EDU | Holdings

CAREER-READY QUALIFICATIONS IN HEALTHCARE, EDUCATION & COMMUNITY SERVICES OCCUPATIONS

HALF-YEAR REPORT

30 JUNE 2023

CORPORATE DIRECTORY

DIRECTORS

Gary Burg: Non-Executive Chair

Adam Davis: Chief Executive Officer and Managing Director

Peter Mobbs: Non-Executive Director

Jonathan Pager: Non-Executive Director

Greg Shaw: Non-Executive Director

Joshua Bolot: Alternate Director to Greg Shaw

COMPANY SECRETARIES

Lyndon Catzel: Chief Financial Officer and Company Secretary

Elizabeth Spooner: Joint Company Secretary

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 1, 65 York Street
Sydney NSW 2000

AUDITOR

RSM Australia Partners

Level 13, 60 Castlereagh Street

Sydney NSW 2000

SHARE REGISTRY

Automic Pty Ltd

Level 5, 126 Phillip Street

Sydney NSW 2000

Investor Enquiries: +61 2 9698 5414

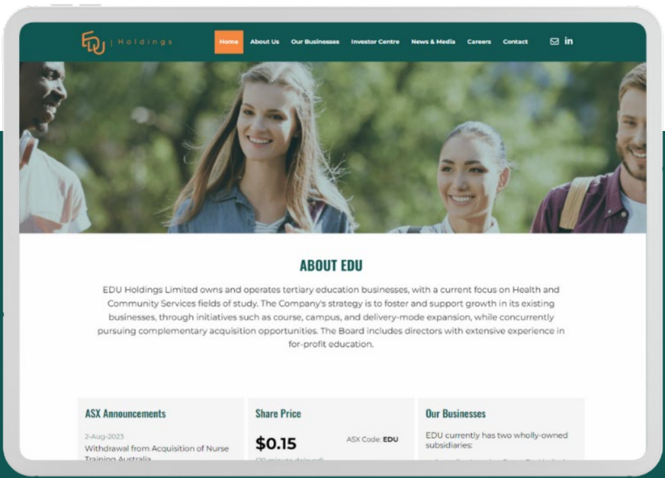
STOCK EXCHANGE LISTING

Australian Securities Exchange (ASX)

ASX Code: EDU

COMPANY WEBSITE

http://www.eduholdings.com.au



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ABOUT THIS HALF-YEAR REPORT

This Half-Year Report is a summary of EDU's and its subsidiary companies' operations, activities and financial positions as at 30 June 2023 and financial performance for the six months ended on that date.

In this report, references to 'EDU', 'the Company', 'the Group', 'we', 'us' and 'our' refer to EDU Holdings Limited (ABN 85 108 962 152), unless otherwise stated.

This Half-Year Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this Half-Year Report should be read in conjunction with the most recent Annual Report for the year ended 31 December 2022 and any public announcements made by EDU during the Half-Year ended 30 June 2023 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Any references to the 'the period', 'the half' or 'the half-year' are to the financial period from 1 January 2023 to 30 June 2023, unless otherwise stated. The previous corresponding period (**PCP**) refers to the half-year ended 30 June 2022. Any comparisons are to the PCP, unless otherwise stated.

EDU | Holdings

LETTER FROM
THE CHAIR & CHIEF EXECUTIVE OFFICER

Dear Shareholders,

We are pleased to present our Half-Year Report for the six months ended 30 June 2023 (**1H23**).

1H23 has been a period of progress and resilience for our Group, with both challenges and some promising achievements. Our higher education (**HE**) business, Ikon Institute (**Ikon**), has continued to break enrolment and revenue records and achieved impressive earnings growth, however our vocational education (**VET**) business, Australian Learning Group (**ALG**), is still incurring operating losses as a result of low student enrolments. Nonetheless, it is encouraging to see some positive trends emerging and to report that the Group's financial results have improved, with a turnaround in operating EBITDA from a \$0.9m loss in 1H22 to a \$0.2m EBITDA profit in the current period. Net loss after tax for the period was \$1.6m, a \$0.6m improvement on the \$2.2m loss in the prior corresponding period (**PCP**).

ALG student enrolments appear to have bottomed in Term 1, 2023 at 1,007. Since then, ALG has recorded two consecutive terms of modest growth with enrolments in Term 3, 2023 of 1,061. While ALG's recovery is unfolding more slowly than we would like, we remain confident that the growth in new and total enrolments will lead to improved financial results in the coming periods.

In contrast, Ikon recorded another period of strong growth in 1H23 with total student enrolments increasing from 594 in Trimester 2, 2022 to a record 848 in Trimester 2, 2023. This was driven by enrolments in our Bachelor of Early Childhood Education, which were up 171% on the PCP, from 129 enrolments to 349 enrolments. This substantial increase positively impacted revenue and earnings for 1H23; revenue was up 55% against the PCP and EBITDA was \$1.1m, up \$1.3m from a loss in the PCP.

As previously reported, given the success of Ikon's Bachelor of Early Childhood Education, in late 2022 the Ikon and EDU Board's signed off on ambitious 5-year product development plan. We are pleased to report that this program of new course development is progressing well, and we are on track to submit 2 new courses to TEQSA for accreditation by year-end.

We continue to remain focused on ensuring the long-term success of the Company, and as such, have made further investment in academic quality, governance, and student experience during 1H23. These investments, while impacting short-term profitability, will contribute to our future success and enable us to better serve our students and in turn, shareholders into the future.

We take this opportunity to thank our loyal shareholders, students, staff and business partners for their continued support and dedication during 1H23.

Sincerely,

Gary Burg
Chair

Adam Davis
Chief Executive Officer

CORPORATE OVERVIEW

SNAPSHOT

COMPANY OVERVIEW

$10.1m
1H23 Revenue

$0.2m
1H23 EBITDA

($1.6m)
1H23 Net Loss

2 Operating businesses

AUSTRALIAN LEARNING GROUP

Ikon INSTITUTE OF AUSTRALIA

85
Permanent team members

21
Courses offered across HE and VET

3,646
Total student enrolments

4
State operations NSW, VIC, QLD, SA + Online

STOCK OVERVIEW

ASX TICKER CODE
EDU

MARKET CAPITALISATION
$25m
4 August 2023

SHARE PRICE
15c
4 August 2023

ASX
AUSTRALIAN SECURITIES EXCHANGE

INVESTMENT PROPOSITION

Structural Tailwinds

EDU course offering aligned to occupations with skills shortages

Increased acceptance of skilled migration as part of the solution

Market Recovery

Resurgence of international student market and return to compliance underway

All sectors growing – ELICOS, VET and HE all up on PCP

Operating Leverage

Significant latent classroom and operating capacity will deliver leverage as volume builds

Growth in Online - strong delivery economics

Long-Term Prospects

Ambitious HE product development program on track

OPERATIONAL HIGHLIGHTS

Ikon Enrolments up 41% in 1H23

Growth continuing - Trimester 2, 2023 enrolments up 43% on PCP

ALG NSEs on the rise

1H23 up 43% on 1H22

LTM to T3'23 up 65% on PCP

Early Childhood Education exceeding expectations

Growth in international enrolments in Ikon and ALG, leveraging EDU agent network

Strong shift to Online

59% of Ikon's 1H23 domestic NSEs

Enables national class consolidation and potential for higher delivery margins

Skills shortages driving shift in program mix

77% of 1H23 enrolments in Community Services courses

Program development in both businesses

Ikon – 2 new courses intended to be submitted to TEQSA by December 2023

ALG – 2 new courses launched in 2023

Significant latent capacity

To deliver operating leverage as student numbers grow

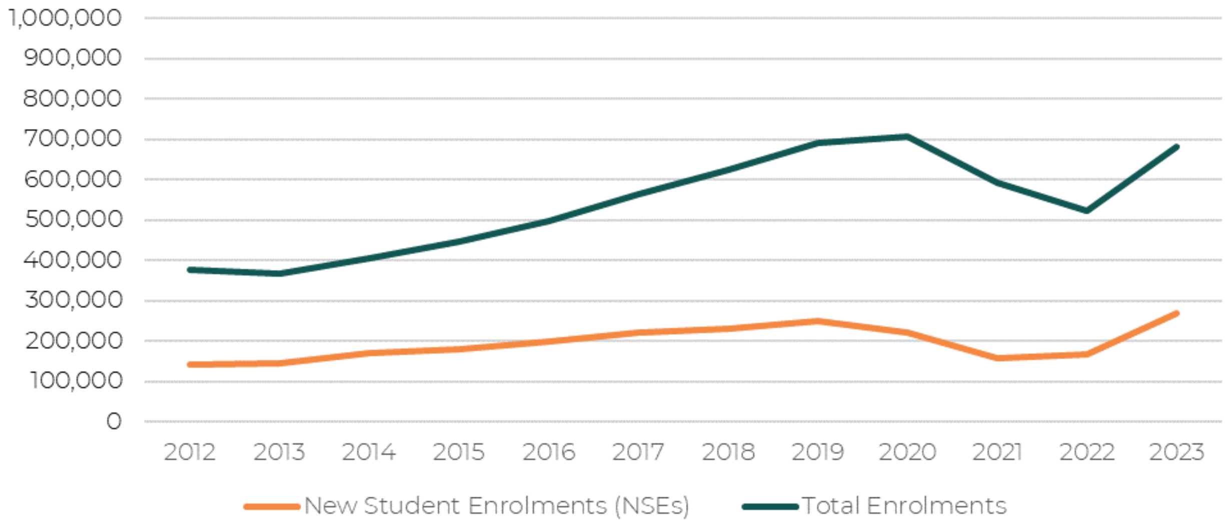
Withdrawal from Nurse Training Australia acquisition

EDU exercised contractual right to exit transaction - no longer deemed in Company's best interest

OPERATING ENVIRONMENT

AUSTRALIA'S INTERNATIONAL EDUCATION MARKET BOUNCING BACK

NEW STUDENT ENROLMENTS AND TOTAL ENROLMENTS IN AUSTRALIA – YTD MAY[1]



Source: Austrade International Education Date – Year to Date May 2023

SKILLED MIGRATION PART OF SOLUTION TO CRITICAL SKILLS SHORTAGES

Skilled Migration Program

International students make up a large proportion of the skilled migration quota each year.

