1. Company details

Name of entity:	Kip McGrath Education Centres Limited
ABN:	73 003 415 889
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	12.6%	to	19,278
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	down	3.1%	to	5,119
Profit from ordinary activities after tax attributable to the owners of Kip McGrath Education Centres Limited	up	10.2%	to	1,733
Profit for the year attributable to the owners of Kip McGrath Education Centres Limited	up	10.2%	to	1,733

Dividends
An interim dividend for the year ended 30 June 2021 of 1.0 cents per ordinary share, 100% fully franked, was paid on 24 March 2021. The total distribution was $522,193.

On 24 August 2021, a final dividend for the year ended 30 June 2021 of 1.0 cents per ordinary share, 100% fully franked, was determined to be paid on 23 September 2021 to those shareholders on the register at 7p.m. on 9 September 2021. The total distribution will be $522,193.

Comments
The profit for the consolidated entity after providing for income tax amounted to $1,733,000 (30 June 2020: $1,573,000).

With continuing lockdowns in all significant markets due to the COVID-19 pandemic, there continues to be a reduction in revenue from traditional face to face lessons. This has been offset by increased usage of the online tutoring options available on our software platform.

Refer to Chairman's letter and Chief Executive Officer's report for further commentary.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') amounted to $5,119,000 (2020: $5,208,000).

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

	Consolidated	
	2021 $'000	2020 $'000
Revenue	19,265	17,123
EBITDA	5,119	5,208
Less: Depreciation and amortisation	(2,707)	(2,660)
Less: Interest expense	(116)	(141)
Profit before Income tax expense	2,296	2,407
Income tax expense	(563)	(834)
Profit after income tax expense	1,733	1,573

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	4.48	8.43

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

Not applicable.

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 have been audited and an unmodified opinion has been issued.

10. Attachments

Details of attachments (if any):

The Annual Report of Kip McGrath Education Centres Limited for the year ended 30 June 2021 is attached.

11. Signed

As authorised by the Board of Directors

Signed ___________________________ Date: 24 August 2021

Ian Campbell
Chairman
Sydney

Kip McGrath Education Centres Limited

ABN 73 003 415 889

Annual Report - 30 June 2021

Directors	Ian Campbell - Chairman Storm McGrath Trevor Folsom Diane Pass
Company secretary	Brett Edwards
Notice of annual general meeting	The details of the annual general meeting of Kip McGrath Education Centres Limited are: Level 25, Tower 3, 300 Barangaroo Avenue Sydney NSW 2000 Tuesday 16 November 2021 at 11:00 a.m. (AEST)
Registered office	Level 3 6 Newcomen Street Newcastle, NSW 2300 Head office telephone: 02 4929 6711
Share register	Computershare Investor Services Pty Limited 117 Victoria Street, West End, QLD 4101 Shareholders enquiries: 1300 787 272
Auditor	PKF Newcastle 755 Hunter Street Newcastle West, NSW 2302
Bankers	HSBC Bank Australia Ltd Tower 1, International Towers Sydney Level 36 100 Barangaroo Avenue Sydney NSW 2000
Stock exchange listing	Kip McGrath Education Centres Limited shares are listed on the Australian Securities Exchange (ASX code: KME)
Website	www.kipmcgrath.com
Corporate Governance Statement	The directors and management are committed to conducting the business of Kip McGrath Education Centres Limited in an ethical manner and in accordance with the highest standards of corporate governance. Kip McGrath Education Centres Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The consolidated entity's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and the ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Compliance Manual can be found on the Group's website at https://www.kipmcgrath.com/global/shareholder-information

Kip McGrath Education Centres Limited
Chairman's letter
30 June 2021

Dear Shareholders,

I am pleased to report the company's revenue for the year increased 12.6% to $19.3M. The corporate centre and corporate direct initiative has continued to grow well with a revenue increase to $3.7M from $1.4 last year (+164%). The franchise fee revenue was very strong with a decrease of only 2% despite the UK, Africa, and part of Australia in and out of lockdown for large parts of the year. The company's EBITDA held steady at $5.1M, whilst profit after tax increased by 10.2% to $1.7M.

These results are impressive, considering the 'once in a generation' challenge we have all had to endure, which has affected our health, lifestyle, relationships, and financial security.

The most immediate concerns at the outset of the pandemic were the protection of our students, franchisees, employees, and of course our shareholders. Our business model has survived well, thanks to our early identification and acceptance that a blended model of face-to-face tuition together with online learning, would eventually be the new normal….and now it has come to be!

The Company achieved several notable outcomes during the year, despite the volatile and uncertain environment. These included:

- The strengthening of the executive team with the recruitment of a Chief Operating Officer for Australasia, a Chief Technology Officer, and a Chief Product Officer. The team has a greater focus on strategy and growth which will be reflected further in FY22. It has also reduced risk for succession
- An increase in human capital to support our growth with staff numbers increasing to over 200 worldwide
- Online tuition was 40% of overall lessons and will remain a large part of the business. Most of the franchisees have now embraced the blended learning model
- We now have corporate centres in Sydney, Melbourne, Brisbane, Perth, Newcastle, Canberra and our first centres in New Zealand and the UK
- Selection as a partner for the NSW Government tutoring program. This rollout is currently slow due to NSW lockdowns. This is the first time in the company's 45 year history we have been selected to provide tuition for schools at a government level
- The institutional placement in June 2020 of $5.9M was partly used to purchase 10 corporate centres and to accelerate the technology upgrade currently underway
- The administration software upgrade has been released and the enhanced learning software is expected to be released globally before the end of this calendar year

The company continues to be a profitable, cash generative tutoring business with substantial growth over the last 10 years, based on a tailored education method developed over the company's 45-year history. We expect the business to continue to focus on growth opportunities worldwide to increase our lesson numbers and to progress the corporate centres strategy to increase revenue and profit. With lockdowns now a normal part of life we are ideally placed with blended learning.

Today, the Board declared a fully franked final dividend of 1 cent per share payable on 23 September 2021 to those shareholders on the register at 7pm on 9 September 2021.

I thank all those who have contributed to the company's success during this challenging year. To our shareholders, I hope you can join us at this year's Annual General Meeting on 16 November 2021 at 11am.

Ian Campbell
Chairman

24 August 2021
Sydney

The company's vision of online tutoring and blended lessons is the new normal. With Covid related lockdowns across the world, flexibility of delivery and technology investment have helped the company record revenue of $19.3M. What was particularly pleasing was the increase in Corporate outlets over the year from 5 to 17 using the funds from the Capital Raise in June 2020. Revenue for Corporate was $3.7M - an increase of 164%.

Strengthening our executive team, has allowed us more time to invest on strategic organic growth and acquisitions. The day to day running of Australasia is now managed by Scott Hillard with a focus on blended learning and growing the student numbers. Daniel Pludek, our Chief Technology Officer has brought a new level of focus to the IT team, whilst Abby Clifton as Chief Product Officer is delivering on an improved product offering for the student. Jackie Burrows, the Chief Executive of our UK business continues to expand our services in that market.

Overview of our major initiatives:

1. Corporate Centres and Corporate online direct

We have had a successful year building corporate. During the year we purchased or opened 11 corporate centres including one in New Zealand and another in the UK. Corporate centres and Corporate direct now sit at 2,500 students and growing continually. We expect corporate revenue to increase by over 100% for FY22 with the opening and purchase of another 10 centres in the pipeline. Corporate centres have allowed us to test and implement improved systems to focus our business keeping up with growing expectations of both parent and student. A mix of both corporate and franchised centres is good for all stakeholders.

2. Blended Tutoring

A large proportion of our students still prefer face to face tutoring. However, the ability to log in from anywhere is also now a major selling point. We held steady at around 40% of our lessons delivered online, some because of convenience, others not being able to make the centre as booked, and others for health reasons. We expect this will fluctuate depending on lockdowns, but it is a permanent and progressive shift in our business model.

3. Gold Partner Franchisees

There are now 298 Gold Partner centres operating globally, including 110 in the Australian market, 180 in the UK market and 8 in New Zealand. The Gold Partner contract is now our primary franchise product and continues to be our main growth focus. Globally 537 centres are active.

4. Marketing

The company spends A$3.5M a year on marketing with most franchisees adding to additional marketing spend. Our Customer Acquisition Cost has remained stable at A$200 for corporate centres made up of advertising and student assessment. The initial 'first stay' value of the student across the group approximates at A$2,000, with lifetime value higher as students return in subsequent years for additional assistance.

