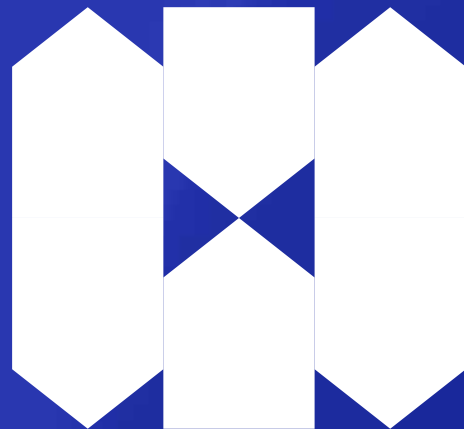


MACARTHUR NATIONAL LTD

# Interim Report 2023





Macarthur National Ltd  
ABN: 77 633 180 346

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# Our Business

Section

# 01

## Who is Macarthur National?

Macarthur creates Social Infrastructure communities that improve the lives of those who bring its spaces to life.

- The Company 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:

### ELC services operating under the "Montessori Beginnings" brand



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.



### RLLC housing operating under the Zest Living brand

## ZEST LIVING

Zest Living was established to service an increased number of people either semi-retired or retired wishing to downsize or often needing to liberate equity and stored wealth in their current home to fund their lifestyle aspirations. Zest Living aims to provide these people with a financially viable solution to residential living in retirement, that is popular overseas but is in its infancy in Australia, and is achieved through separation of home and land ownership.

In a Zest Living estate, residents purchase a house from Zest Living at a price typically less than the median price and lease the underlying house lot from Zest Living for an annual fee on an extended long-term basis. The advantage to homeowners is two-fold:

- 1) cash saving, as the annual rent is a fraction of the cost of purchasing any similar land on which to build a home, with the land savings providing people with the necessary money to live an enhanced and independent lifestyle; and
- 2) Zest Living estates offer community living benefits not normally attainable such as broad companionship and access to exclusive communal recreational facilities within a gated community setting.

Without such opportunities, it is Macarthur's view that many retirees will remain asset rich and income poor, thereby compromising life enjoyment or lifestyle in their later years.



# The Pillars of Macarthur's Business model

## Business model

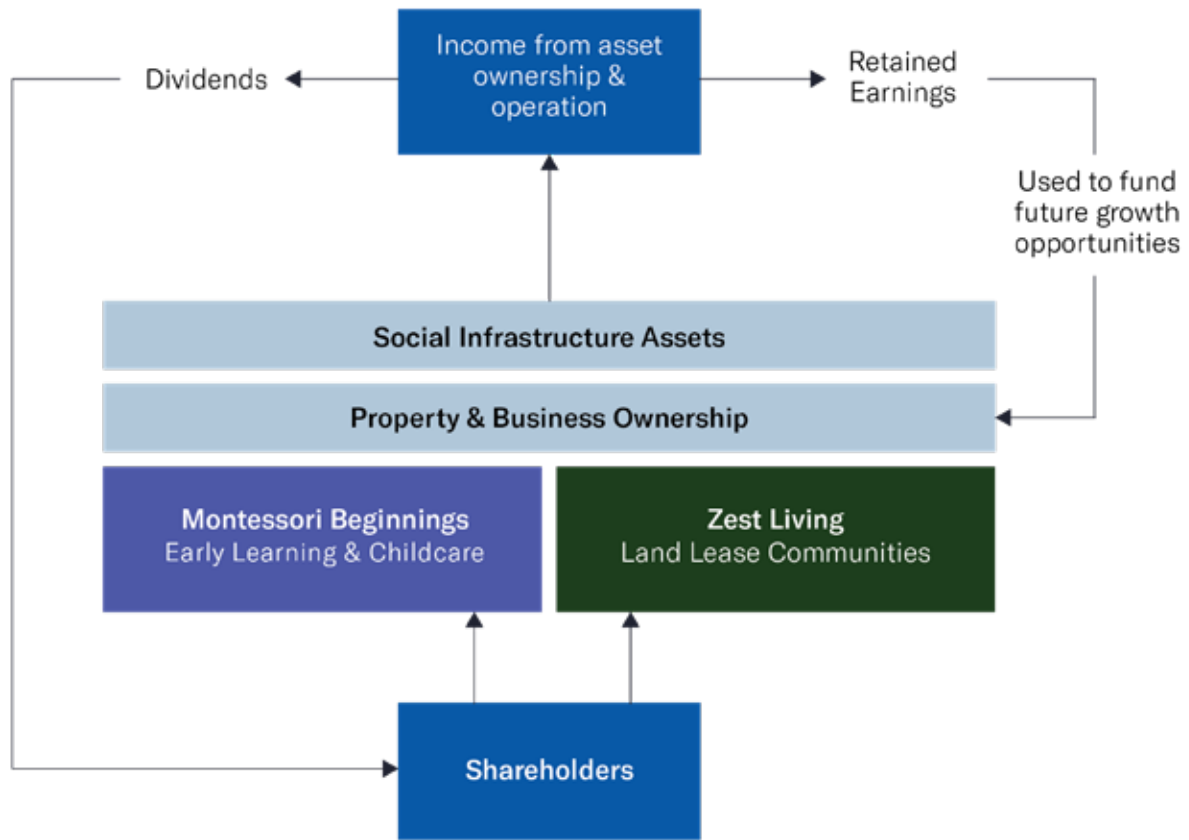
Macarthur’s business model charts a course to own, develop and manage ELC services and RLLC housing projects that provide specialised offerings to local communities.