In their discussion papers, leading consultancy groups such as the Migration Council of Australia are calling for further rises of up to 250,000 additional places over the next 5 years, up from the current level of 190,000 per annum.

EDU operating businesses deliver qualifications to meet 15 ANZSCO occupation codes on the skilled occupation list.

Critical Skills Shortages

EDU qualifies students toward 3 of the top 10 occupations that the Government identified as having critical skills shortages during the Jobs Summit September 2022:

- Early childhood teachers
- Child carers
- Age and disability carers

PERFORMANCE HIGHLIGHTS

FINANCIALS

EDU recorded an EBITDA profit of $0.2m, a $1.1m improvement compared to the PCP, and net loss after tax of $1.6m, an improvement of $0.6m on the PCP, as a result of increased revenue and profitability in Ikon, offset by ongoing operating losses in ALG. While down 21% on the PCP, ALG enrolments grew modestly in 1H23 and NSEs were up 43% on the PCP. Ikon's enrolments continued to climb, up 41% on the PCP while NSEs were up 36%. Cash remained strong at $6.3m compared to $6.1m at 31 December 2022, noting there is some seasonality to cash movements with the first half typically stronger than the second due to timing of tuition fees received from students.

	1H23	vs	1H22
Revenue	**$10.1m**		**$8.9m**
EBITDA	**$0.2m**		**($0.9m)**
Net loss after tax	**($1.6m)**		**($2.2m)**
	JUN-23		DEC-22
Cash balance	**$6.3m**		**$6.1m**

STUDENT PERFORMANCE INDICATORS

	1H23	vs	1H22
Letters of Offer	**1,774**		**1,607**
New Student Enrolments	**778**		**558**
Enrolments[1]	**3,646**		**3,698**

[1] Enrolments are the sum of students enrolled in the Group in all trimesters and terms during the half-year

PROGRAM STRATEGY UNFOLDING

As a greater percentage of students enrol in EDU's degree and diploma courses, the business model strengthens with improved margins and longer average study durations.

HIGHER VALUE COURSES

Ikon HE Revenue Mix:

100% 1H23 **vs** **64%** FY18

ALG Diploma Enrolment Mix:

41% 1H23 **vs** **39%** 1H18

EXPANSION OF COURSE PORTFOLIO

Programs:

21 1H23 **vs** **14** 1H18

LONGER STUDY DURATION

27 months in 1H23

vs **18** months in 1H18

LEVERAGE ONLINE DELIVERY

Online enrolments:

448 1H23 **vs** **187** 1H22, up 140%

Qualification level	Certificates	Diplomas	Degrees
	Australian Learning Group	Australian Learning Group Ikon Institute of Australia	Ikon Institute of Australia
Average price	$8,000	$19,000	$55,000
Average duration	< 1 year	1-2 years	3-4 years

CAPACITY FOR GROWTH

EDU has significantly underutilised classroom and operating capacity. This provides a material opportunity for operating leverage to emerge as student volumes build.

NATIONAL CAMPUS FOOTPRINT

50
Classrooms 1HY23

vs

29
Classrooms 1H18

7
Campus locations across
4 states + Online

UNDERUTILISED CAPACITY

2,302 sqm
space in Sydney
operating at 53% capacity

2,099 sqm
space in Melbourne
operating at 53% capacity

COURSES & CLASSROOMS

	1H23	1H18
Courses	21	14
Classrooms	50	29

DIRECTORS' REPORT

The Directors of EDU Holdings Limited (ABN 85 108 962 152) submit their report for the half-year ended 30 June 2023.

DIRECTORS

The names of the Directors during the half-year and up to the date of this Half-Year Report are:

Gary Burg:
Non-Executive Chair (non-independent) (appointed 24 March 2016)

Adam Davis:
Chief Executive Officer and Managing Director (non-independent) (appointed 16 February 2015)

Peter Mobbs:
Non-Executive Director (independent) (appointed 16 February 2015)

Jonathan Pager:
Non-Executive Director (independent) (appointed 16 February 2015)

Greg Shaw:
Non-Executive Director (non-independent) (appointed 18 July 2022)

Joshua Bolot:
Alternate Director (non-independent) to Greg Shaw (appointed 3 July 2023)

PRINCIPAL ACTIVITY

The principal activity of the Group during the period was the provision of tertiary education services. EDU operates through two subsidiaries: Ikon and ALG.

DIVIDENDS

No dividends have been paid or declared during the six months ended 30 June 2023 (December 2022: $nil).

ENVIRONMENTAL REGULATION & PERFORMANCE

The Group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

OPERATING AND FINANCIAL REVIEW

EDU owns and operates tertiary education businesses, with a current focus on Healthcare, Education and Community Services fields of study.

The Company's strategy is to foster and support growth in its existing businesses, through initiatives such as course, campus and delivery-mode expansion, while concurrently pursuing complementary acquisition opportunities.

The Board includes directors with extensive experience in for-profit education and corporate development.

EDU currently has two wholly owned operating subsidiaries:

- Australian Learning Group Pty Limited (ALG); and
- Proteus Technologies Pty Ltd, which trades as Ikon Institute of Australia (Ikon).

ALG is a vocational education and training (VET) provider, primarily focussed on the international student market. The business operates from campuses in Sydney, Melbourne and Brisbane, having made the decision during the period to discontinue its Perth operations by the end of the 2023 calendar year.

Ikon is a higher education (HE) provider, servicing both domestic and international students. Ikon operates from campuses in Sydney, Melbourne, Brisbane, Adelaide and Online.

On 2 August 2023, EDU announced that it had exercised a contractual right to terminate the previously announced acquisition of Care Plus Training Pty Ltd, trading as Nurse Training Australia (NTA), intended to facilitate EDU's entry into the nurse training market. Being a regulated program leading to registration as an Enrolled Nurse, completion of the acquisition was subject to NTA gaining reaccreditation of its Diploma of Nursing program by the Australian Nursing and midwifery Accreditation Council (ANMAC). NTA submitted its reaccreditation application to ANMAC in early 2022, and while the EDU Board understood that progress had been made, ANMAC's assessment had not been finalised and no definitive timeframe for determination of the application had been forthcoming. The delay in gaining reaccreditation precluded NTA from enrolling new nursing students during 2023. With less nursing students and ongoing uncertainty around the timing and outcome of the reaccreditation process, the Board formed the view that the transaction was no longer in the Company's best interest.

As at 30 June 2023, the Group had $6.3m cash on hand, $4.5m of which had been earmarked for the initial completion payment for the NTA acquisition. In keeping with its long-term strategy, the Company intends to continue to pursue strategic acquisition opportunities.

The results presented in this report include the corporate operations of EDU Holdings (including its shared services entity, EDU Corporate Services Pty Ltd) and the operations of its wholly owned operating businesses, ALG and Ikon for the half-year ended 30 June 2023 and the comparative period.

AUSTRALIAN LEARNING GROUP

Overview

ALG is a Registered Training Organisation and Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) provider. It offers vocational education courses exclusively to international students, delivered from campuses in Sydney, Melbourne and Brisbane. In response to declining student numbers, ALG is teaching out students at its Perth campus ahead of closure of this campus by year-end. ALG operates a centralised administration function in Sydney.

For Term 2, 2023, ALG recorded 1,023 international students studying at its various campus locations. This was modestly up on Term 1, 2023 enrolments of 1,007 and represented ALG's first term of growth since the start of the Covid-19 pandemic, an important milestone for the business. It has since recorded a second consecutive term of growth, with Term 3, 2023 enrolments of 1,061.

International students are recruited through EDU's diverse network of more than 250 education agents, both onshore in Australia and offshore in source countries. ALG's students hail from more than 65 source countries.

ALG currently offers 13 qualifications (excluding those in teach-out), all of which are in Healthcare, Education and Community Services related fields of study:

- Ageing Support (Certificate III and Certificate IV)
- Community Services (Certificate IV** and Diploma)
- Counselling (Diploma)
- Early Childhood Education and Care (Certificate III and Diploma)
- Mental Health (Diploma)
- Fitness (Certificate III and Certificate IV)
- Remedial Massage (Certificate IV and Diploma)*
- Sport and Recreation Management (Diploma)*
- Yoga Teaching (Certificate IV and Diploma)
- Leadership and Management (Diploma)**

* Courses in teach-out and closed to new commencements

** New courses commencing 2H23

All courses are structured to facilitate rolling intakes, to allow students to commence any course (subject to satisfaction of entry requirements) in any term, with a simultaneous timetable offered in each state. ALG operates four 10-week academic terms per annum.

Enrolments

While international VET sector enrolments have returned to pre-Covid levels, and ALG's enrolments are growing, the rebuild of ALG's total student numbers has been slower than expected, for a number of reasons. Firstly, a shift in demand towards lower-priced, more flexible providers during and coming out of the pandemic, as students sought to benefit from temporary pandemic policy settings including uncapped working rights and relaxation of the requirement to study on-campus. Positively, a sector-wide return to compliance was implemented effective 1 July 2023, with the reintroduction of caps on working hours and campus-based delivery, which we anticipate will be beneficial for ALG. Secondly, the introduction and ongoing uptake of the Temporary Activity visa (subclass 408) (Covid-19 Pandemic event) (408 Visa) which provides onshore non-residents with unlimited working rights for 12 months, without needing to study. This has reduced the onshore pool of prospective students, which in turn has muted ALG's NSEs. It is likely that at some point the 408 Visa will be withdrawn and this too is expected to benefit ALG. Finally, a shift in a demand from VET towards higher education as students seek to benefit from the extended post-study work rights available for higher education courses in areas of skills shortages, and with its typically higher visa grant rate, which while negative for ALG, is supporting Ikon's growth.

