

Embark Early Education Ltd

APPENDIX 4D

HALF-YEAR REPORT

Company Details

Name of Entity	Embark Early Education Ltd
ABN	52 667 611 752
Current Financial Period Ended	30 June 2023
Previous Corresponding Reporting Period	30 June 2022

Results for Announcement to the Market

	June 2023 \$'000	June 2022 \$'000	Percentage Change Up or (Down)
Revenue from ordinary activities			
Continuing operations	29,244	24,133	21.18%
Discontinued operations	-	50,411	(100%)
Profit/(loss) from ordinary activities after tax attributable to members			
Continuing operations	2,386	(1,696)	(240.67%)
Discontinued operations	-	(385)	(100%)
Profit/(loss) for the period attributable to members			
Continuing operations	2,386	(1,696)	(240.67%)
Discontinued operations	-	(385)	(100%)

	June 2023	June 2022
Net Tangible Assets (Liabilities) per Security	0.11	0.10
Earnings Per Share	June 2023	June 2022
Basic Earnings per Share	0.01	(0.01)
Diluted Earnings per Share	0.01	(0.01)
Dividends	Amount per Security	Franked amount per security
Final dividend for the year ended 31 December 2022 paid on 10 August 2023 (ex-dividend date 19 July 2023, record date 20 July 2023)	0.02	0.02

Brief explanation of any figures reported above necessary to enable the figures to be understood
Refer to attached interim financial report.

Compliance Statement

This report is based on the interim financial report that has been reviewed by our external auditors.



Hamish Stevens

Chair
Embark Early Education Limited

Embark Early Education Ltd

DIRECTORS' REPORT

The Directors present their report for Embark Early Education Limited (Embark) (ASX:EVO) and the entities it controlled at the end of, or during, the half-year ended 30 June 2023.

Background

On 6 June 2023, shareholders of Embark Education Group Limited (NZX: EVO), a New Zealand-incorporated company listed on the NZX and previously admitted to the official list of ASX as an ASX Foreign Exempt Entity, approved a scheme of arrangement whereby a newly incorporated Australian company (Embark Early Education Limited) would become the new head entity of the group with admission to the official list of the ASX as an ASX Listing (ASX:EVO).

Further details of the re-domiciling and change in shareholding of Embark Education Group Limited by way of a swap of shares on a one-for-one basis for new shares in Embark Early Education Limited were set out in the Notice of Meeting and Scheme Booklet lodged on the ASX on 19 May 2023.

Embark Early Education Limited ('EVO') was admitted to the Official List of ASX on Tuesday, 27 June 2023.

Securities of EVO commenced quotation Tuesday, 27 June 2023 on a deferred settlement basis. No funds were raised by Embark Early Education Limited in conjunction with this ASX listing.

This Appendix 4D was required to be prepared as part of the ASX conditions for the 27 June 2023 ASX listing.

Directors

The following persons were Directors of Embark Education Group Limited (NZX) during the relevant period:

- Hamish Stevens (Chair)
- Christopher Scott (Managing Director)
- Kim Campbell
- Renita Garard
- Adrian Fonseca (until 6 June 2023)
- Michelle Thomsen (from 6 June 2023)

and then Embark Early Education Limited:

- Hamish Stevens (Chair) from 1 May 2023
- Christopher Scott (Managing Director) from 1 May 2023
- Renita Garard from 1 May 2023
- Kim Campbell from 26 May 2023
- Michelle Thomsen from 23 June 2023

Principal Business

The principal business of Embark during the half-year was related to the operation of early education centres owned by an Embark subsidiary. There was no significant change for the continuing operations of the Embark business during the half-year ended 30 June 2023.

Review of operations

Embark reported a net profit after tax from continuing operations of \$2.386m compared with a loss of \$1.696m in the prior comparative period (pcp) driven by increased revenues (from materially higher occupancy), tight control of support office costs and the prudent use of centre-based labour within Government mandated guidelines. There were no acquisitions by Embark in the first half of 2023.

Change in presentation currency and restatement of comparatives

The Group redomiciled from New Zealand to Australia which was completed on 27 June 2023. The Group's revenues, profits and cash flows are generated in Australian dollars. During the half year, management concluded that it was appropriate to change the presentation currency of the Group's financial statements from \$NZD to \$AUD as it provided more reliable and relevant information to users of the financial statements to better reflect the underlying performance of the Group.