### 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

The Group remains committed to executing its strategic plans to expand its social infrastructure businesses, with the objective of increasing the Group's overall value and benefiting its shareholders.

A summary of the Group's social infrastructure businesses is set out in the table below:

Brand	Montessori Beginnings	Zest Living
<b>Social infrastructure sector</b>	<b>Early learning and childcare</b>	<b>Residential land lease communities</b>
Operating	9	0
Under construction	1	1
Pipeline	3	1
<b>Total</b>	<b>13</b>	<b>2</b>

In the half year ended 31 December 2022, these businesses generated a total revenue of \$8.80 million and EBITDA of \$1.09m for the Group. Over this period, the Group successfully completed;

- a capital raising exercise raising \$3.32m via a placement, rights issue and top up offer to shareholders; and
- the refurbishment and expansion of an ELC property in Swan Hill. The Swan Hill ELC commenced operations mid Dec 2022.



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

### ELC Operations: mature ELC's

ELC Operations, at 31 Dec 2022, comprised 5 ELC services that generated \$5.97 million revenue for the Group in the half year ended 31 Dec 2022.

### ELC Investments: incubating ELC's

Generated \$4.5 million revenue for the Group in the half year ended 31 Dec 2022.

Segments	ELC Services	New early learning centres	MNL Property Trust
<b>Number</b>	4 ELCs	1 in construction 3 in pipeline	5 Properties
<b>Description</b>	Incubated ELC services which will transfer to ELC Operations once Group "sunk" investment of each service is fully repaid.	ELC sites in development including sites in construction and preconstruction where project tender process is being arranged and/or development permits are being sought.	Owner of ELC properties developed by the Group held for long term rental income generation. At 31 Dec 2022 Macarthur held an 80.1% unitholding in the trust.

## Zest Living

In the half year to 31 December 2022, Zest Living had 1 RLLC community in development being Zest Living Yarrowonga. There was no revenue and expense contribution in this period from Zest Living Yarrowonga as development costs are being capitalised.

The Zest Living Yarrowonga development is progressing according to plan, and the first resident is expected to move in during H2'2023. The community centre is in the advanced stage of development and is expected to be completed in Winter 2023.

### Zest Living Yarrowonga under construction



Community Centre under construction



Display village and first homes under construction

The timing of the development of the Zest Living Yarrowonga 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

The Group focus is two-fold;

- 1) Continue to nurture ELC investments assets and Zest Living Yarrowonga to bring them to operational maturity; and
- 2) Further grow the Macarthur businesses by developing out the pipeline of both future Montessori Beginnings and Zest Living businesses that was accumulated during 2022.

