MACARTHUR NATIONAL LTD

Interim Report 2024

Macarthur National Ltd
ABN: 77 633 180 346

Contents

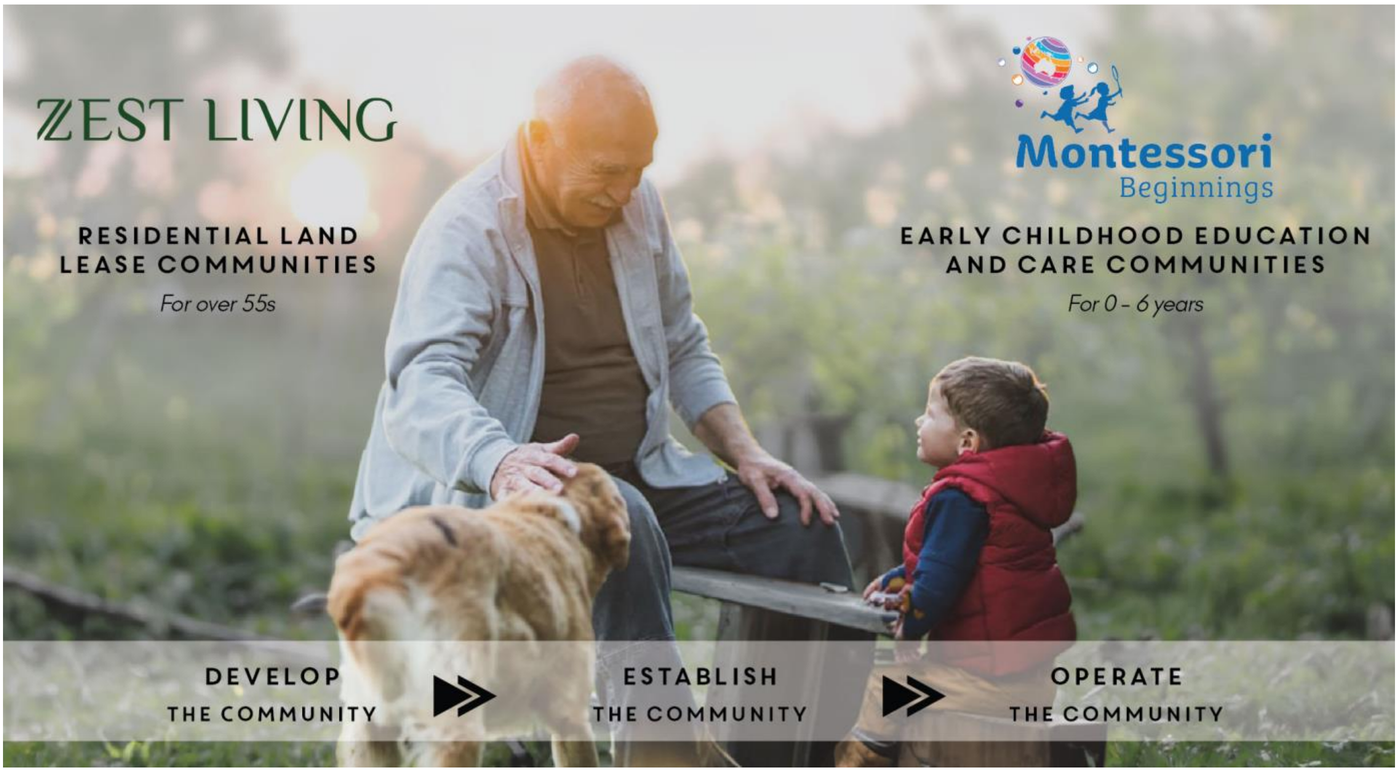
Our Business

Section

01

Who is Macarthur National?

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



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

Strategic Expansion of Residential Land Lease Communities (RLLC)

ZEST LIVING

Macarthur is actively pursuing the strategic development of our RLLC housing division. We are focused on managing this expansion internally and to systematically increasing its scale in this growing market. Each of our business sectors operates in a unique market resilient to economic fluctuations.

Continuing Excellence in Early Learning and Childcare (ELC)

Montessori Beginnings

Macarthur remains committed to building on Montessori Beginnings proven track record and expertise in the Early Learning and Childcare sector. We are dedicated to advancing our presence and impact within this industry.