5. Technology Development

We released our management and administration software upgrade, Intuition, in June this year. We now have over 50% of franchisees using it worldwide. Our next major development is the release of our upgraded learning software for students, Kip Learn, which we are currently finalising for release to Corporate Centres for testing next month.

6. Acquisition of Master Franchise territories and Area Developers.

Last week we announced the purchase of the South Africa Master Franchise and the purchase of the Area Developer territory for Scotland. These are now the final two Master purchases that can be successfully run by Head Office. These purchases will add in excess of $100,000 to EBIT for FY22.

7. Government Tuition initiatives

Many governments throughout the world are allocating funds to decrease the learning gap created by Covid. We are one of four providers in NSW for the Government Tutoring Program and have individual franchisees in the UK developing relationships with schools to take advantage of the UK National Tutoring Program. The Education Tutoring Industry will continue to benefit from Government outsourcing of tutoring requirements.

Outlook

Whilst we have maintained our student numbers during Covid, in a post Covid world we expect revenue, profit and profit margins to continue to grow through a combination of the ongoing development and automation of the software as a service, our national advertising campaigns and the option for students to choose blended learning.

I would like to thank the Franchisees and employees for their hard work and support throughout the year. I would also like to thank our dedicated and motivating teachers and the parents who continue to bring their children to Kip McGrath.

We are committed to our motto that *‘every child can learn, they just have to be taught well’*, and we will continue to do this for our current 40,000 students and the many thousands more who we’ll welcome into the Kip McGrath family in the future.

Storm McGrath
Managing Director

24 August 2021
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 year ended 30 June 2021.

Directors
The following persons were directors of Kip McGrath Education Centres Limited during the whole of the financial 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 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
Dividends paid during the financial year were as follows:

	Consolidated	
	2021 $'000	2020 $'000
Final dividend for the year ended 30 June 2020 of 2.0 cents (2019: 2.5 cents) per ordinary share	1,036	1,131
Interim dividend for the year ended 30 June 2021 of 1.0 cents (2020: nil cents) per ordinary share	522	-
	1,558	1,131

On 24 August 2021, a final dividend for the year ended 30 June 2021 of 1.0 cents per ordinary share, 100% fully franked, was determined to be paid on 23 September 2021 to those shareholders on the register at 7p.m. on 9 September 2021. The total distribution will be $522,193.

Review of operations
The profit for the consolidated entity after providing for income tax amounted to $1,733,000 (30 June 2020: $1,573,000).

With continuing lockdowns in all significant markets due to the COVID-19 pandemic, there continues to be a reduction in revenue from traditional face to face lessons. This has been offset by increased usage of the online tutoring options available on the consolidated entity's software platform.

Revenue has grown by 12.6% to $19,278,000, with growth in student lesson fees from corporate centres offsetting a fall in franchise fees. Student lesson fees from corporate centres were up 139% to $3,661,000 following the acquisition of the Centres in Sydney, Brisbane, Melbourne, Perth and New Zealand. Franchise fees fell 3% to $11,524,000 with COVID-19 continuing to impact all key markets throughout the financial year. Refer to note 4 for additional information.

Despite the pandemic significantly impacting multiple markets for the majority of the year, there was a 1% increase in global attended lesson numbers from 1,425,000 in the prior year to 1,440,000 in the current financial year. The pandemic fuelled the ongoing demand for online lessons, with 654,000 lessons delivered during the financial year, an increase of 221% over the 295,000 lessons taught in prior year. Corporate Centre lessons in the Australasian market jumped 286% from 22,600 lessons last financial year to 64,700 lessons in the current financial year. The Australasian markets grew by 7% to 579,000 lessons for the year, while the UK market grew by 6% to 751,000 attended lessons.

There are now 16 Corporate Centres operational, including centres in Brisbane (2), Newcastle (2), Sydney (4) Bathurst (1) Canberra (1), Melbourne (2), Perth (2), England (1) and New Zealand (1). Gold Partner numbers in Australia have reduced to 110, partly due to Corporate Centre acquisitions. Total centres in Australia remains at 144 (consistent with the prior year). Similarly in the New Zealand market centre numbers have remained stable at 58 active centres, with 8 Gold Partners. The Corporate Centre is located in Palmerston North on the North Island.

In the UK market, we have opened our first Corporate Centre in Gloucester, close to the UK Head Office. In the UK the number of Gold Partners have been growing, now at 180 centres compared to 166 in the prior year. Overall there are 255 active UK centres, up from 247 in the prior year.

The South African and Middle East markets continued to see significant shut downs from the pandemic with revenues falling by a further 37% to $521,000 although there are positive signs of recovery. With the retirement of the South African Master Franchisee, we are working to convert 60 centres in that market across to head office contracts and expect the majority will come across to the new contracts.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') amounted to $5,119,000 (2020: $5,208,000).

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

	Consolidated	
	2021 $'000	2020 $'000
Revenue	19,265	17,123
EBITDA	5,119	5,208
Less: Depreciation and amortisation	(2,707)	(2,660)
Less: Interest expense	(116)	(141)
Profit before Income tax expense	2,296	2,407
Income tax expense	(563)	(834)
Profit after income tax expense	1,733	1,573

The directors consider EBITDA to reflect the core earnings of the consolidated entity. EBITDA is a financial measure not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation and interest expense. This financial measure has not been subject to specific audit or review procedures by the company's auditor, but has been extracted from the accompanying financial statements.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations going forward. The consolidated entity now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

On 12 July 2021, the company executed an agreement for the South African master franchisee to hand back the South African territory, which includes approximately 60 operating centres. The total payment for the hand back is dependent on the number of franchisees who execute new franchise agreements over the coming months and is expected to be in the range of South African Rand 5,000,000 (approximately A$460,000).

On 28 July 2021, the company executed an agreement for £40,000 (approximately A$75,000) to acquire the Gloucester North in England. This centre will be our first Corporate Centre Hub in the UK market, located close at our UK head office.

On 16 August 2021, the company purchased back the Scotland Area Developer for a capital payment of £250,000 (approximately A$470,000) payable over a 12-month period commencing October 2021. The territory has 32 active centres and will now be fully serviced by the UK Head Office in Gloucester.

Apart from the dividend declared and the other items discussed above, no other matter or circumstance has arisen since 30 June 2021 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.

Likely developments and expected results of operations

The company has commenced operating a number of corporately owned education centres in the Australian market as part of a strategy to drive growth and greater franchisee engagement. More details are set out in the CEO's Report. It is expected that future growth will continue to be in line with recent experience.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Ian Campbell (appointed as Chairman on 5 August 2019)
Title:	Non-Executive Director and Chairman
Qualifications:	FCA, MAICD
Experience and expertise:	Ian joined the Board on 25 August 2009 after a 32 year career with the international accounting firm Ernst & Young principally working with entrepreneurial companies and the capital markets. Ian is a Fellow of Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors. He is currently a non-executive director of CVC Limited, Redox Pty Ltd. His previous non-executive director roles included Gloria Jean's Coffees International Pty Limited, Green's Foods Holdings Pty Ltd and Young Achievement Australia Limited and he was a partner with the Board search practice of the Allegis Group (formerly Talent2).
Other current directorships:	CVC Ltd
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit Committee and member of the Remuneration Committee
Interests in shares:	500,000 ordinary shares

Name:	Storm McGrath (appointed as Executive Director on 5 August 2019)
Title:	Executive Director, Chief Executive Officer and Investor Relations
Qualifications:	Master of Business Administration
Experience and expertise:	Storm is currently the CEO of Kip McGrath Education Centres Ltd. Storm first joined the board in 1997 to advise on technology and strategy. At the time he had been running two successful businesses of his own. He joined the executive team in 2000 and was employed to run the IT department and general operations and later went on to be responsible for global franchise sales. In 2005 he was appointed joint managing director and in 2007 he was appointed managing director. He is responsible for day to day operations and strategic direction of the company.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,884,333 ordinary shares
Interests in options:	1,500,000 options over ordinary shares

Name:	Trevor Folsom
Title:	Non-Executive Director
Experience and expertise:	Trevor has extensive background and experience and is acknowledged for his ability to engage, invest and advise growth companies, particularly in the technology sector. He is a successful entrepreneur in his own right, developing, from start up, Blueprint Management, which he sold in 2008. He is currently a Director of Investible, an early stage technology investment company.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee and member of the Remuneration Committee
Interests in shares:	165,000 ordinary shares

Name:	Diane Pass
Title:	Non-Executive Director
Qualifications:	MAICD
Experience and expertise:	Diane is the Founder and Director of the human resources consultancy firm 360HR. She has more than 26 years local, national and international experience in the recruitment and consulting industry. She is accomplished in creating and delivering engaging professional development programs, public speaking and leading complex management consulting assignments. She currently sits on the Boards of Not-for-Profit organisations, Wheelchair Sports NSW and Jobsupport (‘Employment for People with Intellectual Disability). From 2001 to 2018 she was Chair of the Advisory Council of Sydney Institute of TAFE NSW. Diane is also a member of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Remuneration Committee and member of the Audit Committee
Interests in shares:	105,473 ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary

Brett Edwards is a Fellow of Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors. He has 31 years of experience in accounting and reporting in a number of major Australian and international businesses, including 10 years with international accounting firm Ernst & Young. He was previously a director of GMAC Australia LLC, a US company operating in the finance segment in Australia.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Remuneration Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held
Ian Campbell	10	10	3	3	4	4
Storm McGrath	10	10	-	-	-	-
Trevor Folsom	9	10	3	3	2	4
Diane Pass	10	10	3	3	4	4

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

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and other key management personnel ('KMP') arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of KMP compensation; and
- transparency.