The growth in existing businesses and the addition of pipeline businesses should underpin ongoing revenue growth for Macarthur in the medium term. To support the ongoing build out of Macarthur businesses it is the intention of the Company to seek an ASX listing at the appropriate time.

**Henry Townsing Jnr**  
**Chief Executive Officer**  
**31 March 2023**



# 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 half-year ended 31 December 2022.

### Directors

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

Mr Henry Townsing – Chairman  
Dr Les Fitzgerald – Non executive director  
Mr Dennis Wilkie – Non executive director

### Principal activities

Macarthur is a company that owns, develops, and operates social infrastructure communities with a focus on two identified Social Infrastructure sectors being:

- 1) ELC services operating under the "Montessori Beginnings" brand. Established in 2018, Montessori Beginnings provides long day care childcare services utilising the 'Montessori' philosophy in teaching young children.
- 2) RLLC housing operating under the Zest Living brand. Zest Living was established to service an increased number of people either semi-retired or retired wishing to downsize or often needing to liberate equity and stored wealth in their current home to fund their lifestyle aspirations.

### Review of operations

For the half year to 31 December 2022, Macarthur recorded a loss of \$591k after tax (HY21: \$931k loss) with operating revenue of \$8.8m (HY21 \$3.2m). The ELC Operations business contributed positively to earnings (EBITDA \$1.97m) while the ELC Investments, Zest Living and Corporate segments provides the business with the platform for future growth.

Macarthur's net assets rose to \$36.517m at 31 December 2022 (30 June 2022: \$33.55m) in part driven by Macarthur successfully completing a capital raising exercise, raising \$3.32m in equity to actively pursue the Board's strategic plans of expanding its businesses with the objective of creating shareholder value.

### Significant changes in the state of affairs

There was no other significant change in affairs of the consolidated entity during the half year to December 2022.

### 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 dollars.

### 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.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'H. Townsing', with a stylized flourish at the end.

Henry Townsing  
Director  
31 March 2023

## Auditor's Independence Declaration



**RSM Australia Partners**

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### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Macarthur National Ltd and its controlled entities for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read "RSM".

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to read "BY Chan".

**B Y CHAN**  
Partner

Melbourne, Victoria  
Dated: 31 March 2023

### THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

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# Half Year 2022 Financial Report

Section

# 03

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2022

	Notes	31 Dec 2022 \$	31 Dec 2021 \$
<b>Revenue</b>	4	8,795,109	3,184,416
Share of profits of associates	5	60,000	19,320
Other income	6	27,241	216,695
<b>Expenses</b>			
Employee benefit expenses		(6,426,493)	(2,643,688)
Occupancy expenses		(462,638)	(202,532)
Direct expenses		(328,551)	(109,242)
Administrative expenses		(575,601)	(500,920)
Depreciation and Amortisation	7	(1,089,921)	(344,039)
Fair value loss on investment properties		-	(1,001,908)
Other Expense		(1,549)	(458)
Finance costs	7	(620,854)	(201,836)
<b>Loss before income tax expense</b>		<b>(623,257)</b>	<b>(1,584,193)</b>
Income tax benefit		31,799	652,580
<b>Loss after income tax expense for the half year</b>		<b>(591,458)</b>	<b>(931,613)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of properties at fair value through other comprehensive income, net of tax		277,263	1,579,250
<b>Other comprehensive income for the year, net of tax</b>		<b>277,263</b>	<b>1,579,250</b>
<b>Total comprehensive income (loss) for the year, net of tax</b>		<b>(314,195)</b>	<b>647,637</b>
Profit for the year is attributable to:			
Non-controlling interest		26,065	-
Owners of Macarthur National Ltd		(617,523)	(931,613)
		<b>(591,458)</b>	<b>(931,613)</b>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		54,565	-
Owners of Macarthur National Ltd		222,698	647,637
		<b>277,263</b>	<b>647,637</b>