The change in presentation currency has been applied retrospectively. Comparative has been re-stated using the following procedures:

Embark Early Education Ltd

DIRECTORS' REPORT

- Assets and liabilities denominated in \$NZD were translated into \$AUD using the closing rate of exchange as at 31 December 2022;
- Expenses denominated in \$NZD were translated using average rates of exchange for the six months ended 30 June 2022;
- Components of equity have been translated at historic rates from 31 March 2015, being the earliest period for which audited financial statements were available, and subsequent rates were translated for the rate of exchange on the date of each transaction.

The amounts presented in the interim statement of profit or loss under discontinued operations relate to Embark Education Group Limited, as most of its assets were sold on 30 September 2022.

The disposal allows the Group to focus solely on its Australian operations.

Events subsequent to the end of the half-year

The following material matters have taken place after the balance sheet date:

- The Board declared a dividend of 2.00c per share on 14 July 2023, paid on 10 August 2023.
- On 10 July 2023, the Group announced that the Chief Financial Officer, Edmund Mah, had resigned. The Group is in the process of recruiting for a replacement.

Rounding amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191, relating to the "rounding off" of amounts in the financial reports. In certain instances, amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars unless otherwise stated.

Audit

Grant Thornton Audit Pty Ltd was appointed as auditor on 27 July 2023 and continue in office in accordance with section 237 of the *Corporations Act 2001*.

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 the Director's Report.

This report is made in accordance with a resolution of Directors.



Hamish Stevens
Chair
Embark Early Education Limited
31 August 2023

Grant Thornton Audit Pty Ltd

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Brisbane QLD 4000
GPO Box 1008
Brisbane QLD 4001


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Auditor's Independence Declaration

To the Directors of Embark Early Education Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Embark Early Education Ltd for the half-year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance

Brisbane, 31 August 2023

www.grantthornton.com.au

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Embark Early Education Ltd

Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		AUDITED 6 MONTHS 30 JUNE 2023	RESTATED 6 MONTHS 30 JUNE 2022
AUD	Note	\$'000	\$'000
From continuing operations			
Childcare fees	3	9,608	7,952
Government funding	3	19,501	16,181
Other revenue	3	135	-
Total Revenue		29,244	24,133
Expenses			
Employee benefits expenses		(16,962)	(16,008)
Building occupancy expenses		(540)	(379)
Direct other expenses of providing services		(2,551)	(3,246)
Depreciation		(1,629)	(1,506)
Amortisation		-	(17)
Other expenses		(1,149)	(828)
Total expenses		(22,831)	(21,984)
Profit before net finance expense and income tax		6,414	2,149
Finance income		345	169
Finance costs		(3,045)	(4,955)
Net finance expense		(2,700)	(4,786)
Profit/(loss) before income tax		3,714	(2,637)
Income tax benefit/ (expense)		(1,328)	941
(Loss)/Profit after income tax from continuing operations		2,386	(1,696)
Total gain/(loss) from discontinued operations			
Profit/(loss) from discontinued operations net of tax	2	-	(385)
Profit/(loss) for the period		2,386	(2,081)
Other comprehensive income			
Exchange differences on translation of foreign operations		(93)	(3,293)
Total comprehensive income attributed to the shareholders of the Company		2,293	(5,374)
Earnings per share			
Basic and diluted (loss)/earnings per share from continuing operations		0.01	(0.01)
Basic and diluted (loss)/earnings per share attributable to the shareholders of the Company		0.01	(0.01)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes. Refer to note 1(i) for detailed information on change in presentation currency and restatement of comparatives.

Embark Early Education Ltd

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		ISSUED SHARE CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	ACCUMULATED LOSSES	TOTAL
AUD	Note	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2022 (restated)		242,428	1,131	(119,310)	124,248
Profit/(loss) after income tax		-	-	(2,315)	(2,315)
Other comprehensive income		-	(3,293)	-	(3,293)
Total comprehensive income (loss)		-	(3,293)	(2,315)	(5,607)
As at 30 June 2022 (restated)		242,428	(2,162)	(121,625)	118,641
AUD	Note	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2023 (restated)		242,428	(522)	(165,366)	76,541
Profit/(loss) after income tax				2,386	2,386
Other comprehensive income			(93)		(93)
Total comprehensive income (loss)		-	(93)	2,386	2,293
As at 30 June 2023		242,428	(614)	(162,980)	78,833

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes. Refer to note 1(i) for detailed information on change in presentation currency and restatement of comparatives.