The Remuneration Committee ('RC') is responsible for determining and reviewing remuneration arrangements for its KMP. The performance of the consolidated entity depends on the quality of its KMP. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration Committee makes recommendations to the Board in relation to remuneration of non-executive directors, and establishes, reviews and approves remuneration terms and the performance of the chief executive officer. The committee also assists the chief executive officer in the remuneration review of senior executives and sets the remuneration package of the chief executive officer for approval by the Board.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the RC. The RC may take the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The fees for the chair of the Board are determined independently to the fees of other non-executive directors based on comparative roles in the external market. Non-executive directors do not receive share options or other incentives.

ASX listing rules requires that the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 20 November 2015, where the shareholders approved a maximum aggregate remuneration of $400,000.

Executive remuneration
The consolidated entity aims to reward KMP based on their position and responsibility, with a level and mix of remuneration, which has both fixed and variable components.

The KMP remuneration and reward framework has four components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration, such as superannuation and long service leave.

The combination of these comprises the KMP's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the RC, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration.

KMPs can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the KMP.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI') being achieved. KPI's for the chief executive officer are set by the RC and currently focus on the consolidated entity's financial performance measured by reference to annual after-tax profit. The KPI's of other executives are set by the chief executive officer and are reviewed in consultation with the Board.

Long-term incentives ('LTI') include share options and long service leave. The objective of the employee share option plan is to assist in the recruitment, reward, retention and motivation of key employees and directors by facilitating the offering of options over ordinary shares, subject to performance and loyalty hurdles. The plan aims to give selected employees and directors the opportunity to share in the future growth and profitability of the company by better aligning their interests with those of shareholders and provides greater incentive for them to work towards achieving the longer term goals of the company.

Under the plan, the Board has discretion to decide which full or part-time employees or directors of the company (or related body corporate) will be invited to acquire options, the number of options to be offered, any vesting conditions such as performance targets or minimum vesting periods, the applicable exercise price (which must be at least equal to the market value of shares at the time of the offer), and any other terms of issue.

Consolidated entity performance and link to remuneration
KMP remuneration is linked to the performance of the consolidated entity. Bonus and incentive payments are at the discretion of the Board. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

Use of remuneration consultants
The consolidated entity did not engage the use of a remuneration consultant during the financial year ended 30 June 2021.

Voting and comments made at the company's 2020 Annual General Meeting ('AGM')
At the 2020 AGM, 99% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2020. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of the directors and other KMP of Kip McGrath Education Centres Limited are set out in this section.

The Board has reviewed those members of staff identified as KMP and has updated disclosures accordingly. The KMP of the consolidated entity now consists of the directors of Kip McGrath Education Centres Limited and the following persons:
- Brett Edwards - Company Secretary and Chief Financial Officer
- Jackie Burrows - Chief Executive Officer UK Business
- Daniel Pludek - Chief Technology Officer (commenced 31 August 2020)
- Scott Hillard - Chief Commercial Officer (commenced 18 January 2021)
- Abby Clifford - Chief Product Officer (commenced 15 February 2021)

2021	Short-term benefits Cash salary and fees $	Short-term benefits Bonus $	Short-term benefits Non-monetary * $	Post-employment benefits Super-annuation $	Long-term benefits Leave benefits $	Share-based payments Equity-settled shares $	Share-based payments Equity-settled options $	Total $
Non-Executive Directors:								
Ian Campbell (Chairman)	127,326	-	5,626	11,712	-	-	-	144,664
Trevor Folsom	71,127	-	5,626	6,757	-	-	-	83,510
Diane Pass	84,831	-	5,626	8,059	-	-	-	98,516
Executive Directors:								
Storm McGrath	467,346	-	5,626	46,773	-	-	-	519,745
Other KMP:								
Brett Edwards	282,613	-	5,626	27,798	-	-	-	316,037
Jackie Burrows	246,394	-	5,626	31,813	-	-	-	283,833
Daniel Pludek	186,059	-	4,688	17,676	-	-	-	208,423
Scott Hillard	88,462	-	2,344	8,404	-	-	-	99,210
Abby Clifford	76,077	-	2,344	6,942	-	-	-	85,363
	1,630,235	-	43,132	165,934	-	-	-	1,839,301

* Non-monetary benefits relate to proportional share of Director and Officer Insurance Premiums for the financial year.

2020	Short-term benefits Cash salary and fees $	Short-term benefits Bonus ** $	Short-term benefits Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Leave benefits $	Share-based payments Equity-settled shares $	Share-based payments Equity-settled options $	Total $
Non-Executive Directors:								
Ian Campbell (Chairman)	101,229	-	3,737	9,617	-	-	-	114,583
Trevor Folsom	68,493	-	3,737	6,506	-	-	-	78,736
Diane Pass	76,003	-	3,737	6,508	-	-	-	86,248
Kip McGrath *	10,597	-	369	1,381	27,808	-	-	40,155
Executive Directors:								
Storm McGrath	383,073	25,000	3,737	41,142	-	-	2,082	455,034
Other KMP:								
Brett Edwards	232,174	10,000	3,737	23,695	-	-	965	270,571
Jackie Burrows	163,636	10,000	3,737	-	-	-	760	178,133
Catherine Cook	95,171	-	2,447	8,849	-	-	-	106,467
	1,130,376	45,000	25,238	97,698	27,808	-	3,807	1,329,927

* Includes remuneration from the beginning of the year to the date of resignation 5 August 2019. Kip McGrath received consultancy fees of $61,673 following his resignation from the Board.

** A cash incentive was paid to management in July 2020. The Board agreed a number of strategic operational targets by which the execution of these targets would give rise to a short term incentive, payable at the Board's discretion. As key operational targets were achieved for the FY2020, a proportional incentive was paid.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2021	Fixed remuneration 2020	At risk - STI 2021	At risk - STI 2020	At risk - LTI 2021	At risk - LTI 2020
Non-Executive Directors:						
Ian Campbell	100%	100%	-	-	-	-
Trevor Folsom	100%	100%	-	-	-	-
Diane Pass	100%	100%	-	-	-	-
Kip McGrath	-	100%	-	-	-	-
Executive Directors:						
Storm McGrath	100%	93%	-	6%	-	1%
Other KMP:						
Brett Edwards	100%	95%	-	4%	-	1%
Jackie Burrows	100%	93%	-	6%	-	1%
Daniel Pludek	100%	-	-	-	-	-
Scott Hillard	100%	-	-	-	-	-
Abby Clifford	100%	-	-	-	-	-
Catherine Cook	-	100%	-	-	-	-

The proportion of the cash bonus paid and forfeited is as follows:

Name	Cash bonus paid/payable 2021	Cash bonus paid/payable 2020	Cash bonus forfeited 2021	Cash bonus forfeited 2020
Executive Directors:				
Storm McGrath	-	36%	100%	64%
Other KMP:				
Brett Edwards	-	53%	100%	47%
Jackie Burrows	-	43%	100%	57%
Daniel Pludek	-	-	100%	-
Scott Hillard	-	-	100%	-
Abby Clifford	-	-	100%	-

Service agreements

KMP have standard contracts of employment that have no entitlement to termination payments in the event of removal for misconduct. Termination can be made by either the consolidated entity or the individual subject to one to six months' notice.

The KMP have short term performance incentives of up to 25% of base salary plus an additional incentive for over budget performance as well as long term performance incentives in the form of options up to 15% of base salary.