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

## Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	31 Dec 2022 \$	30 Jun 2022 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		2,000,455	1,382,596
Trade and other receivables		873,965	1,040,276
Income tax receivables		5,007	-
Inventories		2,181,485	958,982
<b>Total Current Assets</b>		<b>5,060,912</b>	<b>3,381,855</b>
<b>Non-current Assets</b>			
Investment in Associate		2,514,000	2,514,000
Investment Properties		13,781,276	11,240,662
Property, plant and equipment	8	28,365,421	24,700,049
Right-of-use assets		14,159,671	14,895,525
Intangibles		18,645,490	18,645,490
Other Assets		1,752,898	1,554,108
<b>Total Non-current Assets</b>		<b>79,218,756</b>	<b>73,549,833</b>
<b>Total Assets</b>		<b>84,279,668</b>	<b>76,931,688</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		791,539	1,284,969
Employee benefit provision		1,837,092	1,897,368
Borrowing	9	4,134,910	12,605,199
Lease liabilities		1,117,774	1,031,184
Other liabilities		1,624,201	2,613,940
<b>Total Current Liabilities</b>		<b>9,505,516</b>	<b>19,432,660</b>
<b>Non-current Liabilities</b>			
Lease liabilities		13,634,123	14,203,407
Deferred tax liabilities		3,986,575	3,919,337
Other non-current liability		288,071	287,377
Borrowing	10	20,348,383	5,534,894
<b>Total Non-current Liabilities</b>		<b>38,257,152</b>	<b>23,945,016</b>
<b>Total Liabilities</b>		<b>47,762,668</b>	<b>43,377,675</b>
<b>Net Assets</b>		<b>36,517,000</b>	<b>33,554,013</b>
<b>Equity</b>			
Issued capital	11	35,445,047	32,726,230
Asset revaluation reserves		1,676,803	1,454,105
Retained earnings		(3,424,446)	(2,806,922)
Equity attributable to the owners of Macarthur National Ltd		33,697,404	31,373,413
Non-controlling interest		2,819,596	2,180,600
<b>Total Equity</b>		<b>36,517,000</b>	<b>33,554,013</b>

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 half year ended 31 December 2022

	Notes	Issued Shares \$	Asset revaluation reserve \$	Accumulated losses \$	Non- controlling interest \$	Total \$
<b>At 1 July 2021</b>		<b>1,269,057</b>	-	<b>(839,312)</b>	-	<b>429,745</b>
Loss after income tax expense for the half year, net of tax		-	-	(931,613)	-	(931,613)
Other comprehensive income for the half-year, net of tax		-	1,579,250	-	-	1,579,250
<b>Total comprehensive gain for the half-year</b>		-	<b>1,579,250</b>	<b>(931,613)</b>	-	<b>647,637</b>
<i>Transactions with owners, in their capacity as owners</i>						
Issue of shares during the period		22,577,221	-	-	-	22,577,221
<b>Balance at 31 December 2021</b>		<b>23,846,278</b>	<b>1,579,250</b>	<b>(1,770,925)</b>	-	<b>23,654,603</b>
<b>At 1 July 2022</b>		<b>32,726,230</b>	<b>1,454,105</b>	<b>(2,806,922)</b>	<b>2,180,600</b>	<b>33,554,013</b>
Loss after income tax expense for the half-year, net of tax		-	-	(617,524)	26,066	(591,458)
Other comprehensive income for the half-year, net of tax		-	222,698	-	54,565	277,263
<b>Total comprehensive loss for the half-year</b>		-	<b>222,698</b>	<b>(617,524)</b>	<b>80,631</b>	<b>(314,195)</b>
<i>Transactions with owners, in their capacity as owners</i>						
Issue of shares during the period		3,463,218	-	-	-	3,463,218
Issue of Units during the period		-	-	-	558,365	558,365
Capitalised costs on issue of shares		(744,401)	-	-	-	(744,401)
<b>Total transactions with owners</b>		<b>2,718,817</b>	-	-	<b>558,365</b>	<b>3,277,182</b>
<b>Balance at 31 December 2022</b>		<b>35,445,047</b>	<b>1,676,803</b>	<b>(3,424,446)</b>	<b>2,819,596</b>	<b>36,517,000</b>

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 half year ended 31 December 2022

