2020 ANNUAL REPORT

G8 Education ltd

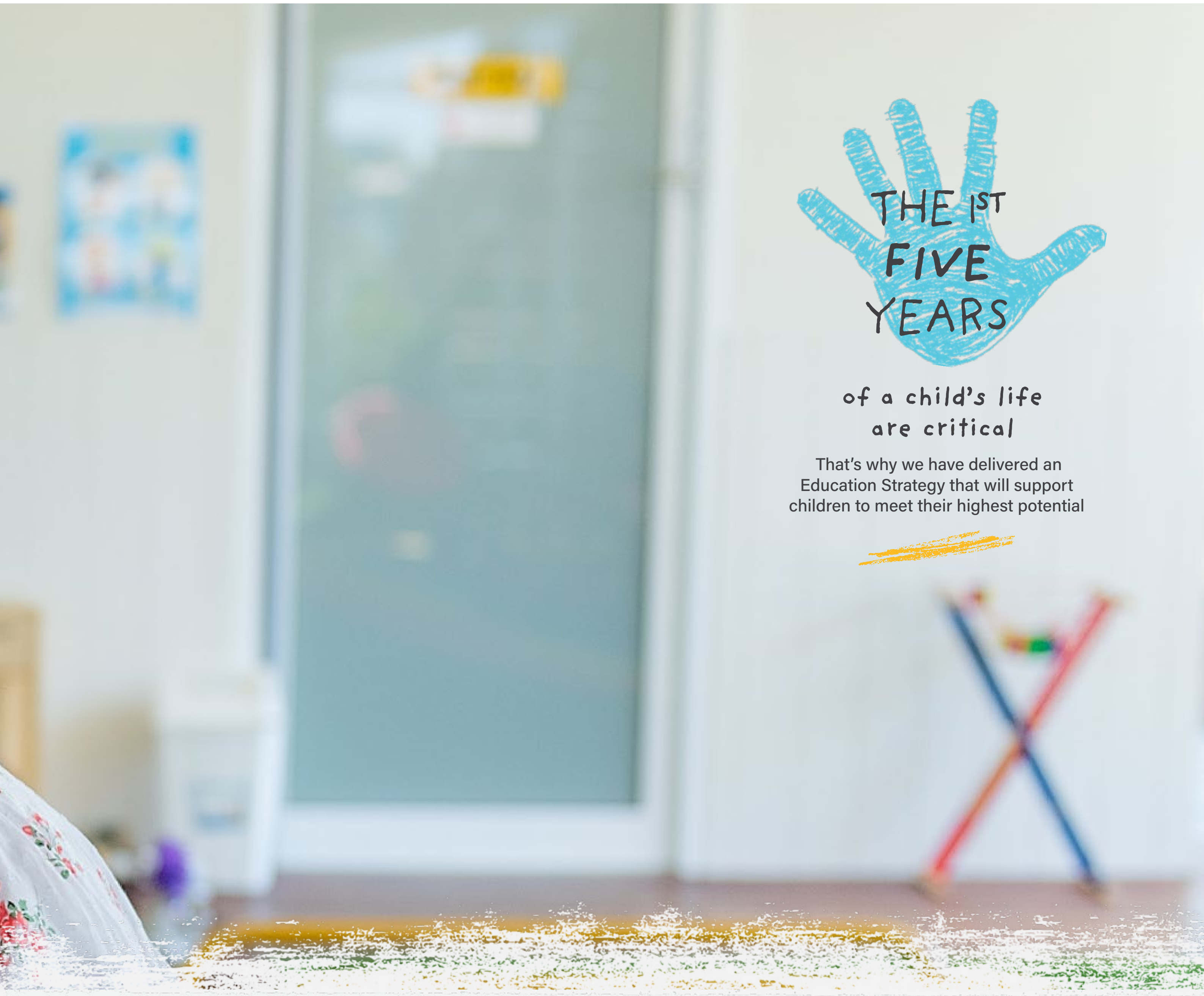
ABOUT US

G8 EDUCATION LIMITED (ASX:GEM) IS A LEADING PROVIDER OF QUALITY CARE AND EDUCATION SERVICES ACROSS AUSTRALIA THROUGH A RANGE OF WELL-RESPECTED AND RECOGNISED BRANDS.

At G8 Education we are proud to be helping to shape the lives and minds of the tens of thousands of children attending our network of early learning centres every day.

