

1. Company details

Name of entity:	Kip McGrath Education Centres Limited
ABN:	73 003 415 889
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities	up	9.2%	to	12,398
Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	4.4%	to	2,967
Profit from ordinary activities after tax attributable to the owners of Kip McGrath Education Centres Limited	down	29.0%	to	652
Profit for the half-year attributable to the owners of Kip McGrath Education Centres Limited	down	29.0%	to	652

Dividends

A final dividend for the year ended 30 June 2022 of 1.0 cents per ordinary share, 100% fully franked, was paid on 22 September 2022. The total distribution was \$565,000.

On 21 February 2023, the directors declared an unfranked interim dividend of 1.0 cents per ordinary share for the year ending 30 June 2023 and will be paid on 23 March 2023 to those shareholders on the register at 7pm on 9 March 2023. The total dividend is estimated to be \$565,000.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$652,000 (31 December 2021: \$918,000).

Refer to Managing Director and Chief Executive Officer's report for further commentary on the results.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') amounted to \$2,967,000 (2021: \$2,842,000). EBITDA is a financial measure which is not prescribed by the Australian Accounting Standards ('AASBs') and represents the profit under AASBs adjusted for specific items. The directors consider EBITDA to be one of the core earnings measures of the consolidated entity.

The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of Kip McGrath Education Centres and EBITDA.

	Consolidated 31/12/2022 \$'000	31/12/2021 \$'000
Revenue	12,353	11,354
EBITDA	2,967	2,842
Less: Depreciation and amortisation	(2,119)	(1,592)
Less: Interest expense	(102)	(51)
Add: Interest income	45	-
Profit before income tax expense	791	1,199
Income tax expense	(139)	(281)
Profit after income tax expense	652	918

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.04)	(3.75)

Right-of-use assets have not been treated as intangible assets for the purposes of the net tangible asset calculation.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Board approved a Dividend Reinvestment Plan ('DRP') for eligible shareholders commencing with this dividend declared on 23 August 2022 and, unless the Board determines otherwise, will continue for any subsequent dividends. Under the DRP shareholders may elect to have dividends on some or all of their ordinary shares automatically reinvested in additional Kip McGrath shares.

The election date for participation in the DRP is 9 September 2022. The DRP booklet is available on <https://www.kipmcgrath.com/global/shareholder-information>

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

10. Attachments

Details of attachments (if any):

The Interim Report of Kip McGrath Education Centres Limited for the half-year ended 31 December 2022 is attached.

11. Signed

As authorised by the Board of Directors

Signed  _____

Ian Campbell
Chairman
Newcastle

Date: 21 February 2023

Kip McGrath Education Centres Limited

ABN 73 003 415 889

Interim Report - 31 December 2022

Dear Shareholder,

I am pleased to report the business is moving in a positive direction post COVID. Revenue for the half was up 9.2% to \$12.4M principally due to growth in our Corporate Centre business and increased revenues in our core franchise business. The Middle East school operations was a standout, as we saw increased interest from governments investing in tutoring around the world. Although EBITDA increased 4.4% to \$2.97M, the US required additional expenditure, resulting in net profit after tax down 29% to \$0.65M.

Operations

Global network revenue for the half year was \$50.9M, up 10% from the same period last year.

During the half year we successfully released our new KipLearn tutoring software to all corporate centre students across the globe. We are now rolling the software out globally, starting with franchisees in Australia and New Zealand. KipLearn provides the business with a seamless, blended learning model where students can choose their preferred style (face to face or online) from week to week. Globally, scheduled lesson numbers for the half reached 1M, up 9% from the previous period.

Our corporate centres showed significant growth at the student level, with fees of \$3.8M, compared to \$2.7M in the previous period. The corporate business continues to scale and has achieved profitability for the first time. US based Tutorfly saw revenues of \$289K, but due to an increase in sales staffing, the costs were \$640K for the half. We have contracts in place for the second half to see revenue return to last year's levels for the full year and are now working with 4 school districts up from 1. We have also developed a new revenue stream for 'drop-in tutoring.' Currently in use at one school district, a click button provides an instant help feature. We believe this new service for drop-in tutoring provides an exciting new business opportunity more widely throughout all operations.