ALG's international student enrolments for the half-year ended 30 June 2023, being the sum of enrolments in the two academic terms during the period, were 2,030, representing a decline of 21% compared to the PCP. Naturally, this was impactful to revenue and earnings, with the decline in earnings somewhat contained by the annual price increase.

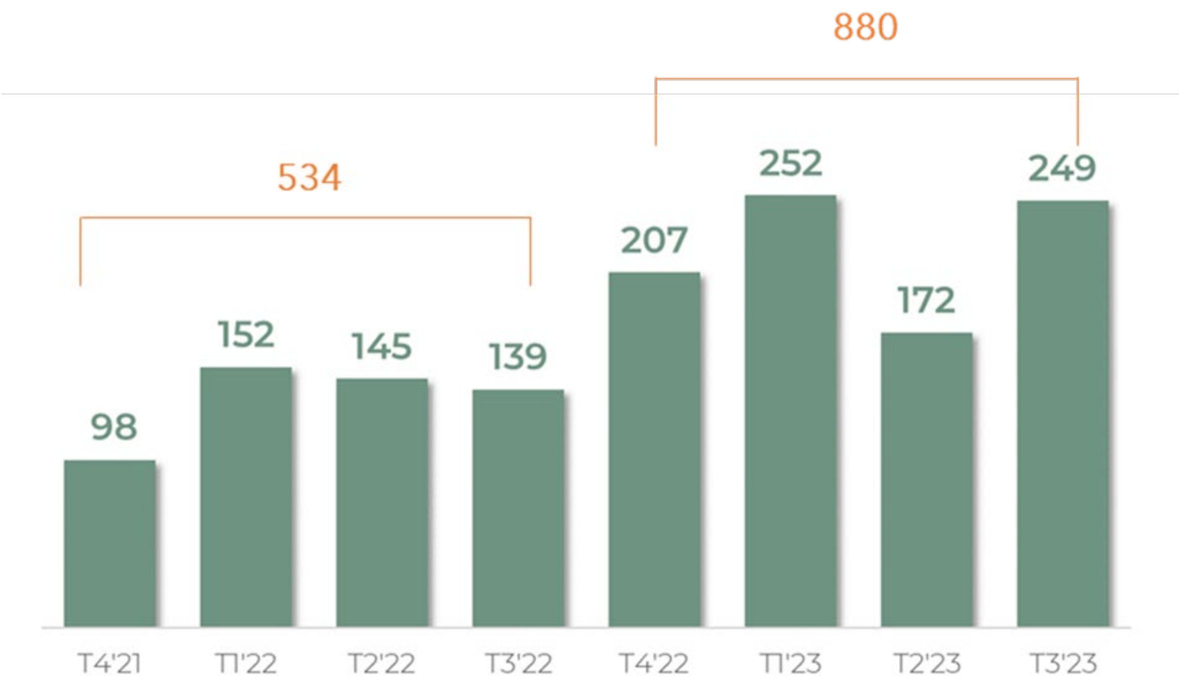
However, as noted above, Term 2, 2023 represented ALG's first term of growth since the commencement of the Covid-19 pandemic, with enrolments modestly up on Term 1, 2023 to 1,023. Continuing this trend, Term 3, 2023 enrolments were up a further 4% to 1,061.

With the higher level of graduating students from pre-Covid commencements now largely exited, the Board expects ALG's enrolment growth to start to accelerate with the continued growth in NSEs.

NSEs for Term 3, 2023 were 249, up 79% against the PCP of 139 and up 45% against Term 2, 2023. Trailing 12 months NSEs up to and including Term 3 2023 were 880, up 65% against the PCP.

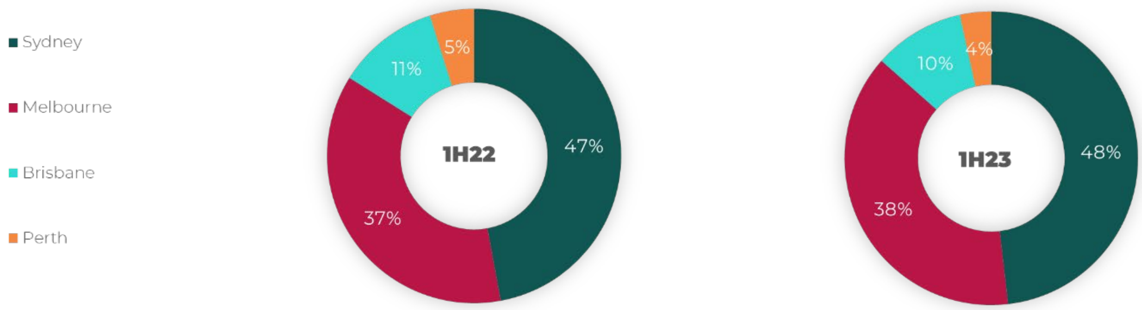
As a lead indicator for total enrolments, this trend of increasing NSEs bodes well for the business in future periods.

NSEs by term

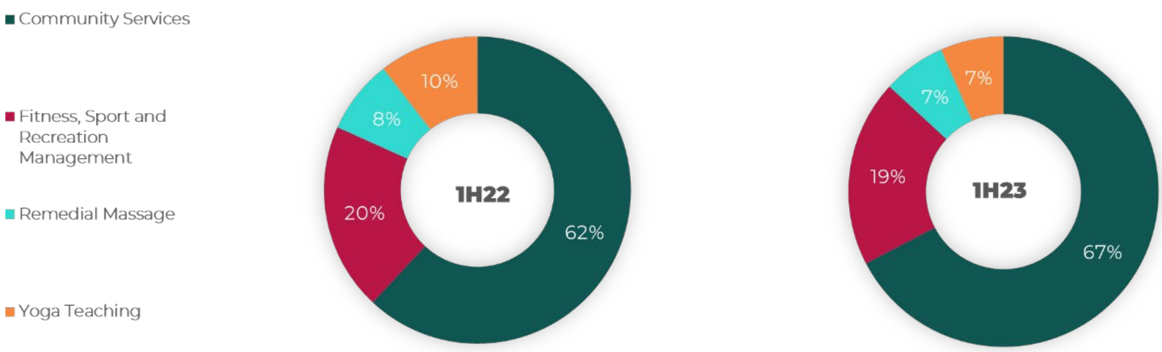


During 1H23, ALG ceased accepting new enrolments into its Remedial Massage and Sport & Recreation Management courses, in response to declining enrolments and student demand, and commenced a teach-out of remaining enrolled students. Replacing these courses, ALG introduced a Diploma of Leadership and Management and Certificate IV Community Services with the first intakes in Term 3, 2023 and Term 4, 2023 respectively. Further course expansion is underway.

International enrolments by campus location [a]



International enrolments by field of study [ab]



[a] Enrolments shown are the sum of enrolled students in each of ALG's academic terms during the respective period

[b] Community Services includes: Ageing Support; Community Services; Counselling; Early Childhood Education and Care; and Mental Health

ALG results for the half-year ended 30 June 2023

ALG	1H23	1H22	Variance	Variance*
	$'000	$'000	$'000	%
Revenue				
International student revenue	4,515	5,301	(786)	(15%)
Domestic and other revenue	189	(4)	193	n/a
Total revenue	**4,704**	**5,297**	**(593)**	**(11%)**
Cost of sales				
Commission	(1,037)	(1,239)	202	16%
Teaching	(1,542)	(1,433)	(109)	(8%)
Venue and other	(26)	(245)	219	89%
Total cost of sales	**(2,605)**	**(2,917)**	**312**	**11%**
Gross profit	**2,099**	**2,380**	**(281)**	**(12%)**
Gross margin (%)	*45%*	*45%*	n/a	-
Operating expenses	**(2,248)**	**(2,464)**	**216**	**9%**
Operating EBITDA	**(149)**	**(84)**	**(65)**	**(77%)**
Operating EBITDA margin (%)	*(3%)*	*(2%)*	n/a	*(1%)*
Depreciation & amortisation				
- Lease related	(708)	(536)	(172)	(32%)
- Plant & equipment	(313)	(219)	(94)	(43%)
- Intangible assets	(74)	(57)	(17)	(30%)
Total depreciation & amortisation	**(1,095)**	**(812)**	**(283)**	**(35%)**
EBIT before one-off items	**(1,244)**	**(896)**	**(348)**	**(39%)**
EBIT margin (%)	*(26%)*	*(17%)*	n/a	*(9%)*
Net finance expense – lease related	(230)	(189)	(41)	(22%)
Loss from discontinued operations (net of tax)	(159)	(44)	(115)	(261%)
Income tax benefit	395	301	94	31%
Net loss for the period	**(1,238)**	**(828)**	**(410)**	**(50%)**

* Movement in percentage points

Financial performance

ALG generated revenue of $4.7m, an EBITDA loss of $0.1m and a net loss after tax of $1.2m for the half-year ended 30 June 2023. For comparison, for the half-year ended 30 June 2022, ALG's revenue was $5.3m, EBITDA loss was $0.1m and it recorded a net loss of $0.8m.

The decline in revenue against the PCP directly related to the 21% fall in international student enrolments and the resulting smaller class sizes. Notwithstanding, gross margins were able to be maintained, including through implementing a price increase at the commencement of the year.

