



G8 Education<sup>ltd</sup>

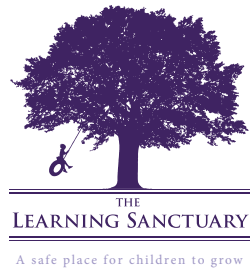
Annual Report

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2015

# Brands

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Our mission is to be Australia's leading provider of high quality, developmental and educational child care services. We seek to achieve this through our four pillars for growth and sustainability:

## Quality Education & Care

To nurture and develop childrens' minds, social skills and confidence in a safe and stimulating environment.

## Employees

To commit to employee development and a rewarding culture which will ensure an engaged and driven workforce.

## Community

To be responsive to local families and deliver upon community expectations.

## Profitability

To grow and derive value for shareholders through innovative services, systems and management.

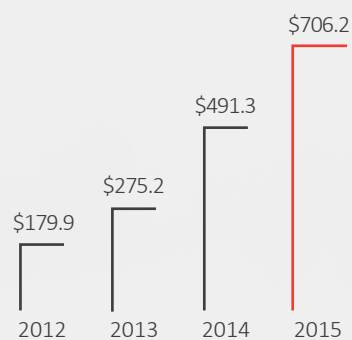
# Contents

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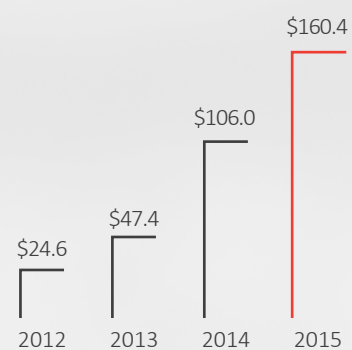
Chairman's Report	07
Managing Director's Report	08
Key Financial Information	10
Section One <i>Directors' Report &amp; Corporate Governance Statement</i>	12
Section Two <i>Financial Report</i>	35
Independent Audit Report	95
Shareholder Information	97
Corporate Directory	99

At a glance

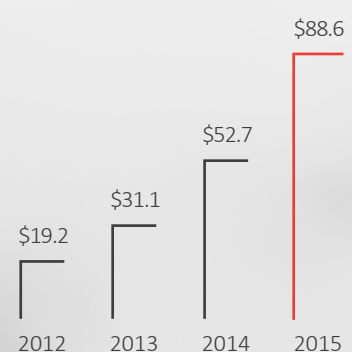
Revenue (\$m)  
**\$706.2m**



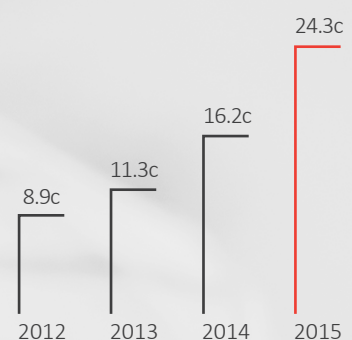
Earnings Before Interest and Tax (\$m)  
**\$160.4m**



Net Profit After Tax (\$m)  
**\$88.6m**



Earnings Per Share (CPS)  
**24.3c**





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## Chairman's Report

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Dear Shareholders,

On behalf of the Board, I am pleased to present the G8 Education Limited 2015 Annual Report.

After a period of tremendous growth in 2014, 2015 has been a year where our priorities have been more evenly spread between growth, integration and service provision.

In 2015 we acquired 44 early education centres. These centres were predominantly premium centres located in metropolitan areas, all of which were subjected to the Group's rigorous screening and due diligence disciplines prior to settlement.

As at 31 December 2015, the total number of centres owned by the Group was 489 with a combined licenced capacity of 35,221 places.

Our ability to integrate acquired centres in a seamless, efficient manner has long been one of our core competencies and I am pleased to report that 2015 was a year of real achievement in this area.

Continued investment in our Support Office systems combined with improved efficiency and productivity levels enabled us to effectively integrate all new acquired services into the G8 corporate model in a manner that ensured consistency and effectiveness of service provision.

With over 75,000 children attending our services in any given week and over 10,000 employees educating and caring for those children our responsibilities to the families and the communities from which they come is greater than ever.

Our focus on ensuring that our centre based teams are appropriately resourced, trained and supported is essential to us maintaining our position as Australia's leading for profit early education provider.

In that regard I am pleased to report that direct capital investment in our centres increased 40% this year, our operational support team has seen a step change in its quality and calibre with a number of key new hires and our investment in professional development platforms promises to revolutionise our ability to train and upskill our staff.

From an operational perspective 2015 has been a terrific year for the Group. Financially, 2015 saw another strong year of performance. Revenues increased 44% to \$706.2 million, earnings before interest and tax rose 51% to \$160.4 million and net profit after tax by 68% to \$88.6 million. The Group generated \$95.1 million of cash from operations and returned \$87.9 million in dividends to shareholders.

As we look forward to 2016 we feel strongly that we are positioned well to take advantage of any opportunities that may arise whilst maintaining our high levels of service provision to Australia's communities.

2016 is likely to be another exciting year for the Group.

On behalf of the Board, I would like to take this opportunity to thank all of our shareholders, employees and customers for their ongoing support in 2015.

Yours sincerely,

A handwritten signature in blue ink that reads "Mark Johnson". The signature is written in a cursive style and is positioned above a horizontal line.

**Mark Johnson**

**Chairman**

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## Managing Director's Report

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### Industry leading early education position maintained

Over the course of 2015, the Group cemented its position as Australia's leading for profit early education provider.

This year we saw a record of number of children attend our centres as families recognise the contribution that a G8 centre can make to their loved ones future. Building on this positive momentum is central to the success of the G8 model and can only be effective through continued investment and development.

### Investment in service provision a priority

A key tenet of our operating model is the provision of first class support to all of our centre directors and our floor based teams. We cannot achieve this objective without attracting the very best talent in the sector as well as investing in productivity, efficiency and curriculum based initiatives.

The addition of a new Executive Officer and General Manager of Operations has emphasised our commitment to deepening the talent pool available in the senior ranks of the business and laying the foundations for the next phase of our growth.

### Professional development, a key strategic objective

Investment in our people continues to be an area that will be crucial to the maintenance of the high standard of service provision we strive to deliver.

The scope for innovation in education delivery across our business is significant. We continue to explore technological and pedagogical developments of every type to ensure that our staff receive the very best development opportunities whilst part of the G8 team.

### Another strong year of operational performance

The Group was able to build on the operational momentum created in 2014 via effective integration and operation of acquired centres combined with the continued operation of centres owned prior to 2014.

Underlying earnings before interest and tax was \$145.4m for the period with an underlying earnings before interest and tax margin of 21.2%. This is the fifth successive year the Group has sustained year on year

improvements in both underlying profits and margins and a true endorsement of the strength of the G8 Education corporate model.

### Portfolio growth sustained

2015 saw the Group acquire a further 44 early education centres. These were located across Australia and secured at attractive terms consistent with our due diligence and pricing disciplines.

Our acquisition strategy continues to focus on consolidation opportunities in and around metropolitan areas where supply and demand dynamics combined with attractive pricing create opportunities for earnings accretive acquisitions. By year end 2015, the Group's total portfolio comprised 489 centres with capacity of 35,221 licensed places.

### Financial results

2015 was another year of record results for the Group.

Revenues rose to \$706.2m, up 44% and net profit after tax rose 68% to \$88.6m. Operating cash flow increased to \$95.1m this year from \$74.7m in 2014. The Group's ability to convert earnings before interest, tax, depreciation and amortisation (EBITDA) to cash remains outstanding with 99% cash conversion recorded in 2015.

Underlying earnings per share, a key strategic measure for the Group, increased 29% to 23.87c in 2015.

### Outlook for 2016

The sector continues to exhibit high degrees of fragmentation coupled with favourable underlying fundamentals. This combined with our extensive investment in the foundation of our business will ensure that the Group is well positioned to deliver on its commitment to its children, families and communities, as well it's shareholders, in the year ahead.

We look forward to 2016.

A handwritten signature in blue ink, appearing to read 'Chris Scott'.

Christopher Scott  
Managing Director





A Piney  
apple  
a day!

## Key Operational Information

### Consolidated Group

Number of owned centres at year end	489
Licence capacity of owned centres at year end	35,221 per day
Total number of employees at year end	10,741
Total number of full time equivalent employees at year end	7,230

## Underlying Net Profit After Tax Reconciliation

Consolidated Year End 31 December	2015 \$'000	2014 \$'000	Variance
Revenue <sup>#</sup>	703,547	488,402	44%
Expenses	(543,124)	(382,437)	42%
<b>Earnings Before Interest and Tax</b>	<b>160,423</b>	<b>105,965</b>	<b>51%</b>
Financing Cost <sup>#</sup>	(37,650)	(33,404)	13%
<b>Net Profit Before Tax</b>	<b>122,773</b>	<b>72,561</b>	<b>69%</b>
<b>Net Profit After Tax</b>	<b>88,581</b>	<b>52,731</b>	<b>68%</b>
Less non-operating transactions:			
Deferred consideration not paid*	(5,755)	(9,178)	
Acquisition expenses	916	3,354	
Share based payment expense *	344	107	
Profit on sale of financial assets <sup>^</sup>	(7,343)	-	
Write off of SGD borrowing costs relating to sale of financial assets <sup>^</sup>	2,010	-	
Write off of borrowing costs on refinance* <sup>^</sup>	-	566	
Foreign currency translation loss* <sup>^</sup>	8,378	13,033	
<b>Underlying Net Profit After Tax</b>	<b>87,131</b>	<b>60,613</b>	<b>44%</b>
<b>Underlying EPS (cents per share)</b>	<b>23.87</b>	<b>18.57</b>	<b>29%</b>
<b>Underlying Earnings Before Interest and Tax</b>	<b>145,438</b>	<b>100,248</b>	<b>45%</b>

<sup>#</sup> Adjustment for interest income of \$2.6m excluded from revenue and included in financing costs.

\* Non-cash adjustments.

<sup>^</sup> Tax adjusted.

Directors' Report and Corporate Governance  
Statement

Directors' Report	12
Auditor's Independence Declaration	23
Corporate Governance Statement	25

## Directors' Report

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of G8 Education Limited and the entities it controlled at the end of, or during, the year ended 31 December 2015.

All of the following persons were Directors of G8 Education Limited during the financial year and up to the date of this report unless otherwise stated.

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### Mark Johnson

B. Comm, FCA,  
CPA, FAICD

Chairman  
Independent  
Non-Executive  
Director since  
1 January 2016

Mark Johnson is a experienced chairman and company director with a diverse portfolio, including Chairman of MH Premium Farms Holdings Pty Ltd, Director of Westfield Corporation, Director of HSBC Bank Australia Limited, Director of The Hospitals Contribution Fund of Australia Limited (HCF) and Councillor – St Aloysius' College.

Prior to embarking on his Board career, Mr Johnson was the Chief Executive Officer and Senior Partner of PricewaterhouseCoopers (PwC), one of Australia's leading professional services firms, from July 2008 to June 2012. His former roles include Chairman of the PwC Foundation, member of the Auditing and Assurance Board and Deputy Chair of the Finance and Reporting Committee at the Australian Institute of Company Directors.

Mr Johnson is a Fellow of the Institute of Chartered Accountants and the Australian Institute of Company Directors, and holds a Bachelor of Commerce from the University of NSW.

*Other current listed public Company Directorships:* Westfield Corporation Limited (appointed 30 June 2014) and Westfield Holdings Limited (appointed 29 May 2013 until 30 June 2014).

*Former listed public Company Directorships in the last three years:* Nil.

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### Christopher Scott

B.Econ (Hons)

Managing Director  
Executive Director  
since 25 March  
2010

Chris Scott has over 25 years experience in senior management positions. He has spent over 30 years in business in Singapore where he was involved in a number of successful businesses. Chris was also the founder and Managing Director of ASX listed S8 which was an integrated travel Company that acquired 36 businesses over a 5 year period and was capitalised at \$700 million. His operational, analytical and strategic skills are critical in the selection of potential acquisitions and operational management.

*Other current listed public Company Directorships:* Nil.

*Former listed public Company Directorships in the last three years:* Nil.

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### Brian Bailison

B.Com., B.Acc  
(Cum Laude), ACA

Independent  
Non-Executive  
Director since  
25 March 2010

Brian Bailison has over 20 years experience in finance, corporate finance and operations from senior roles in listed and unlisted businesses in South Africa and Australia, including senior positions at Rand-Merchant Bank Limited (South Africa's largest bank-assurance business), the Ivany Investment Group (diversified investment Group) and Payce Consolidated Limited which operated 59 child care centres prior to them being acquired by the Company.

*Special responsibilities:* Chair Audit and Risk Management Committee and member of the Nomination and Remuneration Committee.

*Other current listed public Company Directorships:* Nil.

*Former listed public Company Directorships in the last three years:* Nil.

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### Matthew Reynolds

B.Sc (Hons), LLB  
(Hons), MQLS

Independent  
Non-Executive  
Director since  
17 March 2015

Matthew is currently a partner at HWL Ebsworth Lawyers and has experience in capital markets, ASX listing, private equity and mergers and acquisitions. He specialises in providing tailored legal and strategic advice in a highly regulated and technical market and has advised on a large number of complex capital and merger and acquisition projects.

*Special responsibilities:* Acting Chairman from 15 October 2015 until 1 January 2016. Member of the Nomination and Remuneration Committee and Audit and Risk Management Committee.

*Other current listed public Company Directorships:* Nil.

*Former listed public Company Directorships in the last three years:* Nil.

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## Susan Forrester

BA, LLB (Hons)  
EMBA, FAICD

Independent  
Non-Executive  
Director since  
1 November 2011

Susan Forrester is an experienced Chair and Company Director with a diverse portfolio career. She has a valuable blend of commercial, legal and executive management experience gained across public and private organisations. She is currently chair for National Veterinary Care Ltd and Oncore Group Holdings Pty Ltd and is a non-executive director of Over the Wire Group Ltd, Xenith IP Ltd and Uniting Care Qld. She serves as Independent Chair of the Audit Committee of Transport and Main Roads Qld.

*Special responsibilities:* Chair of the Nomination and Remuneration Committee and member of the Audit and Risk Management Committee.

*Other current listed public Company Directorships:* Over the Wire Ltd (appointed 1 November 2015), Xenith IP Ltd (appointed 1 October 2015) and National Veterinary Care Ltd (appointed 1 February 2015).

*Former listed public Company Directorships in the last three years:* Nil.

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## David Foster

B.App.Sci, MBA,  
GAICD, SFFin

Independent  
Non-Executive  
Director since 1  
February 2016

David Foster enjoyed a successful career in financial services spanning over 25 years. His last executive role was as Chief Executive Officer of Suncorp Bank, Australia's 5th largest bank.

Since leaving Suncorp, Mr Foster has further developed his career as an experienced Non-Executive Director with a portfolio of Board roles across a diverse range of industries including financial services, retailing, local government, education and professional services. He currently serves as a Director on the Boards of the Thorn Group Limited (ASX:TGA) and Kina Securities Limited (ASX:KSL) and chairs both their Audit and Risk Committees.

*Special responsibilities:* Member of Audit and Risk Management Committee.

*Other current listed public Company Directorships:* Thorn Group Limited (appointed 1 December 2014) and Kina Securities Limited (appointed 1 May 2015).

*Former listed public Company Directorships in the last three years:* Nil.

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## Andrew Kemp

B.Com., CA

Independent  
Non-Executive  
Director until his  
resignation on 17  
March 2015

Andrew Kemp is the Managing Director of Huntington Group, a Queensland based advisory firm. Andrew has structured and implemented the ASX listing of over 10 companies in addition to other corporate advisory and investment activities. Andrew joined AIFC, the merchant banking affiliate of the ANZ Banking Group in Sydney and then opened AIFC's Queensland office in 1979. He established Huntington Group in 1987.

*Special responsibilities:* Chair of Audit and Risk Management Committee.

*Other current listed public Company Directorships:* PTB Group Limited (appointed August 2006) and Silver Chef Limited (appointed February 2005).

*Former listed public Company Directorships in the last three years:* Trojan Equity Limited (appointed March 2005 and ceased March 2013).

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## Jennifer Hutson

B.Com., LLB, FAIM

Chairperson,  
Independent Non-  
Executive Director  
until her  
resignation on 15  
October 2015

Jenny Hutson is an investment banker and fund manager. She is an experienced corporate adviser and Company Director. She has over 20 years' experience in advising listed companies on capital raisings, mergers and acquisitions, finance and governance issues. She was previously Chairperson of S8, Harvey World Travel and Travelscene American Express and a Director of the Royal Children's Hospital Foundation and the centenary committee for Surf Life Saving Australia.

*Special responsibilities:* Chair of the Board, Member of Audit and Risk Management Committee and Nomination and Remuneration Committee.

*Other current listed public Company Directorships:* Nil.

*Former listed public Company Directorships in the last three years:* Nil.

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## Chief Executive Officer

Jason Roberts is the Chief Executive Officer. He is responsible for managing the external and internal operations of the Group and providing consistent high level advice to the Board on operations, policy and planning.

Jason has 20 years experience in finance, capital markets and executive management roles. He has worked in several international jurisdictions over the course of his career and is a qualified Chartered Financial Analyst.

## Company Secretary

Chris Sacre is the Chief Financial and Company Secretary Officer. He is responsible for financial management including reporting, forecasting and business development.

Chris' formal qualifications include a Bachelor of Business and a Graduate Diploma in Applied Finance. Chris is a Chartered Accountant and a Fellow member of the Financial Services Institute of Australasia and has been involved in the child care industry for eight years.

## Principal activities

The principal continuing activities of the Group during the year were:

- Operation of early education centres owned by the Group; and
- Ownership of early education centre franchises.

There has been no significant change to the Group's activities during the financial year ended 31 December 2015.

## Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Chairman and Managing Director's Report.

## Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the year were as follows:

- Acquired an additional 44 child care centres in Australia;
- The Group raised \$155m SGD note as part of the cash offer component of the proposed acquisition of Affinity Education Group, this transaction did not proceed and as a result the notes will be repaid on 29 February 2016.
- Jennifer Hutson resigned as Chairperson on 15 October 2015 and M Johnson was appointed effective from 1 January 2016.

## Matters subsequent to the end of the financial year

The following material matters have taken place subsequent to year end:

- Mark Johnson was appointed Chairman on 1 January 2016. (Refer to the Directors' Report for details about his professional career).
- David Foster was appointed as Non-Executive Director effective from 1 February 2016. (Refer to the Directors Report for details about his professional career).
- On 19 January 2016 the Group announced its intention to redeem the 2016 \$155m SGD senior unsecured notes early. This exercise will be completed on 29 February 2016.
- In accordance with the terms of the executive share plan a third of the shares issued will be cancelled by the Group as the underlying EPS growth did not exceed 40% as required by the terms of the plan.

## Likely developments and expected results of operations

The Group will continue to pursue its objectives of increasing the profitability and the market share of its child care business during the next financial year. This will be achieved through organic and acquisition led growth.

## Rounding Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## Dividends

Dividends declared or paid during the financial year were as follows:

	2015 \$'000	2014 \$'000
Dividend for the quarter ended 31 March 2015 of 6.0 cents per share (2014: 3.5 cents per share) paid on 10 April 2015 (2014: Paid on 10 April 2014)	21,549	10,560
Dividend for the quarter ended 30 June 2015 of 6.0 cents per share (2014: 4.5 cents per share) paid on 7 July 2015 (2014: Paid on 9 July 2014)	21,903	14,892
Dividend for the quarter ended 30 September 2015 of 6.0 cents per share (2014: 5.0 cents per share) paid on 7 October 2015 (2014: Paid on 10 October 2014)	22,070	16,604
Dividend for the quarter ended 31 December 2015 of 6.0 cents per share (2014: 6.0 cents per share) paid on 11 January 2016 (2014: Paid 21 January 2015)	22,369	21,221
	<b>87,891</b>	<b>63,277</b>

## Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2015, and the number of meetings attended by each Director were:

	Full meetings of Directors		Audit and Risk Management Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
J Hutson**	9	9	2	2	1	1
C Scott	11	11	*	*	*	*
M Reynolds	9	9	1	1	1	1
B Bailison	11	11	2	2	1	1
A Kemp***	2	2	1	1	*	*
S Forrester	11	11	*	*	1	1

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

\* = Not a member of the relevant committee

\*\* J Hutson resigned as a Director on 15 October 2015

\*\*\* A Kemp resigned as a Director on 17 March 2015

## Environmental regulation

The Group is subject to and complies with environmental regulations under State Legislation in the management of its operations. The Group does not engage in activities that have particular potential for environmental harm.

No incidents have been recorded and the Directors are not aware of any environmental issues which have had, or are likely to have, a material impact on the Group's business.

## Remuneration Report

The Directors are pleased to present the G8 Education Limited 2015 Remuneration Report which sets out remuneration information for the Group's Non-Executive Directors, Executive Directors and other Key Management Personnel.

The report contains the following sections:

- Key Management Personnel disclosed in this report;
- Remuneration governance;
- Use of remuneration consultants;
- Executive remuneration policy and framework;
- Relationship between remuneration and G8 Education Limited performance;
- Non-Executive Director remuneration policy;
- Voting and comments made at the Company's 2014 Annual General Meeting;
- Details of remuneration;
- Service agreements;
- Details of share-based compensation and bonuses;
- Equity instruments held by Key Management Personnel; and
- Loans to Key Management Personnel.

### (a) Key Management Personnel disclosed in this report

Non-Executive and Executive Directors (see page 12 for details about each Director)

- J Hutson (until her resignation on 15 October 2015)
- C Scott
- A Kemp (until his resignation on 17 March 2015)
- B Bailison
- S Forrester
- M Reynolds (from his appointment on 17 March 2015) and acting Chairman from 15 October 2015 until 31 December 2015.

### Other Key Management Personnel

<u>Name</u>	<u>Position</u>
J Roberts	Chief Executive Officer
C Sacre	Chief Financial Officer and Company Secretary
T King	General Manager of Operations
A Perriam	Executive Officer

### (b) Remuneration governance

The Nomination & Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework;
- operation of the incentive plans which apply to Executive Directors and Senior Executives, including key performance indicators and performance hurdles;
- remuneration levels of executives; and
- Non-Executive Director fees.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

The Corporate Governance Statement and Charter provides further information on the role of this committee.

### (c) Use of remuneration consultants

In March 2015, the Remuneration and Nominations Committee engaged Hay Group to provide specialist advice on Board and Executive remuneration. This information did not include any specific recommendations in relation to the remuneration or fees paid to the Board or Executives.

In December 2015, the Committee appointed PWC to comprehensively review our executive remuneration framework with a view to establishing a competitive remuneration framework that encourage sustainable business performance whilst ensuring ease of administration.

### (d) Executive remuneration policy and framework

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

The executive remuneration framework has two components:

- base pay and benefits, including superannuation; and
- long-term incentives.



## Base Pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executives's pay is competitive with the market and comparable to other companies of similar operational complexity and market capitalisation as G8 Education Limited. An executive's remuneration is also reviewed on promotion.

There are no guaranteed base pay increases included in any executive contracts.

## Benefits

There were no performance bonuses paid during the year to any Executive Directors or other Key Management Personnel. Refer to note 35 for details on the shares issued to executives.

## (e) Relationship between remuneration and G8 Education Limited performance

Key performance indicators for the Group over the last five years:

	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Profit attributable to owners of the Company	88,581	52,731	31,072	19,208	17,250
Underlying profit attributable to owners of the Company	87,131	60,613	32,276	19,730	13,907
Dividends paid or provided for	87,891	63,277	33,649	15,086	7,476
Revenue from continuing operations	689,363	482,110	274,615	179,027	137,949
Total KMP remuneration as percentage of underlying profit for the year	3.41%	3.30%	4.61%	8.36%	8.94%

The Group's underlying profit from ordinary activity after income tax has increased by 487% from CY11 to CY15. During the same period senior executive compensation has increased by 109%.

## (f) Non-Executive Director remuneration policy

On appointment to the Board, all Non-Executive Directors enter into a appointment agreement with the Company. The agreement sets out remuneration, terms of appointment and binds the Director to the Boards policies and code of conduct.

Non-Executive Directors receive a Board fee which includes remuneration for chairing or participating on Board committees. The table on the following page details the Group's fee structures in this area.

Non-Executive Directors do not receive performance-based pay. The Chair does not receive additional fees for participating in or chairing committees.

Fees are reviewed annually by the Board taking into account comparable roles and market data. The current base fees were reviewed with effect from March 2015.

The maximum annual aggregate Directors' fee pool limit is \$850,000 and was approved by shareholders at the Annual General Meeting in May 2015.

The following fees, exclusive of superannuation, have applied since March 2015 for the Non-Executive Directors and from 1 January 2016 for the current Chairman.

### Base Fees

Chairman	\$225,000	per annum
Non-Executive Directors	\$95,000	per annum

### Executive Pay

The executive pay currently has two components being base and benefits, including superannuation.

### (g) Voting and comments made at the Company's 2014 Annual General Meeting

G8 Education Limited unanimously passed the remuneration report on a show of hands for the 2014 financial year. The Company did not receive any specific feedback at the Annual General Meeting on its remuneration practices.

### (h) Details of remuneration

The following tables show details of the remuneration received by the Group's Key Management Personnel for the current and previous financial year.

2015	Short term employee benefits	Post employment benefits	Share based payment	Dividend payments on escrow shares	Termination payments	Total
Name	Cash salary & fees	Superannuation				
	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>						
J Hutson	140,496	13,347	-	-	-	153,843
B Bailison	83,769	7,958	-	-	-	91,727
A Kemp	12,322	1,219	-	-	-	13,541
M Reynolds	72,346	6,873	-	-	-	79,219
S Forrester	85,308	8,104	-	-	-	93,412
<b>Executive Director</b>						
C Scott	739,264	6,169	105,284	120,000	-	970,717
<b>Other Key Management Personnel</b>						
J Roberts	391,273	20,145	105,284	120,000	-	636,702
C Sacre	350,000	24,606	120,257*	120,000	-	614,863
T King	67,308	5,740	-	-	-	73,048
A Perriam	197,077	16,933	12,865	14,664	-	226,875
<b>Total</b>	<b>2,139,163</b>	<b>111,094</b>	<b>343,690</b>	<b>374,664</b>	<b>-</b>	<b>2,968,611</b>

2014	Short term employee benefits	Post employment benefits	Share based payment	Dividend payments on escrow shares	Termination payments	Total
Name	Cash salary & fees \$	Superannuation \$	\$	\$	\$	\$
<b>Non-Executive Directors</b>						
J Hutson	138,876	13,027	-	-	-	151,903
B Bailison	54,091	5,072	-	-	-	59,163
A Kemp	59,361	5,639	-	-	-	65,000
S Forrester	54,091	5,072	-	-	-	59,163
<b>Executive Director</b>						
C Scott	609,553	57,907	-	-	-	667,460
<b>Other Key Management Personnel</b>						
J Roberts (appointed 1 April 2014)	230,598	18,310	-	-	-	248,908
C Sacre	350,000	29,784	58,000*	-	-	437,784
J Fraser (resigned 29 August 2014)	173,077	17,977	48,649*	-	70,791	310,494
<b>Total</b>	<b>1,669,647</b>	<b>152,788</b>	<b>106,649</b>	<b>-</b>	<b>70,791</b>	<b>1,999,875</b>

\* Share based payments costs includes a fair value adjustment between value of shares as per loan agreement and the value of the shares on the date they were issued (refer to note 23 for further details).

During the year no portion of the Directors or Key Management Personnel's remuneration was contingent on performance hurdles. This is consistent with 2014. Key Management Personnel remuneration was 100% fixed with no portion variable on performance.

### (i) Service agreements

Remuneration and other terms of employment for the Managing Director, Chief Executive Officer, Chief Financial Officer, General Manager of Operations and Executive Officer are formalised in agreements which have a provision for bonuses and other benefits which may be granted from time to time by the Board of Directors. Contracts with Executives may be terminated by either party with up to three months' notice.

#### C Scott, Managing Director

Term of agreement - ongoing, commenced March 2010, with a three month notice period. Base salary, exclusive of superannuation, of \$740,000 per annum, to be reviewed annually by the Board.

#### J Roberts, Chief Executive Officer

Term of agreement – ongoing, commenced April 2014, with a three month notice period. Base salary, exclusive of superannuation, of \$450,000 per annum, to be reviewed annually by the Board.

#### C Sacre, Chief Financial Officer and Company Secretary

Term of agreement – ongoing, commenced April 2008, with a three month notice period. Base salary, exclusive of superannuation, of \$350,000 per annum, to be reviewed annually by the Board.

#### T King, General Manager Operations

Term of agreement – ongoing, commenced September 2015, with a three month notice period. Base salary, exclusive of superannuation, of \$250,000 per annum, to be reviewed annually by the Board.

#### A Perriam, Executive Officer

Term of agreement – ongoing, commenced January 2015, with a three month notice period. Base salary, exclusive of superannuation, of \$210,000 per annum, to be reviewed annually by the Board.

## (j) Details of share-based compensation and bonuses

### Executive Share Plan (the Plan)

In accordance with the terms and conditions of the Plan approved by shareholders on 21 May 2015, selected KMP are granted the right to acquire shares at a nominated exercise price subject to agreed service and performance criteria (i.e. vesting conditions). The Plan is an equity plan where shares are acquired up front through the provision of a limited recourse loan from the Company, provided for the sole purpose of acquiring shares in the Company. It operates much like a traditional option plan, as the outstanding loan balance is effectively the 'exercise price' that must be paid before any value can be realised, i.e. exercise price of \$5.00 per share.

The following is a summary of the key terms and conditions of the Plan:

- The loan is repayable on termination date (3 years from approval) or earlier if there is a default in which case the shares are no longer held in escrow.
- No interest is payable on the loan.
- The shares are held in escrow as security for the outstanding loan.
- Limited recourse – if the KMP fails to repay the outstanding loan balance in accordance with the plan, they are under no obligation to repay the full amount of the outstanding loan balance and the Company must accept the net proceeds of the sale or buy-back of the shares in escrow in full satisfaction of the outstanding loan balance.
- The borrower is not able to sell, transfer or dispose of shares in escrow. However, the borrower receives the benefits associated with the shares such as dividends and voting right during the escrow period.
- The shares rank equally with other ordinary shares on issue with respect to dividends, distribution or return of capital and other rights.
- If the borrower leaves the employment of G8 then all secured shares are transferred to a party nominated by the Company and the money owed reduced by number of shares transferred multiplied by \$5 per share – exception is where the borrower is unfit for work.
- Shares are released to the borrower in tranches – if conditions are not met then the shares are transferred to a party nominated by the Company.
  - 1 year – 1/3 shares if EPS @ 31/12/15 is 40% more than EPS at 31/12/14;
  - 2 years – 1/3 shares if EPS @ 31/12/16 is 15% above EPS at 31/12/15; and
  - 3 years – 1/3 shares if EPS @ 31/12/17 is 15% above EPS at 31/12/16.

The table below shows the transactions relating to the plan during the year:

<b>Name of Key Management Personnel</b>	<b>Plan Shares</b>	<b>Loan Amount</b>	<b>Share-based payment</b>
Christopher Scott	1,000,000	\$5,000,000	\$105,284
Jason Roberts	1,000,000	\$5,000,000	\$105,284
Christopher Sacre	1,000,000	\$5,000,000	\$105,284
Ann Perriam	122,198	\$610,990	\$12,865

Under AASB 2 *Share-based Payments*, the Plan gives rise to a share-based payment expense which is measured by reference to the fair value of the Plan Shares as at the date on which the Share Plan Resolutions were passed. As the Plan Shares were acquired by way of limited recourse loans, the fair value of the Plan Shares was measured using an option pricing model in accordance with AASB 2. The fair value of each share issued under the share loan plan at the date of shareholder approval was \$0.515. The company has recognised an after tax, non-cash share-based payment of \$328,818 during the financial year with a corresponding credit to Shareholders' Equity in the form of a Share Option Reserve. The treatment of the Plan Shares under applicable Accounting Standards as options requires that the value of the loans and issue price of the shares are not recorded as Loans Receivables or Share Capital of the Group until repayment or part repayment of the loans occurs. The Plan Shares were entitled to dividends of \$561,995 from the dividends paid on 7 July 2015, 7 October 2015 and 11 January 2016.

## (k) Equity instruments held by Key Management Personnel

The numbers of shares in the Company held during the financial year by each Director of G8 Education Limited and other Key Management Personnel of the Group, including their associates, are set out below. There were no shares issued during the reporting year as compensation.

2015	Balance at the start of the year	Shares issued under limited recourse loans disclosed as share options	Other changes during the year	Balance at the end of the year
<b>Directors of G8 Education Limited</b>				
Ordinary Shares				
J Hutson	1,800,000	-	153,778	1,953,778
C Scott	-	1,000,000	-	1,000,000
B Bailison	-	-	-	-
M Reynolds	14,695	-	9,500	24,195
A Kemp	103,043	-	120,660	223,703
S Forrester	-	-	5,423	5,423
<b>Other Key Management Personnel of the Group</b>				
Ordinary Shares				
J Roberts	-	1,000,000	-	1,000,000
C Sacre	600,000	1,000,000	248,000	1,848,000
T King	-	-	-	-
A Perriam	-	122,198	-	122,198

## (l) Loans to Key Management Personnel

Details of loans made to Directors and other Key Management Personnel, and entities nominated by them, are set out in item (j) in the Remuneration Report.

## Insurance of Officers and Auditors

During the year, the Group paid a premium to insure the Directors and Officers of the Company and its controlled entities. Under the terms of the policy the amount of the premium and the nature of the liability cannot be disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the Group and any other payments arising from liabilities incurred by the Officers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving wilful breach of duty of the Officers or the improper use by the Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

It is not possible to apportion the premium between the amounts relating to the insurance against legal costs and those relating to other liabilities. No insurance premiums or indemnities have been paid for or agreed by the Group for the current or former auditors.

## Proceedings on behalf of the Group

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

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

## Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditors or other members of the HLB network for non-audit services provided during the year are \$17,750 and disclosed in note 24.

The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics of Professional Accountants.

## 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 23.

## Auditor

HLB Mann Judd (SE Qld Partnership) continue in office in accordance with section 327 of the Corporations Act 2001.

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



**Christopher Scott**  
**Managing Director**  
**22 February 2016**



Accountants | Business and Financial Advisers

## G8 Education Limited

### **Auditor's Independence Declaration under s.307C of the Corporations Act 2001 to the Directors of G8 Education Limited and Controlled Entities**

As lead auditor for the audit of the consolidated financial report of G8 Education Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

*HLB Mann Judd*

**HLB Mann Judd  
Chartered Accountants**

A handwritten signature in black ink, appearing to read 'A B Narayanan'.

**A B Narayanan  
Partner**

Brisbane, Queensland  
22 February 2016

**HLB Mann Judd (SE Qld Partnership) ABN 68 920 406 716**

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# Corporate Governance Statement

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Under Listing Rule 4.10.3, G8 Education is required to provide a statement in its annual report disclosing the extent to which it has followed the Recommendations in the reporting period. Where a Recommendation has not been followed, the fact must be disclosed, together with reasons for departure from the Recommendation. In addition, a number of the Recommendations require the disclosure of specific information in the corporate governance statement of the annual report.

G8 Education corporate governance statement is structured with reference to the Council's Principles and Recommendations 3rd Edition. The key principles are as follows:

## Principle 1: Lay solid foundations for management and oversight

The relationship between the Board and senior management is critical to the Group's long-term success.