Macarthur National Limited and its controlled entities (referred to hereafter as the 'Consolidated Entity' 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 half year ended 31 December 2023. Macarthur creates Social Infrastructure communities that improve the lives of those who bring its spaces to life.

Toddler exploring and learning through block play

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 centered 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.

Front view of the Swanhill centre

Little explorers on a big adventure

Igniting curiosity through a hands-on approach

Outside view of the Greenvale centre

Artists impression of Zest Living Yarrawonga

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.

A group of residents enjoying an afternoon chat in the club house

Modern lawn bowling facilities available on site

Monthly activities such as swimming lessons

Making new friends and new memories with other residents

Picturesque lakeside at Zest Living Yarrawonga

The Pillars of Macarthur's Business model

Business model

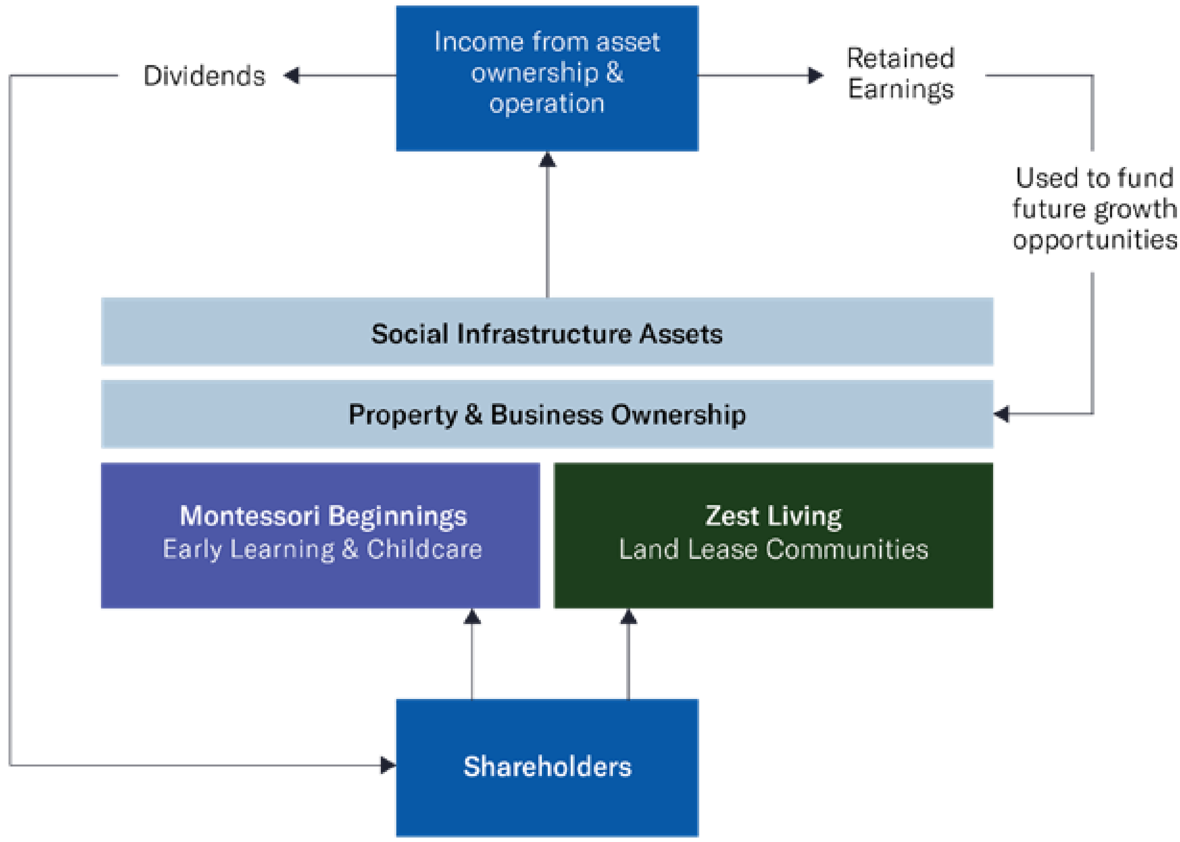
Macarthur's business model charts a course to own, develop and manage ELC services and RLLC housing projects that provide specialised offerings to local communities.

