

## 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 2023
Previous period:	For the half-year ended 31 December 2022

## 2. Results for announcement to the market

					\$'000
Revenues from ordinary activities	up	20.1%	to		14,887
Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	down	(21.5%)	to		2,330
Loss from ordinary activities after tax attributable to the owners of Kip McGrath Education Centres Limited	down	111.0%	to		(72)
Loss for the half-year attributable to the owners of Kip McGrath Education Centres Limited	down	111.0%	to		(72)

### Dividends

A final dividend for the year ended 30 June 2023 of 1.5 cents per ordinary share, 0% franked, was paid on 21 September 2023. The total distribution was \$849,000.

There were no dividends recommended or declared for the current financial period.

### Comments

The loss for the consolidated entity after providing for income tax amounted to \$72,000 (31 December 2022: profit of \$652,000).

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 \$2,330,000 (2022: \$2,967,000). 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 31/12/2023 \$'000	Consolidated 31/12/2022 \$'000
Revenue	14,840	12,353
EBITDA	2,330	2,967
Less: Depreciation and amortisation	(2,359)	(2,119)
Less: Interest expense	(124)	(102)
Add: Interest income	47	45
(Loss)/profit before income tax expense	(106)	791
Income tax expense	34	(139)
(Loss)/profit after income tax expense	(72)	652

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(1.86)	(0.04)

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 22 August 2023 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 18 September 2023. 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 2023 is attached.

11. Signed

As authorised by the Board of Directors

Signed  \_\_\_\_\_

Date: 21 February 2024

Ian Campbell  
Chairman  
Sydney

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# **Kip McGrath Education Centres Limited**

**ABN 73 003 415 889**

## **Interim Report - 31 December 2023**

Dear Shareholders,

Revenue for the first half increased by 20.1% with strong growth in all key markets. The UK was a standout with revenues up 27.6%. The global corporate business now has 35 centres (up from 26 one year ago) and revenue from student lessons are up 25% from \$3.9M to \$4.9M.

Despite this growth in revenue, we were disappointed with the overall results, which for the following reasons impacted EBITDA by \$1.2M.

- Additional costs of \$250,000 were incurred in bedding down recent corporate centre acquisitions to ensure brand protection. Efficiencies have since been introduced to stabilise future impacts on this key strategy.
- Whilst Tutorfly revenue increased 345%, it incurred a \$490,000 loss due to scaling costs and delayed revenue in the first quarter. This business is building quickly with economies of scale to commence profitability in the short to medium term.
- Loss of revenue from the large Abu Dhabi schools' contract, previously netting \$510,000 profit, which was not extended due to changes in government priorities. There is still the possibility this work may recommence on a smaller scale later in 2024.

The contributions to the loss for the half year period are summarised as follows:

Underlying Results		
	1H FY2024	1H FY2023
Net (loss)/profit after tax to shareholders	(\$0.1 m)	\$0.7 m
Comprises:		
Franchise business revenue	\$8.6 m	\$8.1 m
Corporate centre revenue	\$4.9 m	\$3.9 m
Tutorfly revenue	\$1.3 m	\$0.3 m
Employee expenses	(\$8.2 m)	(\$5.6 m)
Marketing & administration expenses	(\$3.3 m)	(\$2.7 m)
Depreciation & amortisation expenses	(\$2.4 m)	(\$2.1 m)
Other Expenses	(\$1.0 m)	(\$1.1 m)
Tax effect	-	(\$0.1 m)
<b>Net (loss)/profit after tax to shareholders</b>	<b>(\$0.1 m)</b>	<b>\$0.7 m</b>

## Operations

Global network revenue for the half year was \$53.9M, up 5% from the same period last year, with sturdy growth in our US and UK markets. (Global network revenue includes both billings by our franchisees as well as our corporate and US operations)

The global tuition market and parent demand remains strong. Whilst there have been some margin depletions with increases in rent, utilities, running multiple tutoring platforms and cost of staff overall, changes to restore margins are in progress, aided by our technology enhancements.