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole.

Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The responsibilities of the Board include:

- providing strategic guidance to the Group including contributing to the development of and approving of the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring
  - organisational performance and the achievement of the Group's strategic goals and objectives;
  - compliance with the Company's Code of Conduct;
  - progress in relation to the Company's diversity objectives and compliance with the diversity policy;
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;

- monitoring financial performance including approval of the annual and half year financial reports and liaising with the Group's auditors;
- appointment, performance assessment and if necessary, removal of key executives;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CEO, CFO and the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation;
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders; and
- ensuring appropriate resources are available to senior management.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives. These delegations are reviewed on an annual basis.

The Group has developed a process for annual appraisal of senior management measuring performance in ten areas, including contribution to the overall success of the business. The appraisal is designed to measure success in achieving objectives set for the past twelve months and to set objectives for the next twelve months. Succession planning is also built into the appraisal process to encourage development of future leaders within the Group.

All Executives enter into a written agreement with the Company which sets out the terms of their appointment.

The Group undertook performance evaluations for the management team and senior executives in November 2015.

The Company Secretary is accountable directly to the board of directors through the Chair on all matters to do with the proper functioning of the Board.

## Diversity Policy

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has developed a diversity policy, a copy of which can be found on the Company's website. This policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity.

It includes requirements for the Board to establish measurable objectives for achieving diversity and for the Board to assess annually both the objectives and the Company's progress in achieving them.

The table below illustrates the number of women employees and percentage of total workforce in the entire organisation, senior executive positions and on the Board.

The Board set measurable objectives for achieving gender diversity during 2015. G8 Education Limited currently has one female on the Board from a total of six Directors, and four female in the management team, from a total of nine.

The measurable objective set by the Board for 2016 are as follows:

	Actual	
	Number	%
Number of females employees in the whole organisation	9,689	98
Number of females in senior management positions	4	44
Number of females on the Board <sup>1</sup>	1	20

	Target		Actual	
	No.	%	No.	%
Executives in leadership roles will be female <sup>2</sup>	N/A	> 40%	N/A	44%
Continually grow number of female in senior management	> 23	N/A	42	N/A

<sup>1</sup>Calculated as a percentage of total non-executive directors

<sup>2</sup>Defined as support office Executive Management team

In accordance with the requirements of the Workplace Gender Equality Act 2012, G8 Education Group workplace profile for Australia only is set out in the table below:

	Workplace Profile - G8 Education					
	Male					
	Reporting level to CEO (for Managers only)	Full time permanent	Full time contract	Part Time permanent	Part time contract	Casual
CEO/Head of business in Australia	0	1	-	1	-	2
Key Management Personnel (KMP)	-1	3	-	-	-	-
Other Executives / General Managers	-2	-	-	-	-	-
Senior managers	-3	2	-	-	-	-
Other managers	-4	5	-	-	-	-
Professionals	-	4	-	-	-	-
Community and personal service	-	27	-	112	-	68
Clerical and administrative	-	10	-	-	-	-
<b>Total</b>	-	52	-	113	-	70

## Workplace Profile - G8 Education

### Female

	Reporting level to CEO (for Managers only)	Full time permanent	Full time contract	Part time permanent	Part time contract	Casual	Total Staff	Female %	Male %
<b>CEO/Head of business in Australia</b>	0	-	-	-	-	1	5	20%	80%
<b>Key Management Personnel (KMP)</b>	-1	5	-	-	-	-	8	63%	37%
<b>Other Executives / General Managers</b>	-2	5	-	-	-	-	5	100%	0%
<b>Senior managers</b>	-3	42	-	-	-	-	44	95%	5%
<b>Other managers</b>	-4	350	-	91	-	2	448	99%	1%
<b>Professionals</b>	-	14	-	3	-	-	21	81%	19%
<b>Community and personal service</b>	-	1,299	-	5,286	-	2,307	9,099	98%	2%
<b>Clerical and administrative</b>	-	45	-	4	-	-	59	83%	17%
<b>Total</b>	-	1,760	-	5,384	-	2,310	9,689	98%	2%

## Principle 2: Structure the Board to add value

The Board operates in accordance with the broad principles set out below:

### Board Composition

The Board is to be comprised of both Executive and Non-Executive Directors. On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company. The agreement summarises the Board policies and terms, including remuneration, relevant to the office of Director.

Non-Executive Directors bring perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management.

The Chairman is elected by the full Board and is required to meet regularly with key executives. The Board is to establish measurable Board gender diversity objectives and assess annually the objectives and progress in achieving them. The Group is to maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience.

The Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

The Board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external or fresh perspective;
- the size of the Board is conducive to effective discussion and efficient decision-making.

## Board Renewal, Succession Planning and Board Matrix

The Board regularly reviews its composition, skills and succession plans to ensure it aligns with the company's Strategic Plan.

The Nomination and Remuneration Committee developed a Board skills matrix. This contains the mix of skills, experience, knowledge and diversity that the Board currently has and is looking to achieve in its composition. The Nomination and Remuneration Committee also oversees the professional development of Directors to ensure that identified skill sets are strengthened and deepened.

A summary of the comprehensive skills matrix is set out below.

Each of these areas is currently represented on the Board, recognising that each Director may not necessarily have experience in or fit within all of these areas. However, the Board benefits from the combination of the Directors' individual skills, experience, knowledge and diversity.

Category	Explanation
Executive Leadership	<ul style="list-style-type: none"> <li>• General commercial/business management experience in large organisations</li> <li>• Successful career as a senior executive or CEO</li> </ul>
Board Experience	<ul style="list-style-type: none"> <li>• Experience serving as a Director on ASX listed companies or large private entities</li> <li>• Experience gained serving as Chair or Member of Board Committees including Audit and Risk or Remuneration and Nominations</li> <li>• Graduate (progressing to Fellow) of AICD</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>• Setting and reviewing organisational strategy</li> <li>• Setting corporate KPIs</li> <li>• Assessing corporate performance</li> </ul>
Banking and Finance	<ul style="list-style-type: none"> <li>• Accounting and statutory financial reporting, corporate finance and internal controls, including assessing quality of financial controls</li> <li>• Retail / investment banking and Capital Markets experience</li> </ul>
Governance and Risk	<ul style="list-style-type: none"> <li>• Knowledge, experience and commitment to the highest standards of corporate governance</li> <li>• Understanding of risk management principles</li> <li>• Able to identify the key risks to the organisation and monitor effectiveness of risk management frameworks and practices</li> </ul>
Legal	<ul style="list-style-type: none"> <li>• Knowledge of corporate/commercial law and legal compliance</li> <li>• Understanding of Directors' duties and responsibilities</li> <li>• Working knowledge of ASX Rules and Guidelines</li> </ul>
Industry Sector	<ul style="list-style-type: none"> <li>• Early learning/child care or education sector knowledge and expertise</li> <li>• Delivery of quality services in a highly regulated environment</li> </ul>
Mergers and Acquisitions	<ul style="list-style-type: none"> <li>• Experience in acquisitive or companies experiencing accelerated growth</li> <li>• Experience of financial analysis, due diligence processes associated with acquisitions and post-merger integration</li> </ul>
Information Technology	<ul style="list-style-type: none"> <li>• Governance of critical information technology infrastructure</li> </ul>
Business Development	<ul style="list-style-type: none"> <li>• Development and oversight of customer focussed business development strategies</li> <li>• Marketing of Services in large distributed network</li> <li>• Sales and Marketing in Education Sector</li> </ul>
People	<ul style="list-style-type: none"> <li>• Overseeing and assessing senior management, remuneration frameworks, strategic human resource management</li> <li>• Experience of HR issues associated with acquisitions</li> <li>• Organisational change management</li> </ul>
Relationship Management	<ul style="list-style-type: none"> <li>• Experience in managing external stakeholders</li> <li>• Experience in managing internal stakeholders</li> <li>• Strong relevant professional networks</li> <li>• Mentoring/coaching experience</li> </ul>

## Board Members

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' Report. The Board consists of six Directors, five of whom are Non-Executive and all five (M Johnson, B Bailison, M Reynolds, D Foster and S Forrester) are considered independent under the principles set out below.

## Directors Independence

The Board has adopted specific principles in relation to Directors' independence. These state that to be independent, a Director must be a Non-Executive and:

- not be a substantial shareholder of the Group or an Officer of, or otherwise associated directly with, a substantial shareholder of the Group;
- within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a Director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided;
- not be a material supplier or customer of the Company or any other Group member, or an Officer of or otherwise associated directly or indirectly with a material supplier or customer;
- must have no material contractual relationship with the Company or a controlled entity other than as a Director of the Group; and
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors ability to act in the best interests of the Company.
- Materiality for these purposes is determined on both a quantitative and qualitative basis.

In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the Directors' performance. Recent thinking on corporate governance has introduced the view that a Director's independence may be perceived to be impacted by lengthy service on the Board. To avoid any potential concerns, the Board has determined that a Director will not be deemed independent if he or she has served on the Board of the Company for more than ten years.

## Term of Office

The Company's Constitution specifies that all Directors, other than a Managing Director, must retire from office no later than the third annual general meeting following their last election. Where eligible, a Director may stand for re-election.

## Chairman and Managing Director

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives. In accepting the position, the Chairman has acknowledged the significant time commitment that will be required and confirmed that other positions will not hinder their effective performance in the role of Chairman. The Chairman is an independent director.

The Managing Director is responsible for implementing Group strategies and policies.

## Induction

The induction provided to new Directors and senior managers enables them to actively participate in Board decision making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations, culture, values and risk management policies. It also explains the respective rights, duties, responsibilities, interaction and roles of the Board and senior executives and the Company's meeting arrangements.

## Commitment

The Board held 11 Board meetings during the year.

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 31 December 2015, and the number of meetings attended by each Director is disclosed on page 15.

It has been the Company's practice to allow executive Directors to accept appointments outside the Company with approval of the Board. There are currently no Executive Directors with outside appointments.

The commitments of Non-Executive Directors are considered by the Nomination Committee prior to the Directors' appointment to the Board of the Company and are to be reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each Non-Executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

## Conflict of interests

There were no conflicts of interests during the year ended 31 December 2015.

## Independent professional advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

## Nominations

The Board established a Remuneration & Nomination Committee in August 2014.

The committee operates under a charter approved by the Board.

The Nomination Committee comprises the following members:

- S Forrester (Chair)
- B Bailison
- M Reynolds

For details of Directors' attendance at meetings of the Nomination Committee, please refer to page 15 of the Directors' Report.

The Terms of Reference of the Nomination Committee is publicly available on the Company's website:

[www.g8education.edu.au/about-us/corporate-governance](http://www.g8education.edu.au/about-us/corporate-governance)

- The main responsibilities of the Nomination Committee include:
- To conduct an annual review of the membership of the Board having regard to present and future needs of the Company;
- To make recommendations on Board composition and appointments;
- To conduct an annual review of and conclude on the independence of each Director;
- To propose candidates for Board vacancies and complete appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director;
- To oversee the annual performance assessment program;
- To oversee Board succession, including the succession of the Chair, and reviewing whether succession plans are in place to maintain an appropriately balanced mix of skills, experience and diversity on the Board;

- To manage the processes in relation to meeting Board diversity objectives;
- To assess the effectiveness of the induction process;
- Ensure security holders are provided with all material information to make a decision on whether or not to elect or re-elect a director.

## Board Performance Assessment

The Board has developed an annual self assessment process for its collective performance and the performance of the Chairman and its committees. A questionnaire is to be completed by each Director, evaluating his or her individual performance, that of other Board members and of the Board as a whole. The results and any action plans are to be documented together with specific performance goals which are to be agreed for the coming year.

The Board performance assessment was not completed in 2015 due to the new appointment of the Chairman, M Johnson who commenced in 1 January 2016. The Board assessment will be completed in 2016 under the Company's new Chairman.

## Principle 3: Promote ethical and responsible decision making

### Code of Conduct

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors and employees.

The Code is available at [www.g8education.edu.au/about-us/corporate-governance](http://www.g8education.edu.au/about-us/corporate-governance) or by contacting the registered office.

The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

### Trading in Company Securities

The purchase and sale of Company securities by Directors and employees is only permitted in accordance with the Company's Securities Trading Policy.

The Company's Securities Trading Policy is available at [www.g8education.edu.au/about-us/corporate-governance](http://www.g8education.edu.au/about-us/corporate-governance) or by contacting the registered office.

The Directors are satisfied that the Directors and Employees have complied with its policies on ethical

standards, including trading in securities.

## Principle 4: Safeguard integrity in financial reporting

### Audit and Risk Management Committee

The Audit and Risk Management Committee (ARM Committee) consisted of the following Non-Executive Directors:

- B Bailison (Chair);
- M Reynolds; and
- S Forrester

Details of these Director's qualifications and attendance at audit committee meetings are set out in the Directors' Report on pages 12 and 15 respectively.

All members of the ARM Committee are financially literate and have an appropriate understanding of the industry in which the Group operates.

The ARM Committee operates in accordance with a charter which is available on the Company's website.

- The main responsibilities of the committee are to:
- review, assess and approve the annual report, the half year financial report and all other financial information published by the Company or released to the market;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting; and
  - compliance with applicable laws and regulations.
- oversee the effective operation of the risk management framework;
- recommend to the Board the appointment, removal and remuneration of the external auditors and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the Board on matters relevant to the

committee's role and responsibilities.

In fulfilling its responsibilities, the ARM Committee:

- receives reports from management and the external auditors;
- meets with external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the Managing Director and Chief Financial Officer have in place to support their certifications to the Board; and
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved.

The ARM Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Before the Board approves the entity's financial statements for a financial period it receives from its MD and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### External Auditors

The Company policy is to appoint external auditors who clearly demonstrate quality and independence.

The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. HLB Mann Judd was appointed as the external auditor in 2010. The company completed a tender of its external auditor and agreed to appoint Ernst & Young as its external auditor, subject to ASIC's consent and shareholders' approval, effective from 1 January 2016.

An analysis of fees paid to the external auditors, including a break down of fees for non-audit services, is provided in the Directors' Report and in note 24 to the financial statements. The external auditors provide an annual declaration of their independence to the ARM Committee in accordance with the requirements of the Corporations Act 2001.

The external auditor attends the annual general meeting to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

## Principle 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

### Continuous disclosure and shareholder communication

The Company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material impact on the price of the Company's securities.

These policies and procedures also include the arrangements the Group has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means via the Company's website. A copy of the Company's Constitution and main Corporate Governance documents, have been posted to a dedicated section of the Company's website at [www.g8education.edu.au](http://www.g8education.edu.au).

## Principle 7: Recognise and manage risk

### Risk assessment and management

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the ARM Committee and reviewed by the full Board.

The ARM Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks.

In providing this oversight, the committee:

- reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for auditing and evaluation of the Company's risk management system;
- reviews Group wide objectives in the context of the above mentioned categories of corporate risk;
- reviews and where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk;
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis; and
- reviews compliance with agreed policies.

The committee recommends any actions it deems appropriate to the Board for its consideration.

Responsibility for risk management and internal control is delegated to the appropriate level of management within the Group, with the Managing Director having ultimate responsibility to the Board for the risk management and internal control framework.

The Group has a Risk Management policy to formally document the policies and procedures already in place to manage risk. The Company's Risk Management policy is available at [www.g8education.edu.au](http://www.g8education.edu.au) or by contacting the registered office.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.



The Company's risk management policy and the operation of the risk management and compliance system are managed by the Company's risk management group which consists of senior executives chaired by the Chief Financial Officer. The Board receives quarterly reports from this group as to the effectiveness of the Company's management of material risks that may impede meeting business objectives.

## Corporate Reporting

In complying with recommendation 4.2, the Managing Director and Chief Financial Officer have made the following certifications to the Board:

- the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards;
- the above statement is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Group's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects in relation to financial reporting risks.

The Company does not currently have an internal audit function. The Board has considered this and as result implemented appropriate operational audits within the Group. This ensures key internal controls and processes are operating effectively to mitigate the risks identified by the risk committee.

## Principle 8: Remuneration fairly and responsibly

### Remuneration Committee

The Board established a Nomination & Remuneration Committee in August 2014 that operates under a charter approved by the Board.

The Remuneration Committee comprised the following members:

- S Forrester (Chair)
- M Reynolds
- B Bailison

For details of Directors' attendance at meetings of the Remuneration Committee, please refer to page 15 of the Directors' Report.

The Terms of Reference of the Remuneration Committee is publicly available on the Company's website and detailed in the Nomination Committee Terms of Reference:

[www.g8education.edu.au/about-us/corporate-governance](http://www.g8education.edu.au/about-us/corporate-governance)

The Remuneration Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other Senior Executives and Non-Executive Directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The contract includes a specific formal job description.

This job description is reviewed by the Board on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration Report", which is disclosed on pages 16 to 22.

Non-Executive Directors do not receive options or bonus payments and are not provided with retirement benefits other than superannuation.

The committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions. This includes overseeing processes in relation to meeting diversity objectives for executives and staff below Board level.



