaries controlled at the end of, or during, the year.

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 by the Directors on the date of signing the attached Directors' Declaration.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 37.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Macarthur National Ltd ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. The company and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Macarthur National Ltd's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

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

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Macarthur National Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under the tax consolidation regime.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Distributions received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equal or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and Other Financial Assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property (excluding land) over their expected useful lives as follows:

Buildings	25 years

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Leasehold improvements	5-20 years
Plant and equipment	3-10 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is de-recognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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 - Goodwill

Intangible assets for the consolidated entity is represented by goodwill. Goodwill arises where the fair value of the consideration paid for business acquisitions exceed the fair value of the identifiable assets, liabilities and contingent liabilities acquired with the difference being treated as goodwill. Goodwill is not amortised and measured at cost less any impairment loss. Goodwill impairment is tested annually or if there is a change in operating circumstance and as instructed by the Directors. Any impairment losses on goodwill are written to profit and loss and not reversed in subsequent periods.

The consolidated entity does not record any other intangible assets.

Trade and Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Loans and Borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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.

Finance costs

Finance costs (include borrowing costs) attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

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

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing the financial report, the significant judgements made by management in applying the entities' accounting policies and the key source of estimation uncertainty were consistent with those made for the financial report as at 30 June 2021 in addition to the following:

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 34 for further information.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 18 for further information.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Business combinations

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

4. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into three key operating segments being: 'Early Learning Centres', 'Early Learning Investment' and 'Land Lease Communities'.

ELCs are characterised by well-established and mature services while Early Learning Investment's develop, own and manage the underlying Early Learning Centre properties. Newly established and yet to be mature ELCs are included in this segment.

Land Lease Communities are represented by the Zest business which are establishing and developing RLLCs.

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 consolidated entity. 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 of established ELCs	Fee income (parent & government contributed)
Early learning investments	All other business operations relating to ELCs including: • ELC services in which the Group has a net investment outstanding • ELC property investments held and used for operating its Early Learning Centres • Development activity relating to ELCs	Development profit and rental income and Fee income
Land Lease Community development / operation (Zest Living)	Establishment, development and operation of land lease communities	RLLC unit sales and lease rental income
Corporate	The Corporate segment represent the income from investments, shared expenses and other non-operational items of the consolidated entity not within the core segments above.	Intersegment or intercompany transactions only

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 year ended 30 June 2022 approximately $10.862 million of the consolidated entity's external revenue was derived from early childhood education services provided to families.

	Early Learning Centre Operations $	Early Learning Centre Investments $	Zest Living $	Corporate $	Consolidated 30 Jun 2022 $	Early Learning Centre Investments $	Corporate $	Consolidated 30 Jun 2021 $
Revenue								
Sales to external customers	7,830,931	3,031,271	-	-	10,862,202	-	-	-
Intersegment sales	-	575,153	-	2,093,289	2,668,442	-	-	-
Total sales revenue	**7,830,931**	**3,606,424**	**-**	**2,093,289**	**13,530,644**	**-**	**-**	**-**
Other revenue	72,411	551,850	597	147,483	772,341	-	24,389	24,389
Total segment revenue	**7,903,342**	**4,158,274**	597	**2,240,772**	**14,302,985**	**-**	**24,389**	**24,389**
Intersegment eliminations					(2,668,442)			-
Unallocated revenue:								
Interest revenue					-			-
Total revenue					**11,634,543**			**24,389**
EBITDA	**2,232,941**	**(179,689)**	**(178,629)**	**(731,271)**	**1,143,352**	**(4,318)**	**(670,839)**	**(675,157)**
Impairment of property					(1,001,908)			
Depreciation and amortisation					(1,486,516)			(56)
Finance costs					(925,936)			-
Profit before income tax expense					**(2,271,008)**			**(675,213)**
Income tax benefit					283,408			-
Profit after income tax expense					**(1,987,600)**			**(675,213)**
Assets								
Segment assets	11,427,021	35,893,211	12,492,030	39,568,789	99,381,051	561,606	1,275,354	1,836,960
Intersegment eliminations					(22,449,363)			(583,520)
Total assets					**76,931,688**			**1,253,440**
Liabilities								
Segment liabilities	11,742,416	23,798,874	8,687,062	17,679,349	61,907,701	565,923	841,291	1,407,213
Intersegment eliminations					(22,449,363)			(583,519)
Unallocated liabilities								
Deferred tax liability					3,919,337			-
Total liabilities					**43,377,675**			**823,694**

5. Revenue

	Notes	30 Jun 2022 $	30 Jun 2021 $
Revenue from early education services			
Rendering of services		10,862,202	-
		10,862,202	**-**

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.

6. Share of profits of associates

	Notes	30 Jun 2022 $	30 Jun 2021 $
Share of profit - associates		132,006	-
		132,006	**-**

MNL Property Trust (a subsidiary of Macarthur National Ltd) received $33,327 in cash from CVCV Childcare No 1 Partnership as share of profits in the financial year ended 30 Jun 2022.