The number of centres using our KipLearn tutoring software has now reached 175 (38% penetration, up from 23% in November 2023), with all corporate centre students across the globe using the system. Over 30 of those centres converted from silver partners. 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 our Education Centres for the half reached 937,000, up 1.2% from the previous period. We have seen a strong move towards our Gold Partner product globally, with 311 centres now on a Gold contract.

US based Tutorfly saw revenues of \$1.3M up 345% period on period. Whilst this start up is impressive, scaling up to new work in over 15 school districts from 5 last year has been costly. We now have contracts in place for FY24 annual revenue to be \$3.5M (up from \$3M indicated at the AGM). We will shortly open our first US Corporate centre in Frisco, Texas, which will operate under the Kip McGrath brand.

Our corporate centres continue to scale and have increased centre numbers to 35 up from 26 twelve months ago. As previously mentioned, a number of recent centre takeovers (7 in total) have been more difficult than others as they were in a

distressed state. For the brand we have incurred this cost as it is important for the business overall. We have seen a more rapid move to profitability for the greenfield centres we have opened, and this will remain a focus.

#### Capitalisation and Cash Balances

We invested \$1.8M for the half in the ongoing development of our specialised software and curriculum, approximately \$350,000 in the US market and upcoming centre in Texas, and \$816,000 in buying centres and fit outs. Cash flow was also affected by \$1.2M in outflows to franchisees via their trust accounts as we increased use of new Xero accounting software and commenced full weekly disbursement of balances. Underlying net cash flow from operations was \$2.1M. Unrestricted cash balances at 31 December were \$2.3M together with \$1.2M in unused banking facilities.

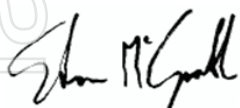
#### Outlook

The global tuition market remains strong, as are assessment requests and student retention. Our blended delivery model is a strength as purely online student levels continue to reduce since lockdowns. We believe Tutorfly's profitability will improve in the second half, aided by the new centre scheduled to open in Dallas, as will corporate, with less scheduled franchisee acquisitions as we focus on restoring margins.

Despite the disappointing half year result, we expect the FY24 full year profit to be in line with the prior year.

The Board is focused on a cash position that is able to fund current commitments as well as attractive opportunities as they emerge. For these reasons, the Board resolved not to pay an interim dividend.

I thank all our customers, franchisees, employees, and shareholders for their part in providing a valuable contribution in the education of our students.



Storm McGrath

Managing Director & Chief Executive Officer

21 February 2024

Sydney

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 2023.

### 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 2023 of 1.5 cents per ordinary share, 0% franked, was paid on 21 September 2023. The total distribution was \$849,000.

The Board is focused on a cash position that is able to fund current commitments as well as attractive opportunities as they emerge. For these reasons, the Board resolved not to pay an interim dividend.

### Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$72,000 (31 December 2022: profit of \$652,000).

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 \$2,330,000 (2022: \$2,967,000). 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.

	<b>Consolidated</b>	
	<b>31/12/2023</b>	<b>31/12/2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	14,840	12,353
EBITDA	2,330	2,967
Less: Depreciation and amortisation	(2,359)	(2,119)
Less: Interest expense	(124)	(102)
Add: Interest income	47	45
(Loss)/profit before income tax expense	(106)	791
Income tax expense	34	(139)
(Loss)/profit after income tax expense	<u>(72)</u>	<u>652</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.

### Business risks

The material business risks that could adversely affect the consolidated entity's financial performance and growth potential in future years and how the consolidated entity propose to mitigate such risks were detailed in the Annual Report at 30 June 2023. Those risks have been assessed up to the reporting date with no significant changes occurred since then.

### 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 2024  
Sydney





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## Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Kip McGrath Education Centres Limited

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2023, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

The PKF logo, featuring a circular icon with eight colored segments and the letters 'PKF' in a bold, blue, sans-serif font.

PKF

A handwritten signature in black ink that reads 'Martin Matthews'.