Financial Report

Consolidated Income Statement	36
Consolidated Statement of Comprehensive Income	36
Consolidated Balance Sheet	37
Consolidated Statement of Changes in Equity	38
Consolidated Statement of Cash Flows	39
Notes to the Financial Statements	42
Directors' Declaration	94

# Consolidated Income Statement

For the year ended 31 December 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
<b>Revenue</b>			
Revenue from continuing operations	5	689,363	482,110
Other income	6	6,311	9,178
Profit on sale of financial assets		10,490	-
<b>Total revenue</b>		<b>706,164</b>	<b>491,288</b>
<b>Expenses</b>			
Employee benefits		(382,320)	(269,993)
Occupancy		(77,994)	(56,086)
Direct costs of providing services		(53,052)	(40,147)
Depreciation	7	(9,372)	(5,076)
Other expenses		(20,386)	(11,135)
Finance costs	7	(40,267)	(36,290)
<b>Total expenses</b>		<b>(583,391)</b>	<b>(418,727)</b>
<b>Profit before income tax</b>		<b>122,773</b>	<b>72,561</b>
Income tax expense	8	(34,192)	(19,830)
<b>Profit for the year attributable to members of the parent entity</b>		<b>88,581</b>	<b>52,731</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	34	24.27	16.15
Diluted earnings per share	34	24.27	16.15

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
<b>Profit for the year</b>		<b>88,581</b>	<b>52,731</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that are or may be reclassified to profit or loss:</b>			
Exchange differences on translation of foreign operations	21	1,514	1,225
Effective portion of changes in fair value of cash flow hedges	21	3,559	-
Transfer of effective portion of changes in hedge fair value from other comprehensive income to the consolidated income statement	21	-	171
<b>Total other comprehensive income</b>		<b>5,073</b>	<b>1,396</b>
<b>Total comprehensive income for the year</b>		<b>93,654</b>	<b>54,127</b>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Consolidated Balance Sheet

As at 31 December 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	193,840	120,804
Trade and other receivables	10	22,943	14,164
Other current assets	11	9,754	13,642
<b>Total current assets</b>		<b>226,537</b>	<b>148,610</b>
<b>Non-current assets</b>			
Property plant and equipment	12	41,370	29,575
Deferred tax assets	13	21,678	15,448
Goodwill	14	944,604	809,162
<b>Total non-current assets</b>		<b>1,007,652</b>	<b>854,185</b>
<b>Total assets</b>		<b>1,234,189</b>	<b>1,002,795</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	83,054	75,567
Borrowings	16	148,891	-
Employee entitlements	17	22,824	18,110
Derivative financial instruments	18	1,184	230
Current tax liabilities		4,400	9,655
<b>Total current liabilities</b>		<b>260,353</b>	<b>103,562</b>
<b>Non-current liabilities</b>			
Borrowings	16	366,270	352,944
Other payables	15	712	652
Provisions	19	4,069	3,628
<b>Total non-current liabilities</b>		<b>371,051</b>	<b>357,224</b>
<b>Total liabilities</b>		<b>631,404</b>	<b>460,786</b>
<b>Net assets</b>		<b>602,785</b>	<b>542,009</b>
<b>EQUITY</b>			
Contributed equity	20	603,043	548,374
Reserves	21	43,635	27,257
Retained earnings	21	(43,893)	(33,622)
<b>Total equity</b>		<b>602,785</b>	<b>542,009</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

		Contributed Equity	Hedging Reserve	Translation Reserve	Share Based Payment Reserve	Profits Reserve	Retained Earnings	Total
Consolidated	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance 1 January 2014</b>		<b>302,001</b>	<b>(171)</b>	<b>3,287</b>	-	<b>15,768</b>	<b>(16,099)</b>	<b>304,786</b>
Profit for the year		-	-	-	-	-	52,731	52,731
Other comprehensive income		-	171	1,225	-	-	-	1,396
<b>Total comprehensive income for the year</b>		-	<b>171</b>	<b>1,225</b>	-	-	<b>52,731</b>	<b>54,127</b>
<b>Transactions with owners in their capacity as owners</b>								
Contributions of equity, net of transaction cost	20	246,373	-	-	-	-	-	246,373
Transfer of profits reserve	21	-	-	-	-	70,254	(70,254)	-
Dividends provided for or paid	22	-	-	-	-	(63,277)	-	(63,277)
		<b>246,373</b>	-	-	-	<b>6,977</b>	<b>(70,254)</b>	<b>183,096</b>
<b>Balance 31 December 2014</b>		<b>548,374</b>	-	<b>4,512</b>	-	<b>22,745</b>	<b>(33,622)</b>	<b>542,009</b>
<b>Balance 1 January 2015</b>		<b>548,374</b>	-	<b>4,512</b>	-	<b>22,745</b>	<b>(33,622)</b>	<b>542,009</b>
Profit for the year		-	-	-	-	-	88,581	88,581
Other comprehensive income		-	3,559	1,514	-	-	-	5,073
<b>Total comprehensive income for the year</b>		-	<b>3,559</b>	<b>1,514</b>	-	-	<b>88,581</b>	<b>93,654</b>
<b>Transactions with owners in their capacity as owners</b>								
Contributions of equity, net of transaction cost	20	54,669	-	-	-	-	-	54,669
Transfer of profits reserve	21	-	-	-	-	98,852	(98,852)	-
Share based payment expense	35	-	-	-	344	-	-	344
Dividends provided for or paid	22	-	-	-	-	(87,891)	-	(87,891)
		<b>54,669</b>	-	-	<b>344</b>	<b>10,961</b>	<b>(98,852)</b>	<b>(32,878)</b>
<b>Balance 31 December 2015</b>		<b>603,043</b>	<b>3,559</b>	<b>6,026</b>	<b>344</b>	<b>33,706</b>	<b>(43,893)</b>	<b>602,785</b>

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

# Consolidated Statement of Cash Flows

## For the year ended 31 December 2015

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
<b>Cash flows from Operating Activities</b>			
Receipts from customers		676,870	494,744
Payments to suppliers and employees		(516,762)	(383,483)
Interest received		2,861	2,919
Interest paid		(22,354)	(14,240)
Income taxes paid		(45,563)	(25,224)
<b>Net cash inflows from operating activities</b>	33	<b>95,052</b>	<b>74,716</b>
<b>Cash flows from Investing Activities</b>			
Payments for purchase of businesses (net of cash acquired)		(128,940)	(447,751)
Repayment of loans by Key Management Personnel		-	1,642
Proceeds from sale of financial assets		52,073	-
Payments for purchase of financial assets		(33,182)	-
Payments for property plant and equipment		(21,082)	(16,508)
<b>Net cash outflows from investing activities</b>		<b>(131,131)</b>	<b>(462,617)</b>
<b>Cash flows from Financing Activities</b>			
Share issue costs		(151)	(7,249)
Debt issue costs		(4,282)	(7,845)
Dividends paid		(53,244)	(33,273)
Proceeds from issue of corporate note		153,617	272,963
Proceeds from issue of shares		12,934	216,499
Repayment of borrowings		-	(46,579)
<b>Net cash inflows from financing activities</b>		<b>108,874</b>	<b>394,516</b>
<b>Net increase in cash and cash equivalents</b>		<b>72,795</b>	<b>6,615</b>
Cash and cash equivalents at the beginning of the financial year		120,179	114,029
Effects of exchange rate changes on cash		852	(465)
<b>Cash and cash equivalents at the end of the financial year</b>	9	<b>193,826</b>	<b>120,179</b>

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





## Index to Notes to the Financial Statements

NOTE 1:	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	42
NOTE 2:	FINANCIAL RISK MANAGEMENT	52
NOTE 3:	CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	58
NOTE 4:	SEGMENT INFORMATION	58
NOTE 5:	REVENUE	59
NOTE 6:	OTHER INCOME	59
NOTE 7:	EXPENSES	59
NOTE 8:	INCOME TAX EXPENSE	60
NOTE 9:	CURRENT ASSETS – CASH AND CASH EQUIVALENTS	61
NOTE 10:	CURRENT ASSETS – TRADE AND OTHER RECEIVABLES	61
NOTE 11:	CURRENT ASSETS – OTHER	62
NOTE 12:	NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT	63
NOTE 13:	NON-CURRENT ASSETS – DEFERRED TAX ASSETS	65
NOTE 14:	NON-CURRENT ASSETS – GOODWILL	66
NOTE 15:	CURRENT AND NON—LIABILITIES – TRADE AND OTHER PAYABLES	67
NOTE 16:	CURRENT AND NON – CURRENT LIABILITIES - BORROWINGS	67
NOTE 17:	EMPLOYEE ENTITLEMENTS	70
NOTE 18:	DERIVATIVE FINANCIAL INSTRUMENTS	70
NOTE 19:	NON-CURRENT LIABILITIES – PROVISIONS	71
NOTE 20:	CONTRIBUTED EQUITY	71
NOTE 21:	RESERVES AND RETAINED EARNINGS	73
NOTE 22:	DIVIDENDS	74
NOTE 23:	KEY MANAGEMENT PERSONNEL DISCLOSURES	75
NOTE 24:	REMUNERATION OF AUDITORS	80
NOTE 25:	CONTINGENCIES	80
NOTE 26:	COMMITMENTS	81
NOTE 27:	RELATED PARTY TRANSACTIONS	82
NOTE 28:	BUSINESS COMBINATIONS	83
NOTE 29:	PARENT ENTITY DISCLOSURES	84
NOTE 30:	SUBSIDIARIES	85
NOTE 31:	DEED OF CROSS GUARANTEE	86
NOTE 32:	EVENTS OCCURRING AFTER THE BALANCE SHEET DATE	89
NOTE 33:	RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES	89
NOTE 34:	EARNINGS PER SHARE	90
NOTE 35:	SHARE-BASED PAYMENTS	90

## Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the consolidated entity consisting of G8 Education Limited and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (AASB), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Company is a listed for profit public Company, incorporated in Australia and operating in Australia and Singapore. The Company's principal activities are operating child care centres and ownership of franchised child care centres.

The financial statements were authorised for issue on 22 February 2016.

#### Compliance with IFRS

Compliance with AASB ensures that the financial report of G8 Education Limited and the Group complies with International Financial Reporting Standards (IFRS).

#### Historical cost convention

These financial statements have been prepared under the historical cost convention as modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and liabilities (including derivative instruments).

### (b) Principles of consolidation

#### Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of G8 Education Limited ("Company" or "parent entity") as at 31 December 2015 and the results of all subsidiaries for the year then ended.

G8 Education Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the

entity and has the ability to effect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (c) Foreign currency translation

#### (i) 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 G8 Education Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency and are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

#### (iii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
2. income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
3. all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate.

#### (d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of discounts, refunds, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue is recognised for the major business activities as follows:

##### (i) Child care fees

Fees paid by families and/or the Australian Government (Child Care Benefit and Child Care Tax Rebate) are recognised as and when a child attends a child care service.

##### (ii) Royalty Income

Royalty fees paid by franchisees are recognised in accordance with the franchise agreement and once the operational support service has been performed.

##### (iii) Government Funding/Grants

Training incentives and additional funding receipts are recognised when there is reasonable assurance that the incentive/receipt will be received and when the relevant conditions have been met.

##### (iv) Interest income

Interest income is recognised using the effective interest method.

##### v) Deferred consideration

Deferred consideration not payable and recognised in accordance with note 1(g).

#### (e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

G8 Education and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## (f) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the year of the lease.

## (g) Business combinations

The acquisition method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange.

Acquisition costs paid by the Company are expensed.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability that are subsequently not required to be paid at the end of the earn out period are recognised as other income.

## (h) Impairment of assets

Goodwill is not subject to amortisation and is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is calculated based on the discounted cash flows of the child care centres over the lease period including a terminal value calculation, which is assessed on a segment level.

## (i) Cash and cash equivalents

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

## (j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables represent child care fees receivable from families and/or the Australian Government.

Under the Child Care Management System (CCMS), implemented in July 2008, Child Care Benefit is generally paid weekly in arrears by the Australian Government based on the actual attendance and entitlement of each child attending the child care centre.

Parent fees are required to be paid one week in advance. Therefore, the parent fees receivable relate to amounts past due.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy

or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of comprehensive income within other expenses. When a trade receivable is uncollectable, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

### (k) Non-current assets (or disposal Groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal Group) to fair value less costs to sell.

Non-current assets (including those that are part of a disposal Group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal Group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the balance sheet.

### (l) Investments and other financial assets

#### Classification

The Group classifies its financial assets as loans and receivables.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with settlements greater than 12 months after the reporting period which are classified as

non-current assets. Loans and receivables are included in trade and other receivables (note 10) in the balance sheet.

#### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### Measurement

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through the profit or loss are expensed in the profit or loss.

Loans and receivables are carried at amortised cost using the effective interest method.

### (m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depend on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (i) Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedge); or
- (ii) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 18. Movements in the hedging reserve in shareholders' equity are shown in note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

### (i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

### (n) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the reporting year in which they are incurred.

Depreciation for vehicles is calculated using the diminishing value method and on other assets calculated using the straight-line method to allocate their cost net of their residual values, over their estimated lives, as follows:

- Buildings: 40 years
- Vehicles: 3 - 12 years
- Furniture, fittings and equipment: 2 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Income Statement.

### (o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

### (p) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are capitalised to the loan and expensed on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

### (q) Employee benefits

#### (i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

## (ii) Other long-term employee benefit obligations

The liability for long service leave and in particular cases, annual leave, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## (iii) Share-based payments

Share-based payments made to employees and others providing similar services, that grant rights over the shares of the parent entity, G8 Limited, are accounted for as equity-settled share-based payment transactions when the rights over the shares are granted by G8.

Equity-settled share based-payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on directors' best estimates, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

## (r) Contributed equity

Ordinary shares are classified as equity.

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

## (s) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

## (t) Earnings Per Share

### (i) Basic Earnings Per Share

Basic Earnings Per Share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### (ii) Diluted Earnings Per Share

Diluted Earnings Per Share adjusts the figures used in the determination of Basic Earnings Per Share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## (u) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

## (v) Rounding Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## (w) Parent entity financial information

The financial information for the parent entity, G8 Education Limited, disclosed in note 29 has been prepared on the same basis as the consolidated financial statements, except as set out below.

### (i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of G8 Education Limited.

### (ii) Tax consolidation legislation

G8 Education Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, G8 Education Limited and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, G8 Education Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate G8 Education Limited for any current tax payable assumed and are compensated by G8 Education Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to G8 Education Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### (x) Going concern

The Group has recognised a net profit after tax of \$88.6 million for the year ended 31 December 2015 and as at that date, current liabilities exceed current assets by \$33.8 million. Management expect the working capital shortfall will be met out of operating cash flows or from finance facilities.

The Directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate, and that assets are likely to be realised, and liabilities are likely to be discharged, at the amounts recognised in the financial statements in the ordinary course of business.



## (y) New accounting standards and interpretations for application in future periods

<b>PRONOUNCEMENTS</b>	<p>AASB 9 Financial Instruments.</p> <p>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009).</p> <p>AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures.</p> <p>AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments.</p> <p>AASB 2014-1 Amendments to Australian Accounting Standards.</p>
<b>NATURE OF THE CHANGE IN ACCOUNTING POLICY</b>	<p>Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value.</p> <p>The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.</p> <p>Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.</p> <p>Chapter 6 Hedge Accounting supersedes the general hedge accounting requirements in AASB 139 Financial Instruments: Recognition and Measurement, which many consider to be too rules-based and arbitrary. Chapter 6 requirements include a new approach to hedge accounting that is intended to more closely align hedge accounting with risk management activities undertaken by entities when hedging financial and non-financial risks.</p> <p>Some of the key changes from AASB 139 are as follows:</p> <ul style="list-style-type: none"><li>• to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139);</li><li>• changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and</li><li>• modification of the requirements for effectiveness testing (including removal of the 'bright-line' effectiveness test that offset for hedging must be in the range 80-125%).</li></ul> <p>Revised disclosures about an entity's hedge accounting have also been added to AASB 7 Financial Instruments: Disclosures.</p> <p>Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:</p> <ul style="list-style-type: none"><li>• the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or</li><li>• full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).</li></ul>
<b>EFFECTIVE DATE</b>	Annual reporting periods beginning on or after 1 January 2018.

<b>EXPECTED IMPACT ON THE FINANCIAL STATEMENTS</b>	The Group has not yet assessed how its own hedging arrangement would be affected by the new rules, and it has not yet decided whether to early adopt AASB 9. In order to apply the new hedging rules, the Group would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.
<b>PRONOUNCEMENTS</b>	AASB 15 Revenue from contracts with customers
<b>NATURE OF THE CHANGE IN ACCOUNTING POLICY</b>	<p>AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.</p> <p>Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.</p> <p>AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.</p>
<b>EFFECTIVE DATE</b>	Annual reporting periods beginning on or after 1 January 2018
<b>EXPECTED IMPACT ON THE FINANCIAL STATEMENTS</b>	The Group has not yet assessed what impact, if any, this standard will have on the Group's financial statements
<b>PRONOUNCEMENTS</b>	IFRS 16 <i>Leases</i>
<b>NATURE OF THE CHANGE IN ACCOUNTING POLICY</b>	<p>IFRS 16 will cause the majority of leases of an entity to be brought onto the Balance Sheet. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet.</p> <p>The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments.</p> <p>A corresponding right to use asset will be recognised which will be amortised over the term of the lease.</p> <p>Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.</p>
<b>EFFECTIVE DATE</b>	Annual reporting period beginning on or after 1 January 2019.
<b>EXPECTED IMPACT ON THE FINANCIAL STATEMENTS</b>	The Group has not yet assessed what impact this standard will have on the Group's financial statements. However, it is anticipated that the Group's interest and amortisation expense will increase and rental expense will decrease.



## Note 2: Financial Risk Management

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, foreign exchange risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures.

Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, and other risks, and ageing analysis for credit risk.

The risk management of the Group is conducted in a manner consistent with policies approved by the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, credit risk, foreign exchange risk and investment of excess liquidity.