ALG continued to focus on academic excellence and quality in 1H23 by investing in the continuous improvement of its resources and processes, alongside ongoing investment into improving its non-academic student support services. While these investments and holding on to its cost structure have been impactful to ALG's financial performance, the Board believes these decisions will lead to long-term sustainable growth.

Discontinued operations

In response to declining student numbers since the start of the Covid-19 pandemic and management's assessment of the prevailing market conditions in Perth, the Board decided to cease ALG's Perth campus operations during the financial period ended 30 June 2023 and to direct the Group's focus and resources to other campuses with stronger growth prospects. ALG has ceased accepting new enrolments into its Perth campus and is currently teaching out remaining students, with a plan to exit the campus by year-end.

A provision for onerous contracts was brought to account at 30 June 2023. Refer to Note 4 and Note 5 for further details.

Results for the discontinued operations have been separately disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the summary presented above.

Overview

Ikon is a FEE-HELP approved Institute of Higher Education. It operates nationally with campuses in Sydney, Melbourne, Brisbane, Adelaide and Online. Ikon delivers three study periods (or trimesters) per calendar year, each offering an intake for new students. In its Trimester 2, 2023 Ikon had 848 students, up 43% on the PCP.

Ikon's current courses include a Bachelor of Counselling and Psychotherapy (BCP), a Bachelor of Arts Therapy (BAT) and a Bachelor of Early Childhood Education (BECE) (launched at the start of 2021), each with nested Diplomas and/or Associate Degrees.

Historically focussed on the domestic student market, Ikon has now firmly established itself in the international student market, with international students representing 47% of new student enrolments in Trimester 2, 2023 (Trimester 2, 2022: 30%). International student enrolments for 1H23 represented 44% of Ikon's enrolments, up from 28% in 1H22.

Domestic student leads are generated through digital marketing activities, and prospective students are supported through to enrolment by Ikon's course advisory and admissions team. International students are recruited through EDU's agent network, supported by promotion of pathways from ALG. As with ALG, Ikon has strong student diversity with students from more than 50 source countries.

Enrolments

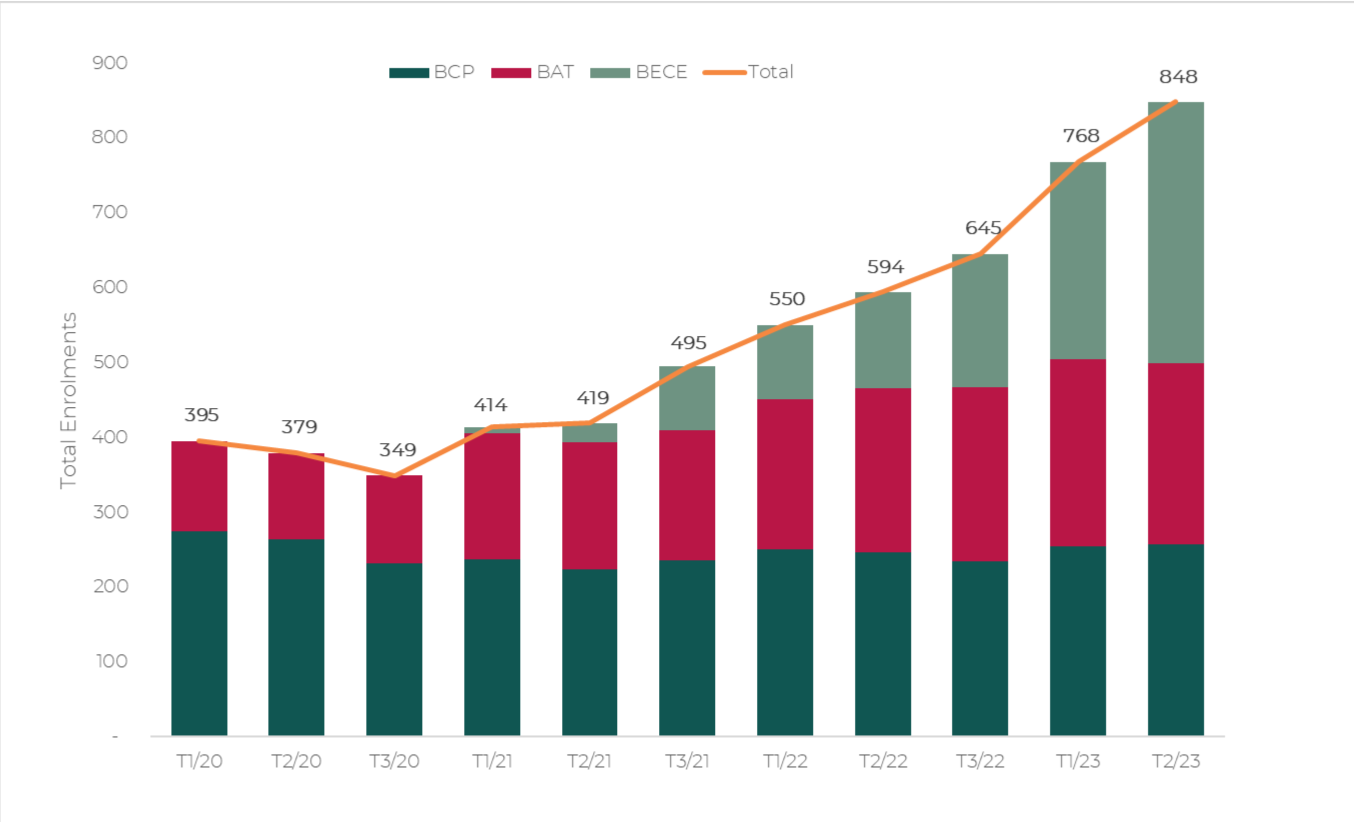
Ikon had 848 students in its Trimester 2, 2023, up 43% compared to the PCP and up 10% against Trimester 1, 2023. Enrolments comprised 453 domestic and 395 international students. Growth was recorded in Sydney, Melbourne and Online.

As is common in higher education (and particularly for domestic students), the Trimester 1 intake, in February of each year, at the commencement of the academic and calendar year, is Ikon's largest, with the second and third trimester intakes in May and September typically smaller. A total of 354 new students commenced their studies with Ikon during 1H23, compared to 261 in the PCP, up 36%.

Ikon's BECE program continued to gain traction during the period, particularly with the international student market, benefitting from numerous factors including: activation of EDU's substantial onshore and offshore agent network; graduating students articulating from ALG and other vocational providers' Diploma of Early Childhood Education and Care; the Early Childhood (Pre-primary School) Teacher occupation remaining on the Medium and Long-term Strategic Skills List, providing a potential pathway to skilled migration; announcement and implementation of extended post-study work rights for courses leading to occupations with workforce shortages; the typically higher student visa grant in higher education relative to VET; and ongoing strong employment demand in the childcare sector. Enrolments in BECE also benefitted from a low level of graduations, given Ikon only commenced offering the course in 2021.

Ikon's online offer for domestic students is also showing good traction with student numbers of 229 in Trimester 2, 2023, up 120 or 110% on the PCP, noting this includes new students and students switching to online from on-campus delivery. We anticipate further growth into 2H23 with more than 50% of new domestic students for Trimester 2, 2023 having selected to study online.

HE students by course



Ikon results for the half-year ended 30 June 2023

Ikon	1H23	1H22	Variance	Variance*
	$'000	$'000	$'000	%
Revenue				
International student revenue	2,275	927	1,348	145%
Domestic and other revenue	3,273	2,657	616	23%
Total revenue	**5,548**	**3,584**	**1,964**	**55%**
Cost of sales				
Commission	(342)	(147)	(195)	(133%)
Teaching	(1,745)	(1,424)	(321)	(23%)
Venue and other	(11)	(74)	63	85%
Total cost of sales	**(2,098)**	**(1,645)**	**(453)**	**(28%)**
Gross profit	**3,450**	**1,939**	**1,511**	**78%**
Gross margin (%)	*62%*	*54%*	n/a	*8%*
Operating expenses	**(2,319)**	**(2,062)**	**(257)**	**(13%)**
Operating EBITDA	**1,131**	**(123)**	**1,254**	**n/a**
Operating EBITDA margin (%)	*20%*	*(3%)*	n/a	*23%*
Depreciation & amortisation				
- Lease related	(541)	(455)	(86)	(19%)
- Plant & equipment	(29)	(22)	(7)	(32%)
- Intangible assets	(65)	(70)	5	7%
Total depreciation & amortisation	**(635)**	**(547)**	**(88)**	**(16%)**
EBIT	**496**	**(670)**	**1,166**	**n/a**
EBIT margin (%)	*9%*	*(19%)*	n/a	*28%*
Net finance expense – lease related	(205)	(158)	(47)	(30%)
Income tax (expense) / benefit	(85)	139	(224)	n/a
Net profit / (loss) for the period	**206**	**(689)**	**895**	**n/a**

* Movement in percentage points

Financial performance

Ikon generated revenue of $5.5m, EBITDA of $1.1m and a net profit of $0.2m for the half-year ended 30 June 2023. This was a substantial improvement and turnaround from the PCP, in which Ikon recorded revenue of $3.6m, an EBITDA loss of $0.1m and a net loss of $0.7m.

Increased student enrolments delivered a 55% increase in revenue and the business is starting to enjoy scale benefits, with earnings up by $0.9m against PCP and delivering an EBITDA margin of 20%. Ikon has continued to make necessary investments in building a robust governance framework, with increased academic capability, quality and processes.

Ikon's growth strategy remains centred around product development. A product development plan to materially broaden its course portfolio over the coming years was approved by the Ikon and EDU Boards towards the end of 2022 and implementation is now well underway. We are aiming to submit the first two new qualifications to TEQSA for accreditation by December 2023.