MARTIN MATTHEWS  
PARTNER

21 FEBRUARY 2024  
NEWCASTLE, NSW

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**Kip McGrath Education Centres Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2023**



	<b>Note</b>	<b>Consolidated 31/12/2023 \$'000</b>	<b>31/12/2022 \$'000</b>
<b>Revenue</b>	4	14,840	12,353
Interest revenue calculated using the effective interest method		47	45
<b>Expenses</b>			
Royalties, commissions and other direct expenses		(136)	(111)
Employee expenses		(8,229)	(5,621)
Marketing expenses		(1,278)	(1,274)
Administration expenses		(2,030)	(1,420)
Franchise support costs		(768)	(856)
Depreciation and amortisation expense		(2,359)	(2,119)
Impairment of receivables		(16)	(70)
Net foreign exchange loss		(53)	(34)
Finance costs		(124)	(102)
<b>(Loss)/profit before income tax benefit/(expense)</b>		(106)	791
Income tax benefit/(expense)		34	(139)
<b>(Loss)/profit after income tax benefit/(expense) for the half-year attributable to the owners of Kip McGrath Education Centres Limited</b>		(72)	652
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		23	(12)
Other comprehensive income for the half-year, net of tax		23	(12)
<b>Total comprehensive income for the half-year attributable to the owners of Kip McGrath Education Centres Limited</b>		(49)	640
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	14	(0.127)	1.153
Diluted earnings per share	14	(0.127)	1.102

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

	Note	Consolidated 31/12/2023 \$'000	30/06/2023 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	6,430	9,149
Trade and other receivables	6	2,081	1,966
Prepayments		795	594
Total current assets		9,306	11,709
<b>Non-current assets</b>			
Plant and equipment		398	381
Right-of-use assets	7	1,704	1,596
Intangibles	8	23,379	22,644
Deferred tax		1,023	784
Total non-current assets		26,504	25,405
<b>Total assets</b>		35,810	37,114
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	5,903	6,472
Contract liabilities		290	345
Borrowings	10	2,061	1,840
Lease liabilities		830	718
Income tax		39	559
Employee benefits		1,334	1,143
Total current liabilities		10,457	11,077
<b>Non-current liabilities</b>			
Lease liabilities		1,068	1,067
Deferred tax		1,963	1,888
Total non-current liabilities		3,031	2,955
<b>Total liabilities</b>		13,488	14,032
<b>Net assets</b>		22,322	23,082
<b>Equity</b>			
Issued capital	11	17,898	17,784
Reserves		943	896
Retained profits		3,481	4,402
<b>Total equity</b>		22,322	23,082

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 2023**



**Consolidated**

	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Total equity \$'000</b>
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 11)	33	-	-	33
Dividends paid (note 12)	-	-	(565)	(565)
Balance at 31 December 2022	<u>17,735</u>	<u>601</u>	<u>3,696</u>	<u>22,032</u>

**Consolidated**

	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2023	17,784	896	4,402	23,082
Loss after income tax benefit for the half-year	-	-	(72)	(72)
Other comprehensive income for the half-year, net of tax	-	23	-	23
Total comprehensive income for the half-year	-	23	(72)	(49)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 15)	-	24	-	24
Dividend reinvestment plan (note 11)	114	-	-	114
Dividends paid (note 12)	-	-	(849)	(849)
Balance at 31 December 2023	<u>17,898</u>	<u>943</u>	<u>3,481</u>	<u>22,322</u>

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

**Cash flows from operating activities**

Receipts from customers (inclusive of GST)  
Payments to suppliers and employees (inclusive of GST)

Interest received  
Interest and other finance costs paid  
Income taxes paid

Net cash from operating activities

**Cash flows from investing activities**

Payments for property, plant and equipment  
Payments for intangibles

Net cash used in investing activities

**Cash flows from financing activities**

Proceeds from borrowings  
Dividends paid  
Repayment of lease liabilities

Net cash used in financing activities

Net decrease in cash and cash equivalents  
Cash and cash equivalents at the beginning of the financial half-year