	Notes	31 Dec 2022 \$	31 Dec 2021 \$
<b>Cash flows from operating activities</b>			
Receipts in the course of operations		9,074,095	3,466,181
Payments in the course of operations		(10,174,297)	(3,514,043)
Other revenue		60,000	-
Interest received		7,804	246
Interest and other finance costs paid		(377,428)	(208,389)
Income tax paid		(1,919)	-
<b>Net cash from operating activities</b>		<b>(1,411,745)</b>	<b>(256,005)</b>
<b>Cash flows from investing activities</b>			
Payment for security deposit		-	(68,060)
Deposit paid		(194,073)	(791,000)
Loan to non-related entity		(170,000)	-
Loan repayment from associate entity		-	(240,205)
Payment for property, plant and equipment		(3,854,161)	(8,109,286)
Payments for investment properties		(2,540,615)	-
Payments for the acquisition of subsidiaries		(185,672)	-
Payment for purchase of business, net of cash acquired		-	428,618
<b>Net cash used in investing activities</b>		<b>(6,944,521)</b>	<b>(8,779,932)</b>
<b>Cash flows from financing activities</b>			
Proceed from issue of shares		3,158,385	2,550,000
Proceed from issue of units in trust		714,928	-
Drawdown of related party loan		-	129,721
Repayment of related party loan		(759,694)	(1,802,686)
Drawdown of interest-bearing loan		16,406,899	10,000,000
Repayment of interest-bearing loan		(10,063,699)	(478,746)
Repayment of lease liability		(482,694)	(236,975)
<b>Net cash from financing activities</b>		<b>8,974,125</b>	<b>10,161,315</b>
Net increase in cash and cash equivalents		617,859	1,125,378
Cash and cash equivalents at start of the half-year		1,382,596	-
<b>Cash and cash equivalents at end of the half-year</b>		<b>2,000,455</b>	<b>1,125,378</b>

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

# Notes to the Financial Statements

For the half year ended 31 December 2022

## 1. Corporate Information

These are the financial statements of Macarthur National Ltd (Company) and its subsidiaries controlled at the end of, or during, the half 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 on the date of signing the attached Directors' Declaration.

## 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

## New or amended Accounting Standards and Interpretations adopted

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

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

## 3. 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 here in 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, 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:

<b>Segment</b>	<b>Type of Product &amp; Service</b>	<b>Income Source</b>
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: <ul style="list-style-type: none"> <li>• ELC services in which the consolidated entity has a net investment outstanding</li> <li>• ELC property investments held and used for operating its Early Learning Centres</li> <li>• Development activity relating to ELCs</li> </ul>	Development profit, 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 represents the income from investments, shared expense and other non-operational items of the consolidated entity not within the core segments above	Intersegment or intercompany transactions only