Share-based compensation

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Storm McGrath	1,000,000	21/11/2014	17/08/2018	31/12/2021	$0.350	$0.170
Storm McGrath	500,000	29/10/2017	23/08/2019	31/12/2021	$0.370	$0.100
Brett Edwards	150,000	20/08/2014	17/08/2018	31/12/2021	$0.350	$0.170
Brett Edwards	100,000	19/08/2016	23/08/2019	31/12/2021	$0.300	$0.110
Brett Edwards	150,000	29/10/2017	23/08/2019	31/12/2021	$0.370	$0.100
Jackie Burrows	100,000	19/08/2016	23/08/2019	31/12/2021	$0.300	$0.110
Jackie Burrows	100,000	29/10/2017	23/08/2019	31/12/2021	$0.370	$0.100

Issue of shares
There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2021.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Sales revenue	19,265	17,123	16,263	13,060	13,507
EBITDA	5,119	5,208	5,207	4,079	2,635
Profit after income tax	1,733	1,573	2,652	2,263	1,436

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021	2020	2019	2018	2017
Share price at financial year end ($)	1.200	1.025	0.995	0.580	0.320
Basic earnings per share (cents per share)	3.329	3.455	5.888	5.025	3.199
Diluted earnings per share (cents per share)	3.188	3.276	5.536	4.752	3.069

Additional disclosures relating to KMP

Shareholding
The number of shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Sales/other	Balance at the end of the year
Ordinary shares					
Ian Campbell	500,000	-	-	-	500,000
Storm McGrath	3,153,598	-	-	(269,265)	2,884,333
Trevor Folsom	165,000	-	-	-	165,000
Diane Pass	105,473	-	-	-	105,473
Brett Edwards	150,000	-	-	-	150,000
Jackie Burrows	200,000	-	-	-	200,000
	4,274,071	-	-	(269,265)	4,004,806

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below. Options have not vested in the holder unless indicated otherwise.

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year	Vested and exercisable
Options over ordinary shares						
Storm McGrath	1,500,000	-	-	-	1,500,000	1,500,000
Brett Edwards	400,000	-	-	-	400,000	400,000
Jackie Burrows	200,000	-	-	-	200,000	200,000
	2,100,000	-	-	-	2,100,000	2,100,000

Options do not entitle the holder to receive dividends or any distributions or to participate in any share issue of the company.

Loans to KMP and their related parties
There are no loans to KMP or their related parties.

Other transactions with KMP and their related parties
There are no other transactions with KMP and their related parties.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Kip McGrath Education Centres Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
20 August 2014	31 December 2021	$0.350	150,000
21 November 2014	31 December 2021	$0.350	1,000,000
19 August 2016	31 December 2021	$0.300	300,000
9 October 2017	31 December 2021	$0.370	400,000
27 October 2017	31 December 2021	$0.370	450,000
			2,300,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

The following ordinary shares of Kip McGrath Education Centres Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
19 August 2016	$0.300	100,000
9 October 2017	$0.370	50,000
27 October 2017	$0.370	50,000
		200,000

Indemnity and insurance of officers

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

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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

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

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

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of PKF Newcastle
There are no officers of the company who are former partners of PKF Newcastle.

Rounding of amounts
The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) 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 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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Ian Campbell
Chairman

24 August 2021
Sydney

PKF

Kip McGrath Education Centres Limited
ACN: 003 415 889

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

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Kip McGrath Education Centres Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

CLAYTON HICKEY
PARTNER

24 AUGUST 2021
NEWCASTLE, NSW

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

Liability limited by a scheme approved under Professional Standards Legislation

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
p +61 2 4962 2688
f +61 2 4962 3245

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 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:

Level 3
6 Newcomen 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 24 August 2021. 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 year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue	4	19,265	17,123
Other income	5	513	472
Interest revenue calculated using the effective interest method		13	-
Expenses			
Royalties, commissions and other direct expenses		(1,282)	(1,307)
Employee expenses	6	(7,160)	(5,521)
Marketing expenses		(3,489)	(2,775)
Administration expenses		(1,938)	(1,661)
Merchandising expenses		(719)	(935)
Depreciation and amortisation expense	6	(2,707)	(2,660)
Recovery/(impairment) of receivables	9	2	(93)
Loss on sale of assets		(5)	(28)
Net foreign exchange losses		(81)	(67)
Finance costs	6	(116)	(141)
Profit before income tax expense		2,296	2,407
Income tax expense	7	(563)	(834)
Profit after income tax expense for the year attributable to the owners of Kip McGrath Education Centres Limited		1,733	1,573
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		49	67
Other comprehensive income for the year, net of tax		49	67
Total comprehensive income for the year attributable to the owners of Kip McGrath Education Centres Limited		1,782	1,640
		Cents	**Cents**
Basic earnings per share	33	3.329	3.455
Diluted earnings per share	33	3.188	3.276

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

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	8	10,571	12,179
Trade and other receivables	9	727	472
Income tax refund due		257	-
Prepayments		484	358
Total current assets		12,039	13,009
Non-current assets			
Trade and other receivables	9	-	140
Plant and equipment		323	359
Right-of-use assets	10	1,600	1,694
Intangibles	11	16,117	13,482
Deferred tax	12	649	736
Total non-current assets		18,689	16,411
Total assets		30,728	29,420
Liabilities			
Current liabilities			
Trade and other payables	13	6,855	5,231
Contract liabilities	14	476	576
Borrowings	15	425	1,426
Lease liabilities	16	524	532
Income tax		-	326
Employee benefits	17	895	583
Total current liabilities		9,175	8,674
Non-current liabilities			
Lease liabilities	16	1,258	1,312
Deferred tax	18	1,836	1,583
Total non-current liabilities		3,094	2,895
Total liabilities		12,269	11,569
Net assets		18,459	17,851
Equity			
Issued capital	19	14,841	14,457
Reserves	20	800	751
Retained profits		2,818	2,643
Total equity		18,459	17,851

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 year ended 30 June 2021

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2019	8,876	690	2,201	11,767
Profit after income tax expense for the year	-	-	1,573	1,573
Other comprehensive income for the year, net of tax	-	67	-	67
Total comprehensive income for the year	-	67	1,573	1,640
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	5,581	-	-	5,581
Share-based payments (note 20)	-	(6)	-	(6)
Dividends paid (note 21)	-	-	(1,131)	(1,131)
Balance at 30 June 2020	14,457	751	2,643	17,851

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2020	14,457	751	2,643	17,851
Profit after income tax expense for the year	-	-	1,733	1,733
Other comprehensive income for the year, net of tax	-	49	-	49
Total comprehensive income for the year	-	49	1,733	1,782
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	317	-	-	317
Conversion of options	67	-	-	67
Dividends paid (note 21)	-	-	(1,558)	(1,558)
Balance at 30 June 2021	14,841	800	2,818	18,459

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

Kip McGrath Education Centres Limited
Statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		20,100	17,731
Payments to suppliers and employees (inclusive of GST)		(13,577)	(13,846)
		6,523	3,885
Interest received		13	-
Government grants		513	472
Interest and other finance costs paid		(116)	(141)
Income taxes paid		(770)	(893)
Net cash from operating activities	31	6,163	3,323
Cash flows from investing activities			
Payments for plant and equipment		(158)	(170)
Payments for intangibles	11	(4,634)	(3,128)
Net cash used in investing activities		(4,792)	(3,298)
Cash flows from financing activities			
Proceeds from issue of shares	19	67	5,927
Proceeds from borrowings		-	2,377
Share issue transaction costs		-	(346)
Dividends paid	21	(1,558)	(1,131)
Repayment of borrowings		(651)	(1,751)
Repayment of leases		(487)	(325)
Net cash from/(used in) financing activities		(2,629)	4,751
Net increase/(decrease) in cash and cash equivalents		(1,258)	4,776
Cash and cash equivalents at the beginning of the financial year		11,829	7,053
Cash and cash equivalents at the end of the financial year	8	10,571	11,829

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Basis of preparation

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

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kip McGrath Education Centres Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Kip McGrath Education Centres Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

Note 1. Significant accounting policies (continued)

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

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Kip McGrath Education Centres Limited's functional and presentation currency.

Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

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

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Franchise fees

Revenue from franchise fees derived from franchise operations are recognised on a weekly or monthly basis, depending on the underlying contract with the franchisee. The contractual obligations primarily include providing access to software and franchisee systems on an ongoing basis through the life of the franchise contract as well as marketing, development and administrative support services. The consideration is variable in nature depending on the contract with the franchisee and the volume of lessons being provided.