We know that the first five years of a child's life are critical to their future learning and development. That's why we have delivered an Education Strategy that will support children to meet their potential through innovative and evidence-based early learning teaching methods. Our indoor and outdoor educational spaces are age-appropriate and designed to engage and support children to discover, grow and learn. Plus, our passionate and dedicated people support and celebrate each child's individual talents and strengths through meaningful interactions, experiences and relationships, creating life-long impacts.

G8 Education Limited (ABN 95 123 828 553)



THE 1ST FIVE YEARS

of a child's life are critical

That's why we have delivered an Education Strategy that will support children to meet their highest potential

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OUR BUSINESS

G8 Education is the leading for-profit early education provider in Australia, with over 46,000 children attending our services in any given week and over 9,500 team members educating and caring for those children. This scale is broadly three times greater than our nearest for-profit competitors. We believe that we have a real opportunity to use our scale advantage to provide a differentiated offer to our families, centred on the quality of education and care, breadth of offer and through the provision of a highly engaging experience for our families. We also believe that our scale affords us the opportunity to provide a market-leading employment offer, with our engaged and capable team members reinforcing the quality and experience for our families.

TOTAL CENTRES BY BRAND

Bambino's	11	Great Beginnings	41	NurtureOne	22
Buggles early learning and kindy	11	Greenwood Early Education Centres	25	Pelicans Learning for Life	3
Casa Bambini	5	Headstart Early Learning Centres	16	Pelican Childcare	9
Creative Garden Early Learning Centre	19	Jellybeans Child Care & Kindy	11	Penguin Childcare	5
Community Kids	81	Kinder Haven	16	Sandcastles	6
Early Learning Services	44	Kindy Patch Kids	33	The Learning Sanctuary	21
First Grammar Early Education Centre	27	Kool Kids early learning centres	9	World of Learning	57

472 total centres in Australia

Figures are as at 31 December 2020

AUSTRALIA'S LARGEST

Listed Early Childhood Education & Care Provider

39k+
Licensed places

8k+
Early childhood educators

46k
Children per week

Queensland
74 Centres
1676 TMS

Western Australia
38 Centres
764 TMS

New South Wales
182 Centres
3049 TMS

South Australia
28 Centres
644 TMS

ACT
9 Centres
217 TMS

Victoria
141 Centres
3238 TMS

9,588
total Team Members (TMS)

Figures are as at 31 December 2020

CHAIR'S REPORT

Dear Shareholders,

On behalf of the Board, I am pleased to present the G8 Education Limited 2020 Annual Report.

OPERATING ENVIRONMENT

The 2020 year was dominated by the COVID-19 pandemic, an unprecedented period for the communities in which we operate, our people and the economy. At G8 Education, our focus during these extraordinary times was in two primary areas:

- Our top priority being the safety and wellbeing of our team, and the children and families that attend our centres; and
- Business continuity, specifically our cash flow, liquidity and balance sheet.

MARK JOHNSON
Chair

In our 2019 full-year results presentation in February, we flagged the early impact of COVID-19 on attendance levels at our centres. This impact accelerated rapidly over the succeeding weeks as the Government escalated measures to slow the rate of virus infection. By late March, attendances across the sector were approximately half the level of those experienced in prior years, placing the viability of the sector at risk.

Recognising this risk, the Federal Government announced an initial sector-specific relief package on 2 April, providing all sector participants with certainty of revenue to enable centres to remain open during the peak of the pandemic. That initial relief package was reviewed and updated with a transition phase package of support announced by the Government on 8 June, with further specific relief packages being provided to counter lockdown measures in Victoria in the second half of the year. These relief packages reinforced the essential role our sector plays in the economy, in addition to the important role we play in the cognitive, social and emotional development of Australian children.

Following the announcement of the Government's initial sector relief package, we raised $301 million via an underwritten institutional and retail entitlement offer. This capital raising provides G8 Education and its subsidiaries (the Group) with the liquidity and financial flexibility to withstand a prolonged period of economic downturn as well as allowing G8 to pursue any sensible opportunities that may emerge from this challenging period. The Board also made the difficult but prudent decision to delay the payment of the Group's CY19 final divided to October 2020, to provide more flexibility to deal with the unfolding pandemic, along with reducing Director fees and the salary of the Executive Leadership Team by 20% for a 6 month period.