7. Other income

	Notes	30 Jun 2022 $	30 Jun 2021 $
Interest income		9,320	-
Business continuity and other government grant		97,076	-
Profit on sale of investment	(i)	99,124	-
Net fair value gain on investment in associates	(ii)	393,595	-
Other revenue		41,220	24,389
		640,335	**24,389**

i. Disposal of shares in Mitre Focus Sdn Bhd for MYR 302,400 on 17 September 2021. Further details are provided in note 12.

ii. Valuation gains on CVCV Childcare No.1 Partnership due to fair value increase of properties invested. Refer to note 34 for further information on fair value measurement.

8. Expenses

	Notes	30 Jun 2022 $	30 Jun 2021 $
Profit before income tax includes the following specific expenses			
Depreciation			
Building		348,715	-
Leasehold improvements		7,626	-
Plant and equipment		84,486	56
Buildings right-of use-assets	(i)	1,045,68	-
Total depreciation and amortisation		**1,486,516**	**56**
Impairment			
Impairment of investment in associate		**-**	**349,551**
Net fair value loss			
Net fair value loss on investment properties	(ii)	**1,001,908**	**-**
Finance costs			
Interest and finance charges paid/ payable on borrowings		601,254	-
Interest and finance charges paid/ payable on lease liabilities	(i)	324,682	-
Finance costs expensed		**925,936**	**-**

i. Buildings right-of use-assets and Finance charges are required to be reported in accordance with 'Right of Use' and 'Lease Liability' policies as outlined in Note 2.

ii. The Net fair Value loss represents a decrease in property value as confirmed by an independent valuation which has been expensed to profit and loss, as required by the accounting standards. The consolidated entity has also recorded an increase in property value totalling $1.9m which has been reflected in the asset revaluation reserve net of tax (Note 30). As such, the consolidated entity overall property values (net) have increased by $0.9m.

9. Income tax expense

	Notes	30 Jun 2022 $	30 Jun 2021 $
Income tax benefit			
Current tax		(414,727)	-
Deferred tax - origination and reversal of temporary differences		636,359	-
Adjustment to acquisition related intangible assets		61,776	-
Aggregated income tax benefit		**283,408**	**-**
Deferred tax included in income tax expense comprises			
Increased in deferred tax assets		-	-
Increase/ (decrease) in deferred tax liabilities		636,359	-
Deferred tax - origination and reversal of temporary differences		**636,359**	**-**
Numerical reconciliation of income tax expense and tax at the statutory rate			
Losses before income tax expense		**(2,271,010)**	**-**
Tax at the statutory tax rate of 25%		(567,753)	-
Tax effect amounts which are not deductible/(taxable) in calculating taxable income			
Entertainment expenses		2,332	-
Legal costs		14,881	-
Rental expenses		98,790	-
Share of profits - associates		(7,347)	-
Profit on sale of subsidiary		77,870	-
Exempt income - Business continuity grant		(24,269)	-
Fair value gain on investment in associates		(98,399)	-
Fair value loss on property, plant and equipment		250,477	-
Accrued liabilities and other expenses		484,281	-
Sundry items		(9,231)	-
		789,385	-
Adjustment to acquisition related intangible assets		61,776	-
Income tax benefit		**283,408**	**-**

	Notes	30 Jun 2022 $	30 Jun 2021 $
Amounts charged/(credited) directly to equity			
Deferred tax assets		-	-
Deferred tax liabilities	26	(476,416)	-
		(476,416)	**-**

10. Cash and cash equivalents

	Notes	30 Jun 2022 $	30 Jun 2021 $
Cash on hand		411	-
Cash at bank		1,382,185	-
		1,382,596	**-**

11. Trade and other receivables

	Notes	30 Jun 2022 $	30 Jun 2021 $
Accounts receivable		61,137	-
Prepayment		716,595	37,000
GST receivable		57,959	5,490
Loan receivable from related parties		105,906	-
Distribution receivable from associate		98,679	-
		1,040,276	**42,490**

The consolidated entity has not provided for any allowances for expected credit losses for the financial year.

12. Investment in Associate (Current)

	Notes	30 Jun 2022 $	30 Jun 2021 $
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). Macarthur National Ltd received RM 1,705,913 (AUD 553,479) as loan repayment during the financial reporting period.

13. Inventories

	Notes	30 Jun 2022 $	30 Jun 2021 $
Work in progress	(i), (ii)	958,983	556,640
		958,983	**556,640**

i. 2021 included Swan Hill ELC property that was under construction at the time of purchase. These costs have been reclassified to property, plant and equipment in the current financial year as the property will be owner occupied, operating as a Montessori Beginnings ELC (refer note 16).

ii. 2022 included development costs of units developed by Zest Living Developments Pty Ltd, a 100% subsidiary of MNL Operations Ltd that is ultimately owned by Macarthur National Ltd.

14. Investments in Associate

	Notes	30 Jun 2022 $	30 Jun 2021 $
Investment in CVCV Childcare No.1 Partnership – at valuation	(i)	2,514,000	-
		2,514,000	**-**

i. At 30 June 2021 MNL Property Trust held a 30% partnership interest in the CVCV Childcare No 1 Partnership

Refer to note 34 for further information on fair value measurement.

Refer to note 40 for further information on interests in associates.