The Group holds the following financial instruments:

	Financial assets at amortised cost \$'000	Total \$'000
<b>2015</b>		
<b>Financial Assets</b>		
Cash and cash equivalents	193,840	193,840
Trade and other receivables	20,152	20,152
	<b>213,992</b>	<b>213,992</b>

<b>2014</b>		
<b>Financial Assets</b>		
Cash and cash equivalents	120,804	120,804
Trade and other receivables	13,784	13,784
	<b>134,588</b>	<b>134,588</b>

	Derivatives used for Hedging \$'000	Liabilities at amortised cost \$'000	Total \$'000
<b>2015</b>			
<b>Financial Liabilities</b>			
Trade and other payables	-	63,571	63,571
Borrowings	-	515,161	515,161
Derivative financial instruments	1,184	-	1,184
	<b>1,184</b>	<b>578,732</b>	<b>579,916</b>

<b>2014</b>			
<b>Financial Liabilities</b>			
Trade and other payables	-	63,496	63,496
Borrowings	-	352,944	352,944
Derivative financial instruments	230	-	230
	<b>230</b>	<b>416,440</b>	<b>416,670</b>

## (a) Foreign exchange risk

The Group has operations and borrowings in Singapore and is exposed to foreign exchange risk associated with the Singapore dollar.

Foreign exchange risk arises from future commercial transactions and from recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The foreign exchange risk associated with the Singapore operations is managed through a natural hedge as the cash flows from the Singapore operations are denominated in Singapore dollars.

The non-current Singapore dollar denominated corporate notes are expected to be refinanced with new Singapore dollar corporate notes and the Company's analysis supports the position that over time the cost of the Australian dollars movement against the Singapore dollar will be acceptable. The foreign currency exposure of these corporate notes has therefore not been hedged.

The Group also has current Singapore dollar denominated corporate notes outstanding with a total value of SGD \$155,000,000. The foreign exchange risk associated with these notes has been fully hedged with a forward foreign exchange contract. There was no ineffectiveness to be recorded from the hedge accounting related to the forward foreign exchange contracts. The Board decided to fully hedge the SGD \$155,000,000 notes to mitigate negative cashflow effects arising from the foreign exchange risk.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Singapore dollars, was as follows:

	2015 SGD \$'000	2014 SGD \$'000
Cash and cash equivalents	2,630	3,579
Trade receivables	236	253
Borrowings	(410,814)	(254,773)
Trade payables	(118)	(149)
	<b>(408,066)</b>	<b>(251,090)</b>

The SGD to AUD exchange rate at 31 December 2015 was 0.9680.

Amounts recognised in profit or loss and other comprehensive income.

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	2015 \$'000	2014 \$'000
<i>Amounts recognised in profit or loss</i>		
Exchange losses on foreign currency borrowing included in finance costs	11,968	18,619
<i>Net gains recognised in other comprehensive income</i>		
Translation of foreign operations	1,514	1,225
Net Revaluation of the SGD \$155m note and foreign exchange contract	3,559	-

## Sensitivity

As shown in the table above, the Group's only foreign exchange risk relates to changes in SGD/AUD exchange rates.

The sensitivity of profit or loss to changes in the exchange rates arises mainly from SGD-dollar denominated borrowings.

The Group also has operations in Singapore which are treated as a net investment in a foreign operation. As a result any exchange differences shall be recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Profit is more sensitive to movements in the SGD/AUD exchange rates in 2015 than 2014 because of the increase in SGD denominated borrowings.

	Impact on post tax profit		Impact on other components of equity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
SGD/AUD exchange rate - increase 5%	8,809	8,427	76	32
SGD/AUD exchange rate - decrease 5%	8,809	8,427	76	32

## (b) Interest Rate Risk

### Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. Group policy is to maintain between 50% - 80% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2015 and 2014, the Group's borrowings at variable rates were denominated in Australian dollars only.

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. The corporate notes denominated in Singapore dollars are all fixed rate notes.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

### Instruments used by the Group

No Swaps were currently in place at year end as 87% of the borrowing outstanding at year end were fixed rate borrowings. The fixed interest rates range between 3.75% and 7.65% per annum (2014 – between 4.75% and 7.65% per annum) and the variable rates are 3.90% per annum above the 90 day bank bill rate which at the end of the reporting period was 2.375% per annum (2014 – 2.82% per annum).

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	31 December 2015			31 December 2014		
	Weighted avg interest rate %	Balance \$'000	% of Total loans	Weighted avg interest rate %	Balance \$'000	% of Total loans
Corporate Note	6.12%	50,000	9%	6.58%	50,000	14%
Interest rate swaps (notional principal)	-	-	-	5.70%	(30,000)	-
<b>Net exposure to cash flow interest rate risk</b>	<b>-</b>	<b>50,000</b>	<b>9%</b>	<b>-</b>	<b>20,000</b>	<b>6%</b>

An analysis by maturities is provided in note 2 (d) following.

Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income in relation to interest rate swaps.

	2015 \$'000	2014 \$'000
<i>Amounts recognised in profit or loss</i>		
(Gains)/loss reclassified from other comprehensive income - to profit and loss	-	171

#### Group sensitivity

At 31 December 2015, if interest rates had changed by -0.25%/+ 0.25% absolute from the year end rates with all other variables held constant, post-tax profit for the year would have been \$87,740 higher or \$87,740 lower respectively (net profit for 2014: \$201,317 higher or \$240,262 lower respectively). Other components of equity would not have changed due to the Interest rate swap being ineffective (2014: \$nil).

#### (c) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to trade and other debtors. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below.

Trade debtor credit risk is managed by requiring child care fees to be paid in advance. Outstanding debtor balances are reviewed weekly and followed up in accordance with the Group's debt collection policy. Credit risk is also minimised by federal government funding in the form of child care benefits, as they are considered to be a high quality debtor.

Analysis of the ageing of receivables is performed in note 10.

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Trade receivables</b>		
<b>Counterparties with external credit rating</b>		
AAA	12,405	7,031
<b>Counterparties without external credit rating</b>		
Receivables (current and non-current)	10,539	7,133
<b>Total receivables</b>	<b>22,944</b>	<b>14,164</b>
<b>Cash at bank and short term deposits</b>		
Counterparties with external credit rating - AA	193,840	120,804

## (d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### Financing arrangements

Details of financing arrangements are disclosed in note 16.

### Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining term at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities	Consolidated 2015 \$'000						Total contractual cash flows	Carrying amount
	0 to 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	>5 years			
<b>Non Derivative</b>								
Corporate Note	162,413	10,810	279,975	155,910	-	609,108	521,720	
Deferred centre acquisition	400	3,180	71	195	521	4,367	4,367	
Trade and other payables	63,571	-	-	-	-	63,571	63,571	
<b>Derivatives</b>								
Net settled (FX hedge)	1,184	-	-	-	-	1,184	1,184	

Contractual maturities of financial liabilities	Consolidated 2014 \$'000					Total contractual cash flows	Carrying amount
	0 to 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	>5 years		
<b>Non Derivative</b>							
Corporate Note	10,334	10,618	22,120	436,635	-	479,707	360,786
Deferred centre acquisition	5,501	1,311	3,041	191	482	10,526	10,432
Trade and other payables	63,496	-	-	-	-	63,496	63,496
<b>Derivatives</b>							
Net settled (FX hedge)	-	-	230	-	-	230	230



## (e) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value:

<b>At 31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>\$'000</b>				
<b>Liabilities</b>				
Derivatives used for hedging	-	1,184	-	1,184
<b>At 31 December 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>\$'000</b>				
<b>Liabilities</b>				
Derivatives used for hedging	-	283	-	283

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## Note 3: Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(h). The recoverable amounts of goodwill have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to these assumptions.

### (ii) Deferred contingent consideration on acquisition of businesses

The Group includes the fair value of deferred contingent consideration as a liability for the acquisition of a business where it expects the earn-out target to be met during the measurement period. This judgement is based on operational due diligence and knowledge of the business trading conditions including location, occupancy and profitability at the time of settlement. If the earn out target is not met then the amount not paid of the deferred contingent consideration is taken to the income statement as a credit and the corresponding entry against the liability. The value of the deferred consideration is reviewed at each reporting date.

## Note 4: Segment Information

### (a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board of Directors has been identified as the Chief Operating Decision Maker that makes strategic decisions.

The Board considers the business as one Group of centres and has therefore identified one operating segment, being management of child care centres. The Board believes that whilst the Singapore operations do not constitute a separate operating segment, applying the quantitative thresholds to the results and assets of Singapore further supports that the Singapore operations are not material. The following information is in respect of the single operating segment.

- All revenue in this report was derived from external customers and relates to the single operating segment; and
- The total profit represents the segment profit and all balance sheet items relate to the single operating segment.

The segment disclosure has not altered from the last Annual Report.

	Australia \$'000	Singapore \$'000	Total \$'000
<b>2015</b>			
Revenue from external customers	693,077	13,087	706,164
Non-current assets	955,899	30,075	985,974
<b>2014</b>			
Revenue from external customers	479,435	11,853	491,288
Non-current assets	810,945	27,792	838,737

## Note 5: Revenue

	Consolidated	
	2015	2014
	\$'000	\$'000
<b>From continuing operations</b>		
<b>Sales revenue</b>		
Revenue from child care centres	662,717	470,145
Funding related to childcare operations	21,962	6,789
	<b>684,679</b>	<b>476,934</b>
<b>Other revenue</b>		
Royalties	2,068	2,290
Interest	2,616	2,886
<b>Total revenue from operations</b>	<b>689,363</b>	<b>482,110</b>

## Note 6: Other Income

The deferred consideration is not payable due to certain centres not achieving some, or all of the earn-out hurdle for the earn-out period. As a result, in accordance with AASB 3 Business Combinations, the earn-out amounts not payable which were previously disclosed as a liability in deferred consideration has been written back to the Consolidated Income Statement.

	Consolidated	
	2015	2014
	\$'000	\$'000
Net gain on disposal of Fixed Assets	556	-
Deferred consideration not payable	5,755	9,178
	<b>6,311</b>	<b>9,178</b>

## Note 7: Expenses

	Consolidated	
	2015	2014
	\$'000	\$'000
<b>Profit before income tax includes the following specific expenses:</b>		
Depreciation	9,372	5,076
<b>Finance Costs</b>		
Interest and finance charges paid/payable	28,299	17,671
Foreign currency translation loss	11,968	18,619
	<b>40,267</b>	<b>36,290</b>
Rental expenses relating to operating leases		
Minimum lease payments	70,500	50,844
Bad & doubtful debts	480	421

## Note 8: Income Tax Expense

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Income tax expense</b>		
Current tax	40,427	25,783
Deferred tax	(6,235)	(5,953)
<b>Income tax expense</b>	<b>34,192</b>	<b>19,830</b>
Income tax expense is attributable to:		
Profit from continuing operations	34,192	19,830
	<b>34,192</b>	<b>19,830</b>
<b>Deferred income tax expense included in income tax expense comprises:</b>		
Increase in deferred tax assets (refer note 13)	(6,210)	(5,952)
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	122,773	72,561
Tax on operations at the Australian tax rate of 30% (2014:30%)	36,832	21,768
<b>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</b>		
Adjustments in respect of current income tax for previous years	(633)	-
Entertainment	175	85
Net gain on disposals	(620)	-
Deferred consideration not payable	(1,726)	(2,753)
Business acquisition costs	157	743
Share based payments	103	32
Other non-allowable items	1	67
Difference in overseas tax rates	(97)	(112)
<b>Income tax expense</b>	<b>34,192</b>	<b>19,830</b>
Weighted average tax rate <sup>^</sup>	28%	27%
<b>(c) Amounts recognised directly in equity</b>		
Aggregate current and deferred tax arising in the reporting year and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax – debited (credited) directly to equity	20	2,176
<b>(d) Tax expense (income) relating to items of other comprehensive income</b>		
Cash flow hedges	69	15

<sup>^</sup> The weighted average tax rate is less than the Group's corporate tax rate of 30% due to the permanent difference associated with the write back of deferred consideration in other income.

## Note 9: Current Assets - Cash and Cash Equivalents

	Consolidated	
	2015 \$'000	2014 \$'000
Cash at bank and in hand	175,978	35,179
Deposits at call*	17,862	85,625
	<b>193,840</b>	<b>120,804</b>

\*The effective average interest rate for the deposits at call was 2.33%. Included above is \$14,203 used as security against the Company's bank guarantee facility (2014: \$625,133) and \$16,500,000 used as security for the foreign exchange hedge (2014: \$NIL), as such this cash balance cannot currently be used for operating activities.

### (a) Reconciliation to cash at the end of the year

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

	Consolidated	
	2015 \$'000	2014 \$'000
Balance as per note 9	193,840	120,804
Term deposits held as security against bank guarantees and foreign exchange hedge	(14)	(625)
<b>Balance as per Statement of Cash Flows</b>	<b>193,826</b>	<b>120,179</b>

## Note 10: Current Assets - Trade and Other Receivables

### (a) Impaired trade receivables

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Trade and other receivables</b>		
Trade receivables	17,646	11,891
Allowance for impairment of receivables (note (a) below)	(618)	(423)
	<b>17,028</b>	<b>11,468</b>
GST receivable	2,791	380
Other debtors	3,124	2,316
<b>Total trade and other receivables</b>	<b>22,943</b>	<b>14,164</b>

As at 31 December 2015 current trade receivables of the Group with a nominal value of \$1,235,326 (2014: \$846,104) were assessed as impaired. The amount of the allowance for impairment was \$617,663 (2014: \$423,052).

The ageing of these receivables is as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
Up to 3 months	1,235	846

Movements in the allowance for impairment of receivables are as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
Opening balance	423	258
Allowance for impairment recognised during the year	480	403
Receivables written off during the year as uncollectable	(287)	(238)
Exchange differences	2	-
<b>Closing balance</b>	<b>618</b>	<b>423</b>

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the cash.

### (b) Past due but not impaired

As at 31 December 2015, trade receivables of \$6,797,000 (2014: \$5,239,113) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default and for which full payment is expected.

The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2015 \$'000	2014 \$'000
Up to 3 months	6,689	5,127
3 to 6 months	23	9
Over 6 months	85	103
	<b>6,797</b>	<b>5,239</b>

The amount past due but not impaired in 2015 is greater than that of 2014 due to the increased number of centres in the Group at year end compared to the prior year.

### (c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is considered to approximate their fair value.

Information concerning the credit risk of receivables is set out in note 2.

## Note 11: Current Assets - Other

	Consolidated	
	2015 \$'000	2014 \$'000
Prepayments	4,721	3,481
Deposits	3,442	1,362
Deposits on acquisitions	1,591	8,799
<b>Total other current assets</b>	<b>9,754</b>	<b>13,642</b>

## Note 12: Non-Current Assets – Property, Plant and Equipment

	Buildings	Vehicles	Furniture, fittings and equipment	Total
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>				
<b>Year ended 31 December 2015</b>				
Opening net book amount	4,602	951	24,022	29,575
Additions through business combinations	-	97	2,320	2,417
Additions - other	-	50	19,100	19,150
Disposals	-	(395)	(65)	(460)
Depreciation charge	(152)	(122)	(9,099)	(9,373)
Exchange differences	-	-	61	61
<b>Closing net book amount</b>	<b>4,450</b>	<b>581</b>	<b>36,339</b>	<b>41,370</b>

<b>At 31 December 2015</b>				
Cost	5,046	1,386	58,483	64,915
Accumulated depreciation	(596)	(805)	(22,144)	(23,545)
<b>Net book amount</b>	<b>4,450</b>	<b>581</b>	<b>36,339</b>	<b>41,370</b>

	Buildings	Vehicles	Furniture, fittings and equipment	Total
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>				
<b>Year ended 31 December 2014</b>				
Opening net book amount	4,717	968	12,384	18,069
Additions through business combinations	-	906	990	1,896
Additions - other	-	583	15,445	16,028
Assets included in a disposal group classified as held for sale	-	(1,335)	(31)	(1,366)
Depreciation charge	(115)	(171)	(4,790)	(5,076)
Exchange differences	-	-	24	24
<b>Closing net book amount</b>	<b>4,602</b>	<b>951</b>	<b>24,022</b>	<b>29,575</b>

<b>At 31 December 2014</b>				
Cost	5,046	1,634	37,067	43,747
Accumulated depreciation	(444)	(683)	(13,045)	(14,172)
<b>Net book amount</b>	<b>4,602</b>	<b>951</b>	<b>24,022</b>	<b>29,575</b>

### (a) Leasehold Improvements

Furniture, fittings and equipment includes the following amounts that are leasehold improvements:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Cost	31,449	17,621
Accumulated depreciation	(9,328)	(5,111)
<b>Net book amount</b>	<b>22,121</b>	<b>12,510</b>

### (b) Non-current assets pledged as security

Refer to note 16 for information on the non current assets pledged as security by the Company and its controlled entities.



## Note 13: Non-Current Assets – Deferred Tax Assets

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Deferred tax asset</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Employee benefits	7,143	6,502
Cash flow hedging	-	105
Share issue transaction costs	2,132	2,967
	<b>9,275</b>	<b>9,574</b>
<b>Other</b>		
Foreign exchange loss	8,962	5,386
Doubtful debts	170	114
Accrued expenses	3,628	910
<b>Sub total other</b>	<b>12,760</b>	<b>6,410</b>
<b>Total deferred tax assets</b>	<b>22,035</b>	<b>15,984</b>
<b>Deferred tax liability</b>		
Prepayments	(357)	(536)
<b>Total deferred tax liability</b>	<b>(357)</b>	<b>(536)</b>
<b>Net deferred tax asset</b>	<b>21,678</b>	<b>15,448</b>

	Consolidated				
	Employee benefits	Share issue transaction costs	Foreign Exchange	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2014</b>	<b>3,934</b>	<b>1,718</b>	-	<b>1,668</b>	<b>7,320</b>
Charged to the Consolidated Income Statement	2,569	(927)	5,386	(1,076)	5,952
Charged directly to equity	-	2,176	-	-	2,176
<b>At 31 December 2014</b>	<b>6,503</b>	<b>2,967</b>	<b>5,386</b>	<b>592</b>	<b>15,448</b>
Charged to the Consolidated Income Statement	640	(910)	3,533	2,947	6,210
Charged directly to equity	-	77	-	(57)	20
<b>At 31 December 2015</b>	<b>7,143</b>	<b>2,134</b>	<b>8,919</b>	<b>3,482</b>	<b>21,678</b>

## Note 14: Non-Current Assets - Goodwill

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Goodwill</b>		
<b>Year ended 31 December</b>		
Opening net book amount	809,162	326,857
Additions	140,263	482,771
Measurement period adjustment	(6,017)	(652)
Disposals	-	(843)
Exchange differences	1,196	1029
<b>Closing net book amount</b>	<b>944,604</b>	<b>809,162</b>
At 31 December		
Cost	955,656	820,214
Accumulated impairment	(11,052)	(11,052)
<b>Net book amount</b>	<b>944,604</b>	<b>809,162</b>

### (a) Impairment tests for goodwill

Goodwill is tested for impairment on an operating segment level as outlined in note 1(h). The recoverable amount of the child care centre assets is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets for 2016 and then extrapolated using estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business. For the purposes of goodwill impairment testing, the recoverable amount is compared to the carrying amount of the assets of the Group, which aside from goodwill, also includes the fixed assets of the child care centres.