It was pleasing to see sector occupancy levels recover a large portion of their shortfall in the second half of the year as the economy rebounded from the lockdown measures that were undertaken early in 2020. More importantly, the incidence of COVID-19 infections was very low throughout the G8 Education network, which is a testament to the skill, discipline and care of the team. On behalf of the Board, I would like to sincerely thank every member of the G8 Education team for their tireless efforts in supporting our children, families and communities through this period.

FINANCIAL PERFORMANCE

The financial performance of the Group in 2020 was significantly impacted by the COVID-19 operating environment, with Government relief subsidies partially offsetting the impacts on occupancy of lockdown measures.

Our statutory earnings were impacted by the non-cash impairment charge (discussed below), with the Group reporting a statutory Net Loss After Tax (NLAT) loss of $187m. On an underlying basis,[1] Net Profit After Tax (NPAT) was $60 million, down 11.3% on 2019. Cash flow generation continued to be strong, with $189.6 million in operating cash flows being generated.

The Group's syndicated bank debt facility was re-structured during 2020, with covenants being amended to reflect COVID-19 conditions. In February 2021 the expiry date of facilities were extended to 2023 through a sustainability-linked loan that focusses on centre quality and team safety. This increased tenor, coupled with the proceeds of the capital raising, ensures the Group has all the capital that is required to deliver its current strategy.

During the year, the Group reviewed the impacts of the COVID-19 operating environment on forecast future cash flows, to take account of the expected prolonged economic recovery. This review resulted in a non-cash impairment charge of $237.5 million post-tax being taken against a number of the Group's assets. The impairment is non-cash in nature and will have no impact on the Company's debt facilities or compliance with its banking covenants. It also provides the Group with more flexibility with respect to how it manages those underperforming assets.

STRATEGIC PERFORMANCE

The constraints on capital and operating expenditures that were in place for much of 2020 delayed some of the planned strategic initiatives, such as the refurbishments of our centre network. Pleasingly, excellent progress was made in two of our key strategic focus areas, being the implementation of high quality learning environments and team member safety.

Starting with safety, the Group reduced its Lost Time Injury Frequency Rate for team members by 47%. From a child safety viewpoint, we leveraged our partnership with Bravehearts to jointly develop an enhanced child safety program, with the first two of a number of modules being completed in 2020.

The team displayed agility to deliver enhanced learning environments in 94 centres in 2020, building on the initial pilot group of 13 that were completed in 2019. Overall results were encouraging, with the centres showing positive uplift in terms of quality, family feedback and occupancy.

REMEDIATION PROGRAM

Disappointingly, in late 2020 as part of the implementation of G8 Education's new rostering platform the Group identified that certain team members had been underpaid. While those affected team members will receive back payments with interest, the Board is disheartened that this occurred and is focused on ensuring that updated systems and processes are implemented to ensure compliance with the various awards applicable to the business. The impact of the employee underpayments has been fully provided for in the Group's CY20 full year results and via prior period restatements.

BOARD RENEWAL

Finally, I wanted to provide an update on G8 Education's Board. In May 2020, Brian Bailison retired from his position as Non-Executive Director of G8 Education. Mr Bailison was a Director of G8 Education for 10 years and retired in accordance with G8 Education's Board succession plans. On behalf of the Board, I want to thank Brian for his long-term contributions during a period of significant transformation and wish him the greatest success for the future.

The Board appointed Peter Trimble as Non-Executive Director in May 2020, following an extensive non-executive director search and recruitment process. Peter's significant financial, risk management and strategic expertise across several industries, coupled with his extensive corporate experience, will be extremely valuable to the Board.

In closing, I would like to thank all G8 Education team members for their fantastic contributions throughout 2020, in what was an extremely challenging environment. Their passion, dedication and skill make all of us very proud. I would also like to thank you, our shareholders, for your continued commitment and support.

Mark Johnson
Chair

1. Unaudited, Non-IFRS (pre AASB16 lease standard, acquisition, establishment and divestment costs; and excluding impairment).

CEO AND MANAGING DIRECTOR'S REPORT

GARY CARROLL
CEO and Managing Director

Dear Shareholders,

In 2020, the G8 Education team displayed agility, resilience and skill to overcome the immensely challenging COVID-19 operating environment to make good progress in a number of strategic focus areas.

COVID-19 RESPONSE

Our predominant focus during the year was responding to the COVID-19 pandemic. Once we became aware of the initial COVID-19 impact, we implemented a cross-functional COVID-19 response team and plans to ensure the health and safety of our team, children and families as well as the continuity of operations. People-focused initiatives included expanding hygiene and safety measures across all of our centres and support offices and implementing 'work-from-home' arrangements where possible. Regular communication with our team and families was a core element of our response program, including information in relation to hygiene, social distancing awareness and wellbeing initiatives.