15. Investment properties

	Notes	30 Jun 2022 $	30 Jun 2021 $
Investment properties			
Yarrawonga (in construction)	(i)	11,240,662	-
		11,240,662	**-**

i. Zest Living is developing a 155 home residential land lease community in Yarrawonga. This investment has been recorded at cost (refer to 'Investment Properties' Note 2).

16. Property, plant and equipment

	Notes	30 Jun 2022 $	30 Jun 2021 $
Land and building - at valuation	(i)	22,762,748	-
Less Accumulated Depreciation		(348,715)	-
		22,414,033	-
Construction in progress	(ii)	1,777,308	-
Leasehold Improvements - at cost		52,001	-
Less Accumulated Depreciation		(7,626)	-
		44,375	-
Plant and Equipment - at cost		540,983	-
Less Accumulated Depreciation		(82,476)	-
		458,507	-
Computer equipment - at Cost		7,193	1,931
Less Accumulated Depreciation		(1,367)	(56)
		5,826	1,875
		24,700,049	**1,875**

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

Property	No of places	Type
Greenvale	100	ELC
Malvern	58	ELC
Maribyrnong	96	ELC
Dorcas Street (Head Office)	n/a	Head office
Lilydale (to be developed)	n/a	ELC (Proposed)

Independent valuations were conducted in or around June 2022 and the ELC properties are disclosed at fair value (refer to note 34). As the properties are tenanted by businesses in the same consolidated group the revaluation gain is included in Asset Revaluation Reserve (refer to note 30).

ii. The Swan Hill ELC property acquisition was settled in 2021 and refurbishment and improvement works were completed in October 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 13).

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	21,858,989	1,220,668	-	-	-	-	23,079,657
Acquisition	-	-	52,001	540,983	5,262	20,000	618,246
Disposals	-	-	-	-	-	(19,301)	(19,301)
Revaluation increments/ (impairment)	903,759	-	-	-	-	-	903,759
Amortisation/Depreciation	(348,715)	-	(7,626)	(82,476)	(1,311)	(699)	(440,827)
Balance 30 June 2022	**22,414,033**	**1,777,308**	**44,375**	**458,507**	**5,826**	**-**	**24,700,049**
Consolidated							
Balance 1 July 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer from prior period							
Additions	-	-	-	-	1,931	-	1,931
Acquisition	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Revaluation increments/ (impairment)	-	-	-	-	-	-	-
Amortisation/Depreciation	-	-	-	-	(56)	-	(56)
Balance 30 June 2021	**-**	**-**	**-**	**-**	**1,875**	**-**	**1,875**

Refer to note 34 for further information on fair value measurement.

17. Right-of-use-assets

	30 Jun 2022 $	30 Jun 2021 $
Land and buildings - right-of-use	15,941,213	-
Less: Accumulated depreciation	(1,045,688)	-
	14,895,525	**-**

Additions to the right-of-use assets during the year were $15,941,213.

The consolidated entity leases land and buildings for its ELC under agreements of between five to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

18. Intangibles

	30 Jun 2022 $	30 Jun 2021 $
Goodwill	18,645,490	-
	18,645,490	**-**

Reconciliations

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

	Notes	Goodwill $	Total $
Consolidated			
Balance at 1 July 2020		-	-
Balance at 30 June 2021		-	-
Additions through business combinations	38	18,637,272	18,637,272
Additions from prior period		8,218	8,218
Balance at 30 June 2022		**18,645,490**	**18,645,490**

Impairment testing

Goodwill acquired through business combinations have been allocated to the following cash-generating units (CGU):

	30 Jun 2022 $	30 Jun 2021 $
Early Learning Centre Operations	1,716,659	-
Early Learning Investments	9,417,884	-
Zest Living	7,502,728	-
	18,637,272	**-**

The consolidated entity’s goodwill recorded has been tested for impairment and no impairment losses are recorded.

Impairment testing compares the carrying value to the recoverable amount. If the recoverable amount is greater than the carrying value, the goodwill is deemed to be not impaired and the carrying value is not changed. However, if the carrying value exceeds the recoverable amount, goodwill is deemed to be impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the balance sheet to its recoverable amount.

The recoverable amount of the consolidated entity's goodwill has been determined by its:

- value-in-use (VIU) which is the present value of the estimated future cash flow of each asset or CGU. The VIU calculations are based on future cash flow forecast where key assumptions are made on the future trading business environment for each ELC CGU based on current performance and management estimates; and
- fair value less cost of disposal (FVLCD) is an estimate of the amount that a market participant would pay for an asset or CGU, less the cost of disposal. The FVLCD for the RLLC asset (Zest Living) has been determined using an independent market valuation and assessments by a member of the Australian Property Institute having recent experience in the location and category of land and buildings being valued. The valuer has projected expected cashflow from the development to determine the ‘as is’ value. The FVLCD is based on Level 3 inputs which are largely market corroborated. The directors do not believe that there has been a material movement in fair value since the valuation date.