Embark Early Education Ltd

Consolidated Statement of Financial Position

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		AS AT 30 JUNE 2023	RESTATED AS AT 31 DECEMBER 2022	RESTATED AS AT 1 JANUARY 2022
AUD	Note	\$'000	\$'000	\$'000
Cash and cash equivalents		24,290	16,201	44,824
Assets held for sale		-	-	2,804
Funding receivable		-	614	-
Current tax asset		-	196	-
Other current assets		2,238	2,862	2,940
Total current assets		26,527	19,873	50,568
Property, plant and equipment	4	1,744	1,590	7,164
Deferred tax asset		3,939	3,364	13,246
Right-of-use assets	5(a)	62,111	62,683	173,424
Intangible assets	6	60,934	60,934	151,201
Term deposit		3,346	8,573	4,806
Total non-current assets		132,074	137,144	349,840
Trade and other payables	7	2,083	3,661	10,858
Current income tax liabilities		(45)	13	1,684
Funding received in advance		747	6	7,294
Employee entitlements	8	4,281	4,868	8,561
Lease liabilities - current	5(b)	6,028	6,133	7,256
Liabilities held for sale		-	-	4,189
Total current liabilities		13,094	14,681	39,843
Borrowings		-	-	34,118
Lease liabilities - non-current	5(b)	66,403	65,795	202,200
Employee entitlements - non-current	8	271	-	-
Total non-current liabilities		66,674	65,795	236,318
Net Assets		78,833	76,541	124,248
Issued share capital		242,428	242,428	242,428
Retained earnings		(165,366)	(165,366)	(119,310)
Current year earnings		2,386	-	-
Translation reserve		(614)	(522)	1,131
Total equity		78,833	76,541	124,248

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. Refer to note 1(i) for detailed information on change in presentation currency and restatement of comparatives.

Embark Early Education Ltd

Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		AUDITED 6 MONTHS 30 JUNE 2023	RESTATE 6 MONTHS 30 JUNE 2022
AUD	Note	\$'000	\$'000
Cash flows from operating activities			
Receipts from childcare fees		29,542	60,689
Payments to suppliers and employees		(22,217)	(61,423)
Wage subsidy received		-	818
Income taxes paid		(1,765)	(2,318)
Net cash flows (used in) / from operating activities	9	5,559	(2,234)
Cash flows from investing activities			
Payments for purchase of businesses		-	(4,871)
Proceeds from sale of plant and equipment		-	186
Proceeds from sale of businesses		420	45
Payments for software, property, plant and equipment		(411)	(2,119)
Transfer (to) / from term deposits		5,183	(101)
Interest received/(paid)		345	165
Net cash flows used in investing activities		5,537	(6,860)
Cash flows from financing activities			
Interest paid on borrowings		-	(1,296)
Repayment of borrowings		-	(13,962)
Payment of lease liabilities		(2,994)	(11,937)
Net cash flows (used in) / from financing activities		(2,994)	(27,030)
Net increase in cash and cash equivalents		8,102	(36,124)
Foreign currency translation adjustment		(13)	799
Cash and cash equivalents at beginning of period		16,201	42,969
Cash and cash equivalents at end of period		24,290	7,644

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes. Refer to note 1(i) for detailed information on change in presentation currency and restatement of comparatives.

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. Significant Accounting Policies

(a) Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 30 June 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for Embark Education Group Limited the year ended 31 December 2022 and any public announcements made by Embark Education Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Listing Rules.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual report for the year ended 31 December 2022, unless otherwise stated.

(b) New or amended Accounting Standards and Interpretations adopted

Embark Early Education Limited has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

(c) Going concern

The financial statements have been prepared on a going concern basis.

Profit and cashflow for the group remained positive for the period. Forecasts indicate that the Group will have sufficient cash to settle liabilities as they fall due.

Having regard to the above, the Board has concluded that it is appropriate that these financial statements are prepared on a going concern basis.