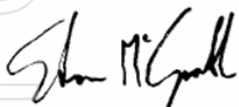
Capitalisation and Cash Balances

We invested \$1.4M in the ongoing development of our specialised software and curriculum, which are typically amortised over 5 and 10 years, respectively. Cash flow from operations this half was affected by \$2.3M in outflows to franchisees via their trust accounts as we increased use of new Xero accounting software and commenced full weekly disbursement of balances. Allowing for this change, underlying net cash flow from operations was \$3.1M. Unrestricted cash balances at 31 December were \$3.3M together with \$1.7M in unused banking facilities.

Outlook

The first half's revenue growth, although pleasing at 9.2%, was held back by delayed revenue from Tutorfly in the US. The New Year's free assessment requests in a number of locations have bookings at levels we have not seen since Covid-19 interruptions. We believe the US business will achieve accelerated growth from the first half. Additionally, we have a number of opportunities to grow from work in schools worldwide. We have created a much more comprehensive investor presentation for shareholders and stakeholders which will expand on this communication.

The second half has always been more profitable than the first half and this year is poised for a similar outcome. Today the Board declared an unfranked interim dividend of 1 cent per share payable on 23 March 2023 to those shareholders on the register at 7pm on 9 March 2023.



Storm McGrath
Managing Director & Chief Executive Officer

21 February 2023
Newcastle

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Kip McGrath Education Centres Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

The following persons were directors of Kip McGrath Education Centres Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ian Campbell (Chairman)
Storm McGrath
Trevor Folsom
Diane Pass

Principal activities

The principal activities of the consolidated entity during the course of the financial half-year continued to be the sale of franchises and providing services to franchisees in the education field. The company is also increasing the number of tutoring centres that are corporately owned. The consolidated entity operates in Australia and overseas, principally in the United Kingdom and New Zealand.

Dividends

A final dividend for the year ended 30 June 2022 of 1.0 cents per ordinary share, 100% fully franked, was paid on 22 September 2022. The total distribution was \$565,000.

On 21 February 2023, the directors declared an unfranked, interim dividend of 1.0 cents per ordinary share for the year ending 30 June 2023 and will be paid on 23 March 2023 to those shareholders on the register at 7p.m. on 9 March 2024. The total distribution is estimated to be \$565,000.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$652,000 (31 December 2021: \$918,000).

Refer to Managing Director/Chief Executive Officer's report for further commentary on the results.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') amounted to \$2,967,000 (2021: \$2,842,000). EBITDA is a financial measure which is not prescribed by the Australian Accounting Standards ('AASBs') and represents the profit under AASBs adjusted for specific items. The directors consider EBITDA to be one of the core earnings measures of the consolidated entity.

The following table summarises key reconciling items between statutory profit after tax attributable to the shareholders of Kip McGrath Education Centres and EBITDA.

	Consolidated	
	31/12/2022	31/12/2021
	\$'000	\$'000
Revenue	12,353	11,354
EBITDA	2,967	2,842
Less: Depreciation and amortisation	(2,119)	(1,592)
Less: Interest expense	(102)	(51)
Add: Interest income	45	-
Profit before income tax expense	791	1,199
Income tax expense	(139)	(281)
Profit after income tax expense	<u>652</u>	<u>918</u>

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

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 thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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



Ian Campbell
Chairman

21 February 2023
Newcastle

Kip McGrath Education Centres Limited

Auditor's Independence Declaration under section 307C of the *Corporation Act 2001*

I am pleased to provide the following declaration of independence to the directors of Kip McGrath Education Centres Limited.

As lead audit partner for the review of the financial statements of Kip McGrath Education Centres Limited 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 as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



PKF



MARTIN MATTHEWS
PARTNER

21 FEBRUARY 2023
NEWCASTLE, NSW

PKF (NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved
under Professional Standards Legislation

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General information

The financial statements cover Kip McGrath Education Centres Limited as a consolidated entity consisting of Kip McGrath Education Centres Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Kip McGrath Education Centres Limited's functional and presentation currency.

Kip McGrath Education Centres Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

7 Bond Street
Newcastle NSW 2300

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 February 2023. The directors have the power to amend and reissue the financial statements.