The impairment model has the following key attributes:

- Pre-tax discount rate of 15% (2021: NA);
- Projected revenue growth rate of 2.2% (2021: NA) per annum;
- Forecast period of 5 years plus a terminal growth calculation with a terminal growth rate of 2.5% (2021: NA)

Sensitivity

The directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities in relation to the ELCs are as follows:

- Revenue would need to decrease by more than 0.5% before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 1.5% before goodwill would need to be impaired, with all other assumptions remaining constant.

There would still be head room if the terminal growth rate was reduced to 0.0%.

There is significant headroom in relation to the RLLCs.

19. Other Assets (current)

	30 Jun 2022 $	30 Jun 2021 $
Rental security deposit	381,750	-
Deposit paid on investment properties	807,135	-
Deposits paid on furniture and fittings	42,480	-
Upfront costs of investment	322,742	1,750
	1,554,107	**1,750**

20. Trade and other payables

	30 Jun 2022 $	30 Jun 2021 $
Accounts payable	731,170	174,786
Accrued expenses	287,525	15,000
Accrued audit fees	64,500	-
Accrued investment in associate costs	157,370	-
Other payables	44,403	-
	1,284,968	**189,786**

Refer to note 33 for further information on financial instruments.

21. Employee benefit provision

	Notes	30 Jun 2022 $	30 Jun 2021 $
Salaries and wages payable		774,463	7,344
Superannuation payable		228,876	2,612
Provision for payroll tax		53,173	-
Provision for annual leave		556,214	1,953
Provision for long service leave		228,073	-
Accrued director fees		56,569	-
		1,897,368	**11,909**

22. Borrowing (current)

	Notes	30 Jun 2022 $	30 Jun 2021 $
Loan from financiers	(i)	12,605,199	-
Loan from Mobe Growth Pty Ltd		-	621,999
		12,605,199	**621,999**

i. Loans from financiers, funding various property acquisitions on market terms and conditions previously refinanced from Eildon Funds Management Ltd.

Refer to note 33 for further information on financial instruments.

23. Lease liabilities (current)

	Notes	30 Jun 2022 $	30 Jun 2021 $
Lease liabilities		1,031,184	-
		1,031,184	**-**

Refer to note 33 for further information on financial instruments.

24. Other Liabilities (current)

	Notes	30 Jun 2022 $	30 Jun 2021 $
Deferred rent		159,461	-
Related party loan		2,454,479	-
		2,613,940	**-**

Refer to note 33 for further information on financial instruments.

25. Lease liabilities (non-current)

	Notes	30 Jun 2022 $	30 Jun 2021 $
Lease liabilities		14,203,407	-
		14,203,407	**-**

Refer to note 33 for further information on financial instruments.

26. Deferred tax liability (non-current)

	Notes	30 Jun 2022 $	30 Jun 2021 $
Net deferred tax liability comprises temporary differences attributable to:			
Amounts recognised in profit or loss:			
Losses carry forward		414,727	-
Fair value gain on investment in associates		98,399	-
Fair value loss on property, plant and equipment without previous reserve		(250,477)	-
Accrued liabilities and other expenses		(484,281)	-
		(221,632)	-
Amounts recognised in equity:			
Revaluation of property, plant and equipment through other comprehensive income		476,417	-
		254,785	-
Acquisition related intangible assets		3,664,552	-
Net deferred tax liabilities		**3,919,337**	**-**
Movements:			
Opening balance		-	-
Charged/(credited) to profit or loss	9	(221,632)	-
Charged to equity	9	476,417	-
Additions through business combinations	38	3,664,552	-
Closing balance		**3,919,337**	**-**

27. Other liabilities (non-current)

	Notes	30 Jun 2022 $	30 Jun 2021 $
Accrued business purchase fees		100,000	-
Provision for long service leave		187,378	-
		287,378	**-**

28. Borrowing (non-current)

	Notes	30 Jun 2022 $	30 Jun 2021 $
Loan from financier		5,534,894	-
		5,534,894	**-**

Refer to note 33 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Notes	30 Jun 2022 $	30 Jun 2021 $
Financier Loans current	22	12,605,199	
Financier Loans non-current (above)		5,534,894	-
		18,140,093	**-**

Assets pledged as security

The financier loans are secured by first mortgages over the consolidated entity's land and buildings.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Notes	30 Jun 2022 $	30 Jun 2021 $
Financial arrangements			
Financier loans		25,466,500	-
Used at the reporting date			
Financier loans		18,140,093	-
Unused at the reporting date			
Financier loans		7,326,407	-

29. Issued Capital

	30 Jun 2022 No of Shares	30 Jun 2022 $	30 Jun 2021 No of Shares	30 Jun 2021 $
Ordinary shares – fully paid	162,695,260	**32,726,230**	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
Issue of shares on purchase of partnership shares in CVCV Childcare No. 1 Partnership	25-Feb-22	6,437,610	$0.20	1,287,522
Issue of shares	7-Mar-22	2,500,000	$0.20	500,000
Issue of shares on purchase of Zest Living Australia Ltd and Zest Living Developments Pty Ltd	28-Apr-22	35,462,154	$0.20	7,092,430
Balance	**30-Jun-22**	**162,695,260**		**32,726,230**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the consolidated entity 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.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