(d) Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the half-year financial report are rounded off to the nearest \$1,000, unless otherwise indicated.

(e) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian Dollars (\$), which is the Company's functional currency and Group's presentation currency. The Group changed the presentation currency during the half year ended 30 June 2023, please refer to note 1(i) for further detail.

(f) Comparatives

The comparative period is the six months ended 30 June 2022 for the Statement of Comprehensive Income and Statement of Cash Flows, and 31 December 2022 for the Statement of Financial Position.

(g) Segment Information

An operating segment is a component of an entity that engages in business activities from which it may earn and incur expenses. The operating results of a segment are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available. The Chief Operating Decision Maker, who is responsible allocating resources and assessing performance of the Group, has been identified as the Managing Director ("Group MD").

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. Significant Accounting Policies (continued)

The Group considers the business as one Group of centres and therefore have identified one operating segment of which the principal activity is the operation of childcare centres. The Group currently operates in one geographical segment in Australia.

h) Correction of prior period error

For the year ended 31 December 2022, the Group's annual report contained an error in which current lease liabilities were incorrectly classified as non-current lease liabilities. The error was identified during the six months ended 30 June 2023, and the Group has re-stated the December 2022 balances:

	AMOUNT STATED FOR YEAR ENDED 31 DECEMBER 2022 (\$NZD)	CORRECTED AMOUNT FOR YEAR ENDED 31 DECEMBER 2022 (\$NZD)	RESTATED AMOUNT FOR YEAR ENDED 31 DECEMBER 2022 (\$AUD)
	\$'000	\$'000	\$'000
Current lease liabilities	700	6,548	6,133
Non-current lease liabilities	76,101	70,253	65,795
Total lease liabilities	76,801	76,801	71,928

The net asset position of the Group remains the same after the reclassification for the year ended 31 December 2022.

i) Change in presentation currency and restatement of comparatives

The Group redomiciled from New Zealand to Australia which was completed on 27 June 2023. The Group's revenues, profits and cash flows are generated in Australian dollars. During the half year, management concluded that it was appropriate to change the presentation currency of the Group's financial statements from \$NZD to \$AUD as it provided more reliable and relevant information to users of the financial statements to better reflect the underlying performance of the Group.

The change in presentation currency has been applied retrospectively. Comparative information for the periods ended has been re-stated using the following procedures:

- Assets and liabilities denominated in \$NZD were translated into \$AUD using the closing rate of exchange as at 31 December 2022;
- Expenses denominated in \$NZD were translated using average rates of exchange for six months ended 30 June 2022;
- Components of equity have been translated at historic rates from 31 March 2015, being the earliest period for which audited financial statements were available, and subsequent rates were translated for the rate of exchange on the date of each transaction.

The below tables present the Consolidated Statement of Comprehensive Income, the Statement of Financial Position and the Consolidated Statement of Cash Flows as previously reported in \$NZD, and their restated \$AUD amounts.

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. Significant Accounting Policies (continued)

Restated Statement of Comprehensive Income

AUD	6 MONTHS 30 JUNE 2022 (\$AUD)	6 MONTHS 30 JUNE 2022 (\$NZD)
	\$'000	\$'000
From continuing operations		
Childcare Fees	7,952	8,626
Government Funding	16,181	17,551
Other Revenue	-	-
Revenue	24,133	26,177
Expenses		
Employee benefits expenses	(16,008)	(17,359)
Building occupancy expenses	(379)	(410)
Direct expenses of providing services	(3,246)	(3,521)
Depreciation	(1,506)	(1,634)
Amortisation	(17)	(19)
Other expenses	(828)	(899)
Total expenses	(21,984)	(23,842)
Profit before net finance expense and income tax	2,149	2,336
Finance income	169	183
Finance costs	(4,955)	(5,374)
Net finance expense	(4,786)	(5,191)
Profit/(loss) before income tax	(2,637)	(2,856)
Income tax benefit/ (expense)	941	1,042
(Loss)/Profit after income tax from continuing operations	(1,696)	(1,813)
Total gain/(loss) from discontinued operations		
Total gain/(loss) from discontinued operations net of tax	(385)	(418)
Profit/(loss) for the period	(2,081)	(2,232)
Other comprehensive income		
Exchange differences on translation of foreign operations	(3,293)	1,719
Total comprehensive income attributed to the shareholders of the Company	(5,374)	(513)
Earnings per share	Cents	Cents
Basic and diluted (loss)/earnings per share from continuing operations	(0.01)	0.01
Basic and diluted (loss)/earnings per share attributable to the shareholders of the Company	(0.01)	0.01