## Notes to the Financial Statements

For the half year ended 31 December 2022

	Early Learning Centre Operations \$	Early Learning Centre Investments \$	Zest Living \$	Corporate \$	Consolidated 31 Dec 2022 \$	Early Learning Centre Operations \$	Early Learning Investments \$	Zest Living \$	Corporate \$	Consolidated 31 Dec 2021 \$
<b>Revenue</b>										
Sales to external customers	5,973,257	2,821,852	-	-	8,795,109	3,184,416	-	-	-	3,184,416
Intersegment sales	-	478,685	-	-	478,685	-	142,390	-	193,500	335,890
<b>Total sales revenue</b>	<b>5,973,257</b>	<b>3,300,537</b>	<b>-</b>	<b>-</b>	<b>9,273,794</b>	<b>3,184,416</b>	<b>142,390</b>	<b>-</b>	<b>193,500</b>	<b>3,520,306</b>
Other revenue	8,397	69,160	2,517	7,167	87,241	101,045	-	-	134,970	236,015
<b>Total segment revenue</b>	<b>5,981,654</b>	<b>3,369,697</b>	<b>2,517</b>	<b>7,167</b>	<b>9,361,035</b>	<b>3,285,461</b>	<b>142,390</b>	<b>-</b>	<b>328,470</b>	<b>3,756,321</b>
Intersegment eliminations	-	-	-	-	(478,685)	-	-	-	-	(335,890)
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,882,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,420,431</b>
<b>EBITDA</b>	<b>1,973,546</b>	<b>(69,897)</b>	<b>(155,274)</b>	<b>(660,857)</b>	<b>1,087,518</b>	<b>443,746</b>	<b>1,753</b>	<b>-</b>	<b>(481,908)</b>	<b>(36,410)</b>
Impairment of property	-	-	-	-	-	-	-	-	-	(1,001,908)
Depreciation and amortisation	-	-	-	-	(1,089,921)	-	-	-	-	(344,039)
Finance costs	-	-	-	-	(620,854)	-	-	-	-	(201,836)
<b>Profit before income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(623,257)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,584,193)</b>
Income tax benefit	-	-	-	-	31,799	-	-	-	-	652,580
<b>Profit after income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(591,458)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(931,613)</b>
	Early Learning Centre Operations \$	Early Learning Centre Investments \$	Zest Living \$	Corporate \$	Consolidated 31 Dec 2022 \$	Early Learning Centre Operations \$	Early Learning Investments \$	Zest Living \$	Corporate \$	Consolidated 30 Jun 2022 \$
<b>Assets</b>										
Segment assets	10,935,270	40,083,923	16,474,713	42,027,472	109,521,378	11,427,021	35,893,211	12,492,030	39,568,789	99,381,051
Intersegment eliminations	-	-	-	-	(25,246,717)	-	-	-	-	(22,449,363)
Unallocated assets	-	-	-	-	-	-	-	-	-	-
Income Tax receivables	-	-	-	-	5,007	-	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84,279,668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,931,688</b>
<b>Liabilities</b>										
Segment liabilities	11,288,352	25,997,418	12,835,454	18,901,586	69,022,810	11,742,416	23,798,874	8,687,062	17,679,349	61,907,701
Intersegment eliminations	-	-	-	-	(25,246,717)	-	-	-	-	(22,449,363)
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	3,986,575	-	-	-	-	3,919,337
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,762,668</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,377,675</b>

#### 4. Revenue

	Notes	31 Dec 2022 \$	31 Dec 2021 \$
<i>Revenue from early education services</i>			
Rendering of services		8,795,109	3,184,416
		<b>8,795,109</b>	<b>3,184,416</b>

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.

#### 5. Share of profits of associates

	Notes	31 Dec 2022 \$	31 Dec 2021 \$
Share of profit - associates		60,000	19,320
		<b>60,000</b>	<b>19,320</b>

MNL Property Trust (a subsidiary of Macarthur National Ltd) received \$60,000 in cash from CVCV Childcare No 1 Partnership as share of profits in the half year ended 31 December 2022.

#### 6. Other income

	Notes	31 Dec 2022 \$	31 Dec 2021 \$
Interest income		14,971	4,514
Business continuity and other government grant		-	100,676
Profit on sale of investment		-	99,005
Other revenue		12,270	12,500
		<b>27,241</b>	<b>216,695</b>

## 7. Expenses

	Notes	31 Dec 2022 \$	31 Dec 2021 \$
<b>Profit before income tax includes the following specific expenses</b>			
<i>Depreciation</i>			
Building		300,433	-
Leasehold improvements		3,555	3,097
Plant and equipment		50,082	31,249
Buildings right-of use-assets	i	735,851	309,693
<b>Total depreciation and amortisation</b>		<b>1,089,921</b>	<b>344,039</b>
<i>Impairment</i>			
<b>Impairment of investment in associate</b>		<b>-</b>	<b>1,001,908</b>
<i>Finance costs</i>			
Interest and finance charges paid/ payable on borrowings		377,428	124,350
Interest and finance charges paid/ payable on lease liabilities	i	243,426	77,486
<b>Finance costs expensed</b>		<b>620,854</b>	<b>201,836</b>