30. Asset revaluation reserve

	Notes	30 Jun 2022 $	30 Jun 2021 $
Revaluation surplus reserve		1,454,105	-
		1,454,105	**-**

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 unrealised increases 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 consolidated entity has recorded a net valuation gain before tax of $903,759 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	Notes	Valuation date	Costs $	Valuation $	Valuation increase/ (decrease) $	Deferred tax (benefits)/ Liabilities $	Valuation increase/ (decrease), net of tax $
Valuation Surplus							
Head Office		14/06/2022	986,655	1,225,000	238,345	59,586	178,759
Maribyrnong Early Learning Centre		01/06/2022	5,078,940	5,600,000	521,060	130,265	390,795
Greenvale Early Learning Centre		01/06/2022	5,053,738	6,200,000	1,146,262	286,566	859,697
	(i)		**11,119,333**	**13,025,000**	**1,905,667**	**476,417**	**1,429,250**
Valuation Loss							
Malvern Early Learning Centre	(ii)	31/05/2022	6,501,908	5,500,000	(1,001,908)	(250,477)	(751,431)
Net valuation gain			**17,621,241**	**18,525,000**	**903,759**	**225,940**	**677,819**

i. The valuation increase, net of tax of $1,429,250 represents the asset revaluation reserve carried in the Balance Sheet.

ii. The valuation decreases of $1,001,908 (before tax) 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.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Total $	Revaluation loss through NCI $	Revaluation surplus $
Consolidated			
Balance at 1 July 2020			
Revaluation - gross	-	-	-
Deferred tax	-	-	-
Balance at 30 June 2021	-	-	-
Revaluation - gross	1,905,666	(33,140)	1,938,806
Deferred tax	(476,417)	8,285	(484,701)
Balance at 30 June 2022	**1,429,250**	**(24,855)**	**1,454,105**

31. Retained profits

	Notes	30 Jun 2022 $	30 Jun 2021 $
Retained losses at the beginning of the financial year		(839,311)	(164,098)
Losses after income tax expense for the year		(1,987,601)	(675,213)
Losses after income tax expense for the year transfer to NCI		19,990	-
Retained losses at the end of the financial year		**(2,806,922)**	**(839,311)**

32. Non-controlling interest

	Notes	30 Jun 2022 $	30 Jun 2021 $
Issued capital		2,225,445	-
Reserve		(24,855)	-
Retained loss		(19,990)	-
Retained profits at the end of the financial year		**2,180,600**	**-**

The non-controlling interest has a 16.57% (2021: 0%) equity holding in MNL Property Trust.

33. Financial Instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: currency risk, interest rate risk, credit risk and liquidity risk.

These risks arise from the normal course of business and the Group manages exposure to them in accordance with the Group’s risk management strategy, which is to support the delivery of the Group’s financial target while protecting its future financial security.

As part of the risk management strategy, the Group monitors target gearing levels and credit rating metrics under a range of stress test scenarios incorporating operational and macroeconomic factors.

Primary responsibilities for the identification and monitoring of the financial risk rests with the Chief Financial Officer under authority delegated by the Chief Executive Officer.

Market risk

Foreign currency risk

The consolidated entity does not actively undertake transactions or trade in foreign denominated currency; however, it is exposed to foreign currency risk by virtue of its investment in an entity in Malaysia. This investment represents a legacy transaction to which the Group has exited via the sale of its equity interest. However, given the nominal sums of outstanding loan involved, the Group has opted not to undertake any hedging activities.

	Asset	
	30 Jun 2022 $	30 Jun 2021 $
Consolidated		
MYR	321,456	2,010,352
	321,456	**2,010,352**

The amount owing by the Malaysian entity is MYR $106,080 (2021: MYR $663,416) and is considered immaterial.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity is exposed to interest rate risk on its outstanding borrowings from the possibility that changes in interest rates will affect future cash flows. Interest rate risk is managed as part of the consolidated entity's risk management strategy whereby the consolidated entity's gearing ratio is closely monitored along with its credit rating metrics. The Group's debt is issued at a variable interest rate.

The consolidated entity's financier loans outstanding, totaling $18,140,093 (2021: $0), are interest only loans which consist of external financier loans for MNL Property Trust which have been substantially the refinanced as well as other financier facilities in place at the start of the financial year. Monthly cash outlays of approximately $60,000 (2021: $0) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (2021: 0) basis points would have an adverse effect on profit before tax of $104 (2021: $0) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts. In addition, minimum principal repayments of $12,541,000 (2021: $0) are due during the year ending 30 June 2023.

Credit risk

Credit risk refers to counterparty default risk and this risk arises from trade debtors. This risk is managed by requiring child care fees to be paid in advance. Outstanding debtor balances are reviewed weekly and followed up in accordance with the Group's debt collection policy. Credit risk is also minimised by federal government funding in the form of Child Care Subsidy, where the Federal Government is considered to be a high-quality debtor.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangement

The consolidated entity has no unused borrowing facilities at the reporting date.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

The consolidated entity has no derivative arrangement at the reporting date.