For our families, we provided access to online learning and information platforms to assist parents who were caring for children at home and to keep them engaged with our centre community.

Turning now to the measures we implemented to ensure business continuity, we adopted a three-pronged approach. Firstly, we established an appropriate governance structure to steer us through the pandemic featuring daily COVID-19 team meetings that allowed us to monitor the ever-changing landscape and adapt our near term COVID-19 response plan. Secondly, we ensured that we had the liquidity and financial flexibility to survive a prolonged downturn, with our equity capital raising, completed with the support of our lenders, being at the centre of this area as well as continued stress-testing of our Balance Sheet, P&L and liquidity position across a range of scenarios. Lastly, we implemented measures to bring our capital and operating expenditures in line with the COVID-19 trading environment.

Given the heightened uncertainty as to the duration of the lockdowns and the ultimate impact on the broader economy, we deferred non-critical projects thereby reducing our capital expenditure in 2020 from $40 million to $30 million. We also identified cost savings through the optimisation of wages, removal of non-essential spend and by engaging with our landlords to reduce rental costs during the peak of the pandemic. I am pleased to say that our total cost savings were in line with the target outlined when we completed our equity capital raising in April 2020.

I often say that you learn a lot about people during a crisis. In this sense, I am immensely proud of the entire G8 Education team and how they collectively responded to the COVID-19 challenge. Our centre-based teams were in the front line of our COVID-19 response, providing continuous care to children and families throughout the COVID-19 period, displaying courage and service in a time of great uncertainty. In addition to the online learning platforms that were developed by our Education and Marketing teams, our centre teams provided personalised support to our family communities, such as cooked meals for families, take home packs for children and aged care pen pal activities.

I would also like to acknowledge the work during 2020 of Government and health authorities across the regions in which we operate. The Government's swift response to support the sector was tremendous and succeeded in ensuring the viability of the sector during the peak of the health crisis. The working relationship with Governments at all levels has also been excellent, with a level of openness and collaboration that greatly assisted us in navigating such an unprecedented period.

CEO AND MANAGING DIRECTOR

PEOPLE PROGRAM

Our strategic focus from a team member perspective is to provide a compelling employment offer, covering career pathways and training, as well as market-leading benefits, reward and recognition programs. As part of a values-based, purpose-driven culture, these programs will enable us to recruit and retain highly capable and engaged team members.

During 2020, the Group focused its People Program in two areas – career pathways and training; and implementing scaleable people processes and systems. From a training and career pathway perspective, the Education team rolled out a number of new programs to develop pedagogy and practice standards throughout the network, from learning environment guidelines and training to specific orientation and training for the Group's Early Childhood Teachers. The Group's vocational study and bachelor programs were enhanced during 2020, with more than 750 team members participating in vocational (Certificate III and Diploma) studies and 167 team members currently enrolled in Bachelor study programs throughout the G8 Education network.

The Group made good progress in developing its new, scaleable people management platform, covering all aspects of people management such as recruitment, onboarding, rostering, performance management etc. Recruitment activities were centralised during 2020, resulting in significant reductions in the time to fill centre-based roles. During the year, G8 Education utilised the forecasting engine within its new roster platform to assist in rostering during the volatile COVID-19 period with promising results.

In late 2020, the Group undertook a thorough review of award compliance as part of the implementation of its new roster platform. This review highlighted a number of areas of unintentional non-compliance with award requirements, and a remediation program was commenced in December 2020 to ensure that all relevant current and past employees are repaid all amounts owed to them as a result of such non-compliance. Remediation payments are expected to be substantially completed by July 2021. On behalf of the Board and executive leadership, I would like to sincerely apologise to team members affected by our non-compliance.

CENTRE NETWORK PERFORMANCE

From a network optimisation perspective, in 2020 we:

- completed the construction of our previously committed greenfield pipeline, with nine new centres being opened in 2020
- closed or divested 6 centres
- exited all Singapore operations.

This brought our total number of centres as at 31 December 2020 to 472 in Australia. These centres provide a total combined licenced capacity of more than 39,000 places. Our activities in this area improved network quality and provided a source of material earnings growth in future years as the greenfield portfolio matures.