### (b) Key assumptions used for value-in-use calculation

The value-in-use calculation is based on forecast EBITDA which is a function of occupancy, child care fees and centre expenses. Occupancy and child care fees are based on the current market conditions plus anticipated annual increases. Centre expenses include the following key items:

- Centre wages – based on industry award standards and forecast to increase by a 3% index annually;
- Centre occupancy expenses – based on current operating leases and increased by a 4% index annually; and
- Other child care expenses – driven by historical expenditure and future occupancy growth.

The anticipated occupancy reflects seasonal factors and underlying growth in occupancy achieved from the implementation of the Group's strategies. Economic occupancy levels represent the key to financial success for the Group given the largely fixed cost-base of child care centres.

The impairment model has the following key attributes:

- Pre-tax discount rate of 13%;
- Full head office costs allocation; and
- Forecast period of 5 years plus a terminal growth calculation with a growth rate of 0%.

### (c) Impairment charge

As a result of the value in use calculations described above it was determined that no impairment was required to be recognised.

The Group has completed a sensitivity analysis on its impairment model and no reasonably possible movement in the key assumptions would give rise to an impairment loss.

## Note 15: Current and Non-Current Liabilities - Trade and Other Payables

	Consolidated	
	2015 \$'000	2014 \$'000
Trade payables	7,587	6,971
Deferred centre acquisitions	3,655	9,781
Dividends payable	22,369	21,221
Centre enrolment advances	8,754	8,002
Other payables and accruals	29,388	20,317
Income received in advance	11,301	9,275
<b>Total Current</b>	<b>83,054</b>	<b>75,567</b>
Other payables	712	652
<b>Total Non- Current</b>	<b>712</b>	<b>652</b>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

## Note 16: Current and Non-Current Liabilities - Borrowings

	2015			2014		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
<b>Unsecured</b>						
Corporate Notes (a)	148,891	366,270	515,161	-	352,944	352,944
<b>Total unsecured borrowings</b>	<b>148,891</b>	<b>366,270</b>	<b>515,161</b>	<b>-</b>	<b>352,944</b>	<b>352,944</b>
<b>Total Borrowings</b>	<b>148,891</b>	<b>366,270</b>	<b>515,161</b>	<b>-</b>	<b>352,944</b>	<b>352,944</b>

There are no drawn secured bank loans as at 31 December 2015. The Group has a bank guarantee facility which is secured and details are shown in Note 16(e).

### (a) Corporate Notes

G8 Education Limited has the following Corporate Notes outstanding at year end:

Issue Date	Face Value in Issue Currency \$'000	Issue Currency	Repayment Date	Interest Rate %	Floating or Fixed
7 August 2013	70,000	AUD	7 August 2019	7.65%	Fixed
3 March 2014	50,000	AUD	3 March 2018	390 bps + 90 Day Bank Bill rate	Variable
12 May 2014	175,000	SGD	19 May 2017	4.75%	Fixed
25 August 2014	85,000	SGD	19 May 2017	4.75%	Fixed
31 July 2015	155,000	SGD	29 February 2016	3.50%	Fixed

G8 Education Limited has complied with the financial covenants relating to the Corporate Notes during 2014 and 2015 reporting periods.

## (b) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on debt are set out in note 2(b).

## (c) Fair value disclosures

The carrying amounts and fair values of the corporate notes at balance dates are as reflected in the Balance Sheet.

## (d) Assets pledged as security

The facility is secured by:

- First ranking registered mortgages over all leasehold assets owned by the Group;
- An unlimited guarantee in favour of the Company from its subsidiaries; and
- A right of entry in relation to certain leased premises.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
<b>Current</b>			
<i>Floating charge</i>			
Cash and cash equivalents	9	193,840	120,804
Trade and other receivables	10	22,943	14,164
Other current assets	11	9,754	13,642
<b>Total current assets pledged as security</b>		<b>226,537</b>	<b>148,610</b>
<b>Non-current</b>			
<i>First mortgage</i>			
Buildings	12	4,450	4,602
<i>Floating charge</i>			
Vehicles, plant and equipment	12	36,920	24,973
<b>Total non-current assets pledged as security</b>		<b>41,370</b>	<b>29,575</b>
<b>Total assets pledged as security</b>		<b>267,907</b>	<b>178,185</b>

## (e) Financing arrangements

As at 31 December 2015 the following lines of credit were in place:

	Consolidated	
	2015	2014
	\$'000	\$'000
<b>Credit standby arrangements</b>		
Total facilities		
Credit cards	500	500
Used at balance date	137	145
<b>Unused at balance date</b>	<b>363</b>	<b>355</b>
<b>Bank loan facilities</b>		
Total facilities	50,000	-
Used at balance date	-	-
<b>Unused at balance date</b>	<b>50,000</b>	-
<b>Bank Guarantee facilities</b>		
Total Facilities	30,000	25,000
Used at balance date	(26,717)	(22,082)
<b>Unused at balance date</b>	<b>3,283</b>	<b>2,918</b>
<b>Corporate Note</b>		
Total facilities	515,161	360,786
Used at balance date	(515,161)	(360,786)
<b>Unused at balance date</b>	-	-

On 24 June 2014, the Group fully repaid its secured finance facility with Bank of Western Australia, it continues to maintain a secured facility for the provision of bank guarantees to landlords of premises leased by the Group and undrawn senior debt.

## (f) Fair value

The carrying amounts and fair values of borrowings at balance dates are as reflected in the Balance Sheet.

## Note 17: Employee Entitlements

	Consolidated	
	2015 \$'000	2014 \$'000
Employee benefits	22,824	18,110
	<b>22,824</b>	<b>18,110</b>

### (a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave, it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the annual leave provision is presented as current since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated	
	2015 \$'000	2014 \$'000
Leave obligation expected to be settled after 12 months	2,231	1,122
	<b>2,231</b>	<b>1,122</b>

## Note 18: Derivative Financial Instruments

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Non-Current Liability</b>		
Interest rate swap contracts - cash flow hedges	-	230
Forward foreign exchange contracts—cash flow hedges	1,184	-
<b>Total non-current derivative financial instrument liability</b>	<b>1,184</b>	<b>230</b>

### (a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

#### Interest Rate Swap Contracts – cash flow hedge

In October 2012 the Group entered into an interest rate swap contract under which it is obligated to receive interest at variable rates and to pay interest at fixed rates. The interest rate swap was entered into to protect the Group against unfavourable interest rate movements and hedge the impact against the variable secured loan with Bank of Western Australia. The Group repaid the secured variable bank debt on 24 June 2014 and the interest rate swap expired in October 2015.

#### Forward Foreign Exchange Contract—cash flow hedge

On 13 August 2015 the Group entered into a forward foreign exchange contract where by the company was contracted to deliver \$153,617,000 AUD in exchange for \$156,978,318 SGD. This forward foreign exchange contract was entered into to hedge the foreign currency risk associated with the \$155,000,000 SGD note which was drawn down in July 2015. The redemption notice has been confirmed with a repayment date of 29 February 2016.

## Note 19: Non-Current Liabilities - Provisions

	Consolidated	
	2015 \$'000	2014 \$'000
Employee benefits	4,069	3,628
	<b>4,069</b>	<b>3,628</b>

## Note 20: Contributed Equity

### (a) Share capital

	Consolidated		Consolidated	
	2015 Shares	2014 Shares	2015 \$'000	2014 \$'000
Ordinary shares fully paid	372,820,198	353,691,630	603,043	548,374

### (b) Movements in ordinary share capital

Details	Number of shares		\$'000	
<b>31 December 2013 Balance</b>	<b>300,302,719</b>		<b>302,001</b>	
Share placement to institutions and professional investors	42,105,685		200,000	
Shares issued to vendors during the year	3,066,206		15,546	
Fair value adjustment on shares issued to Key Management Personnel	-		107	
Share Purchase Plan to retail investors	3,586,818		16,499	
Dividend reinvestment plan	4,630,202		19,294	
Transaction costs of shares issued	-		(7,249)	
Deferred tax credit recognised directly in equity	-		2,176	
<b>31 December 2014 Balance</b>	<b>353,691,630</b>		<b>548,374</b>	
<b>31 December 2014 Balance</b>	<b>353,691,630</b>		<b>548,374</b>	
Share placement from script offer for Affinity Education Group Limited	2,535,316		8,402	
Shares issued to Key Management Personnel *	3,122,198		11,302	
Shares held in escrow	(3,122,198)		(11,302)	
Issuance of shares net of transaction costs	3,287,967		12,889	
Dividend reinvestment plan	10,183,087		33,500	
Transaction costs of shares issued	-		(150)	
Deferred tax credit recognised directly in equity	-		28	
<b>31 December 2015 Balance</b>	<b>369,698,000</b>		<b>603,043</b>	

### (c) Shares held in escrow under the executive share plan

	Consolidated	
	2015 Number of shares	2014 Number of shares
Balance at the beginning of the financial year	-	-
Shares transferred under the plan	3,122,198	-
<b>Total outstanding at the end of the financial year</b>	<b>3,122,198</b>	<b>-</b>

## (d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

## (e) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares. Shares are issued under the plan. The Company advises the market at the time of announcing the dividend if there will be a discount applied to the market price.

## (f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at 31 December were as follows:

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
Borrowings	16	515,161	352,944
Trade and other payables	15	83,054	75,567
Less: cash and cash equivalents	9	(193,840)	(120,804)
Net debt		404,375	307,707
Total equity		602,785	542,009
<b>Total capital</b>		<b>1,007,160</b>	<b>849,716</b>
<b>Gearing ratio*</b>		<b>40%</b>	<b>36%</b>

\*The Directors assess an appropriate level of gearing based on a leverage rate of less than 45%. Gearing ratio is calculated as net debt divided by total capital. Total capital is net debt plus total equity.



## Note 21: Reserves and Retained Earnings

	Consolidated	
	2015 \$'000	2014 \$'000
<b>Movements</b>		
<b>Translation reserve</b>		
Opening balance	4,512	3,287
Currency translation differences arising during the year	1,514	1,225
<b>Closing balance</b>	<b>6,026</b>	<b>4,512</b>
<b>Profit reserve</b>		
Opening Balance	22,745	15,768
Transfer from retained earnings	98,852	70,254
Dividends	(87,891)	(63,277)
<b>Closing Balance</b>	<b>33,706</b>	<b>22,745</b>
<b>Share based payment reserve</b>		
Opening Balance	-	-
Share based payment expense	344	-
<b>Closing Balance</b>	<b>344</b>	-
<b>Hedging reserve</b>		
Opening balance	-	(171)
Revaluation - gross	3,559	171
<b>Closing balance</b>	<b>3,559</b>	-
<b>Total Reserves</b>	<b>43,635</b>	<b>27,257</b>
	Consolidated	
	2015 \$'000	2014 \$'000
<b>Retained earnings movements</b>		
Opening balance	(33,622)	(16,099)
Profit for the year	88,581	52,731
Transfer to profits reserve	(98,852)	(70,254)
<b>Closing balance</b>	<b>(43,893)</b>	<b>(33,622)</b>

## (a) Nature and purpose of reserves

### (i) Share-based payments

The share-based payments reserve is used to recognise the expensing of the grant date fair value of options issued to employees but not exercised.

### (ii) Translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

### (iii) Hedging

The hedging reserve is used to record gains or losses on hedging instruments in cash flow hedges that are recognised in other comprehensive income, as described in note 1(m). Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

### (iv) Profits

The profits reserve comprises the transfer of net profit for the current and previous years and characterises profits available for distribution as dividends in future years. Dividends amounting to \$87.9 million (2014: \$63.3 million) were distributed from the profits reserve during the year.

## Note 22: Dividends

### (a) Ordinary Shares

	2015 \$'000	2014 \$'000
Dividend for the quarter ended 31 March 2015 of 6.0 cents per share (2014: 3.5 cents per share) paid on 10 April 2015 (2014: Paid on 10 April 2014).	21,549	10,560
Dividend for the quarter ended 30 June 2015 of 6.0 cents per share (2014: 4.5 cents per share) paid on 7 July 2015 (2014: Paid on 9 July 2014).	21,903	14,892
Dividend for the quarter ended 30 September 2015 of 6.0 cents per share (2014: 5.0 cents per share) paid on 7 October 2015 (2014: Paid on 10 October 2014).	22,070	16,604
Dividend for the quarter ended 31 December 2015 of 6.0 cents per share (2014: 6.0 cents per share) paid on 11 January 2016 (2014: Paid 21 January 2015).	22,369	21,221
	<b>87,891</b>	<b>63,277</b>
	2015 \$'000	2014 \$'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December were as follows:		
Paid in cash	56,824	39,764
Satisfied by issue of shares	31,067	23,513
	<b>87,891</b>	<b>63,277</b>

## (b) Franked credits

The franked portions of the December 2015 quarterly dividend will be franked out of existing franking credits.

	Consolidated		Parent Entity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2014: 30%)	14,868	7,327	14,868	7,327

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- Franking credits that will arise from the payment of the amount of the provision for income tax;
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if the distributable profits of subsidiaries were paid as dividends.

## Note 23: Key Management Personnel Disclosures

### (a) Directors

The following persons were directors of G8 Education Limited during the financial year:

#### (i) Chairperson –Independent Non-Executive

- J Hutson—until her resignation on 15 October 2015

#### (ii) Executive Directors

- C Scott

#### (iii) Non-Executive Directors

- B Bailison
- A Kemp until his resignation on 17 March 2015
- S Forrester
- M Reynolds from his appointment 17 March 2015. M Reynolds was acting Chairman from 15 October 2015 until 1 January 2016.

### (b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position
J Roberts	Chief Executive Officer
C Sacre	Chief Financial Officer & Company Secretary
T King	General Manager Operations
A Perriam	Executive Officer

## (c) Key Management Personnel compensation

	Consolidated	
	2015	2014
	\$	\$
Short term employee benefits	2,139,163	1,669,647
Post employment benefits	111,094	152,788
Share based payments	343,690	106,649
Dividend payments on escrow shares	374,664	-
Termination payments	-	70,791
	<b>2,968,611</b>	<b>1,999,875</b>

The relevant information on detailed remuneration disclosures can be found in the Remuneration Report on pages 16 to 21.

## (d) Equity instrument disclosures relating to Key Management Personnel

### (i) Options provided as remuneration and shares issued on exercise of such options

Refer to note 35(a) for details of options issued to Key Management Personnel.

### (ii) Option holdings

Refer to note 35(a) for details of options issued to Key Management Personnel.

### (iii) Share holdings

The numbers of shares in the Company held during the financial year by each Director of G8 Education Limited and other Key Management Personnel of the Group, including their associates, are set out below. There were no shares issued during the reporting year as compensation.

2015	Balance at the start of the year	Shares issued under limited recourse loans disclosed as share options	Other changes during the year	Balance at the end of the year
<b>Directors of G8 Education Limited</b>				
Ordinary Shares				
J Hutson*	1,800,000	-	153,778	1,953,778
C Scott	-	1,000,000	-	1,000,000
A Kemp**	103,043	-	120,660	223,703
B Bailison	-	-	-	-
M Reynolds***	14,695	-	9,500	24,195
S Forrester	-	-	5,423	5,423
<b>Other Key Management Personnel of the Group</b>				
Ordinary Shares				
J Roberts	-	1,000,000	-	1,000,000
C Sacre	600,000	1,000,000	248,000	1,848,000
T King	-	-	-	-
A Perriam	-	122,198	-	122,198

\*J Hutson resigned as Director on 15 October 2015

\*\* A Kemp resigned as a Director on 17 March 2015

\*\*\* M Reynolds commenced as a Director on 17 March 2015

2014	Balance at the start of the year	Shares issued under limited recourse loans disclosed as share options	Other changes during the year	Balance at the end of the year
<b>Directors of G8 Education Limited</b>				
Ordinary Shares				
J Hutson	1,650,000	-	150,000	1,800,000
C Scott	-	-	-	-
B Bailison	-	-	-	-
A Kemp	103,043	-	-	103,043
S Forrester	-	-	-	-
<b>Other Key Management Personnel of the Group</b>				
Ordinary Shares				
C Sacre	1,285,714	-	(685,714)	600,000
J Fraser (resigned 29 August 2014 )	860,488	-	(584,345)	276,143

### (e) Loans to Key Management Personnel

Details of loans made to directors of G8 Education Limited and other Key Management Personnel of the Group, including their associates, are set out below.