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



## 8. Property, plant and equipment

	Notes	31 Dec 2022 \$	30 Jun 2022 \$
Land and building - at valuation	i	25,512,748	22,762,748
Less Accumulated Depreciation		(649,148)	(348,715)
		<b>24,863,600</b>	<b>22,414,033</b>
Construction in progress	ii	2,888,871	1,777,308
Leasehold Improvements - at cost		52,001	52,001
Less Accumulated Depreciation		(11,181)	(7,626)
		<b>40,820</b>	<b>44,375</b>
Plant and Equipment - at cost		697,555	540,983
Less Accumulated Depreciation		(131,540)	(82,476)
		<b>566,015</b>	<b>458,507</b>
Computer equipment - at cost		8,498	7,193
Less Accumulated Depreciation		(2,383)	(1,367)
		6,115	5,826
		<b>28,365,421</b>	<b>24,700,049</b>

- i. Land and building include newly refurbished, extended and improved ELC property in Swan Hill which was completed in October 2022 and revalued at fair value giving rise to a revaluation gain which is included in Asset Revaluation Reserve.
- ii. The following properties were purchased by the consolidated entity during the reporting period:

Property	No of places	Type
Harpley (Werribee)	90 (Proposed)	ELC (Proposed)
Irymple	112 (Proposed)	ELC (Proposed)

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 \$
<b>Consolidated</b>							
<b>Balance 1 July 2022</b>	<b>22,414,033</b>	<b>1,777,308</b>	<b>44,375</b>	<b>458,507</b>	<b>5,826</b>	<b>-</b>	<b>24,700,049</b>
Transfer from prior period	1,777,308	(1,777,308)	-	-	-	-	-
Additions	603,008	2,888,871	-	-	-	-	3,491,879
Acquisition	-	-	-	156,573	1,306	-	157,879
Disposals	-	-	-	-	-	-	-
Revaluation increments/ (impairment)	369,684	-	-	-	-	-	369,684
Amortisation/Depreciation	(300,433)	-	(3,555)	(49,065)	(1,017)	-	(354,070)
<b>Balance 31 December 2022</b>	<b>24,863,600</b>	<b>2,888,871</b>	<b>40,820</b>	<b>566,015</b>	<b>6,115</b>	<b>-</b>	<b>28,365,421</b>
<b>Consolidated</b>							
<b>Balance 1 July 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,875</b>	<b>-</b>	<b>1,875</b>
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)
<b>Balance 30 June 2022</b>	<b>22,414,033</b>	<b>1,777,308</b>	<b>44,375</b>	<b>458,507</b>	<b>5,826</b>	<b>-</b>	<b>24,700,049</b>

Refer to note 12 for further information on fair value measurement.

## 9. Borrowing (Current)

	Notes	31 Dec 2022 \$	30 Jun 2022 \$
Loan from financiers	i	4,134,910	12,605,199
		<b>4,134,910</b>	<b>12,605,199</b>

i. Loans from financiers, funding various property acquisitions on market terms and conditions.

**10. Borrowing (Non-current)**

	Notes	31 Dec 2022 \$	30 Jun 2022 \$
Loan from financiers	i	20,348,383	5,534,894
		<b>20,348,383</b>	<b>5,534,894</b>

- i. Loan from financiers, funding various property acquisitions on market terms and conditions including reclassification of Borrowings from Current to Non-current

*Total secured liabilities*

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

	Notes	31 Dec 2022 \$	30 Jun 2022 \$
Financier Loans current	9	4,134,910	12,605,199
Financier Loans non-current (above)		20,348,383	5,534,894
		<b>24,483,293</b>	<b>18,140,093</b>

*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	31 Dec 2022 \$	30 Jun 2022 \$
<i>Financial arrangements</i>			
Financier loans		27,763,321	25,466,500
<i>Used at the reporting date</i>			
Financier loans		24,483,293	18,140,093
<i>Unused at the reporting date</i>			
Financier loans		3,280,028	7,326,407

## 11. Issued Capital

	31 Dec 2022 No of Shares	31 Dec 2022 \$	30 Jun 2022 No of Shares	30 Jun 2022 \$
Ordinary shares – fully paid	180,011,354	35,445,047	162,695,260	32,726,230