Occupancy was significantly impacted by the prevailing COVID-19 environment in 2020. During the second half of the year, occupancy recovered from being around 10% below 2019 levels to finish December approximately 5% below the prior year. Government subsidies partially offset this occupancy shortfall, resulting in underlying Group earnings before interest and tax ("EBIT") (pre-AASB16) of $105.2 million, 11.9% below last year. The Group's ability to convert earnings before interest, tax, depreciation and amortisation ("EBITDA") to cash remained strong with over 140% cash conversion in 2020, generating operating cash inflows of $189.6 million. The Group reported a statutory NLAT loss of $187m, which was impacted by the non-cash impairment charge taken during the year.

OUTLOOK FOR 2021

The market environment is expected to be challenging in 2021, with uncertainty in relation to employment conditions as Government employment subsidies are wound back in Q1 of 2021. In addition, the supply of new centres continued in 2020, with further supply growth being expected in 2021. The Group is preparing to respond to any ongoing challenges in the market environment by continuing to roll out the initiatives and capabilities that have been developed in prior years. Specific focus areas include continued investment in team and child safety programs, applying practice support programs and enhanced learning environments across the network and implementation of our new people management platform.

We continue to believe there are significant organic and acquisition growth opportunities for the Group. Our strategic pathway to sustainable growth contains the following key elements:

- Driving occupancy in existing centres through development of a differentiated offer focused on quality and education, value, as well as customer experience. To facilitate this, the Group will continue to invest in improving asset and curriculum quality, while also developing new products for existing and new centres that deliver enhanced value to our families and better utilise our existing assets;
- Being the employer of choice by engaging and developing our team through a series of initiatives such as enhanced professional and leadership training and innovative remuneration, benefits and recognition frameworks; and
- Continuing to grow our network of early learning centres through measured acquisition and greenfield development.

This strategy, supported by a passionate and capable team, will leave us well placed to deliver sustainable value to children, families and our shareholders in the years ahead. In closing, I would like to thank all of our fantastic team members for their dedication, courage and skill during an unprecedented and challenging 2020. As a result of the collective team effort, we have the people, financial flexibility and processes in place to ensure that we emerge from the COVID-19 environment as a stronger, better business.

Yours sincerely,

Gary Carroll

Gary Carroll
CEO and Managing Director

2020 ACHIEVEMENTS

NEW ROSTERING SYSTEM

- Initial pilot was successfully completed
- Plans underway for full roll-out across the centre network
- The system will automate certain award compliance and improve visibility to mitigate any future risk of award non-compliance

EDUCATION AND CHILD SAFETY

- Design of G8 practice statements to frame educational practice across the network
- Continuing commitment to ensuring every child in our centres is safe
- Continued evolvement and roll-out of the Child Protection Program developed in partnership with Bravehearts

IMPROVEMENT PROGRAM

- Expansion of Improvement Program in 2020 covering 94 centres, focussed on building capable and engaged centre teams, strong learning environments and improved work routines, family communications and centre tour experience
- 2019 pilot centres tracking in line with expectations in terms of occupancy improvement, team engagement and other key metrics

DIFFERENTIATION AND INNOVATION

- Partnered with Parent TV to provide high quality bite-sized expert video content to support families in their parenting role
- Launched Creative Cubby, a new online portal, to enable centre managers to easily develop materials they need to market their centre
- Participating in Apple education research project

FINANCIAL AND OPERATIONAL PERFORMANCE HIGHLIGHTS

- Underlying EBIT[1] $105.2m
- Underlying EBIT[1] margin of 13.4%
- Recovery of LFL occupancy to 69.2%
- Rostering efficiency benefits captured
- Improvement in quality (centres meeting or exceeding the NQF) from 81% in 2019 to 85% in 2020
- Strong balance sheet, cash positive
- Refinance of sustainability-linked loan facilities completed resulting in reduced finance costs and increased average debt expiry

NETWORK OPTIMISATION AND GROWTH

- Completion of Singapore sale
- Divestment of previously impaired centres on track with active negotiations ongoing to exit underperforming centres
- Revamped approach to identifying attractive greenfield opportunities based on location and market appeal and to significantly reduce the capital outlay per new centre

1. Underlying and non-IFRS financials (pre AASB 16 lease standard, acquisition, establishment and divestment costs; and excluding impairment)