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 has evaluated the dynamics of each market, reinforced by evolving population and social trends, alongside government assistance programs, all contributing to the foundation of 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 maintains its commitment to implement strategic initiatives aimed at growing its social infrastructure businesses. These efforts are geared towards enhancing the Group's overall value and delivering benefits to its shareholders, with a strong focus on cultivating long-term growth and generating recurring cash flows.

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

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

In the half year ended 31 December 2023, these businesses generated a total revenue of $12.30 million ($8.80 million HY23) and EBITDA of $1.66m ($1.09 million HY23) for the Group.

The Company continues to implement strategies aimed at improving performance and increasing the earning contribution from its existing ELCs. This may involve initiatives such as greater operational efficiency, enhancing the quality of education and care provided, marketing strategies to attract more enrollments, and optimizing revenue streams within the centers.

As part of its expansion plans, the Company is actively progressing the property development of three additional ELCs. This involves site selection, obtaining necessary permits and approvals, designing the facilities to meet regulatory standards and market demands, securing financing or investment for construction, and overseeing construction to completion.

The Montessori method emphasizes hands-on learning.

In Yarrawonga, the Company's residential land lease community has constructed Phase 1 infrastructure and 12 homes with a further 4 homes under construction. There is a concerted effort to boost the sale of homes involving finessing the sales and marketing strategies to attract buyers. Additionally, the Company is actively welcoming new residents into the community and facilitating the establishment of social connections and amenities to enrich the living experience for all residents.

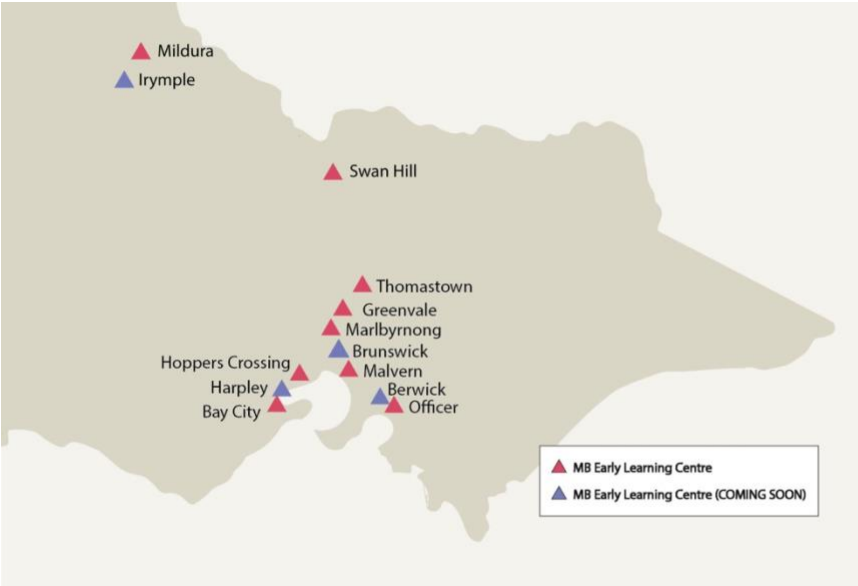

View of completed houses at Zest Living, Yarrawonga

The Company has successfully completed the sale of underlying ELC properties in Swan Hill and Lilydale, along with another property in Greenvale after the half year-end. These strategic divestments aim to unlock capital invested in these properties and reinvest it into other ELC properties that are currently in development. This capital recycling strategy allows the Company to reallocate resources to continue to build out the number of Montessori Beginnings ELCs operating and aligns with its long-term growth objectives in the ELC sector.

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

ELC Operations: mature ELC's

ELC Operations, at 31 Dec 2023, comprised 5 ELC services that generated $6.40 million ($5.97 million HY23) revenue for the Group in the half year ended 31 Dec 2023.



Our childcare operations have maintained a strong performance, continuing to solidify the Montessori Beginnings brand in the market. Building on the momentum from last year, we have seen further enhancements in our business performance. The recent improvements to the Child Care Subsidy, effective from July 2023, have positively impacted our operations, supporting childcare affordability, workforce participation, and children's school-readiness. Additionally, our ongoing commitment to investing in our educators remains steadfast. The Montessori Accreditation program, implemented across our organization last year, continues to drive improvements in our learning program delivery and enrich children's experiences.

ELC Investments: incubating ELC's

Generated $5.85 million ($4.5 million HY23) revenue for the Group in the half year ended 31 Dec 2023.