### Movements in ordinary share capital

Details	Date	Shares	Issued price	Total \$
<b>Balance</b>	<b>30-Jun-22</b>	<b>162,695,260</b>	-	<b>32,726,230</b>
Issue of shares to sub-underwriter	20-Aug-22	5,000,000	\$0.20	1,000,000
Issue of shares on prospectus	22-Aug-22	11,607,761	\$0.20	2,321,552
Issue of shares to GMO New Pty Ltd as repayment of loan in Zest Living Australia Pty Ltd	7-Oct-22	708,333	\$0.20	141,667
<b>Balance from movement of shares</b>	<b>31-Dec-22</b>	<b>180,011,354</b>	-	<b>36,189,449</b>
Capitalised costs on issue of shares relating to prospectus		-	-	(744,402)
<b>Balance</b>	<b>31-Dec-22</b>	<b>180,011,354</b>	-	<b>35,445,047</b>

There were no dividends paid, recommended or declared during the current or previous financial half-year.

## 12. 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 \$
<b>Consolidated – 31 Dec 2022</b>				
Assets				
Investment in associate	-	-	2,514,000	2,514,000
Land and buildings	-	1,167,804	23,695,796	24,863,600
<b>Total assets</b>	-	<b>1,167,804</b>	<b>26,209,796</b>	<b>27,377,600</b>
<b>Consolidated – 30 Jun 2022</b>				
Assets				
Investment in associate	-	-	2,514,000	2,514,000
Land and buildings	-	1,192,204	21,221,829	22,414,033
<b>Total assets</b>	-	<b>1,192,204</b>	<b>23,735,829</b>	<b>24,928,033</b>

No liabilities were held at fair value as at 30 June 2022 or 31 December 2022.

Assets 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.

### *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 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:

Consolidated	Investment in associate \$	Land and buildings \$	Total \$
<b>Balance at 1 July 2022</b>	<b>2,514,000</b>	<b>21,221,829</b>	<b>23,735,829</b>
Additions	-	2,380,316	2,380,316
Gains recognised in other comprehensive income	-	-	-
Net losses recognised through profit or loss	-	369,684	369,684
Depreciation	-	(276,033)	(276,033)
<b>Balance at 31 December 2022</b>	<b>2,514,000</b>	<b>23,695,796</b>	<b>26,209,796</b>
<b>Balance at 1 July 2021</b>	-	-	-
Additions	2,120,405	20,872,334	22,992,739
Gains recognised in other comprehensive income	-	1,667,322	1,667,322
Losses recognised through profit or loss	393,595	(1,001,908)	(608,313)
Depreciation	-	(315,919)	(315,919)
<b>Balance at 30 June 2022</b>	<b>2,514,000</b>	<b>21,221,829</b>	<b>23,735,829</b>

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% - 5.00% (4.89%) (Represented by a multiplier of 20.66 – 21.05 (20.49))	A change of +/-1 of the multiplier would increase/decrease fair value by \$123,224
Land and buildings	Rental yield	4.50% - 5.75% (5.04%) (Represented by a multiplier of 17.4 - 22.2 (20.04))	A change of +/-1 of the multiplier would increase/decrease fair value by \$1,057,000

**13. Events after the reporting period**

No other matter or circumstance has arisen since 31 December 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.

# Directors' Declaration

Section

# 05

## Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Henry Townsing', with a stylized flourish at the end.

**Henry Townsing**

Chairman

Dated: 31 March 2023



# Independent Auditor's Report

Section

# 06

# Independent Auditor's Report



## RSM Australia Partners

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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Macarthur National Ltd

### Conclusion

We have reviewed the accompanying half-year financial report of Macarthur National Ltd which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### Basis for Conclusion

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

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

## THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

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RSM Australia Partners ABN 36 965 185 036

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***Responsibility of the Directors' for the Financial Report***

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

***Auditor's Responsibility for the Review of the Financial Report***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A handwritten signature in blue ink, appearing to be 'RSM'.

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to be 'BY Chan'.

**B Y CHAN**

Partner

Melbourne, Victoria

Dated: 31 March 2023

# 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**

Surinder Sidhu

**Registered Office**

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### Auditor

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F: 61 3 9286 8199

### Legal

K&L Gates  
525 Collins Street,  
Melbourne  
VIC 3000

### Share Registry

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

### Change of Address

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

### Correspondence mailing

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



## Contact

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