With the positive trend of increasing student enrolments and revenue growth, combined with the investments being made in future course development, the Board is encouraged by how the business is evolving, and looks forward to reporting improved financial performance in years to come.

CORPORATE FOCUS

EDU's long-term strategy is to continue to invest in the organic growth of its existing businesses while concurrently pursuing strategic acquisition opportunities.

RESULTS SUMMARY

The table below reconciles the underlying EBITDA of ALG and Ikon (EDU's wholly owned operating businesses) for the half-year ended 30 June 2023, to the Group's consolidated loss reported for the period.

Group	1H23	1H22	Variance	Variance*
	$'000	$'000	$'000	%
ALG/Ikon				
Revenue and other income	10,252	8,881	1,371	15%
Cost of sales	(4,703)	(4,562)	(141)	(3%)
Gross profit	**5,549**	**4,319**	**1,230**	**28%**
Gross profit margin (%)	*54%*	*49%*	n/a	*5%*
Operating expenses	(4,567)	(4,526)	(41)	(1%)
Operating EBITDA	**982**	**(207)**	**1,189**	**n/a**
Operating EBITDA margin (%)	*10%*	*(2%)*	n/a	*12%*
EDU Holdings				
Corporate costs	(745)	(689)	(56)	(8%)
EBITDA	**237**	**(896)**	**1,133**	**n/a**
EBITDA margin (%)	*2%*	*(10%)*	n/a	*12%*
Depreciation & amortisation				
- Lease related	(1,249)	(991)	(258)	(26%)
- Plant & equipment	(342)	(241)	(101)	(42%)
- Intangible assets	(210)	(198)	(12)	(6%)
Total depreciation & amortisation	**(1,801)**	**(1,430)**	**(371)**	**(26%)**
EBIT	**(1,564)**	**(2,326)**	**762**	**33%**
EBIT margin (%)	*(15%)*	*(26%)*	n/a	*11%*
Interest on lease liabilities	(438)	(347)	(91)	(26%)
Interest and borrowing expenses	(63)	(72)	9	13%
Income tax benefit	508	595	(87)	(15%)
Net loss before one-off items	**(1,557)**	**(2,150)**	**593**	**28%**
Due diligence and transaction costs	(15)	(8)	(7)	(88%)
Gain on disposal of assets	180	7	173	nm
Loss from discontinued operations (net of tax))	(159)	(44)	(115)	(261%)
Net loss for the period	**(1,551)**	**(2,195)**	**644**	**29%**

*Movement in percentage points

EBIT
EBIT is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards, adjusted for specific non-cash and significant items. The above table summarises reconciling items between statutory net loss after tax attributable to the shareholders of EDU and EBIT.

EBITDA
EBITDA is a financial measure which is not prescribed by Australian Accounting Standards and represents the profit under Australian Accounting Standards, adjusted for specific non-cash and significant items. The above table summarises reconciling items between statutory net profit after tax attributable to the shareholders of EDU Holdings and EBITDA. EBITDA includes EDU Holdings corporate costs but excludes one-off items including due diligence and transaction costs relating to the acquisition of investments.

Operating EBITDA
Operating EBITDA is the EBITDA of the Company's operating businesses, being ALG and Ikon.

Corporate costs
Costs related to the EDU Holdings corporate function and operation of the ASX-listed entity, including ASX listing fees, share registry fees, Group audit fees, remuneration of the Board and EDU Holdings key management personnel (CEO and CFO).

Due diligence and transaction costs
External due diligence and transaction costs relating to acquisition activities.

Gain on disposal of assets
Represents the final earn-out payment received from the November 2021 sale of EDU Holdings' shares in Gradability Pty Ltd.

Interest and borrowing expenses
Interest and borrowing expenses relate primarily to interest paid and the costs associated with the Group's borrowing facilities.

Interest on lease liabilities
Interest on lease liabilities represents the interest expense recognised in relation to lease liabilities.

Depreciation and amortisation
Depreciation relates to plant & equipment, leasehold improvements and right-of use assets recognised in the balance sheet. Amortisation relates to course development, licences and software.

Loss from discontinued operations
Represents the loss from ALG's discontinued Perth campus operations, net of tax. Refer to Note 4 for further details.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

NET ASSETS

The net assets of the Group as at the reporting date were $11,788,665 (31 December 2022: $13,256,667).

MATERIAL BUSINESS RISKS

EDU identifies and manages risks in accordance with the Group's Risk Management Framework (**Framework**). The Group has, through the application of the Framework, identified the following material business risks faced by the Group that could adversely affect the Group's financial performance and growth potential in future years.

Business risk	Mitigating activities
Competition The Group operates in a highly competitive market, with a large number of education providers (particularly for ALG in the VET sector) competing for students. There is a risk of new or existing competitors entering the Group's target market with new or improved products and services and or paying higher commission rates to education agents, that the Group cannot match or exceed in a timely or cost-effective manner, resulting in loss of customers and in market share	- Regular review of key market trends and competitor activity, price points, promotions and other marketing activity and responding accordingly - Analysis of structured, periodic surveys of students and staff to determine areas for service and product improvement - Continuous investment in quality, compliance, academic delivery (including learning resources) and campus infrastructure - Development, accreditation and delivery of new courses based on market demand and trends
New course development Development and delivery of new courses pose inherent risks due to the highly competitive market and material costs involved. Risk exists that new course offerings are not successful, resulting in financial losses, reputational damage and wasted resources	- Conduct comprehensive market research to identify market demand, the competitive landscape and emerging trends ahead of commencing the development of new courses - Course advisory committees established to ensure proposed new courses align with current industry requirements and demands - Detailed and robust cost analysis, financial model and business case developed and approved prior to commencing new product development

Business risk	Mitigating activities
Data and IT security Disruption to technology platforms and systems used by the Group or a major data or information security breach could cause significant business and reputational damage which may impact financial stability and growth	- Outsourced IT partner that delivers a strategy built around protection, detection and responding to threats - Use of leading and trusted technologies with appropriate security settings – Strong internal processes and culture of risk awareness to protect and control data access
Regulatory environment The Group operates in a highly regulated industry and continued registration with regulators is a key material risk (Australian Skills Quality Authority (ASQA) in relation to ALG and the Tertiary Education Quality and Standards Agency (TEQSA) in relation to Ikon).	- Dedicated quality assurance and compliance teams that regularly report to management and the Board - Adherence to an effective self-assurance framework - Comprehensive continuous improvement cycle to ensure operating businesses remain compliant
Impact of pandemics and responses of government policies to immigration and visas The closure of the international borders due to Covid-19, together with the Government's response such as the introduction of visa options not requiring participation in education and uncapped working rights were highly impactful for the ALG business. Any future changes to policies and settings around student visas, working rights and skilled migration could be disruptive to growth and profitability	- Further development of flexible course delivery models that can adapt to various scenarios, including online or hybrid delivery - Given the large exposure to international student revenue, measures to further diversify the student target markets including across both VET and HE and broadening of the course portfolio - Building financial resilience by maintaining adequate reserves and establishing contingency plans to manage unexpected disruptions

Business risk	Mitigating activities
Strategic execution, revenue growth and profitability The successful execution of the Group's strategic plan is key for achieving desired revenue growth and profitability targets. Any failure or deviation from the strategic plan can impact the Group's ability to grow its revenue and enhance its financial viability	- Clear communication and alignment of the strategic plan across the organisation - Effective resource allocation to support the execution of the strategic plan - Establishing robust performance monitoring and measurement framework to track progress against strategic objectives and KPIs - Embracing an agile and adaptive approach to strategic execution to meet external market conditions and business dynamics - Implementing an appropriate organisation structure, and investing in talent development to ensure employees are equipped with appropriate skills and capabilities to execute the strategic plan
Source country and agent concentration risk Source country and agent concentration risk arises when a significant proportion of student enrolments are derived from a specific source country or are heavily dependent on a limited number of agents. Source country concentration makes the business susceptible to potential disruptions from the source market (i.e. regulatory changes, economic shifts, or geopolitical events which could impact student demand and enrolments). Agent concentration risk arises where changes in agent relationships, commercial terms or changes in their capacity to recruit students can lead to material fluctuations in student enrolments and thereby revenue	- Actively cultivating relationships with a diversified agent portfolio across various source markets to ensure that no single agent or group of agents holds a disproportionate influence over enrolment numbers - Expanding student recruitment activities to recruit students from a wide range of geographic source markets to avoid over-dependence on any one market or region to manage volatility in enrolments - Conducting periodic regulatory and performance assessments of agents and source markets and taking proactive steps to address any emerging challenges - Maintaining open communication with agents and developing and adopting new strategies in response to evolving market conditions and changes in agent relationships

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 2 August 2023, the Company announced that it had exercised a contractual right to terminate the share purchase agreement relating to the acquisition of Care Plus Training Pty Ltd trading as Nurse Training Australia (**NTA**). Completion of the acquisition was subject to NTA gaining reaccreditation of its Diploma of Nursing program by the Australian Nursing and midwifery Accreditation Council (**ANMAC**). NTA submitted its reaccreditation application to ANMAC in early 2022, and while the Board understood that progress had been made, ANMAC's assessment had not been finalised and no definitive timeframe for determination of the application had been forthcoming. The delay in gaining reaccreditation precluded NTA from enrolling new nursing students during 2023. With less nursing students and ongoing uncertainty around the timing and outcome of the reaccreditation process, the EDU Board formed the view that the transaction was no longer in the Company's best interest.

As at 30 June 2023, the Group had $6.3m cash on hand, $4.5m of which had been earmarked for the initial completion payment for the NTA acquisition. In keeping with its long-term strategy, the Company intends to continue to pursue strategic acquisition opportunities.