This segment comprises 3 components:

a) **ELC services:** performance from the 4 ELC services within this segment have improved and getting closer to maturity at which time these will be transferred to the ELC Operations segment. 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, the Group has 4 ELCs under construction with Montessori Beginnings Brunswick expected to be fully operational and will welcome first children onsite by mid-year. A further 2 sites are in various stages of development, while the 4th site is expected to seek a development permit shortly.

c) **MNL Property Trust:** Owner of ELC properties developed by the Group held for long term rental income generation. At 30 June 2023 Macarthur held an 80.1% unitholding in the trust.

Modern design meets Montessori learning: Welcome to Montessori Beginnings Officer.

Safe exploration & joyful learning in our beautifully designed infant space.

Where exploration meets fresh air: Montessori Beginnings outdoor learning adventure.

Zest Living

In the half year to 31 December 2023, Zest Living's RLLC in Yarrawonga commenced operating with the completion of 12 new homes. We aim to acquire another site later in the year with a view to develop this into the Group's 2nd RLLC.

There was no revenue contribution in the half year to 31 December 2023 from Zest Living Yarrawonga. However a number of settlements are expected to be concluded by mid-year as the initial residents move into the community. The timing of the expansion 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 community.

Interest in Zest Living Yarrawonga homes remains strong, prompting us to initiate short-term leases for potential buyers who wish to move into the site prior to the settlement of their homes. As a result, the number of residents living on-site has increased, with greater participation in on-site amenities and facilities.

Getting our daily dose of exercise and smiles.

Zest Living keeps you swinging into your golden years.

Keeping you active and engaged in retirement.

Zest Living - Where friendships brew strong.

Your Zest Living adventure starts here.
Explore our stylish houses inside & out.

Likely developments and outlook

The Group focus continues to be multi-fold;

1) Sustain the development of existing and forthcoming ELC investments assets;

2) Grow sales at Zest Living Yarrawonga; and

3) Expand the Macarthur businesses by developing out the pipeline of future Montessori Beginnings and Zest Living businesses.

The ongoing growth and development of existing businesses and the integration of pipeline businesses are anticipated to drive sustained revenue advancement for Macarthur in the medium term. The Company maintains its plans to pursue an ASX listing at the opportune moment, to reinforce the ongoing progression of Macarthur's operations.

Henry Townsing Jnr
Chief Executive Officer
28 March 2024

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 2023.

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 developer, owner and operator of social infrastructure communities.

Review of operations

For the half year to 31 December 2023, Macarthur recorded a loss of $1.07m after tax (HY23: $591k loss) with operating revenue of $11.7m (HY22 $8.8m). The ELC Operations and ELC Investment businesses contributed positively to earnings (EBITDA $2.8m) while the Zest Living and Corporate segments provides the business with the platform for future growth.

Macarthur's net assets reduced by $1.8m at 31 December 2023 (30 June 2023: $35.9m) primarily due to disposal of ELC properties.

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 2023.

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

Henry Townsing
Director
28 March 2024

Auditor's Independence Declaration

RSM

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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 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Melbourne, Victoria
Dated: 28 March 2024

Half Year 2024 Financial Report

Section

03

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2023

	Notes	31 Dec 2023 $	31 Dec 2022 $
Revenue	4	10,501,371	8,795,109
Share of profits of associates	5	95,398	60,000
Net Gain on disposal of assets		1,029,333	-
Other income	6	91,111	27,241
Expenses			
Employee benefit expenses		(7,910,813)	(6,426,493)
Occupancy expenses		(943,187)	(462,638)
Direct expenses		(464,139)	(328,551)
Administrative expenses		(735,492)	(575,601)
Depreciation and Amortisation	7	(1,076,638)	(1,089,921)
Other Expense		(5,104)	(1,549)
Finance costs	7	(1,412,595)	(620,854)
Loss before income tax expense		**(830,755)**	**(623,257)**
Income tax benefit (expense)		(235,611)	31,799
Loss after income tax expense for the half year		**(1,066,366)**	**(591,458)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Exchange differences on translating foreign controlled entities		(28,597)	-
Gain (loss) on the revaluation of properties at fair value through other comprehensive income, net of tax		(385,544)	277,263
Other comprehensive income (loss) for the year, net of tax		**(414,141)**	**277,263**
Total comprehensive income (loss) for the year, net of tax		**(1,480,507)**	**(314,195)**
Profit for the year is attributable to:			
Non-controlling interest		33,375	26,065
Owners of Macarthur National Ltd		(1,099,741)	(617,523)
		(1,066,366)	**(591,458)**
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(76,142)	54,565
Owners of Macarthur National Ltd		(337,999)	222,698
		(414,141)	**277,263**