Kip McGrath Education Centres Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



		Consolidated	
	Note	31/12/2022 \$'000	31/12/2021 \$'000
Revenue	3	12,353	11,354
Interest revenue calculated using the effective interest method		45	-
Expenses			
Royalties, commissions and other direct expenses		(111)	(164)
Employee expenses		(5,621)	(5,067)
Marketing expenses		(1,311)	(1,372)
Administration expenses		(1,411)	(1,541)
Franchise support costs		(828)	(401)
Depreciation and amortisation expense		(2,119)	(1,592)
Impairment of receivables		(70)	(33)
Net foreign exchange (losses)/gain		(34)	66
Finance costs		(102)	(51)
Profit before income tax expense		791	1,199
Income tax expense		(139)	(281)
Profit after income tax expense for the half-year attributable to the owners of Kip McGrath Education Centres Limited		652	918
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(12)	8
Other comprehensive income for the half-year, net of tax		(12)	8
Total comprehensive income for the half-year attributable to the owners of Kip McGrath Education Centres Limited		<u>640</u>	<u>926</u>
		Cents	Cents
Basic earnings per share	13	1.153	1.757
Diluted earnings per share	13	1.102	1.692

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 31/12/2022 \$'000	30/06/2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	4	6,770	7,625
Trade and other receivables	5	2,082	3,012
Prepayments		583	648
Total current assets		9,435	11,285
Non-current assets			
Plant and equipment		438	481
Right-of-use assets	6	1,708	1,630
Intangibles	7	22,205	22,296
Deferred tax		701	686
Total non-current assets		25,052	25,093
Total assets		34,487	36,378
Liabilities			
Current liabilities			
Trade and other payables	8	4,766	7,482
Contract liabilities		400	416
Borrowings	9	2,008	1,300
Lease liabilities		746	618
Income tax		405	459
Employee benefits		1,113	1,107
Total current liabilities		9,438	11,382
Non-current liabilities			
Lease liabilities		1,169	1,231
Deferred tax		1,848	1,841
Total non-current liabilities		3,017	3,072
Total liabilities		12,455	14,454
Net assets		22,032	21,924
Equity			
Issued capital	10	17,735	17,702
Reserves		601	613
Retained profits		3,696	3,609
Total equity		22,032	21,924

The above statement of financial position should be read in conjunction with the accompanying notes

Kip McGrath Education Centres Limited
Statement of changes in equity
For the half-year ended 31 December 2022



Consolidated

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021	14,841	800	2,818	18,459
Profit after income tax expense for the half-year	-	-	918	918
Other comprehensive income for the half-year, net of tax	-	8	-	8
Total comprehensive income for the half-year	-	8	918	926
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	807	-	-	807
Dividends paid (note 11)	-	-	(522)	(522)
Balance at 31 December 2021	<u>15,648</u>	<u>808</u>	<u>3,214</u>	<u>19,670</u>

Consolidated

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022	17,702	613	3,609	21,924
Profit after income tax expense for the half-year	-	-	652	652
Other comprehensive income for the half-year, net of tax	-	(12)	-	(12)
Total comprehensive income for the half-year	-	(12)	652	640
<i>Transactions with owners in their capacity as owners:</i>				
Dividend reinvestment plan (note 10)	33	-	-	33
Dividends paid (note 11)	-	-	(565)	(565)
Balance at 31 December 2022	<u>17,735</u>	<u>601</u>	<u>3,696</u>	<u>22,032</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Note	Consolidated	
	31/12/2022 \$'000	31/12/2021 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	13,267	11,278
Payments to suppliers and employees (inclusive of GST)	(12,239)	(8,869)
Interest received	1,028	2,409
Interest and other finance costs paid	45	-
Income taxes refunded/(paid)	(102)	(51)
	(201)	578
Net cash from operating activities	770	2,936
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	-	(1,445)
Payments for property, plant and equipment	(57)	(229)
Payments for intangibles	(1,395)	(2,626)
Net cash used in investing activities	(1,452)	(4,300)
Cash flows from financing activities		
Proceeds from borrowings	708	575
Dividends paid	(532)	(522)
Repayment of borrowings	-	(453)
Repayment of lease liabilities	(349)	(271)
Net cash used in financing activities	(173)	(671)
Net decrease in cash and cash equivalents	(855)	(2,035)
Cash and cash equivalents at the beginning of the financial half-year	7,625	10,571
Cash and cash equivalents at the end of the financial half-year	6,770	8,536

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

Comparatives

Comparatives have been realigned where necessary, to be consistent with current year presentation. There was no impact on profit, net assets or equity.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity has only one operating segment based on the internal reports that are reviewed and used by the Chief Executive Officer and the Board of Directors (collectively referred to as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The operating segment information is as disclosed throughout these financial statements.