Other than the above, there were no significant changes in the state of affairs of the Group during the financial period ended 30 June 2023.

SUBSEQUENT EVENTS

While the Covid-19 pandemic has eased, it remains active and the impacts are ongoing. Given the complexity, it is not feasible to estimate the potential impact of the pandemic on the Group after the reporting date.

As noted above, on 2 August 2023, the Company announced that it had exercised a contractual right to terminate the share purchase agreement relating to the acquisition of Care Plus Training Pty Ltd trading as Nurse Training Australia. Refer above for further details.

Other than the above, there have been no other significant events after balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Board expects continued growth in Ikon and ALG enrolments, driven by growth and normalisation of the international vocational market and expansion of both the Ikon and ALG course portfolio.

As ALG enrolments rebuild, its financial results are expected to improve with increased revenue, class sizes and improved gross margin, ultimately resulting in a return to profitability.

Continued enrolment growth in Ikon's existing courses will be supplemented by enrolments in new courses in the coming years. Margin improvement is expected to continue with increased volume and continuation of the trend towards online delivery for domestic students.

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 on page 53.

This report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors

Gary Burg
Non-Executive Chair
29 August 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 $	30 June 2022 $
Revenue from continuing operations			
Revenue from contracts with customers	2	10,064,717	8,863,217
Other revenue	2	27,427	18,773
Total revenue		**10,092,144**	**8,881,990**
Cost of sales		(4,702,267)	(4,568,818)
Gross profit		**5,389,877**	**4,313,172**
Other income			
Gain from disposal of assets	2	179,658	6,681
Gain on lease modification	2	-	86,663
Other income	2	160,622	-
Interest income	2	58,790	273
Total other income		**399,070**	**93,617**
Expenses			
Employee benefits expense		(3,615,876)	(3,291,677)
Depreciation of right-of-use assets		(1,248,736)	(1,078,062)
Depreciation and amortisation expense		(552,428)	(439,623)
Advertising, marketing, and promotion expenses		(451,843)	(507,527)
Interest on lease liabilities		(438,135)	(345,586)
Communication and IT expenses		(269,527)	(373,453)
Professional fees		(224,995)	(257,317)
Administration, support, and other expenses		(218,124)	(143,253)
Licence fees		(208,240)	(125,272)
Cleaning, utility, and occupancy expenses		(152,320)	(258,401)
Finance costs		(122,211)	(73,052)
Credit losses		(93,109)	(167,562)
Insurance expenses		(48,092)	(38,292)
Recruitment expenses		(31,065)	(45,788)
Due diligence and transaction fees		(14,659)	(8,032)
Total expenses		**(7,689,360)**	**(7,152,897)**
Loss before income tax expense from continuing operations		**(1,900,413)**	**(2,746,108)**
Income tax benefit		508,155	595,369
Loss from continuing operations		**(1,392,258)**	**(2,150,739)**
Loss from discontinued operations (net of tax)	4	(159,021)	(43,969)
Loss for the period		**(1,551,279)**	**(2,194,708)**
Other comprehensive income for the period		-	-
Total comprehensive loss for the period (net of tax)		**(1,551,279)**	**(2,194,708)**

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2023

		30 June 2023	30 June 2022
	Notes	$	$
Loss per share attributable to equity holders of the parent entity			
Basic loss per share (cents)			
Continuing operations		(0.84)	(1.69)
Discontinued operations		(0.10)	(0.03)
Diluted loss per share (cents)			
Continuing operations		(0.84)	(1.69)
Discontinued operations		(0.10)	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	30 June 2023 $	31 December 2022 $
Current assets			
Cash and cash equivalents	12	6,277,078	6,075,190
Trade and other receivables		1,180,438	293,481
Income tax receivable		936,003	936,003
Other assets		503,508	450,619
Total current assets		**8,897,027**	**7,755,293**
Non-current assets			
Other assets		28,198	36,058
Plant and equipment		2,431,807	2,753,668
Intangible assets		2,077,673	1,669,677
Right-of-use asset		13,067,283	12,835,107
Deferred tax asset		2,468,602	1,941,266
Goodwill on consolidation	7	11,918,128	11,918,128
Total non-current assets		**31,991,691**	**31,153,904**
Total assets		**40,888,718**	**38,909,197**
Current liabilities			
Trade and other payables	8	4,082,257	3,861,663
Contract liabilities	10	4,045,032	1,147,381
Borrowings	11	750,000	250,000
Employee benefits		479,248	441,882
Deferred lease liability		2,899,565	3,154,222
Provisions for onerous contracts	5	110,789	-
Other provisions		20,000	20,000
Total current liabilities		**12,386,891**	**8,875,148**
Non-current liabilities			
Trade and other payables	8	1,611,016	1,950,138
Borrowings	11	1,500,000	2,000,000
Employee benefits		181,311	162,317
Contract liabilities	10	226,637	114,897
Deferred lease liability		12,580,581	11,989,077
Other provisions		613,617	560,953
Total non-current liabilities		**16,713,162**	**16,777,382**
Total liabilities		**29,100,053**	**25,652,530**
Net assets		**11,788,665**	**13,256,667**
Equity			
Issued capital	9	31,125,849	31,135,163
Reserves		373,041	470,153
Accumulated losses		(19,710,225)	(18,348,649)
Total equity		**11,788,665**	**13,256,667**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2023

	Issued Capital	Share Based Payments Reserve	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 1 January 2023	**31,135,163**	**470,153**	**(18,348,649)**	**13,256,667**
Net loss for the period	-	-	(1,551,279)	(1,551,279)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**(1,551,279)**	**(1,551,279)**
Transactions with owners in their capacity as owners				
Shares issued at net cost	(9,314)	-	-	(9,314)
Options issued at fair value	-	92,591	-	92,591
Options expired	-	(189,703)	189,703	-
Total transactions with owners in their capacity as owners	**(9,314)**	**(97,112)**	**189,703**	**83,277**
Balance at 30 June 2023	**31,125,849**	**373,041**	**(19,710,225)**	**11,788,665**

	Issued Capital	Share Based Payments Reserve	Accumulated Losses	Total Equity
	$	$	$	$
Balance at 1 January 2022	**25,132,480**	**440,087**	**(13,725,146)**	**11,847,421**
Net loss for the year	-	-	(2,194,708)	(2,194,708)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**(2,194,708)**	**(2,194,708)**
Transactions with owners in their capacity as owners				
Shares issued at net cost	2,053,335	-	-	2,053,335
Options issued at fair value	-	114,643	-	114,643
Options expired	-	(196,271)	196,271	-
Total transactions with owners in their capacity as owners	**2,053,335**	**(81,628)**	**196,271**	**2,167,978**
Balance at 30 June 2022	**27,185,815**	**358,459**	**(15,723,583)**	**11,820,691**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2023

	Notes	30 June 2023 $	30 June 2022 $
Cash flow from operating activities			
Receipts from customers and other income		12,043,537	10,155,960
Interest received		58,790	273
Payments to suppliers and employees		(9,841,251)	(10,201,467)
Net cash flows from continuing operating activities		**2,261,076**	**(45,234)**
Net cash flows from discontinued operating activities		**(91,235)**	**11,271**
Net cash provided by / (used in) operating activities		**2,169,841**	**(33,963)**
Cash flow from investing activities			
Net receipts from disposal of assets		179,658	6,681
Transaction costs in relation to the proposed acquisition		(160,976)	(83,360)
Payments for plant and equipment		(43,509)	(331,771)
Payments for intangibles		(202,544)	(196,862)
Net cash flows from continuing investing activities		**(227,371)**	**(605,312)**
Net cash flows from discontinued investing activities		**-**	**(665)**
Net cash used in investing activities		**(227,371)**	**(605,977)**
Cash flow from financing activities			
Proceeds from share issues		10,000	2,180,000
Capital raising costs		(12,418)	(120,840)
Borrowing costs		(108,647)	(57,845)
Repayment of borrowings		-	(500,000)
Repayment of lease liabilities		(1,603,840)	(1,053,370)
Net cash flows from continuing financing activities		**(1,714,905)**	**447,945**
Net cash flows from discontinued financing activities		**(25,677)**	**(24,586)**
Net cash (used in) / provided by financing activities		**(1,740,582)**	**423,359**
Net increase / (decrease) in cash and cash equivalents		201,888	(216,581)
Cash and cash equivalents at beginning of year		6,075,190	6,274,519
Cash and cash equivalents at end of year		**6,277,078**	**6,057,938**

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2023

1. Statement of significant accounting policies

This Half-Year Report covers EDU Holdings Limited and its controlled entities. EDU is a listed public company, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 1, 65 York Street, Sydney NSW 2000. For the purposes of preparing this Half-Year Report, EDU is a for-profit company.

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

The financial statements are presented in AUD dollars, the Group's functional and presentational currency.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity. Following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the Half-Year Report. The accounting policies have been consistently applied, unless otherwise stated.

a. New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

b. Basis of preparation of the Half-Year Report

Statement of compliance

The Half-Year Report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 'Interim Financial Reporting', as appropriate to for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The Half-Year Report does not include notes of the type normally included in an annual financial report and thus should be read in conjunction with the Annual Report for the period ended 31 December 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies and methods of computation adopted in the presentation of the Half-Year Report are consistent with those adopted and disclosed in the Company's 31 December 2022 Annual Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

c. Basis of preparation

The Half-Year Report has been prepared on the historical cost and accruals basis, except where stated otherwise.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, certain classes of property, plant and equipment and derivative financial instruments.