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. Significant Accounting Policies (continued)

Restated Statement of Financial Position

	AS AT 31 DECEMBER 2022 (\$AUD)	AS AT 31 DECEMBER 2022 (\$NZD)
AUD	\$'000	\$'000
Cash and cash equivalents	16,201	17,299
Funding Receivable	614	614
Current tax asset	196	196
Other current assets	2,862	3,018
Total current assets	19,873	21,127
Property, plant and equipment	1,590	1,698
Deferred tax asset	3,364	3,593
Right-of-use assets	62,683	66,930
Intangible assets	60,934	65,062
Term deposit	8,573	9,153
Total non-current assets	137,144	146,436
Trade and other payables	3,661	3,836
Current income tax liabilities	13	-
Funding received in advance	6	-
Employee entitlements	4,868	5,199
Lease liabilities - current	6,133	6,548
Total current liabilities	14,681	15,584
Lease liabilities - non-current	65,795	70,253
Total non-current liabilities	65,795	70,253
Net Assets	76,541	81,727
Issued share capital	242,428	260,014
Retained earnings	(165,366)	(178,028)
Current Year Earnings	-	-
Translation reserve	(522)	(259)
Total equity	76,541	81,727

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. Significant Accounting Policies (continued)

Restated Statement of Cash Flows

	6 MONTHS 30 JUNE 2022 (\$AUD)	6 MONTHS 30 JUNE 2022 (\$NZD)
AUD	\$'000	\$'000
From continuing operations		
Childcare Fees	7,952	8,626
Government Funding	16,181	17,551
Other Revenue	-	-
Revenue	24,133	26,177
Expenses		
Employee benefits expenses	(16,008)	(17,359)
Building occupancy expenses	(379)	(410)
Direct expenses of providing services	(3,246)	(3,521)
Depreciation	(1,506)	(1,634)
Amortisation	(17)	(19)
Other expenses	(828)	(899)
Total expenses	(21,984)	(23,842)
Profit before net finance expense and income tax	2,149	2,336
Finance income	169	183
Finance costs	(4,955)	(5,374)
Net finance expense	(4,786)	(5,191)
Profit/(loss) before income tax	(2,637)	(2,856)
Income tax benefit/ (expense)	941	1,042
(Loss)/Profit after income tax from continuing operations	(1,696)	(1,813)
Total gain/(loss) from discontinued operations		
Total gain/(loss) from discontinued operations net of tax	(385)	(418)
Profit/(loss) for the period	(2,081)	(2,232)
Other comprehensive income		
Exchange differences on translation of foreign operations	(3,293)	1,719
Total comprehensive income attributed to the shareholders of the Company	(5,374)	(513)
Earnings per share	Cents	Cents
Basic and diluted (loss)/earnings per share from continuing operations	(0.01)	0.01
Basic and diluted (loss)/earnings per share attributable to the shareholders of the Company	(0.01)	0.01

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. Significant Accounting Policies (continued)

j) Accounting for the group reorganisation

On 6 June 2023, the shareholders of Embark Education Group Limited (NZX: EVO), a New Zealand-incorporated company listed on New Zealand's Exchange (NZX) and previously admitted to the official list of ASX as an ASX Foreign Exempt Listing, approved a scheme of arrangement whereby a newly incorporated Australian company (Embark Early Education Limited) (together, "the Combining Entities") would become the new head entity of the Group with admission to the official list of the ASX as an ASX Listing (ASX: EVO). The scheme of arrangement and re-domiciling was executed by way of a swap of Embark Education Group Limited shares on a one-for-one basis for shares in the new parent company, Embark Early Education Limited. Embark Early Education Limited was admitted to the Official List of the ASX on 27 June 2023.