Note 1. Significant accounting policies (continued)

Sales of master territories and franchisee centres
Revenue from contracts for the sale of master franchise territories are recognised over time as services are provided to establish the master territory during the first term of the contract. Revenue from contracts for the sale of new centres are recognised over time as services are provided to establish the centre during the first term of the contract. Services to train new franchisees are recognised at the time of satisfactory completion of formal induction and training programmes. The contractual obligations over time primarily relate to the development, support and training required to assist a franchisee in the establishment of a new centre in a territory and are typically discharged within the first period of the franchise contract (over no more than five or six years depending on the country of operation). Typically the payment is received upfront and the services are delivered over the contract term therefore giving rise to the recognition of a contract liability.

National advertising contributions ('NAC')
Revenue from national advertising contributions from franchisees is recognised on a weekly or monthly basis, depending on the underlying contract with the franchisee and whether the marketing services and activities relating to the contribution have been provided. The contractual obligations are to provide marketing activities through various channels in support of the franchise network.

Direct sales
Direct sales revenue includes fees for the provision of payment gateway and ancillary franchise software services as well as the sale of educational materials and promotional products. Revenue from payment gateway and ancillary franchise software services is recognised on a weekly basis as the services are provided to franchises. Revenue from the sale of educational materials and promotional products is recognised at the time the control of the product passes to the customer. This control will pass when the customer orders the curriculum or other products are shipped.

Student lesson fees
Revenue from student lessons derived from tutoring operations are recognised when the services are provided pursuant to a student's enrolment agreement, which is typically on a weekly basis during a set lesson time. These lessons are provided directly by the consolidated entity and not through any franchised contract.

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

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

Government grants
Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

Kip McGrath Education Centres Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Plant and equipment

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives of between 3 and 20 years.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intellectual property

Intellectual property primarily consists of the acquisition costs for the system of tuition developed by the founders, Kip and Dug McGrath. Costs in relation to intellectual property are capitalised as an asset. These costs are not subsequently amortised as they have an indefinite useful life.

Product and overseas development costs

Costs in relation to product and overseas development costs are capitalised as an asset. These costs are not subsequently amortised where they have an indefinite useful life. Definite life costs are written off over their finite useful life of up to ten years for curriculum items and up to five years for other items.

Franchise and development territories

Existing franchise and development territories that have been acquired by the consolidated entity are capitalised as an asset and are not amortised, but are subject to annual impairment reviews based on student numbers remaining at the acquisition level.

Other intangibles

Other intangibles are capitalised as an asset and amortised, being their finite useful life of five years.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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

Contract liabilities
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Variable lease payments include rent concessions in the form of rent forgiveness or a waiver as a direct consequence of COVID-19 and which relate to payments originally due on or before 30 June 2021.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries and other employee benefits expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Significant accounting policies (continued)

Other long-term employee benefits
Employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital
Ordinary shares are classified as equity.

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

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

Note 1. Significant accounting policies (continued)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Kip McGrath Education Centres Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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

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

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

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

Note 1. Significant accounting policies (continued)

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

Rounding of amounts
The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) 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 instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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

Intangible assets with indefinite life
Intellectual property, franchise territories and certain product and overseas development costs are classified as having an indefinite useful life and not amortised as management considers that there is no foreseeable limit to the cash flows these assets are generating. Such assets are subject to annual impairment reviews in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units to which such assets relate have been determined based on value-in-use calculations which require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Estimates that management has made with respect to such calculations are disclosed in note 11.

Finite life intangible assets
The consolidated entity determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives. The consolidated entity assesses impairment of such assets at each reporting date by evaluating conditions specific to the consolidated entity, the cash generating unit to which the asset belongs, and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves estimating the asset's fair value less costs of disposal or value-in-use calculations which incorporate a number of key estimates and assumptions. Estimates that management has made with respect to such calculations are disclosed in note 11.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Determination of variable consideration for services transferred over time
Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of COVID-19 and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 9, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

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

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The deferred tax assets are expected to be recovered through management’s forecast taxable profits over the next three years.

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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

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

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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

Management assumptions for lease extensions
There are specific estimates and judgements that were used as part of the calculation of right-of-use assets and lease liabilities. These estimates include the lease terms, lease make good provisions and lease increases based on consumer price index. Management used the best available estimate of these inputs in the calculations. In particular, management has relied on the assumption that an option to extend the lease terms of 2 leased properties in Newcastle will be exercised, thereby increasing the future lease payments and corresponding right of use asset by up to 3 years.

Management assumptions for non-lease components
Management have elected not to apply the available expedient to not separately account for non-lease components. As such, the consolidated entity has separated any non-lease components from future lease payments and will continue to account for these components as an expense over time as the non-lease components are provided. As such, there are no future assets or obligations recognised in respect of non-lease components. For some leases, the identification of amounts related to non-lease components must be estimated due to contracts not including an explicit break-up. In these cases, management estimates the value of the non-lease component by reference to available market data. Where the estimate is significant, management includes a note to detail the judgements made to arrive at the estimate.

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 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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Australasia	9,883	8,083	17,264	14,742
United Kingdom and Europe	8,838	8,172	776	793
Overseas other	521	838	-	-
	19,242	17,093	18,040	15,535

Note 4. Revenue

	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue from contract with customers		
Franchise fees	11,524	11,990
Sale of master territories and franchisee centres	481	585
National advertising contributions (NAC)	1,825	1,863
Direct sales	1,751	1,125
Student lessons	3,661	1,530
	19,242	17,093
Other revenue		
Other revenue	23	30
Revenue	19,265	17,123

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Timing of revenue recognition		
Services and goods transferred at a point in time	19,017	16,743
Services transferred over time	225	350
	19,242	17,093

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

Note 5. Other income

	Consolidated 2021 $'000	Consolidated 2020 $'000
Government grants *	513	472

* During the year the company received payments from the Australian Government amounting to $37,500 (2020: $50,000) and $475,500 (2020: $422,000) as part of its ‘Boosting Cash Flow for Employers’ and 'JobKeeper' schemes, respectively, in response to COVID-19. These non-tax amounts have been recognised as government grants and recognised as income once there is reasonable assurance that the company will comply with any conditions attached.

Note 6. Expenses

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	196	185
Land and buildings right-of-use assets	525	478
Total depreciation	721	663
Amortisation		
Product and overseas development costs	1,469	1,512
Other intangibles	517	485
Total amortisation	1,986	1,997
Total depreciation and amortisation	2,707	2,660
Employee benefits		
Employee benefits expense excluding superannuation	6,423	4,981
Defined contribution superannuation expense	735	535
Share-based payment expense	2	5
Total employee benefits	7,160	5,521
Finance costs		
Interest and finance charges paid/payable on borrowings from financial institutions	35	64
Interest and finance charges paid/payable on lease liabilities	81	77
Finance costs expensed	116	141
Leases		
Variable lease payments - COVID-19 related rent concessions income	(85)	(23)

Note 7. Income tax expense

	Consolidated	
	2021	2020
	$'000	$'000
Income tax expense		
Current tax	223	662
Deferred tax - origination and reversal of temporary differences	340	3
Adjustment recognised for prior periods	-	169
Aggregate income tax expense	563	834
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 12)	87	(105)
Increase in deferred tax liabilities (note 18)	253	108
Deferred tax - origination and reversal of temporary differences	340	3
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	2,296	2,407
Tax at the statutory tax rate of 26% (2020: 27.5%)	597	662
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible expenses	(2)	(4)
Sundry items	(32)	7
	563	665
Adjustment recognised for prior periods	-	169
Income tax expense	563	834

	Consolidated	
	2021	2020
	$'000	$'000
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	1,269	1,269
Potential tax benefit @ 25% (2020: 26%)	317	330

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses are capital in nature and can only be utilised in the future to offset capital gains if the continuity of ownership test is passed, or failing that, the same business test is passed.

The corporate tax rate applicable to base rate entities reduces from 27.5% to 26% for the 2020-21 income year and further reduces to 25% prospectively from the 2021-22 income year. The company qualifies as a base rate entity as it has a turnover of less than $50 million and less than 80% of its assessable income is derived from base rate entity passive income. The company has remeasured its deferred tax balances, and any unrecognised potential tax benefits arising from carried forward tax losses, based on the effective tax rate that is expected to apply in the year the temporary differences are expected to reverse or benefits from tax losses realised. The impact of the change in tax rate on deferred tax balances has been recognised as tax expense in profit or loss or as an adjustment to equity to the extent to which the deferred tax relates to items previously recognised outside profit or loss.