#### (i) Aggregates for Key Management Personnel

Group	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Number in Group at the end of the year
	\$	\$	\$	\$	
2015	-	-	-	15,610,990	4
2014	1,640,000	19,405	-	-	-

#### (ii) Individuals with loans above \$100,000 during the financial year

Refer to note 23(f)

2015 Name	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Highest Indebtedness during the year
	\$	\$	\$	\$	\$
C Scott	-	-	-	5,000,000	5,000,000
J Roberts	-	-	-	5,000,000	5,000,000
C Sacre	-	-	-	5,000,000	5,000,000
A Perriam	-	-	-	610,990	610,990

The Executive Share Plan includes an Employee Loan Scheme that permits G8 to grant financial assistance to employees by way of interest free limited recourse loans to enable them to purchase shares which are held in escrow until the loan is repaid. The shares are not able to be traded whilst the loan remains outstanding.

The Accounting Standards require that shares issued under employee incentive share plans in conjunction with limited-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements until repayment or part repayment of the loans occur. The balance of limited recourse loans outstanding at 31 December 2015 is \$15,610,990.

Refer to note 35 for the share based payments disclosure to Key Management Personnel.

**2014**

Name	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Highest Indebtedness during the year
	\$	\$	\$	\$	\$
J Scott*	140,000	1,799	-	-	140,000
C Sacre	900,000	8,729	-	-	908,729
J Fraser (resigned 29 August 2014)	600,000	8,877	-	-	608,877

\*C Scott guaranteed the repayment of this loan made by the Company to J Scott.

**(f) Other transactions with Key Management Personnel**

Details of material transactions and their impact on the financial statements exclusive of GST at year end that Key Management Personnel and their related entities had with the Group during the year are as follows:

Mr C Scott (Managing Director) who had the following transactions:	2015	2014	
	\$	\$	
a) Interest charged on share loan agreement	Revenue interest income	-	1,799
b) Loan granted to nominee of Mr C Scott to purchase 1,000,000 shares G8 Education Limited for a total amount of \$5,000,000	Employment Expenses	105,284	-
Mr C Sacre (Company Secretary and Chief Financial Officer) who had the following transactions:	2015	2014	
	\$	\$	
a) Interest charged on share loan agreement	Revenue interest income	-	8,729
b) Loan granted to nominee of Mr C P Sacre to purchase 1,000,000 shares G8 Education Limited for a total amount of \$5,000,000	Employment expenses	105,284	-
c) Share based payment expense for the difference in market price of the shares issued compared to loan value	Employment expenses and equity	14,973	58,000
Mr J Roberts (Chief Executive Officer) who had the following transactions:	2015	2014	
	\$	\$	
a) Loan granted to nominee of Mr J Roberts to purchase 1,000,000 shares G8 Education Limited for a total amount of \$5,000,000	Employment Expenses	105,284	-
Ms A Perriam (Junior Executive) who had the following transactions:	2015	2014	
	\$	\$	
a) Loan granted to nominee of Ms A Perriam to purchase 122,198 shares G8 Education Limited for a total amount of \$610,990	Employment Expenses	12,865	-

On 21 May 2015 the Company obtained shareholders' approval to offer:

- The nominee of Chris Scott, Managing Director the right to acquire 1,000,000 Shares at \$5.00 per Share with a total value of \$5,000,000;
- The nominee of Jason Roberts, Chief Executive Officer the right to acquire 1,000,000 Shares at \$5.00 per Share with a total value of \$5,000,000;
- The nominee of Chris Sacre, Chief Financial Officer the right to acquire 1,000,000 Shares at \$5.00 per Share with a total value of \$5,000,000;
- The nominee of Ann Perriam, Junior Executive, the right to acquire 122,198 Shares at \$5.00 per Share with a total value of \$610,990.

The Company has granted a limited recourse, interest free loan to each of the nominees of the above members of the Company's senior management team to subscribe for the Shares.

The Shares have been issued to the nominees of the Company's senior management team to provide further incentive to perform and to secure the ongoing commitment of each of them to the continued growth of the Company. The shares were issued on 16 June 2015 (refer to note 20).

(g) The aggregate value of transactions with Key Management Personnel:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Interest income	-	19,405
<b>Expenses</b>		
Employment expense	343,690	106,649

## Note 24: Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group:

	Consolidated	
	2015	2014
	\$	\$
<b>1. Audit services</b>		
HLB Mann Judd		
Audit and review of financial reports – half year	75,000	70,000
Audit and review of financial reports – year end	140,000	120,000
<b>Total remuneration for audit services</b>	<b>215,000</b>	<b>190,000</b>

	Consolidated	
	2015	2014
	\$	\$
<b>2. Non-audit services</b>		
HLB Mann Judd		
Other assurance services	17,750	41,000
Taxation services	-	7,495
<b>Total remuneration for non-audit services</b>	<b>17,750</b>	<b>48,495</b>

It is the Group's practice to employ HLB Mann Judd on assignments additional to their statutory audit duties where HLB Mann Judd's expertise and experience with the Group are important. These assignments are principally assurance type engagements or where HLB Mann Judd is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

## Note 25: Contingencies

### (a) Contingent liabilities

The Group had no contingent liabilities as at 31 December 2015 (2014:Nil).



## Note 26: Commitments

### (a) Capital commitments

There is no capital expenditure contracted for at the reporting date but not recognised as a liability.

### (b) Lease commitments: Group as lessee

#### (i) Non-cancellable operating leases for premises and vehicles

The Group leases various child care facilities under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are re-negotiated.

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
<b>Payable:</b>		
Within one year	81,191	66,229
Later than one year but no later than five years	233,038	213,865
Later than five years	172,484	191,428
	<b>486,713</b>	<b>471,522</b>
<b>Representing:</b>		
Non-cancellable operating leases	486,713	471,522

#### (ii) Finance Leases

The Group had no finance leases during 2015 or 2014.

## Note 27: Related Party Transactions

### (a) Parent entity

The parent entity within the Group is G8 Education Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 30.

### (c) Key Management Personnel

For details of transactions that Key Management Personnel and their related entities had with the Group during the year refer note 23.

### (d) Outstanding balance arising from transactions with related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2015	2014
	\$'000	\$'000
<b>Current payables (purchase of goods and services)</b>		
Key Management Personnel	-	-

No allowance for doubtful debts was raised in relation to any outstanding balances, and no expenses were recognised in respect of bad or doubtful debts due from related parties. All transactions with related parties during the year were made on normal commercial terms and conditions. Outstanding balances were secured and are repayable in cash.

## Note 28: Business Combinations

The acquisitions below have increased the Group's market share and are expected to reduce costs per centre through economies of scale. The goodwill is attributable to the future profitability of the acquired businesses.

State	NSW/VIC/QLD/ WA/SA	VIC	NSW	TOTAL
Number of Centres	30	3	11	44
	\$'000	\$'000	\$'000	\$'000
<b>Purchase Consideration</b>				
Cash consideration	56,080	8,826	72,264	137,170
Contingent consideration	3,080	-	-	3,080
Purchase price adjustments	(1,710)	(129)	2,120	281
<b>Total Purchase Consideration</b>	<b>57,450</b>	<b>8,697</b>	<b>74,384</b>	<b>140,531</b>
<b>Assets &amp; Liabilities acquired at fair value</b>				
Property, Plant & Equipment	319	39	2,059	2,417
Payables	(492)	(23)	-	(515)
Employee benefit liabilities	(1,458)	(176)	-	(1,634)
Net identifiable assets / (liabilities) acquired	(1,631)	(160)	2,059	268
Goodwill	59,081	8,857	72,325	140,263
	<b>57,450</b>	<b>8,697</b>	<b>74,384</b>	<b>140,531</b>
<b>Revenue &amp; profit contribution</b>				
Revenue	29,126	3,327	1,232	33,685
Profit Before Tax	5,759	723	415	6,897

Acquisition costs of \$916,000 (2014: \$3,354,000) are included in other expenses in the consolidated income statement.

### Contingent Consideration

Where the Group has a contingent consideration in the table above the Group has a contractual liability to pay the former owner of the centre a deferred cash payment in the event that the centre based EBIT exceeds the contractual threshold for the 12 months post settlement refer to note 15.

## Note 29: Parent Entity Disclosures

As at, and throughout the financial year ended 31 December 2015 the parent entity of the Group was G8 Education Limited.

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Result of parent entity</b>		
Profit for the year after tax	90,519	60,434
Other comprehensive income	3,559	171
<b>Total comprehensive income for the year</b>	<b>94,078</b>	<b>60,605</b>
<b>Financial position of parent entity at year end</b>		
Current assets	233,993	129,941
Non-current assets	994,220	855,261
<b>Total assets</b>	<b>1,228,213</b>	<b>985,202</b>
Current liabilities	251,487	90,282
Non-current liabilities	371,051	357,224
<b>Total liabilities</b>	<b>622,538</b>	<b>447,506</b>
<b>Total equity of parent entity comprising of:</b>		
Contributed equity	603,043	548,374
Reserves	31,445	18,135
Accumulated losses	(28,813)	(28,813)
<b>Total equity</b>	<b>605,675</b>	<b>537,696</b>

### Parent entity contingencies

Refer to note 25 for parent entity contingent liabilities .

### Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 31.

## Note 30: Subsidiaries

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

Name of Entity	Country of incorporation	Class of Shares/ Units	Equity Holding	
			2015 %	2014 %
<b>Subsidiaries of Company</b>				
Grasshoppers Early Learning Centre Pty Ltd	Australia	Ordinary	52	52
Togalog Pty Ltd	Australia	Ordinary	100	100
RBWOL Holding Pty Ltd**	Australia	Ordinary	100	100
Ramsay Bourne Holdings Pty Ltd**	Australia	Ordinary	100	100
Bourne Learning Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.1) Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.2) Pty Ltd**	Australia	Ordinary	100	100
RBL No. 1 Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Licences Pty Ltd	Australia	Ordinary	100	100
Sydney Cove Children's Centre Pty Ltd	Australia	Ordinary	100	100
Sydney Cove Children's Centre B Pty Ltd	Australia	Ordinary	100	100
Sydney Cove Children's Centre C Pty Ltd	Australia	Ordinary	100	100
Sydney Cove Property Holdings Pty Ltd	Australia	Ordinary	100	100
World Of Learning Pty Ltd**	Australia	Ordinary	100	100
World Of Learning Acquisitions (No.1) Pty Ltd	Australia	Ordinary	100	100
World Of Learning Acquisitions Pty Ltd	Australia	Ordinary	100	100
World Of Learning Licences Pty Ltd	Australia	Ordinary	100	100
G8 KP Pty Ltd**	Australia	Ordinary	100	100
Sterling Early Education Finance Pty Ltd	Australia	Ordinary	100	100
Sterling Early Education Holdings Pty Ltd**	Australia	Ordinary	100	100
Woodland Education Operations Pty Ltd	Australia	Ordinary	100	100
Kindy Kids Operations Pty Ltd	Australia	Ordinary	100	100
CG Operations Pty Ltd **	Australia	Ordinary	100	100
Kool Kids Operations Pty Ltd **	Australia	Ordinary	100	100
North Shore Childcare Pty Ltd**	Australia	Ordinary	100	100
Oorama Operations Pty Ltd**	Australia	Ordinary	100	100
Jacaranda Operations Pty Ltd**	Australia	Ordinary	100	100
Huggy Bear Operations Pty Ltd**	Australia	Ordinary	100	100
Jellybeans Operations Pty Ltd**	Australia	Ordinary	100	100
Janes Place Operations Pty Ltd	Australia	Ordinary	100	100
Jolimont Private Education Pty Ltd	Australia	Ordinary	100	100
WTTS Operations Pty Ltd	Australia	Ordinary	100	100
BUI Investments Pty Ltd	Australia	Ordinary	100	100
Derafi Pty Ltd	Australia	Ordinary	100	100
Alfoom Investments Pty Ltd	Australia	Ordinary	100	100
Shemlex Pty Ltd**	Australia	Ordinary	100	100
Kindy Kids Village Pty Ltd	Australia	Ordinary	100	100
Kindy Kids Long Day Care and Preschool Pty Ltd	Australia	Ordinary	100	100
Three Little Pigs Pty Ltd	Australia	Ordinary	100	100
A.C.N 078 042 378 Pty Ltd	Australia	Ordinary	100	100
ES5 Pty Ltd	Australia	Ordinary	100	100
Kindy Patch Unit Trust	Australia	Ordinary	100	100

Name of Entity	Country of incorporation	Class of Shares/ Units	Equity Holding	
			2015 %	2014 %
<b>Subsidiaries of Company</b>				
Sydney Cove Children's Centre Trust	Australia	Ordinary	100	100
Sydney Cove Children's Centre B Trust	Australia	Ordinary	100	100
Shemlex Investment Unit Trust **	Australia	Ordinary	100	100
Shemlex Investments Freehold Trust No 1**	Australia	Ordinary	100	100
Morley Perth Unit Trust	Australia	Ordinary	100	100
Kindy Kids Village Trust	Australia	Ordinary	100	100
Kindy Kids Long Day Care and Preschool Trust	Australia	Ordinary	100	100
Adelaide Montessori Pty Ltd	Australia	Ordinary	100	-
GW Concord Pty Ltd	Australia	Ordinary	100	-
GW Macquarie Park Pty Ltd	Australia	Ordinary	100	-
GW Brookvale Pty Ltd	Australia	Ordinary	100	-
GW Bronte Pty Ltd	Australia	Ordinary	100	-
GW Katoomba Pty Ltd	Australia	Ordinary	100	-
GW Gladesville Pty Ltd	Australia	Ordinary	100	-
Greenwood Prep 10 Pty Ltd	Australia	Ordinary	100	-
Greenwood Prep Holdings Pty Ltd**	Australia	Ordinary	100	-
G8 Singapore Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts Corporate Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts Holdings Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ KK Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ SK Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ Gombak Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ YS Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ TM Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ PGL Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ SC Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors Pte Ltd	Singapore	Ordinary	100	100
Our Juniors Schoolhouse Pte Ltd	Singapore	Ordinary	100	100
<b>Subsidiaries of Togalog Pty Ltd</b>				
Grasshoppers Early Learning Centre Pty Ltd	Australia	Ordinary	48	48

\* The proportion of ownership interest is equal to the proportion of voting power held.

\*\* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investment Commission. For further information please refer to note 31.

## Note 31: Deed of Cross Guarantee

G8 Education Limited, Grasshoppers Early Learning Centre Pty Ltd, Togalog Pty Ltd, RBWOL Holding Pty Ltd (Formerly Payce Child Care Pty Ltd), Ramsay Bourne Holdings Pty Ltd, Bourne Learning Pty Ltd (Formerly Ramsay & Bourne Pty Ltd), Ramsay Bourne Acquisitions (No.1) Pty Ltd, Ramsay Bourne Acquisitions (No.2) Pty Ltd, Rbl (No. 1) Pty Ltd, Ramsay Bourne Licences Pty Ltd, World Of Learning Pty Ltd, World Of Learning Acquisitions (No.1) Pty Ltd, World Of Learning Acquisitions Pty Ltd, World Of Learning Licences Pty Ltd, G8 KP Pty Ltd, Sydney Cove Children's Centre Pty Ltd, Sydney Cove Children's Centre B Pty Ltd, Sydney Cove Children's Centre C Pty Ltd, Sydney Cove Property Holdings Pty Ltd, Cg Operations Pty Ltd, Huggy Bear Operations Pty Ltd, Jacaranda Operations Pty Ltd, Jellybeans Operations Pty Ltd, Jellybeans Attadale Pty Ltd Kindy Kids Operations Pty Ltd, Kindy Kids Village Pty Ltd, Kindy Kids Long Day Care and Preschool Pty Ltd, Kool Kids Operations Pty Ltd, North Shore Childcare Pty Ltd, Oorama Operations Pty Ltd, Jane's Place Pty Ltd, Sterling Early Education Finance Pty Ltd, Sterling Early Education Holdings Pty Ltd, Derafi Pty Ltd, WTTTS Operations Pty Ltd, Jolimont Private Education Pty Ltd, Bui Investments Pty Ltd, Three Little Pigs Pty Ltd, Alfoom Investments Pty Ltd, Shemlex Pty Ltd, ES5 Pty Ltd, A.C.N 078 042 378 Pty Ltd, Adelaide Montessori Pty Ltd, GW Concord

Pty Ltd, GW Macquarie Park Pty Ltd, GW Brookvale Pty Ltd, GW Bronte Pty Ltd, GW Katoomba Pty Ltd, GW Gladesville Pty Ltd, Greenwood Prep 10 Pty Ltd and Greenwood Prep Holdings Pty Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the Deed RBWOL Holding Pty Ltd, World of Learning Pty Ltd, G8 KP Pty Ltd, Ramsay Bourne Holding Pty Ltd, Ramsay Bourne Acquisitions (No 2) Pty Ltd, Shemlex Pty Ltd, Shemlex Investments Unit Trust, Shemlex Investments Freehold Trust No1, Sterling Early Education Holdings Pty Ltd, CG Operations Pty Ltd, Kool Kids Operations Pty Ltd, North Shore Childcare Pty Ltd, Oorama Operations Pty Ltd, Jacaranda Operations Pty Ltd, Huggy Bear Operations Pty Ltd, Jellybeans Operations Pty Ltd and Greenwood Prep Holdings Pty Ltd have been relieved from the requirement to prepare a Financial Report And Directors' Report Under Class Order 98/1418 (As Amended) issued by the Australian Securities and Investments Commission.

G8 Education Limited, RBWOL Holding Pty Ltd, World of Learning Pty Ltd, G8 KP Pty Ltd, Ramsay Bourne Holding Pty Ltd, Ramsay Bourne Acquisitions (No 2) Pty Ltd, Shemlex Pty Ltd, Shemlex Investments Unit Trust, Shemlex Investments Freehold Trust No1, Sterling Early Education Holdings Pty Ltd, CG Operations Pty Ltd, Kool Kids Operations Pty Ltd, North Shore Childcare Pty Ltd, Oorama Operations Pty Ltd, Jacaranda Operations Pty Ltd, Huggy Bear Operations Pty Ltd, Jellybeans Operations Pty Ltd and Greenwood Prep Holdings Pty Ltd represent a 'closed group' for the purposes of the Class Order. The other parties to the deed of cross guarantee listed above do not require relief from Class Order 98/1418 as they do not meet the threshold to prepare a financial report and Directors' Report. All parties to the deed of cross guarantee (as listed above) are wholly owned subsidiaries of G8 Education Limited and the entire Group represent the 'extended closed group'.