Cash and cash equivalents at the end of the financial half-year

Note	Consolidated	
	31/12/2023 \$'000	31/12/2022 \$'000
	15,605	13,267
	(13,944)	(12,239)
	1,661	1,028
	47	45
	(124)	(102)
	(650)	(201)
	934	770
	(325)	(57)
8	(2,362)	(1,395)
	(2,687)	(1,452)
	221	708
12	(736)	(532)
	(451)	(349)
	(966)	(173)
	(2,719)	(855)
	9,149	7,625
5	6,430	6,770

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

## **Note 1. 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 2024. The directors have the power to amend and reissue the financial statements.

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

### **Working capital**

As 31 December 2023, the Company has current liabilities of \$10,457,000 which exceeds its current assets of \$9,306,000 by \$1,151,000 (30 June 2023: net current assets of \$632,000). The Company has forecast to generate sufficient cash flow from operations to meet any current liability as and when it falls due and payable.

### **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 3. 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	
	31/12/2023	31/12/2022	31/12/2023	30/06/2023
	\$'000	\$'000	\$'000	\$'000
Australasia	7,594	7,002	19,576	18,987
United States and North America	1,289	290	4,427	4,469
United Kingdom and Europe	5,585	4,377	1,478	1,165
Overseas other	348	648	-	-
	<u>14,816</u>	<u>12,317</u>	<u>25,481</u>	<u>24,621</u>

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



#### Note 4. Revenue

	Consolidated 31/12/2023 \$'000	31/12/2022 \$'000
<i>Revenue from contracts with customers</i>		
Franchise fees	7,285	6,698
Sale of master territories and franchisee centres	193	121
National advertising contributions ('NAC')	771	802
Direct sales	396	509
Student lessons	6,171	4,187
	14,816	12,317
<i>Other revenue</i>		
Other revenue	24	36
<b>Revenue</b>	<b>14,840</b>	<b>12,353</b>

#### Disaggregation of revenue

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

	Consolidated 31/12/2023 \$'000	31/12/2022 \$'000
<i>Timing of revenue recognition</i>		
Services and goods transferred at a point in time	14,726	12,234
Services transferred over time	90	83
	14,816	12,317

The disaggregation of revenue by major product lines is disclosed at the top of this revenue note and the geographical regions is presented in note 3 'Operating segments'.

#### Note 5. Cash and cash equivalents

	Consolidated 31/12/2023 \$'000	30/06/2023 \$'000
<i>Current assets</i>		
Cash at bank	2,340	3,855
Restricted cash	4,090	5,294
	6,430	9,149

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 9).

**Note 6. Trade and other receivables**

	Consolidated 31/12/2023 \$'000	30/06/2023 \$'000
<i>Current assets</i>		
Trade receivables	978	1,126
Less: Allowance for expected credit losses	(243)	(270)
	<u>735</u>	<u>856</u>
Loan to director	601	579
Loans to employees	369	382
Other receivables	376	149
	<u>1,346</u>	<u>1,110</u>
	<u><u>2,081</u></u>	<u><u>1,966</u></u>

**Note 7. Right-of-use assets**

	Consolidated 31/12/2023 \$'000	30/06/2023 \$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	4,345	3,784
Less: Accumulated depreciation	(2,641)	(2,188)
	<u>1,704</u>	<u>1,596</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 2023	1,596
Additions	564
Exchange differences	2
Depreciation expense	(458)
Balance at 31 December 2023	<u><u>1,704</u></u>

**Note 8. Intangibles**

	Consolidated 31/12/2023 \$'000	30/06/2023 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	4,241	4,241
Intellectual property - at cost	4,017	4,012
Product and overseas development costs	21,036	19,280
Less: Accumulated amortisation	(12,856)	(11,424)
	8,180	7,856
Franchise and development territories	7,020	6,452
Less: Accumulated amortisation	(218)	(172)
	6,802	6,280
Other intangible assets - at cost	3,231	3,231
Less: Accumulated amortisation	(3,092)	(2,976)
	139	255
	<b>23,379</b>	<b>22,644</b>