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 2023

	Notes	31 Dec 2023 $	30 Jun 2023 $
Assets			
Current Assets			
Cash and cash equivalents		2,636,030	850,743
Trade and other receivables		1,901,370	802,987
Income tax receivables		7,192	-
Inventories		4,066,863	3,568,479
Non-current assets classified as held for sale		5,892,153	2,728,167
Total Current Assets		**14,503,608**	**7,950,376**
Non-current Assets			
Investment in Associate		2,705,960	2,670,562
Investment Properties		16,194,129	16,495,271
Property, plant and equipment	8	15,098,152	25,577,084
Right-of-use assets		17,012,248	13,102,672
Intangibles		18,645,489	18,645,490
Other Assets		2,470,544	1,975,802
Total Non-current Assets		**72,126,522**	**78,466,881**
Total Assets		**86,630,130**	**86,417,257**
Liabilities			
Current Liabilities			
Trade and other payables		2,082,667	1,201,012
Employee benefit provision		2,092,499	1,976,100
Borrowing	9	1,607,040	4,069,000
Lease liabilities		1,190,546	1,065,901
Provision for income tax		-	7,752
Other liabilities		1,952,721	1,601,251
Total Current Liabilities		**8,925,473**	**9,921,016**
Non-current Liabilities			
Lease liabilities		16,985,102	12,720,646
Deferred tax liabilities		4,220,919	4,129,143
Other non-current liability		277,222	243,230
Borrowing	10	22,167,500	23,542,500
Total Non-current Liabilities		**43,650,743**	**40,635,519**
Total Liabilities		**52,576,216**	**50,556,535**
Net Assets		**34,053,914**	**35,860,722**
Equity			
Issued capital	11	35,445,047	35,445,047
Reserves		1,419,375	1,758,159
Retained earnings		(5,317,181)	(4,218,226)
Equity attributable to the owners of Macarthur National Ltd		31,547,241	32,984,980
Non-controlling interest		2,506,673	2,875,742
Total Equity		**34,053,914**	**35,860,722**

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 2023

	Issued Shares $	Reserve $	Accumulated losses $	Non-controlling interest $	Total $
At 1 July 2022	**32,726,230**	**1,454,105**	**(2,806,922)**	**2,180,600**	**33,554,013**
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
Total comprehensive loss for the half-year	-	222,698	(617,524)	80,631	(314,195)
Transactions with owners, in their capacity as owners					
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)
Total transactions with owners	2,718,817	-	-	558,365	3,277,182
Balance at 31 December 2022	**35,445,047**	**1,676,803**	**(3,424,446)**	**2,819,596**	**36,517,000**
At 1 July 2023	**35,445,047**	**1,758,158**	**(4,218,225)**	**2,875,742**	**35,860,722**
Loss after income tax expense for the half-year, net of tax			(1,099,741)	33,375	(1,066,366)
Other comprehensive income for the half-year, net of tax		(338,785)	786	(76,142)	(414,141)
Total comprehensive loss for the half-year		**(338,785)**	**(1,098,956)**	**(42,767)**	**(1,480,507)**
Transactions with owners, in their capacity as owners					
Redemption of Units during the period				(326,302)	(326,302)
Total transactions with owners				**(326,302)**	**(326,302)**
Balance at 31 December 2023	**35,445,047**	**1,419,375**	**(5,317,181)**	**2,506,673**	**34,053,914**