	Weighted average %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Consolidated - 2022						
Non-derivatives						
Non-interest bearing						
Trade payables	-	730,067	-	1,103	-	731,170
Other payables	-	5,065,117	100,000	187,378	-	5,352,495
MNL Property Trust debt Facilities (Fixed)	7.75%	10,063,699	-	-	-	10,063,699
Properties debt facilities		2,541,500	-	5,534,894	-	8,076,394
Lease liability	4.12%	1,031,186	1,154,025	3,909,838	9,139,542	15,234,591
Total non-derivatives		**19,431,569**	**1,254,025**	**9,633,213**	**9,139,542**	**39,458,349**

Zest Living development debt facilities were not fully drawn as at reporting date.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Hedge accounting

The consolidated entity has no hedging activities at reporting date.

34. 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 - 30 Jun 2022				
Assets				
Investment in associate	-	-	2,514,000	2,514,000
Land and buildings	-	1,225,000	21,537,748	22,762,748
Total assets	-	**1,225,000**	24,051,748	**25,276,748**
Consolidated - 30 Jun 2021	-			
Assets				
Land and buildings	-	-	-	-
Total assets	-	-	-	-

No liabilities were held at fair value as at 30 June 2021 or 30 June 2022.

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 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 year are set out below:

	Investment in associate $	Land and buildings $	Total $
Consolidated			
Balance at 1 July 2021	-	-	-
Additions	2,120,405	20,872,334	22,992,739
Gains recognised in other comprehensive income	-	1,667,322	1,667,322
Net losses recognised through profit or loss	393,595	(1,001,908)	(608,313)
Balance at 30 June 2022	**2,514,000**	**21,537,748**	**24,051,748**
Balance at 1 July 2020	-	-	-
Additions	-	-	-
Gains recognised in other comprehensive income	-	-	-
Losses recognised through profit or loss	-	-	-
Balance at 30 June 2021	**-**	**-**	**-**

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

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Investment in associate	Rental yield	4.75% - 4.84% (4.84%) (Represented by a multiplier of 20.66 – 21.05 (20.84))	A change of +/-1 of the multiplier would increase/decrease fair value by $123,224
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

35. Capital commitments and contingencies

The entity had no contingent assets or liabilities as at 30 June 2022.

Contracted but not paid

	30 Jun 2022 $	30 Jun 2021 $
Capital commitments		
Committed at the reporting date but not recognised as liabilities		
Property, plant and equipment	5,372,346	-
	5,372,346	**-**

36. Related party transactions

Parent entity

Macarthur National Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 39.

Associates

Interests in associates are set out in note 40.

Key management personnel

Disclosures relating to key management personnel are set out in note 41.

Transactions with related parties

The following transactions occurred with related parties:

	Notes	30 Jun 2022 $	30 Jun 2021 $
Payment for goods and services	(i)	30,000	60,000
Payment for services from Independent Capital Partners Pty Ltd (director related entity of Dennis Wilkie)	(ii)	7,500	-
Payment for services from Elster Development Pty Ltd	(iii)	75,000	-
		112,500	**60,000**

i. Payment for goods and services to CVC Venture Manager Pty Ltd, a related party to the consolidated entity due to common Directors and ownership interest (CVCV directors and executives have indirect ownership interests in the consolidated entity). Under the Services Agreement, CVCV will provide the consolidated entity with administration, compliance and such other services as reasonably requested from time to time, for a quarterly fee of $15,000. Its services ended on 30 September 2021.

ii. Payment for services from Independent Capital Partners Pty Ltd was relating to consulting fees with respect to advisory work in relation to the prospectus.

iii. The consolidated entity has entered into a consultancy agreement with Elster Development Pty Ltd (Elster) where Elster will provide various services including property and project management services to the Group. Ian Leslie Townsing, sole director of Elster is the brother of Henry Townsing Sr who is the director of Macarthur. Elster is not deemed a related party under Part 2E.2 s228(3) of the corporations' act but for the purposes of full and frank disclosure Elster was paid $75,000 during the year for services rendered.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Notes	30 Jun 2022 $	30 Jun 2021 $
Trade payables to CVC Venture Manager Pty Ltd		53,485	42,262
Payable for services from Elster Development Pty Ltd		93,333	-
Trade payable to Land Real Pty Ltd (director related entity of Henry Townsing)	(i)	158,400	-
		305,218	**42,262**

i. Project management fee in relation to Zest Living Australia Pty Ltd, arrangements to which predated MNL Operations Pty Ltd's acquisition of Zest Living Australia Pty Ltd.