Going concern

The Directors have prepared the Half-Year Report on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of $1,551,279 and had net cash inflows from operating activities of $2,169,841 for the half-year ended 30 June 2023. As at 30 June 2023, the consolidated entity had net current liabilities of $3,489,864.

The Directors believe that it is reasonable that the consolidated entity will continue as a going concern and accordingly that it is appropriate to present the financial report on a going concern basis, after consideration of the following factors:

- At 30 June 2023, the consolidated entity had $6,277,078 in cash and cash equivalents on hand, of which $336,626 is subject to restrictions, resulting in available free cash of $5,940,452;
- Included within current liabilities is $4,045,032 of contract liabilities relating to tuition revenue (including tuition fees, enrolment fees, and course material fees) which has been received in advance of delivery commencing and or the course materials being provided to students. This is largely in relation to Term 3 and Trimester 2, 2023, which have commenced, with delivery underway and noting that the satisfaction of the liability will be for a lower amount given services are delivered at a margin;
- In August 2022, the Company extended its $2.25m acquisition facility with CBA for a further 3 years until August 2025. No principal repayments required until November 2023, at which point $0.25m quarterly principal payments will commence, leaving a $0.5m balloon due for repayment in August 2025 when the facility expires;
- The Directors have considered cash flow forecasts, that indicate that the consolidated entity is expected to continue to operate within the limits of its available cash reserves; and
- If required, the Group has the ability to raise additional funds on a timely basis.

d. Accounting policies

In addition to the accounting policies adopted and disclosed in the Company's 31 December 2022 Annual Report, the Company has also adopted the following policy for the half-year ended 30 June 2023:

Discontinued operations

A discontinued operation is a component of the Group that represents a separate geographical area of operations and is part of a disposal plan. The results of discontinued operations are presented separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

e. Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the Half-Year Report based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and data, obtained both externally and from within the Group.

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of assets. Where an impairment indicator exists, the recoverable amount of the asset is determined. Value-in-use calculations have been performed in assessing recoverable amounts. These incorporate a number of key estimates. To determine value-in-use, management estimates expected future cash flows from each asset or CGU and also determines a suitable interest rate in order to calculate the present value of those cash flows. The financial forecasts used for impairment testing procedures are directly linked to the Group's latest approved 12-month budget, which contains forecasts for a three-year period. Management roll-forward the three-year forecast to create a five-year cashflow projection for use in the value-in-use calculations. Discount factors are determined individually for each asset or CGU and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors. The discount rate calculation is based upon the specific circumstances of the Group and its CGUs and is derived from its weighted average cost of capital (WACC).

The Company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity 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 fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets

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

Allowances for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. A number of methods have been applied to measure expected credit losses including lifetime expected loss allowance, assessment of failed fee collection patterns and of days overdue. Since the commencement of the Covid-19 pandemic, allowances for expected credit losses have been increased to account for the increased uncertainty around collection of receivables.

Lease renewal options

The Group has applied judgement in determining whether the lease term for specific lease contracts should include renewal options. This involved an assessment of whether the Group is reasonably certain to exercise such options, thereby affecting the measurement of lease liabilities and ROUA recognised.

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 premises is periodically reviewed and updated based on information available at the time. Changes to the estimated future costs for each premises 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 are recognised in the statement of profit or loss.

Provision for onerous contracts

As noted in the Directors' Report, in response to an ongoing decline in student numbers during and post the Covid-19 pandemic and based on management's current assessment of the prevailing market conditions in Perth, the Board made a decision to cease ALG's Perth campus operations during the financial period ended 30 June 2023 and to direct the Group's focus and resources to other campuses where the Group has stronger growth prospects. ALG has ceased accepting new enrolments at its Perth campus and is currently teaching out remaining enrolled students in the Perth campus, with a plan to wind down the operations by the end of Term 4, 2023. In relation to the closure of ALG's Perth campus, the Group has recognised a provision for the onerous contracts. The provision for the onerous contracts is the Company's best estimation of the expenditure required to settle all present obligations. The provision is based on the lower of the estimated unavoidable costs of meeting all obligations under the associated contracts and is largely related to the lease agreement, teaching delivery, wages and other directly attributable operational expenses for the period up until 31 December 2023.

2. Segment reporting

The Company has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing the Group's performance and determining the allocation of resources.

The Group operates in two segments, being ALG (provision of vocational education to international students) and Ikon (the provision of higher education to both domestic and international students) and in one geographical segment, being Australia.

For the half-year ended 30 June 2023	ALG	Ikon	Unallocated	Total
	$	$	$	$
Total revenue – international	4,516,727	2,307,533	-	6,824,260
Total revenue - domestic	-	3,240,457	-	3,240,457
Other revenue	27,427	-	-	27,427
Total revenue	**4,544,154**	**5,547,990**	**-**	**10,092,144**
Gain from disposal of assets	-	-	179,658	179,658
Other income	160,622	-	-	160,622
Interest income	5,575	9,504	43,711	58,790
(Loss) / gain from continuing operations	(1,077,525)	205,888	(520,621)	(1,392,258)
Loss from discontinued operations (net of tax)	(159,021)	-	-	(159,021)
(Loss) / gain for the period	(1,236,546)	205,888	(520,621)	(1,551,279)

At 30 June 2023	ALG	Ikon	Unallocated	Total
Total segment assets	16,160,428	11,519,175	13,209,115	40,888,718
Total segment liabilities	(16,187,050)	(9,946,749)	(2,966,254)	(29,100,053)

For the half-year ended 30 June 2022	ALG	Ikon	Unallocated	Total
	$	$	$	$
Total revenue - international	5,278,922	927,034	-	6,205,956
Total revenue - domestic	-	2,657,261	-	2,657,261
Other revenue	18,773	-	-	18,773
Total revenue	**5,297,695**	**3,584,295**	**-**	**8,881,990**
Gain from the disposal of assets	-	-	6,681	6,681
Gain on lease modification	-	86,663	-	86,663
Interest income	51	162	60	273
Loss from continuing operations	(783,927)	(688,701)	(678,111)	(2,150,739)
Loss from discontinued operations (net of tax)	(43,969)	-	-	(43,969)
Loss for the period	(827,896)	(688,701)	(678,111)	(2,194,708)

At 30 June 2022	ALG	Ikon	Unallocated	Total
Total segment assets	22,262,035	7,977,711	10,245,939	40,485,685
Total segment liabilities	(19,309,656)	(6,438,715)	(2,916,623)	(28,664,994)

Per *AASB 134.16A(g)(iv)*, segment assets and liabilities have been categorised as unallocated as such segment amounts are not regularly reported to the chief operating decision maker (the Board).

3. Dividends

There were no dividends paid or declared during the current or previous half-year.

4. Discontinued operations

In response to an ongoing decline in student numbers during and post the Covid-19 pandemic, and based on management's current assessment of the prevailing market conditions in Perth, the Board decided to cease ALG's Perth campus operations during the financial period ended 30 June 2023 and to direct the Group's focus and resources to other campuses where the Group has stronger growth prospects. ALG has ceased accepting new enrolments at its Perth campus and is currently teaching out remaining enrolled students in the Perth campus, with a plan to wind down the operations by the end of Term 4, 2023. The assets and resources currently located in the Perth campus which can be used in other campuses will be transferred. The Group has recognised onerous contract provisions for the ongoing lease, teaching delivery, employment contracts and for other directly attributable operational expenses.

The combined results of the discontinued operations included in the profit and loss for the period is set out below.

Loss from discontinued operations	30 June 2023	30 June 2022
	$	$
Revenue	229,378	267,721
Expenses	(404,476)	(326,347)
Loss before income tax	**(175,098)**	**(58,626)**
Attributable income tax benefit	16,077	14,657
Loss after income tax	**(159,021)**	**(43,969)**
Net cash (outflows) / inflows from operating activities	(91,235)	11,271
Net cash used in investing activities	-	(665)
Net cash used in financing activities	(25,677)	(24,586)
Net decrease in cash and cash equivalents from discontinued operations	**(116,912)**	**(13,980)**

5. Provision for onerous contracts

	30 June 2023	31 December 2022
	$	$
Employment costs	92,576	-
Lease commitments	22,828	-
Other costs	57,103	-
Less expected revenue	(61,718)	-
Total provision for onerous contracts	**110,789**	**-**

6. Controlled entities

				Ownership interest	
Entity	**Acquired**	**Disposed**	**Country of incorporation**	**30 Jun 2023**	**31 Dec 2022**
Australian Learning Group Pty Limited	24 Mar 2016	-	Australia	100%	100%
Proteus Technologies Pty Ltd	4 Jul 2018	-	Australia	100%	100%
Tasman Institute Pty Limited	11 Jul 2017	-	Australia	100%	100%
EDU Corporate Services Pty Ltd	26 Oct 2021	-	Australia	100%	100%

7. Goodwill on acquisition

	30 June 2023	31 December 2022
	$	$
Australian Learning Group Pty Limited - Vocational Education and Training (VET)	1,314,720	1,314,720
Proteus Technologies Pty Ltd - Higher Education (HE)	10,603,408	10,603,408
Total goodwill	**11,918,128**	**11,918,128**

The recoverable amount of the Group's goodwill has been determined by performing a value-in-use calculation using a discounted cash flow model, based on a 5-year projection period, together with a terminal value in year 5.

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

The following key assumptions were used in the discounted cash flow model for both the VET and HE segments:

- Pre-tax discount rate of 16.7% for both VET and HE (31 December 2022: 16.2% for both VET and HE both CGUs) (including 5% to account for the current uncertainty from the Covid-19 pandemic and specific company risk in calculating the Group's cost of equity); and
- Terminal growth rate of 2.5% for VET and 3.0% for HE (31 December 2022: 2.5% VET and 3.0% for HE).