Note 8. Cash and cash equivalents

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Cash at bank	5,038	7,817
Restricted cash	5,533	4,362
	10,571	12,179

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	2021 $'000	2020 $'000
Balances as above	10,571	12,179
Bank overdraft (note 15)	-	(350)
Balance as per statement of cash flows	10,571	11,829

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 at note 13.

Note 9. Trade and other receivables

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Trade receivables	853	492
Less: Allowance for expected credit losses	(126)	(169)
	727	323
Other receivables	-	149
	727	472
Non-current assets		
Other receivables	-	140

Allowance for expected credit losses
The consolidated entity has recognised a recovery of $2,000 (2020: loss of $93,000) in profit or loss in respect of expected credit losses for the year ended 30 June 2021. The allowance is considered reasonable as all revenue has already been received.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	**2021 %**	**2020 %**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Not overdue	1%	1%	686	338	8	3
0 to 3 months overdue	16%	16%	49	139	8	22
Over 3 months overdue	93%	93%	118	155	110	144
			853	632	126	169

Note 9. Trade and other receivables (continued)

The consolidated entity has increased its monitoring of debt recovery as there is an increased probability of franchisees and customers delaying payment or being unable to pay, due to COVID-19. As a result, the calculation of expected credit losses has been revised and rates have increased in each category up to 3 months overdue.

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Opening balance	169	110
Additional provisions recognised	6	93
Amounts recovered during the year	(40)	(34)
Receivables written off during the year as uncollectable	(9)	-
Closing balance	126	169

Note 10. Right-of-use assets

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Land and buildings - right-of-use	2,601	2,169
Less: Accumulated depreciation	(1,001)	(475)
	1,600	1,694

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 and previous financial year are set out below:

Consolidated	Land and buildings $'000
Balance at 1 July 2019	-
Additions	539
Value on adoption of AASB 16	1,649
Exchange differences	(19)
Depreciation expense	(475)
Balance at 30 June 2020	1,694
Additions	863
Disposals	(438)
Exchange differences	6
Depreciation expense	(525)
Balance at 30 June 2021	1,600

Note 10. Right-of-use assets (continued)

For other AASB 16 and lease related disclosures refer to the following:

- note 6 for details of depreciation on right-of-use assets, interest on lease liabilities and other lease payments;
- note 16 for lease liabilities at 30 June 2021;
- note 22 maturities of lease liabilities; and
- consolidated statement of cash flow for repayment of lease liabilities.

Note 11. Intangibles

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Intellectual property - at cost	4,012	4,012
Product and overseas development costs	14,003	11,201
Less: Accumulated amortisation	(6,988)	(5,519)
	7,015	5,682
Franchise and development territories	3,674	1,855
Other intangible assets - at cost	3,574	3,574
Less: Accumulated amortisation	(2,158)	(1,641)
	1,416	1,933
	16,117	13,482

Reconciliations

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

Consolidated	Intellectual property $'000	Product and overseas development costs $'000	Franchise and development territories $'000	Other intangibles $'000	Total $'000
Balance at 1 July 2019	4,012	5,365	1,850	1,129	12,356
Additions	-	1,829	-	1,299	3,128
Exchange differences	-	-	5	(10)	(5)
Amortisation expense	-	(1,512)	-	(485)	(1,997)
Balance at 30 June 2020	4,012	5,682	1,855	1,933	13,482
Additions	-	2,802	1,832	-	4,634
Exchange differences	-	-	(13)	-	(13)
Amortisation expense	-	(1,469)	-	(517)	(1,986)
Balance at 30 June 2021	4,012	7,015	3,674	1,416	16,117

The intellectual property and product and overseas development costs are the primary elements of the consolidated entity’s system of tutoring which has been developed and acquired over a period exceeding 30 years by the founders and the consolidated entity. The franchise territories asset consists of the buy-back of the right to operate the business in the United Kingdom and New Zealand. As there is no foreseeable limit to the cash flows these assets are generating, they are considered to have an indefinite useful life and not amortised. Instead they are subject to annual impairment reviews. Other intangibles include the contractual rights for certain territories where the consolidated entity has terminated an area developers contract and the liability for these items are included in payables.

Note 11. Intangibles (continued)

Impairment tests for indefinite life intangibles
Indefinite life intangibles are allocated to a single cash generating unit ('CGU').

The recoverable amount has been determined by a value-in-use calculation using a discounted cash flow model, based on a three-year projection period approved by management and extrapolated for a further two years using a growth rate of 2.4% (2020: 2.4%). There are no terminal values in the calculation.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model:

a. Pre-tax discount rate 14.5% (2020: 14.7%). The discount rate reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.
b. Student lesson revenue growth rate of 12% (2020: 19%) over the five year projection period, which reflects additional corporate centres, an expected move towards larger centres and a continued movement towards percentage of revenue contracts, which management believe is reasonable given the current trading performance of the consolidated entity.
c. Foreign exchange rates consistent with current market conditions.

Based on the above, there was no impairment required for the year ended 30 June 2021 (2020: $nil).

Sensitivity
As disclosed in note 2, the directors have made judgements and estimates in respect of the impairment testing of indefinite life intangibles. Should these judgements and estimates not occur, the resulting indefinite life intangibles may vary in carrying amount.

The key sensitivity is that student lesson revenue would need to fall by 7% (2020: fall by 24%) before the CGU would be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount is based would not cause the cash generating unit's carrying amount to exceed its recoverable amount.

Note 12. Deferred tax

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	42	46
Unrealised foreign exchange movements	60	59
Contract liabilities	123	158
Employee benefits	232	166
Leases	44	39
Accrued expenses	66	79
QAX licence	94	120
Other items	(12)	69
Deferred tax asset	649	736
Movements:		
Opening balance	736	631
Credited/(charged) to profit or loss (note 7)	(87)	105
Closing balance	649	736

Note 13. Trade and other payables

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current liabilities		
Trade payables	397	277
Amounts held on behalf of franchisees	5,492	3,944
GST and other similar payables	160	77
Other payables and accruals	806	933
	6,855	5,231

Refer to note 22 for further information on financial instruments.

Note 14. Contract liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current liabilities		
Contract liabilities on franchise sales	476	576

Note 14. Contract liabilities (continued)

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $476,000 as at 30 June 2021 ($576,000 as at 30 June 2020) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2021 $'000	2020 $'000
Within 6 months	94	113
6 to 12 months	86	106
12 to 18 months	64	81
18 to 24 months	55	73
24 to 30 months	60	51
30 to 36 months	36	43
beyond 36 months	81	109
	476	576

Note 15. Borrowings

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Bank overdraft	-	350
Bank loans	425	1,076
	425	1,426

Refer to note 22 for further information on financial instruments.

Funds from additional GBP denominated borrowings were used to acquire area developer territories in the UK during prior year.

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated	
	2021 $'000	2020 $'000
Bank overdraft	-	350
Bank loans	425	1,076
	425	1,426

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

Note 15. Borrowings (continued)

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

	Consolidated	
	2021 $'000	2020 $'000
Total facilities		
Bank overdraft	1,750	1,750
Bank loans	425	1,076
	2,175	2,826
Used at the reporting date		
Bank overdraft	-	350
Bank loans	425	1,076
	425	1,426
Unused at the reporting date		
Bank overdraft	1,750	1,400
Bank loans	-	-
	1,750	1,400

Note 16. Lease liabilities

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Lease liability	524	532
Non-current liabilities		
Lease liability	1,258	1,312

Refer to note 22 for information on the maturity analysis of lease liabilities.

Note 17. Employee benefits

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Annual leave	501	312
Long service leave	394	271
	895	583

Amounts not expected to be settled within the next 12 months
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 17. Employee benefits (continued)

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Employee benefits	533	358

Note 18. Deferred tax

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current liabilities		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Research and development costs	1,836	1,583
Deferred tax liability	1,836	1,583
Movements:		
Opening balance	1,583	1,475
Charged to profit or loss (note 7)	253	108
Closing balance	1,836	1,583

Note 19. Issued capital

	Consolidated 2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares - fully paid	52,219,331	51,819,331	14,841	14,457

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2019	45,234,331		8,876
Issue of shares	15 June 2020	6,585,000	$0.900	5,927
Transaction costs		-	$0.000	(346)
Balance	30 June 2020	51,819,331		14,457
Conversion of options	11 September 2020	100,000	$0.300	30
Conversion of options	11 September 2020	100,000	$0.370	37
Issue of shares *	17 February 2021	200,000	$1.600	317
Balance	30 June 2021	52,219,331		14,841

*Issue of shares relates to consideration for the buy-back of a key franchise operation in Bossley Park, Sydney.