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 2023

	Notes	31 Dec 2023 $	31 Dec 2022 $
Cash flows from operating activities			
Receipts in the course of operations		11,237,672	9,074,095
Payments in the course of operations		(9,957,166)	(10,174,297)
Other revenue		104,276	60,000
Interest received		973	7,804
Interest and other finance costs paid		(952,963)	(377,428)
Income tax paid		(28,443)	(1,919)
Net cash from operating activities		**404,349**	**(1,411,745)**
Cash flows from investing activities			
Payment for security deposit		(35,863)	-
Deposit paid		(465,211)	(194,073)
Loan to non-related entity		-	(170,000)
Payment for property, plant and equipment		(352,940)	(3,854,161)
Proceed on disposal of property, plant and equipment		8,035,000	-
Payments for investment properties		(575,024)	(2,540,615)
Payments for the acquisition of subsidiaries		-	(185,672)
Net cash used in investing activities		**6,605,962**	**(6,944,521)**
Cash flows from financing activities			
Proceed from issue of shares		-	3,158,385
Proceed on redemption of units from unit-holders-		-	714,928
Payment on redemption of units from unit-holders		(347,797)	-
Repayment of related party loan		-	(759,694)
Drawdown of interest-bearing loan		-	16,406,899
Repayment of interest-bearing loan		(3,916,500)	(10,063,699)
Repayment of lease liability		(950,318)	(482,694)
Net cash from financing activities		**(5,214,615)**	**8,974,125**
Net increase in cash and cash equivalents		**1,795,696**	**617,859**
Cash and cash equivalents at start of the half-year		850,653	1,382,596
Effects of exchange rate changes on cash and cash equivalents		(10,320)	-
Cash and cash equivalents at end of the half-year		**2,636,030**	**2,000,455**

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 2023

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. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 2023.

The 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:

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 consolidated entity has a net investment outstanding • ELC property investments held and used for operating its Early Learning Centres • Development activity relating to ELCs	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

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 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

Consolidated	Early Learning Centre Operations $	Early Learning Investments $	Zest Living $	Corporate $	31 Dec 2023 $
Revenue					
Sales to external customers	6,393,229	4,106,627	1,515.00	-	10,501,371
Intersegment sales	-	542,319	-	-	542,319
Total sales revenue	**6,393,229**	**4,648,946**	**1,515.00**	**-**	**11,043,690**
Other revenue	11,140	1,196,648	4,086	3,968	1,215,842
Total segment revenue	**6,404,369**	**5,845,594**	**5,601**	**3,968**	**12,259,532**
Intersegment eliminations					(542,319)
Unallocated revenue:					
Interest revenue					-
Total revenue					**11,717,213**
EBITDA	**1,662,548**	**1,163,121**	**(350,001)**	**(817,190)**	**1,658,478**
Depreciation and amortisation					(1,076,638)
Finance costs					(1,412,595)
Profit before income tax expense					**(830,756)**
Income tax benefit					(235,611)
Profit after income tax expense					**(1,066,367)**

Consolidated	Early Learning Centre Operations $	Early Learning Investments $	Zest Living $	Corporate $	31 Dec 2022 $
Revenue					
Sales to external customers	5,973,257	2,821,852	-	-	8,795,109
Intersegment sales	-	478,685	-	-	478,685
Total sales revenue	**5,973,257**	**3,300,537**	**-**	**-**	**9,273,794**
Other revenue	8,397	69,160	2,517	7,167	87,241
Total segment revenue	**5,981,654**	**3,369,697**	**2,517**	**7,167**	**9,361,035**
Intersegment eliminations					(478,685)
Total revenue					**8,882,350**
EBITDA	**1,973,546**	**(69,897)**	**(155,274)**	**(660,857)**	**1,087,518**
Depreciation and amortisation					(1,089,921)
Finance costs					(620,854)
Profit before income tax expense					(623,257)
Income tax benefit					31,799
Profit after income tax expense					(591,458)

Consolidated	Early Learning Centre Operations $	Early Learning Investments $	Zest Living $	Corporate $	31 Dec 2023 $
Assets					
Segment assets	14,938,418	35,287,662	21,890,662	44,067,962	116,184,704
Intersegment eliminations					(29,561,766)
Unallocated assets:					
Income tax receivable					7,192
Total assets					**86,630,130**
Liabilities					
Segment liabilities	14,150,404	22,855,552	18,773,034	22,138,073	77,917,063
Intersegment eliminations					(29,561,766)
Unallocated liabilities:					
Deferred tax liability					4,220,919
Total liabilities					**52,576,216**