The information reported to the CODM is on at least a monthly basis.

Geographical information

The geographical information of non-current assets below is exclusive of financial instruments and deferred tax assets.

Geographical information

	Sales to external customers		Geographical non-current assets	
	31/12/2022 \$'000	31/12/2021 \$'000	31/12/2022 \$'000	30/06/2022 \$'000
Australasia	7,002	6,138	19,147	19,201
United States and North America	290	508	4,347	4,316
United Kingdom and Europe	4,377	4,344	857	890
Overseas other	648	360	-	-
	<u>12,317</u>	<u>11,350</u>	<u>24,351</u>	<u>24,407</u>

The geographical non-current assets above are exclusive of deferred tax assets.

Note 3. Revenue

	Consolidated	
	31/12/2022	31/12/2021
	\$'000	\$'000
<i>Revenue from contracts with customers</i>		
Franchise fees	7,593	6,817
Sale of master territories and franchisee centres	166	287
National advertising contributions ('NAC')	802	778
Direct sales	509	762
Student lessons	3,247	2,706
	<u>12,317</u>	<u>11,350</u>
<i>Other revenue</i>		
Other revenue	36	4
Revenue	<u>12,353</u>	<u>11,354</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31/12/2022	31/12/2021
	\$'000	\$'000
<i>Timing of revenue recognition</i>		
Services and goods transferred at a point in time	12,234	11,221
Services transferred over time	83	129
	<u>12,317</u>	<u>11,350</u>

The disaggregation of revenue by major product lines is disclosed at the top of revenue note and the geographical regions is presented in note 2 'Operating segments'.

Note 4. Cash and cash equivalents

	Consolidated	
	31/12/2022	30/06/2022
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank	3,298	1,847
Restricted cash	3,472	5,778
	<u>6,770</u>	<u>7,625</u>

Restricted cash represents amounts held on behalf of franchisees and is not available for use by the consolidated entity. The corresponding liability is recognised in other payables and accruals.

Note 5. Trade and other receivables

	Consolidated	
	31/12/2022	30/06/2022
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	1,447	2,286
Less: Allowance for expected credit losses	(302)	(244)
	<u>1,145</u>	<u>2,042</u>
Loan to Director	542	542
Loans to Employees	377	378
Other receivables	18	50
	<u>937</u>	<u>970</u>
	<u><u>2,082</u></u>	<u><u>3,012</u></u>

Note 6. Right-of-use assets

	Consolidated	
	31/12/2022	30/06/2022
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	3,493	3,068
Less: Accumulated depreciation	(1,785)	(1,438)
	<u>1,708</u>	<u>1,630</u>

The consolidated entity leases buildings for its offices and retail outlets under agreements of between 3 and 5 years, with options to extend in some cases. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

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

Consolidated	Land and buildings \$'000
Balance at 1 July 2022	1,630
Additions	415
Revaluation increments	17
Exchange differences	2
Depreciation expense	<u>(356)</u>
Balance at 31 December 2022	<u><u>1,708</u></u>

Note 7. Intangibles

	Consolidated	
	31/12/2022	30/06/2022
	\$'000	\$'000
<i>Non-current assets</i>		
Goodwill - at cost	4,241	4,241
Intellectual property - at cost	4,088	4,012
Product and overseas development costs	17,650	16,347
Less: Accumulated amortisation	(10,195)	(8,950)
	7,455	7,397
Franchise and development territories	6,142	6,114
Less: Accumulated amortisation	(125)	(79)
	6,017	6,035
Other intangible assets - at cost	3,231	3,231
Less: Accumulated amortisation	(2,827)	(2,620)
	404	611
	22,205	22,296