Note 19. Issued capital (continued)

Ordinary shares
Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

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

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

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

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

The capital structure of the consolidated entity consists of net debt (borrowings offset by cash and bank balances) and equity of the consolidated entity (comprising issued capital, reserves and accumulated profits).

Note 20. Reserves

	Consolidated	
	2021 $'000	2020 $'000
Foreign currency reserve	(199)	(248)
Share-based payments reserve	245	245
Other reserves	754	754
	800	751

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise profits and losses on hedges of the net investments in foreign operations.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Other reserves
This reserve is used to recognise the increments and decrements on changes in equity of the parent on acquisition of non-controlling interests.

Note 20. Reserves (continued)

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

Consolidated	Foreign currency $'000	Share-based payments $'000	Other $'000	Total $'000
Balance at 1 July 2019	(315)	251	754	690
Foreign currency translation	67	-	-	67
Share-based payments	-	(6)	-	(6)
Balance at 30 June 2020	(248)	245	754	751
Foreign currency translation	49	-	-	49
Balance at 30 June 2021	(199)	245	754	800

Note 21. Dividends

Dividends paid during the financial year were as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Final dividend for the year ended 30 June 2020 of 2.0 cents (2019: 2.5 cents) per ordinary share	1,036	1,131
Interim dividend for the year ended 30 June 2021 of 1.0 cents (2020: nil cents) per ordinary share	522	-
	1,558	1,131

On 24 August 2021, a final dividend for the year ended 30 June 2021 of 1.0 cents per ordinary share, 100% fully franked, was determined to be paid on 23 September 2021 to those shareholders on the register at 7p.m. on 9 September 2021. The total distribution will be $522,193.

Note 22. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity and to ensure that the consolidated entity is able to finance its business plans. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior executives ('finance') under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. The consolidated entity does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The consolidated entity operates internationally and is exposed to foreign exchange risk arising primarily from the Pound Sterling, Singapore dollar, South African Rand and New Zealand dollar.

Note 22. Financial instruments (continued)

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The consolidated entity presently does not hedge foreign exchange risks, focusing on matching income and expenditure by currency where possible to reduce risk.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
US dollars	130	117	-	-
Euros	12	1	-	-
Pound Sterling	6,794	3,819	3,964	2,484
New Zealand dollars	1,336	221	172	119
Singapore dollars	4	3	-	-
South African Rand	18	63	-	-
Hong Kong Dollars	-	5	-	-
	8,294	4,229	4,136	2,603

The consolidated entity had net assets denominated in foreign currencies of $4,158,000 as at 30 June 2021 (assets $8,294,000 less liabilities $4,136,000) (2020: $1,626,000 (assets $4,229,000 less liabilities $2,603,000)). Based on this net position, a 10% strengthening in the Australian dollar from 30 June 2021 levels may expose the consolidated entity to a $416,000 foreign currency loss.

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

Interest rate risk
The consolidated entity's main interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk.

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, related party loans and financial leases.

As at the reporting date, the consolidated entity had the following variable rate borrowings.

	2021		2020	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Bank overdrafts and bank loans	2.58%	425	3.02%	1,426
Net exposure to cash flow interest rate risk		425		1,426

The consolidated entity has net bank loans and borrowings outstanding, totalling $425,000 (2020: $1,426,000), which are principal and interest payment loans. Quarterly cash outlays of approximately $130,000 (2020: $129,000 per quarter) are required to service the debt. An official increase/decrease in interest rates of 100 (2020: 100) basis points would have an adverse/favourable effect on profit before tax of $4,300 (2020: $14,300) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysis.

Note 22. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of dealing with only recognised, creditworthy third parties. All franchisees are subject to legal and credit checks prior to contracting with the consolidated entity. Policies have been put in place to ensure that receivable balances are monitored on an ongoing basis with the result that the consolidated entity's exposure to credit default is not significant. The consolidated entity does not hold any collateral. However, the consolidated entity's policy for non-payment of debt by contracted partners within the maximum 30-day terms is deactivation of access to student curriculum resources.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 9, due to COVID-19, the calculation of expected credit losses has been revised and rates have increased in each category up to 3 months overdue.

Before accepting any new customers, the consolidated entity assesses the potential customer's credit quality.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

In determining the recoverability of a trade receivable, the consolidated entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

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

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

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2021 $'000	2020 $'000
Bank overdraft	1,750	1,400

A GBP denominated loan facility with the HSBC Bank was established to fund the acquisition of two area developer territories in England in September 2019.

A letter of cross guarantee is in place between Kip McGrath Education Centres Ltd, Kip McGrath Education Australia Pty Ltd, Kip McGrath Direct Pty Ltd and Kip McGrath Education Global Pty Ltd in relation to the HSBC banking facilities.

Note 22. Financial instruments (continued)

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

Consolidated - 2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	397	-	-	-	397
Other payables	-	6,458	-	-	-	6,458
Interest-bearing - variable						
Bank loans	2.58%	425	-	-	-	425
Lease liability	3.80%	524	476	781	-	1,781
Total non-derivatives		7,804	476	781	-	9,061

Consolidated - 2020	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	277	-	-	-	277
Other payables	-	4,954	-	-	-	4,954
Interest-bearing - variable						
Bank overdraft	2.68%	350	-	-	-	350
Bank loans	2.75%	1,076	-	-	-	1,076
Lease liability	3.80%	532	518	794	-	1,844
Total non-derivatives		7,189	518	794	-	8,501

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

Note 23. Fair value measurement

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of the consolidated entity’s non-current financial liabilities has been estimated as $1,183,000 (2020: $1,426,000) by discounting the remaining contractual maturities at current market interest rates for similar financial instruments.

Note 24. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of KMP of the consolidated entity is set out below:

	Consolidated	
	2021	2020
	$	$
Short-term employee benefits	1,673,367	1,200,614
Post-employment benefits	165,934	97,698
Termination benefits	-	27,808
Share-based payments	-	3,807
	1,839,301	1,329,927

Note 25. Remuneration of auditors

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

	Consolidated	
	2021	2020
	$	$
Audit services - PKF Newcastle		
Audit or review of the financial statements	105,000	105,000
Other services - PKF Newcastle		
Preparation of the tax return and other tax services	21,890	21,770
	126,890	126,770
Other services - network firms		
Preparation of the tax return (NZ)	2,500	1,950
Audit services - unrelated firms		
Audit or review of the financial statements	-	11,482
Other services - unrelated firms		
Payroll and tax services	-	2,122
	-	13,604

PKF is the current auditor of the UK subsidiary Kip McGrath Education United Kingdom Limited. Fees of $nil (2020: $13,604) were paid to Hazlewoods LLP, who were the previous auditors of the UK subsidiary.

Note 26. Contingent liabilities

There were no contingent liabilities at 30 June 2021.

The consolidated entity has entered into arrangements to provide a guarantee to the lessor of the head office premises amounting to $58,000 (2020: $58,000), and premises in Kotara of $51,000 (2020: $51,000) and in Kellyville of $21,000 (2020: $Nil)

Note 27. Commitments

	Consolidated	
	2021 $'000	2020 $'000
Capital commitments		
Committed at the reporting date but not recognised as liability, payable:		
Property, plant and equipment	35	18

Note 28. Related party transactions

Parent entity
Kip McGrath Education Centres Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30.