This transaction does not fall within the definition of a business combination under AASB 3 "Business Combinations", and there are no Australian Accounting Standards that apply. The Directors have accounted for this group restructure using the "Pooling Method", as detailed below:

- The assets and liabilities of the combining entities are presented at their carrying amounts in the financial statements of Embark Education Group Limited;
- The balance sheet reflects the financial position of the Combining Entities as at 30 June 2023 and 31 December 2022;
- No adjustments have been made to reflect fair values, or recognise any new assets or liabilities, that would otherwise have been required under the purchase method under AASB 3. The only adjustments that have been made were to harmonise accounting policies;
- No new goodwill has been recognised as a result of the restructure; and
- The income statement reflects the results of the Combining Entities for the period from 1 January 2023 to 30 June 2023 (with corresponding comparatives for the period from 1 January 2022 to 30 June 2022).

k) Discontinued operations accounting policy

Discontinued operations are a component of the Group's business that represents a separate major line of business or area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued, the comparative consolidated statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

On 30 September 2022 the Group sold its New Zealand subsidiary Lollipops Educare Centres Limited. This has resulted in the New Zealand business being classified as 'discontinued operations'. This transaction is discussed further in Note 2 – Discontinued Operations.

l) Term deposits

Term deposits are required to be held as part security in respect of the Group's leasing liabilities and commitments.

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

2. Discontinued Operations

The amounts presented in the interim statement of profit or loss under discontinued operations relate to Embark Education Group Limited, as most of its assets were sold on 30 September 2022.

The disposal allows the Group to focus solely on its Australian operations.

(a) Profit and Loss for discontinued operations:

		6 MONTHS 30 JUNE 2023	RESTATED 6 MONTHS 30 JUNE 2022
	Note	\$'000	\$'000
Revenue		-	50,411
Depreciation		-	(5,460)
Amortisation		-	-
Impairment expense		-	(2,193)
Operating expenses		-	(43,143)
Profit/(loss) before income tax		-	(385)
Income tax (expense)/benefit		-	-
Profit / (loss) after income tax		-	(385)
Profit/(loss) on sale of the discontinued operation after income tax		-	-
Profit/(loss) after income tax from the discontinued operation		-	(385)

3. Revenue

	6 MONTHS 30 JUNE 2023	RESTATED 6 MONTHS 30 JUNE 2022
	\$'000	\$'000
From continuing operations		
Childcare fees	9,608	7,952
Government Funding	19,501	16,181
Other revenue	135	-
Total revenue	29,244	24,133

(a) Childcare Fees

Revenues are recognised over time when the Group satisfies its performance obligations by providing early childhood education services to customers.

(b) Government Funding

Australian Government funding relates to fees paid under the Child Care Subsidy and are recognised over time when there is reasonable assurance that the funding will be received. Australian Government funding is received in arrears.

(c) Seasonal fluctuations

The childcare industry has seasonal fluctuations as a large amount of children transition to school at the beginning of each year. More children enrol as the year progresses and therefore revenue increases in the second half of the year in comparison to the first half.

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. Property, Plant and Equipment

	Plant and Equipment	Leasehold Improvements	Total
	\$'000	\$'000	\$'000
Gross carrying amount			
Balance at 31 December 2022 (restated)	1,315	1,788	3,103
Additions	118	303	421
Disposals	(2)	(7)	(9)
Balance at 30 June 2023	1,431	2,084	3,515
Depreciation			
Balance at 31 December 2022 (restated)	779	734	1,513
Disposals	-	-	-
Depreciation	169	87	256
Foreign exchange movement		2	2
Balance at 30 June 2023	948	823	1,771
Carrying amounts as at 31 December 2022 (restated)	536	1,054	1,590
Carrying amount at 30 June 2023	483	1,261	1,744

Property, plant and equipment are stated at historical cost less accumulated depreciation.