Loans to/from related parties

	Notes	30 Jun 2022 $	30 Jun 2021 $
Loan to Mitre Focus	(i)	105,906	-
Loan from 22 Spot Pty Ltd	(ii)	700,000	-
Loan from 94 Feet Pty Ltd	(iii)	566,667	-
Loan from AWG No. 17 Pty Ltd	(iii)	567,660	-
Loan from GMO New Pty Ltd	(iii)	567,660	-
		2,400,994	**-**

i. In September 2021, the consolidated entity sold its equity interest in Mitre Focus Sdn Bhd for RM 302,400 (AUD102,508) while the loan owing from Mitre Focus remains outstanding.

ii. 22 Spot Pty Ltd is a related party to the consolidated entity due to common Directors. The loan provided to Zest Living Australia Pty Ltd by 22 Spot Pty Ltd predated MNL Operations Pty Ltd's acquisition of Zest Living Australia Pty Ltd and was fully repaid after 30 June 2022 on 25 August 2022.

iii. 94 Feet Pty Ltd, AWG No. 17 Pty Ltd and GMO New Pty Ltd sold its equity interest in Zest Living Australia Pty Ltd and Zest Living Developments Pty Ltd to the Company whereby the consideration was paid via issuance of new shares i the Company. These interest free loans predated MNL Operations Pty Ltd's acquisition of Zest Living Australia Pty Ltd and represent amounts still owing to each respective entity.

Terms and conditions

All transactions were made on commercial terms on an arms' length basis.

37. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	30 Jun 2022 $	30 Jun 2021 $
Profit / (loss) after income tax expense	2,162,195	(638,775)
Other comprehensive income / (loss)	-	24,389
Total comprehensive income/ (loss)	**2,162,195**	**(614,386)**

Statement of financial position

	Parent	
	30 Jun 2022 $	30 Jun 2021 $
Current assets	737,916	1,271,479
Non-current assets	34,803,776	-
Total assets	**35,541,692**	**1,271,479**
Current liabilities	1,456,140	805,295
Non-current liabilities	-	-
Total liabilities	**1,456,140**	**805,295**
Net Assets	**34,085,552**	**466,184**
Equity		
Issued capital	32,726,230	1,269,057
Retained profits	1,359,321	(802,873)
Total equity	**34,085,552**	**466,184**

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

38. 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 $	CVCV Childcare No 1 Pty Ltd Fair value $	Zest Living Australia Fair Value $
Notes	(i)	(ii)	(iii)	(iv)	(v)
Cash and cash equivalents	17,100	738,962	-	-	1,086,750
Trade and other receivables	48,203	738,972	-	-	-
Inventory	-	-	-	-	200,603
Plant and equipment	60,759	322,234	-	-	10,909,117
Deferred tax assets	-	691,991	-	-	-
Other assets	-	313,323	-	-	313,561
Trade and other payables	(15,032)	(455,394)	(200,000)	-	(1,012,029)
Employee benefit provision	(78,253)	(767,720)	(237,658)	-	(39,351)
Provision for income tax	(47,938)	(290,943)	-	-	(13,838)
Other Liabilities	-	-	-	-	(2,849,965)
Deferred tax liabilities	-	-	-	-	(4,356,543)
Interest-bearing loans and borrowings	-	(2,216,179)	-	-	(4,648,602)
Net asset / (liability) acquired	(15,160)	(924,754)	(437,658)	-	(410,297)
Goodwill	1,716,658	8,711,976	700,908	5,000	7,502,728
Acquisition-date fair value of the total consideration transferred	**1,701,498**	**7,787,222**	**263,250**	**5,000**	**7,092,431**
Representing:					
Shares issued	1,701,498	7,787,222	-	5,000	7,092,431
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	-	-	1,086,750
Net cash received	**17,100**	**738,962**	**(263,250)**	**-**	**1,086,750**

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 $999,467 and loss before tax of $201,120 to the consolidated entity for the period from 30 September to 30 June 2022. If the acquisition occurred on 1 July 2021, the contributions for the year would have been revenues of $1,270,081 and profit before tax of $161,000. The values identified in relation to the acquisition of Springkids are provisional as at 30 June 2022.

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 $7,862,100 and profit before tax of $664,375 to the consolidated entity for the period from 28 September 2021 to 30 June 2022. If the acquisition occurred on 1 July 2021, the contributions for the year would have been revenues of $10,427,940 and loss before tax of $208,241. The values identified in relation to the acquisition of Mobe Growth Pty Ltd are provisional as at 30 June 2022.

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 contributed revenues of $1,339,900 and loss before tax of 90,254 to the consolidated entity for the period from 1 January to 30 Jun 2022. The Company is unable to determine the contributions to revenue and profit before tax before acquisition due to insufficient financial information and records.

iv. On 28 September 2022 MNL Operations Pty Ltd, a subsidiary of Macarthur, acquired the 100% of CVCV Childcare No 1 Pty Ltd (CC1) and became a non-beneficial managing partner of CVCV Childcare No.1 Partnership, an associate of MNL Property Trust. As CC1 is a managing partner it has no assets or income that contributed to the revenue or profit before tax to the consolidated group.

v. On 28 April 2022 MNL Operations Pty Ltd, a subsidiary of Macarthur, acquired 100% of the ordinary shares of Zest Living Australia Pty Ltd and Zest Living Developments Pty Ltd. The acquired business contributed revenues of $597 and loss before tax of $194,468 to the consolidated entity for the period from 28 April 2022 to 30 June 2022. The acquired entities own the RLLC site in Yarrawonga which is currently in development.

39. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 2:

	Principal place of business/ Country of incorporation	2022 %	2021 %
MNL Operations Pty Ltd	Australia	100.00%	100.00%
Mobe Developments Pty Ltd	Australia	100.00%	100.00%
Montessori Beginnings Pty Ltd	Australia	100.00%	100.00%

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy described in note 2:

Name	Principal place of business/ Country of incorporation	Principal activities	MNL		Eildon Nominee Services Pty Ltd atf Health & Education Fund Pty Ltd	
			Ownership interest 2022 %	Ownership interest 2021 %	Ownership interest 2022 %	Ownership interest 2021 %
MNL Property Trust	Australia	Property investment	83.43%	100.00%	16.57%	0%

The non-controlling interests hold no voting rights of Macarthur National Ltd.

Summarised financial information

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

	Note	MNL Property Trust	
		30 Jun 2022 $	30 Jun 2021 $
Summarised statement of financial position			
Current assets		245,888	558,390
Non-current assets		23,224,749	-
Total assets		**23,470,637**	**558,390**
Current liabilities		10,352,199	559,510
Non-current liabilities		-	-
Total liabilities		**10,352,199**	**559,510**
Net assets		**13,118,438**	**(1,120)**
Summarised statement of profit or loss and other comprehensive income			
Revenue		2,412,952	-
Expenses		(630,739)	(1,120)
Profit before income tax expense		**1,782,213**	**(1,120)**
Income tax expense		-	-
Profit after income tax expense		1,782,213	(1,120)
Other comprehensive income / (loss)		-	-
Total comprehensive income/ (loss)		**1,782,213**	**(1,120)**
Statement of cash flows			
Net cash from operating activities		(402,432)	(1,120)
Net cash used in investing activities		(20,429,737)	(558,390)
Net cash used in financing activities		20,832,169	559,510
Net increase/(decrease) in cash and cash equivalents		**-**	**-**
Other financial information			
Loss attributable to non-controlling interests		(25,655)	-
Accumulated non-controlling interests at the end of reporting period	-	-	

The non-controlling interests hold no voting rights of Macarthur National Ltd.

40. Interest in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name	Principal place of business/ Country of incorporation	Ownership Interest	
		2022 %	2021 %
CVCV Childcare No. 1 Partnership	Australia	30.00%	0%

The investment in CVCV Childcare No. 1 Partnership is held by MNL Property Trust (MNLPT). MNLPT is a subsidiary of MNL with 83.43% controlling interests. Summarised financial information of MNLPT is in note 39.

	Note	CVCV Chilcare No.1 Partnership	
		30 Jun 2022 $	30 Jun 2021 $
Summarised statement of financial position			
Current assets		51,800	-
Non-current assets		3,959,103	-
Total assets		**4,010,903**	**-**
Current liabilities		13,490	-
Non-current liabilities		1,445,673	-
Total liabilities		**1,459,163**	**-**
Net assets		**2,551,740**	**-**
Summarised statement of profit or loss and other comprehensive income			
Revenue		143,464	-
Expenses		(11,458)	-
Profit before income tax expense		**132,006**	**-**
Income tax expense		-	-
Profit after income tax expense		132,006	-
Other comprehensive income / (loss)		-	-
Total comprehensive income/ (loss)		**132,006**	**-**
Reconciliation of the consolidated entity's carrying amount			
Opening carrying amount		-	-
Cost of purchased		2,453,061	-
Share of profit after income tax		132,006	-
Distribution received		(33,327)	-
Closing carrying amount		**2,551,740**	**-**

41. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	30 Jun 2022 $	30 Jun 2021 $
Short-term employee benefits	441,500	31,680
Long-term employee benefit	699	-
	442,199	**31,680**

42. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Accounting Firm RSM Partners, the auditor of the company, its network firms and unrelated firms:

	30 Jun 2022 $	30 Jun 2021 $
Audit services - RSM Accountants		
Audit or review of the financial statements	73,500	20,000
Other services – RSM Accountants		
Preparation of the tax return	-	5,000
Other tax advises	-	12,500
Due diligence and Prospectus related	122,150	10,000
	195,650	**47,500**

43. Significant events after balance date

Corporate

- Placement of $3,320,996 of new shares at $0.20 per share was completed as a result of the replacement prospectus issued on 15 July 2022.
- Placement of $141,661 of new shares at $0.20 per share was completed on 10 October 2022.

Mobe Developments Pty Ltd (subsidiary of the Company)

- Property purchased on 21 April 2022, was settled on 24 August 2022.

No other matter or circumstance has arisen since 30 June 2022 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

05

Directors’ Declaration

In the Directors' opinion:

- The attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- The attached financial statements and notes give a true and fair view of the consolidated entity’s financial position as at 30 June 2022 and of its performance for the financial 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 the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors

Henry Townsing
Chairman
Dated: 16 November 2022

Independent Auditor’s Report

Section

06

Auditor's Report

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INDEPENDENT AUDITOR'S REPORT
To the Members of Macarthur National Limited

Opinion

We have audited the financial report of Macarthur National Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 16 November 2022
Melbourne, Victoria

Corporate Directory

Section

07

Board of Directors

Henry Townsing
Chairman
Non-Executive Director

Dr Les Fitzgerald
Non-Executive Director

Dennis Wilkie
Non-Executive Director

Company Secretary
Richard Barton

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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.

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