Key management personnel
Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2021 $'000	2020 $'000
Profit after income tax	9,329	222
Total comprehensive income	9,329	222

Note 29. Parent entity information (continued)

Statement of financial position

	Parent 2021 $'000	Parent 2020 $'000
Total current assets	4,811	8,343
Total assets	21,410	15,046
Total current liabilities	3,486	5,679
Total liabilities	5,506	7,336
Equity		
Issued capital	14,841	14,457
Foreign currency reserve	42	3
Share-based payments reserve	245	245
Retained profits/(accumulated losses)	776	(6,995)
Total equity	15,904	7,710

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020, except as disclosed in note 26.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Kip McGrath Education Australia Pty Ltd	Australia	100%	100%
Kip McGrath Global Pty Limited	Australia	100%	100%
Kip McGrath Direct Pty Ltd	Australia	100%	100%
Kip McGrath Education United Kingdom Ltd	United Kingdom	100%	100%
Kip McGrath Education New Zealand Limited	New Zealand	100%	100%

Note 31. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit after income tax expense for the year	1,733	1,573
Adjustments for:		
Depreciation and amortisation	2,707	2,660
Share-based payments	-	(6)
Foreign exchange differences	54	72
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(115)	144
Increase in income tax refund due	(257)	-
Decrease/(increase) in deferred tax assets	87	(105)
Increase in prepayments	(126)	(193)
Increase/(decrease) in trade and other payables	1,905	(702)
Decrease in contract liabilities	(100)	(237)
Decrease in provision for income tax	(290)	(62)
Increase in deferred tax liabilities	253	108
Increase in employee benefits	312	71
Net cash from operating activities	6,163	3,323

Note 32. Changes in liabilities arising from financing activities

Consolidated	Bank loans $'000	Lease liability $'000	Total $'000
Balance at 1 July 2019	450	-	450
Net cash from/(used in) financing activities	626	(325)	301
Acquisition of plant and equipment by means of leases	-	539	539
Acquisition of leases - adoption of new standard	-	1,653	1,653
Rent - concessions	-	(23)	(23)
Balance at 30 June 2020	1,076	1,844	2,920
Net cash used in financing activities	(651)	(487)	(1,138)
Acquisition of plant and equipment by means of leases	-	863	863
Lease handback	-	(438)	(438)
Balance at 30 June 2021	425	1,782	2,207

Note 33. Earnings per share

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit after income tax attributable to the owners of Kip McGrath Education Centres Limited	1,733	1,573
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	52,053,303	45,522,200
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	2,300,000	2,500,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	54,353,303	48,022,200
	Cents	**Cents**
Basic earnings per share	3.329	3.455
Diluted earnings per share	3.188	3.276

Note 34. Share-based payments

On 9 March 2012, shareholders approved the terms and conditions of the 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. 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:

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
20/08/2014	31/12/2021	$0.350	150,000	-	-	-	150,000
21/11/2014	31/12/2021	$0.350	1,000,000	-	-	-	1,000,000
02/09/2016	31/12/2021	$0.300	400,000	-	(100,000)	-	300,000
09/10/2017	31/12/2021	$0.370	450,000	-	(50,000)	-	400,000
27/10/2017	31/12/2021	$0.370	500,000	-	(50,000)	-	450,000
			2,500,000	-	(200,000)	-	2,300,000

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
20/08/2014	31/12/2021	$0.350	150,000	-	-	-	150,000
21/11/2014	31/12/2021	$0.350	1,000,000	-	-	-	1,000,000
02/09/2016	31/12/2021	$0.300	400,000	-	-	-	400,000
09/10/2017	31/12/2021	$0.370	450,000	-	-	-	450,000
27/10/2017	31/12/2021	$0.370	500,000	-	-	-	500,000
			2,500,000	-	-	-	2,500,000

Note 34. Share-based payments (continued)

The weighted average share price was $0.343 (2020: $0.364).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.5 years (2020: 1.35 years).

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were $1,922 (2020: $5,333).

Note 35. Events after the reporting period

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the consolidated entity, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the consolidated entity's operations going forward. The consolidated entity now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

On 12 July 2021, the company executed an agreement for the South African master franchisee to hand back the South African territory, which includes approximately 60 operating centres. The total payment for the hand back is dependent on the number of franchisees who execute new franchise agreements over the coming months and is expected to be in the range of South African Rand 5,000,000 (approximately A$460,000).

On 28 July 2021, the company executed an agreement for £40,000 (approximately A$75,000) to acquire the Gloucester North in England. This centre will be our first Corporate Centre Hub in the UK market, located close at our UK head office.

On 16 August 2021, the company purchased back the Scotland Area Developer for a capital payment of £250,000 (approximately A$470,000) payable over a 12-month period commencing October 2021. The territory has 32 active centres and will now be fully serviced by the UK Head Office in Gloucester.

Apart from the dividend declared as disclosed in note 21 and the other items discussed above, no other matter or circumstance has arisen since 30 June 2021 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, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Ian Campbell
Chairman

24 August 2021
Sydney

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

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Kip McGrath Education Centres Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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.

In our opinion, the financial report of Kip McGrath Education Centres Limited is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Liability limited by a scheme approved under Professional Standards Legislation

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
p +61 2 4962 2688
f +61 2 4962 3245

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

1. Impairment testing of intangible assets

Why significant	How our audit addressed the key audit matter
As disclosed in note 11, the Company and its subsidiaries has intangible assets of $16.117m as at 30 June 2021. An annual impairment test for indefinite useful life intangible assets is required under Australian Accounting Standard (AASB) 136 Impairment of Assets. Management's testing has been performed using a discounted cash flow model (Impairment model) to estimate the value-in-use of the Cash Generating Unit (CGU) to which the intangible assets have been allocated. The evaluation of the recoverable amount requires the group to exercise judgment in determining key assumptions, which include: • Preparation of a 5-year cash flow forecast; • Determination of a terminal growth factor; and • Determination of a discount rate. The outcome of the impairment assessment could vary if different assumptions were applied. As a result, the evaluation of the recoverable amount of intangible assets including goodwill is a Key Audit Matter.	The Company has reviewed the disposition of how cash flows are generated and determined there is one CGU, being the Company and its subsidiaries. Our audit procedures included but were not limited to: • Assessing and challenging: o the assumption of one cash generating unit being appropriate; o the reasonableness of the FY22 budget approved by the Board by comparing the budget to FY21 actuals; o the key assumptions for the future growth rate used in the model by comparing the average historical growth rates from FY19 to FY21 and other industry forecasts; and o the discount rate applied by comparing the weighted average cost of capital to industry benchmarks. • testing, on a sample basis, the mathematical accuracy of the cash flow models; • testing, on a sample basis, the validity and accuracy of intangibles capitalised during the financial year; • considering management's assessment of those with definite and indefinite useful lives; • testing, on a sample basis, the validity and accuracy of amortisation expense and accumulated amortisation where appropriate; • agreeing inputs in the cash flow models to relevant data including approved budgets and latest forecasts; • reviewing management's sensitivity analysis in relation to key assumptions including discount rate, growth rate and terminal value; and • assessing appropriateness of financial statement disclosures including sensitivities to assumptions used, included in Note 11.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Directors' Responsibilities for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021. In our opinion, the Remuneration Report of Kip McGrath Education Centres Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF

CLAYTON HICKEY
PARTNER

24 AUGUST 2021
NEWCASTLE, NSW

The shareholder information set out below was applicable as at 23 July 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	479	0.58	-	-
1,001 to 5,000	976	5.11	-	-
5,001 to 10,000	266	3.88	-	-
10,001 to 100,000	227	12.14	-	-
100,001 and over	38	78.28	4	4.00
	1,986	99.99	4	4.00
Holding less than a marketable parcel	108	-	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
National Nominees Limited	10,120,794	19.38
Mr Kip McGrath	5,675,764	10.87
CS Third Nominees Pty Limited (HSBC Cust Nom AU Ltd 13 A/C)	5,258,541	10.07
Sandhurst Trustees Ltd (Endeavor Asset Mgmt MDA A/C)	2,261,907	4.33
Storm Superannuation Fund Pty Ltd (Storm Super Fund A/C)	2,050,867	3.93
KMEC Superannuation Pty Ltd (KMEC Superannuation Fund A/C)	1,949,133	3.73
J P Morgan Nominees Australia Pty Limited	1,903,694	3.65
Sandhurst Trustees Ltd (Cyan C3G Fund A/C)	1,427,778	2.73
Kip McGrath Investments Pty Ltd (McGrath Family A/C)	1,000,000	1.91
Mr Storm Kip McGrath	833,466	1.60
BNP Paribas Nominees Pty Ltd (IB AU Noms RetailClient DRP)	762,177	1.46
Rendina Pty Ltd (Rendina Super Fund A/C)	700,000	1.34
Mr Matthew Charles Peek	580,000	1.11
Emerald Shares Pty Limited (Emerald Unit A/C)	512,500	0.98
Hetale Pty Limited (Eagles Nest Retire Fund A/C)	500,000	0.96
Ms Snezana Bowden	400,000	0.77
Indweco Pty Limited	371,039	0.71
Scanlon Capital Investments Pty Ltd	361,791	0.69
HSBC Custody Nominees (Australia) Limited	351,760	0.67
Vanward Investments Limited (Equities A/C)	343,045	0.66
	37,364,256	71.55

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	2,300,000	4

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
National Nominees Limited	10,120,794	19.38
Mr Kip McGrath	5,675,764	10.87
CS Third Nominees Pty Limited (HSBC Cust Nom AU Ltd 13 A/C)	5,258,541	10.07

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.