The pre-tax discount rate of 16.7% for both VET and HE reflects management's estimate of the time value of money and the Group's weighted average cost of capital, adjusted for the risk-free rate and the volatility of the share price relative to other businesses in the same industry. Management considers that there are no indicators of impairment and no significant changes to the underlying assumptions used in the impairment testing performed in relation to the 30 June 2023 Half-Year Report. Accordingly, the Group determined that no impairment was required as at 30 June 2023 (31 December 2022 - $nil and 30 June 2022 - $nil).

7. Goodwill on acquisition (continued)

Impact of possible changes in key assumptions

Management has carried out sensitivity analysis on the recoverable amounts based on a change in both the discount rate and the terminal growth rate of +/- 2.0%, as well as a 10.0% increase / (decrease) in revenue as set out below.

Sensitivity – VET	Change in valuation	Potential impairment
2.0% lower / (higher) post-tax discount rate (WACC)	$6,974,753	$nil
2.0% increase / (decrease) in terminal growth rate	$4,960,140	$nil
10.0% increase / (decrease) in revenue	$9,707,939	$nil

The carrying value of the VET CGU includes goodwill of $1,314,720, plant, equipment & other intangibles of $2,289,220 and ROUA of $6,033,928 (the discount rates applied range between 4.81% and 10.06%).

Based on the value-in-use model, the DCF valuation of $26,949,096 was in excess of the carrying value of the CGU at $9,637,868. Accordingly, management consider that there is no impairment required at 30 June 2023 (31 December 2022: $nil and 30 June 2022: $nil).

Sensitivity - HE	Change in valuation	Potential impairment
2.0% lower / (higher) post-tax discount rate (WACC)	$3,062,161	$nil
2.0% increase / (decrease) in terminal growth rate	$4,935,235	$nil
10.0% increase / (decrease) in revenue	$8,605,755	$1,587,355

The carrying value of the HE CGU includes goodwill of $10,603,408, plant, equipment & other intangibles of $1,271,253 and ROUA of $7,033,355 (the discount rates applied range between 5.36% and 10.06%).

Based on the value-in-use model, the DCF valuation of $26,756,843 was in excess of the carrying value of the CGU at $18,908,016. Accordingly, management consider that there is no impairment required at 30 June 2023 (31 December 2022: $nil and 30 June 2022: $nil).

8. Trade and other payables

	30 June 2023	31 Dec 2022
	$	$
Current		
Trade creditors	296,396	414,442
Other payables and accrued expenses	3,785,861	3,447,221
	4,082,257	**3,861,663**

Trade creditors at 30 June 2023 are not considered past due.

	30 June 2023	31 Dec 2022
	$	$
Non-current		
Other payables and accrued expenses	1,611,016	1,950,138
	1,611,016	**1,950,138**

In 2021 and prior, Ikon benefited from a number of Covid-19 relief programs, including the Higher Education Relief Package, which guaranteed payment of approved FEE-HELP estimates for 2020, regardless of actual enrolments.

Under this program, Ikon received excess FEE-HELP advances of $2.6m during 2020. Repayment of this excess is over eight annual instalments of $318k, which commenced in April 2022.

9. Share capital

Issued capital at 30 June 2023 amounted to $31,135,163 (165,214,443 ordinary shares).

	30 June 2023		31 December 2022	
	Number	**$**	**Number**	**$**
Opening balance	165,214,443	31,135,163	117,514,448	25,132,480
Shares issued	-	-	47,699,995	6,201,000
Capital raising costs	-	(12,418)	-	(264,423)
Deferred tax credit recognised directly in equity	-	3,104	-	66,106
At reporting date	**165,214,443**	**31,125,849**	**165,214,443**	**31,135,163**

There were no movements in the issued capital of the Company during the half-year ended 30 June 2023, other than for ASX listing fees in relation to the placement of shares during 2022, which were received after the 31 December 2022 report was finalised.

10. Contract liabilities

	30 June 2023	31 December 2022
	$	$
Current		
Contract liabilities	4,045,032	1,147,381
	4,045,032	**1,147,381**
Non-current		
Contract liabilities	226,637	114,897
	226,637	**114,897**

Contract liabilities relate to tuition fees, enrolment fees and course materials fees which have been received in advance of delivery commencing and/or the materials being provided to students. The planned duration of study is used to measure the progress of the performance obligation and to thereby determine how much revenue to recognise as the performance obligation is satisfied.

Note, contract liabilities are typically higher at 30 June compared to 31 December given the timing of tuition fee due dates for students. For ALG, the Term 1 (January intake) tuition fee due date is in early January and for Term 3 (July intake) it is in mid-June. This translates into higher fee collections pre-30 June compared with lower fee collections pre-31 December.

For Ikon, it is typical to have a higher balance at 30 June given Trimester 2 runs from May through to August, with the performance obligations only partially satisfied by 30 June. Trimester 3 runs from September and ends in December and thus the performance obligations are fully satisfied by 31 December with a resulting lower balance.

11. Borrowings

The Group has a loan facility (secured by a first ranking charge over all present and after acquired property of the Group) with Commonwealth Bank of Australia (CBA), which was established in 2017. The components of the loan facility are set out in the table below:

	Facility limit	Drawn	Available
Loan facility	**($)**	**($)**	**($)**
Market rate loan (acquisition facility)	2,250,000	(2,250,000)	-
Bank guarantee (rental bonds)	1,050,000	(1,048,040)	1,960
Total loan facility	**3,300,000**	**(3,298,040)**	**1,960**

As at 30 June 2023, the Group has given bank guarantees of $1,048,040 (31 December 2022: $1,048,040) to various landlords.

Market rate loan (acquisition facility)

In August 2022, the Company extended its $2.25m acquisition facility with CBA until August 2025. No principal repayments are required until November 2023, at which point $0.25m quarterly principal payments will commence, leaving a $0.5m balloon due for repayment on expiry of the facility.

The facility attracts interest (referenced to the Bank Bill Swap Bid Rate) plus a line fee of 5.70% p.a.

	30 June 2023	31 December 2022
	$	**$**
Current	750,000	250,000
	750,000	**250,000**
Non-current	1,500,000	2,000,000
	1,500,000	**2,000,000**

Bank guarantee (rental bonds)

A bank guarantee fee of 3.50% p.a. is payable half-yearly in advance, in respect of the drawn amount.

Reconciliation of movements

	30 June 2023	31 December 2022
	$	$
Opening balance	2,250,000	2,750,000
Repayment of loan	-	(500,000)
Closing balance	**2,250,000**	**2,250,000**

In relation to the market rate loan, $750,000 is considered current and repayable within 12 months and has been classified accordingly in the Consolidated Statement of Financial Position.

12. Cash and cash equivalents

	30 June 2023	31 December 2022
	$	$
Cash at bank and on hand	6,277,078	6,075,190
	6,277,078	**6,075,190**

Included in the above amounts are tuition fees held in restricted Tuition Protection Scheme (**TPS**) accounts in Australia. At 30 June 2023, the Group held $620,772 (31 December 2022: $499,386) in TPS accounts.

In accordance with the Education Services for Overseas Student Act 2000 (ESOS Act), the Group is required to maintain separate bank accounts (TPS accounts) in Australia for prepaid tuition fees received from international students prior to commencement of their course. Once the student commences their course, the funds may be transferred from the TPS accounts to the Group's operating bank accounts. The majority of fees held in the Group's TPS accounts relate to the upcoming period of study, in ALG's case, the term that commenced on 17 July 2023.

As at 30 June 2023, cash and cash equivalents also includes $336,626 (31 December 2022: $336,626) of restricted cash held by CBA in relation to certain bank guarantees issued for ALG and Ikon campuses.

13. Subsequent events

While the Covid-19 pandemic has eased, is remains active and the impacts are ongoing. Given the complexity, it is not feasible to estimate the potential impact of the pandemic on the Group after the reporting date.

On 2 August 2023, the Company announced that it had exercised a contractual right to terminate the share purchase agreement relating to the acquisition of Care Plus Training Pty Ltd trading as Nurse Training Australia (**NTA**). Completion of the acquisition was subject to NTA gaining reaccreditation of its Diploma of Nursing program by the Australian Nursing and midwifery Accreditation Council (ANMAC). NTA submitted its reaccreditation application to ANMAC in early 2022, and while the Board understood that progress had been made, ANMAC's assessment had not been finalised and no definitive timeframe for determination of the application had been forthcoming. The delay in gaining reaccreditation precluded NTA from enrolling new nursing students during 2023. With less nursing students and ongoing uncertainty around the timing and outcome of the reaccreditation process, the EDU Board formed the view that the transaction was no longer in the Company's best interest.

As at 30 June 2023, EDU had $6.3m cash on hand, $4.5m of which had been earmarked for the initial completion payment for the NTA acquisition. In keeping with its long-term strategy, the Company intends to continue to pursue strategic acquisition opportunities.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future reporting periods.

DIRECTORS' DECLARATION

The Directors of EDU Holdings Limited (**Directors**) declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the Half-Year ended 30 June 2023.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Gary Burg
Non-Executive Chair
29 August 2023

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of EDU Holdings Limited for the half-year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM

RSM AUSTRALIA PARTNERS

D Talbot

David Talbot
Partner

Sydney, NSW
Dated: 29 August 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of EDU Holdings Limited and its controlled entities

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of EDU Holdings Limited which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of EDU Holdings Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 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 *Corporations Regulations 2001*.

Basis for Conclusion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of EDU Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibility for the Half-Year Financial Report

The directors of the EDU Holdings Limited 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 controls as the directors, being those charged with governance determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

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

D Talbot

David Talbot
Partner

RSM Australia Partners

Sydney, NSW
Dated: 29 August 2023

Holdings