Reconciliations

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

	Goodwill	Intellectual	Product and	Franchise and	Other	Total
	\$'000	property	overseas	development	intangibles	\$'000
Consolidated		\$'000	costs	territories	\$'000	
			\$'000	\$'000		
Balance at 1 July 2022	4,241	4,012	7,397	6,035	611	22,296
Additions	-	83	1,302	10	-	1,395
Exchange differences	-	-	1	19	-	20
Amortisation expense	-	(7)	(1,245)	(47)	(207)	(1,506)
Balance at 31 December 2022	4,241	4,088	7,455	6,017	404	22,205

Note 8. Trade and other payables

	Consolidated	
	31/12/2022	30/06/2022
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	509	742
Amounts held on behalf of franchisees	3,380	5,679
GST and other similar payable	201	236
Other payables and accruals	676	825
	4,766	7,482

Note 9. Borrowings

	Consolidated	
	31/12/2022 \$'000	30/06/2022 \$'000
<i>Current liabilities</i>		
Bank loans	2,008	1,300

In June 2022 a USD denominated borrowing facility of USD 1,525,000 (AUD 2,213,000) was completed with HSBC. This facility has a 3 year term with quarterly repayments of USD76,250.

As at the balance date the entity had available undrawn banking facilities of AUD 1,750,000 (31 December 2021: AUD 1,205,000).

Assets pledged as security

The bank loans are secured by a security interest over all property of the consolidated entity to HSBC Bank.

Note 10. Issued capital

	Consolidated			
	31/12/2022 Shares	30/06/2022 Shares	31/12/2022 \$'000	30/06/2022 \$'000
Ordinary shares - fully paid	56,555,280	56,519,331	17,735	17,702

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$'000
Balance	1 July 2022	56,519,331		17,702
Dividend reinvestment plan	23 September 2022	35,949	\$0.910	33
Balance	31 December 2022	56,555,280		17,735

Note 11. Dividends

A final dividend for the year ended 30 June 2022 of 1.0 cents per ordinary share, 100% fully franked, was paid on 22 September 2022. The total distribution was \$565,000.

On 21 February 2023, the directors declared an unfranked, interim dividend of 1.0 cents per ordinary share for the year ending 30 June 2023 and will be paid on 23 March 2023 to those shareholders on the register at 7p.m. on 9 March 2024. The total distribution is estimated to be \$565,000.

Note 12. Contingent liabilities

There were no contingent liabilities at 31 December 2022.

The consolidated entity has provided bank guarantees totalling \$153,000 (30 June 2022: \$94,000) on multiple leases for office premises.

Note 13. Earnings per share

	Consolidated 31/12/2022 \$'000	31/12/2021 \$'000
Profit after income tax attributable to the owners of Kip McGrath Education Centres Limited	652	918
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	56,538,868	52,256,831
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	2,600,000	2,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	59,138,868	54,256,831
	Cents	Cents
Basic earnings per share	1.153	1.757
Diluted earnings per share	1.102	1.692

Note 14. Share-based payments

The Kip McGrath Employee Share Option Plan ('the Plan') was established in 2022. The Plan is designed to provide long-term incentives for employees to deliver long-term shareholder returns. Under the Plan the consolidated entity may, at the discretion of the Remuneration Committee, grant options over ordinary shares in the parent entity to certain KMP. The options are issued for nil consideration and only vest if certain conditions are met.

Options granted under the plan carry no dividend or voting rights. Shares issued under exercised options will rank equally with ordinary shares.

On exercise each option converts to one share, except in certain circumstances such as rights issues or bonus issues.

Set out below are summaries of options granted under the plan:

31/12/2022

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
13/12/2022	28/10/2026	\$1.151	-	2,615,000	-	-	2,615,000
			-	2,615,000	-	-	2,615,000

The weighted average share price during the financial half-year was \$0.873.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.8 years.

Note 15. Events after the reporting period

Apart from the dividend declared as disclosed in note 11, 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.

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



Ian Campbell
Chairman

21 February 2023
Newcastle

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF KIP MCGRATH EDUCATION CENTRES LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Kip McGrath Education Centres Limited (the company) and controlled entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

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 Kip McGrath Education Centres Limited is not in accordance with the *Corporations Act 2001* including:-

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors' of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors' of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Regulations 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.

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Auditor's Responsibility

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 company's financial position as at 31 December 2022 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kip McGrath Education Centres Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.



PKF



MARTIN MATTHEWS
PARTNER

21 FEBRUARY 2023
NEWCASTLE, NSW