Consolidated	Early Learning Centre Operations $	Early Learning Investments $	Zest Living $	Corporate $	30 Jun 2023 $
Assets					
Segment assets	11,230,399	38,758,158	20,264,182	22,929,298	93,182,037
Intersegment eliminations					(6,764,780)
Unallocated assets:					
Deferred tax asset					-
Total assets					**86,417,257**
Liabilities					
Segment liabilities	10,958,973	24,771,600	16,676,415	777,432	53,184,420
Intersegment eliminations					(6,764,780)
Unallocated liabilities:					
Provision for income tax					7,752
Deferred tax liability					4,129,143
Total liabilities					**50,556,535**

4. Revenue

	Notes	31 Dec 2023 $	31 Dec 2022 $
Revenue from early education services			
Rendering of services		10,480,746	8,795,109
Revenue from early education development			
Rental income		19,110	-
Revenue from Zest Living			
Site fee		1,515	-
Revenue		**10,501,371**	**8,795,109**

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 2023 $	31 Dec 2022 $
Share of profit - associates		95,398	60,000
		95,398	**60,000**

MNL Property Trust (a subsidiary of Macarthur National Ltd) received share of profit from CVCV Childcare No 1 Partnership in the half year ended 31 December 2023.

6. Other income

	Notes	31 Dec 2023 $	31 Dec 2022 $
Interest income		21,859	14,971
Fees and Incentives	i	58,000	-
Other revenue		11,252	12,270
		91,111	**27,241**

i. Fees and incentives received by CVCV Childcare No.1 Partnership and Mobe Development.

7. Expenses

	Notes	31 Dec 2023 $	31 Dec 2022 $
Profit before income tax includes the following specific expenses			
Depreciation			
Building		345,659	300,433
Leasehold improvements		2,774	3,555
Plant and equipment		58,105	50,082
Right-of use-assets	i	670,100	735,851
Total depreciation and amortisation		**1,076,638**	**1,089,921**
Finance costs			
Interest and finance charges paid/ payable on borrowings Interest		960,175	377,428
Finance charges paid/ payable on lease liabilities	i	452,420	243,426
Finance costs expensed		**1,412,595**	**620,854**

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 2023 $	30 Jun 2023 $
Land and building - at valuation	i	12,325,000	22,762,748
Less Accumulated Depreciation		(802,635)	(932,115)
		11,522,365	**21,830,633**
Construction in progress	ii	3,032,757	3,176,558
Leasehold Improvements - at cost		52,001	52,001
Less Accumulated Depreciation		(17,452)	(14,677)
		34,549	37,324
Plant and Equipment - at cost		755,482	721,523
Less Accumulated Depreciation		(253,047)	(195,933)
		502,435	525,590
Computer equipment - at cost		10,441	10,441
Less Accumulated Depreciation		(4,398)	(3,462)
		6,043	6,979
		15,098,152	**25,577,084**

i. Reduction in Land and building is related to disposal of ELC properties in Swan Hill and Lilydale. Post balance date, the ELC property at Greenvale had also been disposed where settlement occurred in January 2024. The value of the Greenvale property is transferred to the Assets held for sale account.

ii. Reduction in Construction in progress is related to the write off of capitalized planning costs in relation to the ELC property in Lilydale.

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 $	Total $
Consolidated						
Balance 1 July 2023	**21,830,633**	**3,176,558**	**37,324**	**525,590**	**6,979**	**25,577,084**
Transfer from prior period	-	-	-	-	-	-
Classified as held for sale	(5,963,653)	-	-	-	-	(5,963,653)
Additions	-	274,861	-	-	-	274,861
Acquisition	-	-	-	33,959	-	33,959
Disposals	(4,122,393)	(418,661)	-	-	-	(4,541,054)
Revaluation increments/ (impairment)	-	-	-	-	-	-
Effects of exchange rate change	-	-	-	57	-	57
Amortisation/Depreciation	(222,222)	-	(2,773)	(57,171)	(936)	(283,102)
Balance 31 December 2023	**11,522,365**	**3,032,757**	**34,549**	**502,435**	**6,043**	**15,098,152**
Consolidated						
Balance 1 July 2022	**22,414,033**	**1,777,308**	**44,375**	**458,507**	**5,826**	**24,700,049**
Transfer from prior period	2,235,941	(2,235,941)	-	-	-	-
Classified as held for sale (note 12)	(2,728,167)	-	-	-	-	(2,728,167)
Additions	-	458,633	-	-	-	458,633
Acquisition		3,176,558	-	180,540	3,248	3,360,346
Disposals		-	-	-	-	-
Revaluation increments/ (impairment)	514,059	-	-	-	-	514,059
Effects of exchange rate change	-	-	-	34	-	34
Amortisation/Depreciation	(605,233)	-	(7,051)	(113,491)	(2,095)	(727,870)
Balance 30 June 2023	**21,830,633**	**3,176,558**	**37,324**	**525,590**	**6,979**	**25,577,084**