Below is a consolidated statement of comprehensive income for the year ended 31 December 2015 of the closed Group.

### (a) Consolidated statements of comprehensive income

	2015 \$'000	2014 \$'000
<b>Revenue from continuing operations</b>	631,178	449,453
Other income	6,214	9,186
Profit on sale of financial assets	10,490	-
<b>Expenses</b>		
Employee benefits expense	(345,140)	(249,190)
Occupancy	(68,493)	(50,448)
Direct costs of providing services	(47,366)	(36,034)
Depreciation	(10,750)	(6,098)
Other expenses	(18,368)	(10,603)
Finance costs	(26,677)	(34,640)
<b>Total expenses</b>	<b>(516,794)</b>	<b>(387,013)</b>
Profit before income tax	131,088	71,626
Income tax (expense)	(34,064)	(19,684)
<b>Profit for the year</b>	<b>97,024</b>	<b>51,942</b>
Other comprehensive income for the year, net of tax	3,559	171
<b>Total Comprehensive income for the year</b>	<b>100,583</b>	<b>52,113</b>

## (b) Balance Sheets

Set out below is a consolidated balance sheet as at 31 December of the closed Group.

	2015 \$'000	2014 \$'000
<b>Current assets</b>		
Cash and cash equivalents	188,898	117,193
Trade and other receivables	21,105	14,281
Other current assets	28,334	32,097
<b>Total current assets</b>	<b>238,337</b>	<b>163,571</b>
<b>Non-current assets</b>		
Investments in extended Group	144,602	114,832
Property, plant and equipment	33,683	24,632
Deferred tax assets	21,678	15,447
Intangible assets	805,302	687,301
<b>Total non-current assets</b>	<b>1,005,265</b>	<b>842,212</b>
<b>Total assets</b>	<b>1,243,602</b>	<b>1,005,783</b>
<b>Current liabilities</b>		
Trade and other payables	82,257	72,164
Borrowings	148,891	-
Provisions	19,591	18,047
Derivative liability	1,184	230
Current tax liabilities	4,297	9,525
<b>Total current liabilities</b>	<b>256,220</b>	<b>99,966</b>
<b>Non-current liabilities</b>		
Borrowings	366,270	352,944
Other payables	712	1,307
Borrowings from extended Group	-	4,115
Provisions	4,069	3,628
<b>Total non-current liabilities</b>	<b>371,051</b>	<b>361,994</b>
<b>Total liabilities</b>	<b>627,271</b>	<b>461,960</b>
<b>Net assets</b>	<b>616,331</b>	<b>543,823</b>
<b>Equity</b>		
Contributed equity	603,043	548,374
Reserves	36,274	18,436
Accumulated losses	(22,986)	(22,987)
<b>Total equity</b>	<b>616,331</b>	<b>543,823</b>



## Note 32: Events occurring after the balance sheet date

The following material matters have taken place subsequent to year end:

- Mark Johnson was formally appointed Chairman on 1 January 2016. (Refer to the directors report for details about Mark Johnson's professional career).
- David Foster was appointed as Non-Executive Director effective from 1 February 2016. (Refer to the directors report for details about David Foster's professional career).
- On 19 January 2016 the Group announced its intention to redeem its 2016 \$155m SGD senior unsecured notes early. This exercise will be completed on 29 February 2016.
- In accordance with the terms of the executive share plan a third of the shares issued will be cancelled by the group as the underlying EPS growth did not exceed 40% as required by the terms of the plan.

## Note 33: Reconciliation of profit after tax to net cash inflow from operating activities

	Consolidated	
	2015	2014
	\$'000	\$'000
Profit for the year	88,581	52,731
Depreciation	9,372	6,726
Foreign exchange loss on Singapore corporate notes	8,378	13,033
Fair value adjustment to derivatives	-	118
Net gain on sale of shares	(7,343)	-
Write back of deferred consideration not payable	(5,754)	(9,178)
Increase in borrowing cost prepayments	1,574	(566)
Tax benefit on equity – non cash	20	2,176
(Increase) in trade and other debtors	(10,020)	(5,026)
(Increase) in deferred tax asset	(6,230)	(8,128)
Increase in trade and other payables	16,098	16,699
Increase in other provisions	3,520	2,390
Non-cash employee benefits expense - share based payments	344	107
Increase/(Decrease) in provision for income taxes payable	(5,255)	745
Acquisition expenses	915	3,354
Net exchange differences	852	(465)
<b>Net cash inflows from operating activities</b>	<b>95,052</b>	<b>74,716</b>

## Note 34: Earnings per share

	Consolidated	
	2015 Cents	2014 Cents
<b>(a) Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the Company	24.27	16.15
<b>(b) Diluted earnings per share</b>		
Profit from continuing operation attributable to the ordinary equity holders of the Company	24.27	16,15
	<b>\$'000</b>	<b>\$'000</b>
<b>(c) Reconciliation of earnings used in calculating earnings per share</b>		
<b>Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	88,581	52,731
<b>Diluted earnings per share</b>		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	88,581	52,731
	<b>Number</b>	<b>Number</b>
<b>d) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share*	364,999,576	326,448,869
<b>Adjustments for calculation of diluted earnings per share:</b>		
Options	-	-
<b>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</b>	<b>364,999,576</b>	<b>326,448,869</b>

\*Includes share issued but held in escrow

## Note 35: Share-based payments

Details of options over ordinary shares in G8 Education Limited provided as an incentive to Key Management Personnel of the Group are set out below. The value of options at grant date is set out below. When exercisable, each option is convertible into one ordinary share of G8 Education Limited.

### (a) Fair value of options granted

#### Executive Share Plan “the Plan”

In accordance with the terms and conditions of the Plan approved by shareholders on 21 May 2015, selected KMP are granted the right to acquire shares at a nominated exercise price subject to agreed service and performance criteria (i.e vesting conditions).

The Plan is an equity plan where shares are acquired up front through the provision of a limited recourse loan from the Company, provided for the sole purpose of acquiring shares in the Company. It operates much like a traditional option plan, as the outstanding loan balance is effectively the ‘exercise price’ that must be paid before any value can be realised.

The following is a summary of the key terms and conditions of the Plan:

- The loan is repayable on termination date (3 years from approval) or earlier if there is a default in which case the shares are no longer held in escrow.

- No interest is payable on the loan.
- The shares are held in escrow as security for the outstanding loan.
- Limited recourse – if the KMP fails to repay the outstanding loan balance in accordance with the plan, they are under no obligation to repay the full amount of the outstanding loan balance and the Group must accept the net proceeds of the sale or buy-back of the shares in escrow in full satisfaction of the outstanding loan balance.
- Borrower is not able to sell, transfer or dispose of shares in escrow. However, the Borrower receives the benefits associated with the shares such as dividends and voting rights during the escrow period.
- The shares rank equally with other ordinary shares on issue with respect to dividends, distribution or return of capital and other rights.
- If borrower leaves the employment of G8 then all secured shares are transferred to a party nominated by G8 and the money owed reduced by number of shares transferred multiplied by \$5 per share – exception is where the borrower is unfit for work.
- Shares are released to borrower in tranches – if conditions are not met then the shares are transferred to a party nominated by G8.
  - 1 year – 1/3 shares if EPS @ 31/12/15 is 40% more than EPS at 31/12/14
  - 2 years – 1/3 shares if EPS @ 31/12/16 is 15% above EPS at 31/12/15.
  - 3 years – 1/3 shares if EPS @ 31/12/17 is 15% above EPS at 31/12/16.

The table below shows the transactions relating to the plan during the year:

Name of Key Management Personnel	Plan Shares	Loan Amount	Share-based payment
Christopher Scott	1,000,000	\$5,000,000	\$105,284
Jason Roberts	1,000,000	\$5,000,000	\$105,284
Christopher Sacre	1,000,000	\$5,000,000	\$105,284
Ann Perriam	122,198	\$610,990	\$12,865

Under AASB 2 *Share-based Payments*, the Plan gives rise to a share-based payment expense which is measured by reference to the fair value of the Plan Shares as at the date on which the Share Plan Resolutions were passed. As the Plan Shares were acquired by way of limited recourse loans, the fair value of the Plan Shares was measured using an option pricing model in accordance with AASB 2. The fair value of each share issued under the share loan plan at the date of shareholder approval was \$0.515. The company has recognised an after tax, non-cash share-based payment of \$328,818 during the financial year with a corresponding credit to Shareholders' Equity in the form of a Share Option Reserve.

The treatment of the Plan Shares under applicable Accounting Standards as options requires that the value of the loans and issue price of the shares are not recorded as Loans Receivables or Share Capital of the Group until repayment or part repayment of the loans occurs. The Plan Shares were entitled to dividends of \$561,995 from the dividends paid on 7 July 2015, 7 October 2015 and 11 January 2016.

### Valuation of instruments issued

#### Value of the financial Benefit

The financial benefit has been valued for accounting purposes by the Directors using the Black-Scholes modes (and for comparison purposes, a single step binomial model) to determine the fair value of the financial benefit on the basis that taken as a whole, the arrangements are similar to an option.

The option component has been valued using the Black-Scholes Model and the dividends separately valued using a dividend discount model. The value of the interest free component of the loan has been included in the option value.

In arriving at the above valuations, the Directors adopted the following assumptions:

- The market price of shares of \$3.64 (being the volume weighted average closing price for the month ended 2 April 2015);
- The risk free interest rate applicable to three year Commonwealth Bonds of 1.80% (being the monthly average for the month ended 7 April 2015);

- A dividend payment rate of 24 cents per share per annum (paid as to 6 cents per share for each of the March, June, September and December quarters);
- Volatility of the share price over the expected life of the instrument of 32.809% (being the volatility for the preceding 3 years as a proxy for expected future volatility over the life of the shares);
- Volatility of earnings per share (EPS) growth for the years ending 31 December 2016 and 2017 of 59.33% (being the volatility for the years 2008 – 2014);
- Average assumed EPS growth for the years ending 31 December 2016 and 2017 of 16.56% (being the average EPS growth for the years 2008 – 2014); and
- EPS exhibits similar behavior to share price movements. In other words, EPS follows a lognormal distribution and EPS growth follows a normal distribution.

### Valuation inputs

The valuation methodology is a function of the relationship between a number of valuations, including the share price, the strike price, the time of vesting and the volatility of the share price.

The application of the methodology therefore requires a number of inputs, some of which must be assumed. The key inputs used in the valuation methodology are summarised below:

- Share price: the volume weighted average share price for the month to 2 April has been adopted;
- Issue date: the date of the AGM has been adopted as the effective date;
- Time to expiry: The tranches expire on 31 December 2015, 31 December 2016 and 31 December 2017 respectively, if the vesting conditions have not been met for that period;
- Strike price: \$5.00;
- Risk free rate of government bonds with the same maturity as the Shares: the average for the previous month on 3 year Australian government bonds has been adopted;
- Volatility of share price: this has been calculated for the preceding three years as a proxy for expected future volatility over the life of the Shares.

The valuation methodology also took into consideration:

- That the shares are to be issued at an effective exercise price of \$5.00 which is a premium to the current volume weighted average of \$3.64 for the last month. Accordingly, no financial benefit will accrue to the recipient upon issue of the shares as the shares are secured by a limited recourse loan and restricted pending performance targets being met.
- The EPS growth hurdle which is required to be met prior to each tranche of the shares vesting which requires assumptions as to the probability that the performance targets will be met; in respect of the performance targets for 31 December 2015, the probability of meeting the target was assumed to be 60%, for 31 December 2016, and 31 December 2017, the estimate a probability of the EPS growth target being met was assumed to be 51.05%. The basis for these assumptions is that EPS growth follows a normal distribution and in other words, EPS follows a lognormal distribution. This method is a proxy which is consistent with various share and option pricing models on share price movements. The Black-Scholes value is then adjusted to arrive at the expected present value of the option component.

As dividends will flow from the shares, it is necessary to value the present value of the dividend stream which flows from the shares. The expected future dividends from the shares, adjusted for the probability of meeting the EPS hurdles. Once the shares vest in the recipient, the dividends are excluded as the future value has been accounted for in the options' payoff at that point.

Movement in options / shares subject to limited recourse loan

	Number of Shares	Loan Balance (\$)
Balance at the beginning of the financial year	-	-
Granted during the year	3,122,198	15,610,990
Forfeited during the year	-	-
Exercised during the year	-	-
Balance at the end of the financial year—exercisable	3,122,198	15,610,990

\* Shares have been issued and are subject to payment of loans

(b) Expenses arising from share-based transactions

Expenses arising from share-based payment transactions recognised during the year as part of employee benefit expenses were as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Share-based payment expense on shares issued to KMP	(344)	(107)
	<b>(344)</b>	<b>(107)</b>

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## Directors' Declaration

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 36 to 93 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 31 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.



**Christopher Scott**  
Director  
22 February 2016



Accountants | Business and Financial Advisers

**G8 Education Limited**  
ACN 95 123 828 553

## **INDEPENDENT AUDITOR'S REPORT**

**To the members of G8 Education Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of G8 Education Limited ("the company"), which comprises the consolidated balance sheet as at 31 December 2015, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Report***

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

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

**HLB Mann Judd (SE Qld Partnership) ABN 68 920 406 716**

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Liability limited by a scheme approved under Professional Standards Legislation.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### **Opinion**

In our opinion:

- (a) the financial report of G8 Education Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 16 to 21 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Opinion**

In our opinion, the Remuneration Report of G8 Education Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.



**HLB Mann Judd**  
Chartered Accountants

Brisbane, Queensland  
22 February 2016



**A B Narayanan**  
Partner



## Shareholder Information

The total issued capital of the Company as at 31 December 2015 was 372,820,198. On 11 January 2016, 1,855,589 shares were issued pursuant to the dividend reinvestment plan. The total issued capital of the Company as at the date of this annual report is 374,675,787

The Shareholder information set out below was applicable as at 4 February 2016.

### (a) Distribution of equity securities

Analysis of number of equity security holders by size of holding is listed below.

	Class of equity security		
	Shares	Holders	Options
100,001 and Over	283,918,341	117	-
10,001 – 100,000	43,420,562	1,901	-
5,001 - 10,000	20,155,545	2,714	-
1,001 - 5,000	23,924,493	9,251	-
1 - 1,000	3,256,846	6,182	-
	<b>374,675,787</b>	<b>20,165</b>	-

There were 734 holders of less than a marketable parcel of ordinary shares.

### (b) Quoted equity security holders

Twenty largest quoted equity security holders.

Name	Quoted ordinary shares held	Percentage of issued shares
HSBC Custody Nominees	74,485,771	19.88
J P Morgan Nominees Australia Limited	66,165,686	17.66
National Nominees Limited	37,090,094	9.90
Citicorp Nominees Pty Ltd	19,823,819	5.29
BNP Paribas Noms Pty Ltd	14,554,314	3.88
Geosine Pty Ltd	6,003,260	1.60
Mrs Juwarseh Scott	5,610,919	1.50
UBS Nominees Pty Ltd	4,328,917	1.16
Ms Kim Yin	4,003,260	1.07
Brazil Farming Pty Ltd	3,714,910	0.99
Geosine Pty Ltd	3,174,999	0.85
RBC Investor Services Australia Nominees Pty Ltd	2,957,316	0.79
Mr Christopher Douglas Passfield & Mrs Rhonda Passfield	2,800,000	0.75
Citicorp Nominees Pty Ltd	2,623,026	0.70
Mr Craig Graeme Chapman	2,300,000	0.61
Viss Holdings Pty Ltd	2,040,683	0.55
Mr Duncan Fraser Forrest & Mrs Judy Marie Forrest	2,000,200	0.53
Gwynvill Trading Pty Ltd	1,737,730	0.46
Mr Garry Ronald Klye & Mrs Robyn Elizabeth Klye	1,540,000	0.41
Forsyth Barr Custodians Ltd	1,494,617	0.40
	<b>258,449,521</b>	<b>68.98</b>

### (c) Substantial holders

Substantial holders as at 4 February 2016 in the Company are set out below:

<b>Ordinary Shares</b>	<b>Number held</b>	<b>Percentage</b>
Challenger Limited	26.3 million	7.02%
UBS Group AG	22.4 million	6.00%

### (d) Voting rights

The voting rights attached to each class of equity securities are set out below.

#### (i) Ordinary shares

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

#### (ii) Options

There are no voting rights attached to the options.

#### (iii) Unquoted securities

There are no unquoted securities on issue.

# Corporate Directory

## Directors

M Johnson, Chairman

C Scott, Managing Director

B Bailison, Non-Executive Director

M Reynolds, Non-Executive Director

S Forrester, Non-Executive Director

D Foster, Non-Executive Director

## Company Secretary

C Sacre

## Principal registered business office in Australia

G8 Education Limited is a Company limited by shares, incorporated, and domiciled in Australia. It's registered office and principal place of business is:

159 Varsity Parade, Varsity Lakes

Telephone: 07 5581 5300

Facsimile: 07 5581 5311

[www.g8education.edu.au](http://www.g8education.edu.au)

## Share registry:

Advanced Share Registry Limited  
150 Stirling Hwy  
Nedlands, WA 6009

## Auditor:

HLB Mann Judd  
Level 15, 66 Eagle Street  
Brisbane, QLD 4000

## Lawyers:

Minter Ellison Gold Coast  
165 Varsity Parade  
Varsity Lakes QLD 4217

## Securities exchange listing:

G8 Education Limited shares are listed on the Australian Securities Exchange under the ticker code GEM.



G8 Education<sup>ltd</sup>

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[www.g8education.edu.au](http://www.g8education.edu.au)