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. Right-of-Use Assets and Lease Liabilities

(a) Right-of-Use Assets

	Leased properties
Half year ended 30 June 2023	\$'000
Gross carrying amount	
Balance at 31 December 2022 (restated)	70,644
Additions	813
Balance at 30 June 2023	71,457
Depreciation	
Balance at 31 December 2022 (restated)	(6,019)
Depreciation	(1,384)
Balance at 30 June 2023	(7,403)
Impairment	
Balance at 31 December 2022 (restated)	(1,943)
Impairment	-
Balance at 30 June 2023	(1,943)
Carrying amounts as at 31 December 2022 (restated)	62,683
Carrying amount at 30 June 2023	62,111

(b) Lease liabilities

	As at 30 June 2023	RESTATED As at 31 December 2022
	\$'000	\$'000
Current lease liabilities	6,028	6,133
Non-current lease liabilities	66,403	65,795
Total lease liabilities	72,431	71,928

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

6. Intangible assets

	Goodwill	Other	Total
Half year ended 30 June 2023	\$'000	\$'000	\$'000
Gross carrying amount			
Balance at 31 December 2022 (restated)	60,898	36	60,934
Additions	-	-	-
Balance at 30 June 2023	60,898	36	60,934
Amortisation and impairment			
Balance at 31 December 2022 (restated)	-	-	-
Amortisation and impairment	-	-	-
Balance at 30 June 2023	-	-	-
Carrying amounts as at 31 December 2022 (restated)	60,898	36	60,934
Carrying amount at 30 June 2023	60,898	36	60,934

a) Goodwill

During the reporting period, the Group did not acquire or dispose of any centres. Therefore, there is no change to goodwill.

b) Impairment

At each balance date the Group reviews whether indicators of impairment exist. The review completed by Management at 30 June 2023 found that there was no significant change in key assumptions or the expected cash flows relative to those used in the impairment assessment at 31 December 2022, and that therefore no indicators of impairment existed and that no impairment was required.

7. Trade and Other Payables

	AS AT 30 June 2023	RESTATED AS AT 31 December 2022
	\$'000	\$'000
Trade payables	9	907
Goods and services tax payable	24	60
Other payables	2,050	2,694
Total trade and other payables	2,083	3,661

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amount of trade and other payables are the same as their fair value, due to their short-term nature.

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

8. Employee Entitlements

	AS AT 30 June 2023	RESTATED AS AT 31 December 2022
	\$'000	\$'000
Employee leave provisions	1,974	2,342
Accrued wages and salaries	2,139	2,091
Termination benefits	128	375
Other employee entitlements	40	60
Total current employee entitlements	4,281	4,868

	AS AT 30 June 2023	RESTATED AS AT 31 December 2022
	\$'000	\$'000
Employee leave provisions	271	-
Total non-current employee entitlements	271	-

Termination Benefit

Timothy Wong resigned as Chief Executive Officer of the New Zealand operations of the Group on 30 March 2021. At the time of his resignation under the terms of his contract, he received 1.25 million share options exercisable at A\$1.20 per share, expiring 31 December 2023. No share options have been exercised as at 30 June 2023.

Embark Early Education Ltd

Notes to the Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

9. Related Party Transactions

a) Parent entity

The Parent entity within the Group is Embark Early Education Limited.

b) Identity of Related Parties

Related parties of the Group are:

- The Board of Directors comprising Hamish Stevens, Chris Scott, Renita Garard, Kim Campbell, Michelle Thomsen (from 6 June 2023) and Adrian Fonseca (retired 6 June 2023).

c) Director's remuneration

The Directors are paid a monthly fee and are entitled to be paid for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or Shareholder meetings, or otherwise in connection with the Group's business. The amount of fees paid in the six months ended 30 June 2023 is disclosed in the table below:

	6 MONTHS 30 JUNE 2023
	\$'000
Hamish Stevens	57
Chris Scott	41
Kim Campbell	31
Renita Garard	41
Adrian Fonseca (resigned 6 June 2023)	40
Michelle Thomsen (from 6 June 2023)	6
Total Director's Remuneration	216

10. Subsequent Events

The following material matters have taken place after the balance sheet date:

- The Board declared a dividend of 2.00c per share on 14 July 2023, paid on 10 August 2023.
- On 10 July 2023, the Group announced that the Chief Financial Officer, Edmund Mah, had resigned. The Group is in the process of recruiting for a replacement.

Embark Early Education Ltd

Director's Declaration

EMBARK EARLY EDUCATION LIMITED

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Hamish Stevens
Chair
Embark Early Education Limited
31 August 2023

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Independent Auditor's Review Report

To the Members of Embark Early Education Ltd

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Embark Early Education Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Embark Early Education Ltd does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

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

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Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance

Brisbane, 31 August 2023