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

9. Borrowing (Current)

	Notes	31 Dec 2023 $	30 Jun 2023 $
Loan from financiers	i	1,607,040	4,069,000
		1,607,040	4,069,000

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

10. Borrowing (Non-current)

	Notes	31 Dec 2023 $	30 Jun 2023 $
Loan from financiers	i	22,167,500	23,542,500
		22,167,500	23,542,500

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

Total secured liabilities

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

	Notes	31 Dec 2023 $	30 Jun 2023 $
Financier Loans current	9	1,607,040	4,069,000
Financier Loans non-current (above)		22,167,500	23,542,500
		23,774,540	27,611,500

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 2023 $	30 Jun 2023 $
Financial arrangements			
Financier loans		23,794,540	27,631,500
Used at the reporting date			
Financier loans		23,774,540	27,611,500
Unused at the reporting date			
Financier loans		20,000	20,000

11. Issued Capital

	31 Dec 2023 No of Shares	31 Dec 2023 $	30 Jun 2023 No of Shares	30 Jun 2023 $
Ordinary shares – fully paid	180,011,354	35,445,047	180,011,354	35,445,047

There were no movements in ordinary share capital during the current financial half-year.

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

Consolidated	Level 1 $	Level 2 $	Level 3 $	31 Dec 2023 $
Assets				
Assets held for sale	-	-	5,892,153	5,892,153
Investment in associate	-	-	2,705,960	2,705,960
Land and buildings	-	1,119,004	10,403,361	11,522,365
Total assets	**-**	**1,119,004**	**19,001,474**	**20,120,478**

Consolidated	Level 1 $	Level 2 $	Level 3 $	30 Jun 2023 $
Assets				
Assets held for sale	-	-	2,728,167	2,728,167
Investment in associate	-	-	2,670,562	2,670,562
Land and buildings	-	1,143,040	20,687,229	21,830,269
Total assets	**-**	**1,143,040**	**26,085,958**	**27,228,998**

No liabilities were held at fair value as at 30 June 2023 or 31 December 2023.

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

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

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

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 $	Assets held for sale $	Total $
Balance at 1 July 2023	**2,670,562**	**20,687,229**	**2,728,167**	**26,085,958**
Additions	-	-	-	-
Transfer to / from assets	-	(5,892,153)	5,892,153	-
Gains recognised in other comprehensive income	-	-	-	-
Net gain/ (losses) recognised through profit or loss	35,398	(4,391,715)	(2,728,167)	(7,084,484)
Balance at 31 December 2023	**2,705,960**	**10,403,361**	**5,892,153**	**19,001,474**
Balance at 1 July 2022	**2,514,000**	**21,221,829**	**-**	**23,735,829**
Additions	156,562	2,728,167	-	2,884,729
Transfer to / from assets	-	(2,728,167)	2,728,167	-
Gains recognised in other comprehensive income	-	-	-	-
Net losses recognised through profit or loss	-	(534,600)	-	(534,600)
Balance at 30 June 2023	**2,670,562**	**20,687,229**	**2,728,167**	**26,085,958**

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	5.0% - 6.2% (5.65%) (Represented by a multiplier of 16.22 19.87 (17.88)	A change of +/-1 of the multiplier would increase/decrease fair value by $745,000
Land and buildings	Rental yield	4.90% - 6.2% (5.67%) (Represented by a multiplier of 17.0 – 20.5 (17.9)	A change of +/-1 of the multiplier would increase/decrease fair value by $965,000

13. Events after the reporting period

Greenvale ELC property was contracted for sale on 16 November 2023 and subsequently settled in January 2024.

No other matter or circumstance has arisen since 31 December 2023 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 2023 and of its performance for the financial half-year ended on that date; and

- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Henry Townsing
Chairman
Dated: 28 March 2024

Independent Auditor’s Report

Section

06

Independent Auditor's Report

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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 2023, 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 2023 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

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

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

Responsibility of the Directors' for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Melbourne, Victoria
Dated: 28 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

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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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