*Reconciliations*

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

	Goodwill \$'000	Intellectual property \$'000	Product and overseas development costs \$'000	Franchise and development territories \$'000	Other intangibles \$'000	Total \$'000
<b>Consolidated</b>						
Balance at 1 July 2023	4,241	4,012	7,856	6,280	255	22,644
Additions	-	5	1,763	594	-	2,362
Exchange differences	-	-	(7)	(26)	-	(33)
Amortisation expense	-	-	(1,432)	(46)	(116)	(1,594)
Balance at 31 December 2023	<b>4,241</b>	<b>4,017</b>	<b>8,180</b>	<b>6,802</b>	<b>139</b>	<b>23,379</b>

**Note 9. Trade and other payables**

	Consolidated 31/12/2023 \$'000	30/06/2023 \$'000
<i>Current liabilities</i>		
Trade payables	753	629
Amounts held on behalf of franchisees	3,986	4,900
GST and other similar payable	330	279
Other payables and accruals	834	664
	<b>5,903</b>	<b>6,472</b>

## Note 10. Borrowings

	Consolidated 31/12/2023 \$'000	30/06/2023 \$'000
<i>Current liabilities</i>		
Bank loans	2,061	1,840

In June 2022 a USD denominated borrowing facility of USD 1,525,000 (AUD 2,213,000) was completed with the 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 1,250,000 (31 December 2022: AUD 1,750,000).

### *Assets pledged as security*

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

## Note 11. Issued capital

	31/12/2023 Shares	Consolidated 30/06/2023 Shares	31/12/2023 \$'000	30/06/2023 \$'000
Ordinary shares - fully paid	56,842,517	56,664,150	17,898	17,784

### *Movements in ordinary share capital*

Details	Date	No of shares	Issue price	\$'000
Balance	1 July 2023	56,664,150		17,784
Dividend reinvestment plan	21 September 2023	178,367	\$0.640	114
Balance	31 December 2023	56,842,517		17,898

## Note 12. Dividends

A final dividend for the year ended 30 June 2023 of 1.5 cents per ordinary share, 0% franked, was paid on 21 September 2023. The total distribution was \$849,000.

There were no dividends recommended or declared for the current financial period.

## Note 13. Contingent liabilities

There were no contingent liabilities at 31 December 2023.

The consolidated entity has provided bank guarantees totalling \$221,000 (30 June 2023: \$153,000) on multiple leases for office premises.

#### Note 14. Earnings per share

	Consolidated	
	31/12/2023 \$'000	31/12/2022 \$'000
(Loss)/profit after income tax attributable to the owners of Kip McGrath Education Centres Limited	(72)	652
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	56,762,493	56,538,868
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	2,615,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	56,762,493	59,153,868
	Cents	Cents
Basic earnings per share	(0.127)	1.153
Diluted earnings per share	(0.127)	1.102

2,615,000 options over ordinary shares are not included in the calculation of diluted earnings per share because they are anti-dilutive for the half-year ended 31 December 2023. These options could potentially dilute basic earnings per share in the future.

#### Note 15. Share-based payments

In 2022, the Board approved the terms and conditions of the current Kip McGrath Employee Share Option Plan ('the Plan'). The Plan is designed to provide long-term incentives for employees to deliver long-term shareholder returns. Further information is set out on the Notice of Meeting to the 2022 Annual General Meeting. 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 performance and/or service-related conditions as determined by the Board 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:

##### 31/12/2023

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

##### 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 \$0.529 (2022: \$0.873).

**Note 15. Share-based payments (continued)**

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.9 years (2022: 3.8 years).

**Note 16. Events after the reporting period**

No 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.

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



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Ian Campbell  
Chairman

21 February 2024  
Sydney

## 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), which comprises the consolidated statement of financial position as at 31 December 2023, and 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, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial 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 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 financial position as at 31 December 2023, 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.



## Auditor's Responsibility for the Review of the Half-Year 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 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 2024  
NEWCASTLE, NSW