BUILD AND SUPPORT THE TEAM

- Growing and supporting our centre managers and educators
- 167 team members currently enrolled in Bachelor study programs throughout the G8 Education network
- More than 750 team members currently enrolled in Traineeships (Cert III and Diploma)
- First Steps induction program established for new centre managers
- Development of Educational Leader Toolkit in partnership with Lady Gowrie Queensland
- Creation of a facilitated orientation learning series for new Early Childhood Teachers
- Introduction of centralised recruitment resulting in reduction in time to fill roles
- Continued benefits to team members offering online and in-store discounts from over 400 retailers
- Lost time injury reduction of 47%

EFFECTIVE RESPONSE TO COVID-19 AND OTHER COMMUNITY DEVASTATING EVENTS

- During the COVID-19 pandemic over 2,165 suspected cases were managed and greater than 17,500 enquiries supported
- A number of tools were created to support home learning, including the "At Home" series and Community Cubby a content hub spanning learning, nutrition and physical activity
- 90% of G8 families indicated that they were satisfied with the timeliness of COVID-19 actions
- Cloud base technology enterprise systems enabled support office teams to rapidly move to remote working to ensure continuity of service to the centre network
- During the bushfire emergency, G8 Education designed and rolled out Bushfire Relief Packages to support affected families and team members as well as offering free care to families directly involved in fighting the fires

OUR STRATEGIC DIRECTION

G8's more recent strategic focus has been on securing scale advantages through integrating onto a single set of systems (eg Xplor for CCS, rostering etc), improving the performance of centres to lift quality and building and supporting team members through a leading career pathway program and learning and development programs. A significant amount of foundation research work has also been completed on the family customer experience that strongly positions G8 to lead the way on creating a differentiated early learning and care offering. Having neared the conclusion of this part of the strategic journey, the opportunity was taken to refresh the strategic direction through to 2023 as outlined below.

PURPOSE

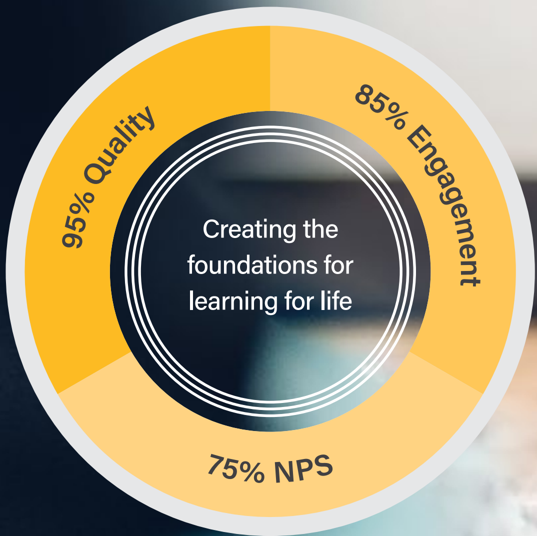
OUR REASON FOR BEING

Creating the foundations for learning for life

VISION

WHAT WE WANT TO BE KNOWN FOR

To be a best-in-class early childhood educator that's the first choice for parents to care for their child



STRATEGIC OBJECTIVES

WHAT WE WILL ACHIEVE


GREENWD
Education Centre

STRATEGIC OBJECTIVES

Embrace the natural way to learn

FULFILL children's learning potential

KEY PROGRAMS

Team & child safety
Our priority is to be a Child and Team Safe organization, with a safety first culture

Education program
Delivering consistent high quality programming, embedded practice and collaborative partnerships

KEY MEASURES

- Child tenure
- Child safety

Our team is the heart - and delivers it all

SUPPORT and build the team

KEY PROGRAMS

People pathways
Delivery of system and efficiency improvements across recruitment, people services (policies and procedures), rostering and payroll

People program
Building strong foundations to grow, support and attract a strong and capable team

KEY MEASURES

- Employee engagement
- Centre manager turnover

Accelerate capability, delivery & culture

DELIVER operational excellence

KEY PROGRAMS

Improvement program
Dedicated support and investment to elevate the quality and experience in all centres

KEY MEASURES

- Occupancy
- Quality

Sustainable, attractive growth

DRIVE
profitable growth

KEY PROGRAMS

Network growth & optimisation
Creating a high quality and profitable network of well located centres across Australia

Finance management system
An integrated finance and procurement system that streamlines work effort and improves governance

KEY MEASURES

- EBIT
- EBIT margin

We make it work for families & raise the bar in the sector

CREATE
differentiation

KEY PROGRAMS

Create differentiation
Reimagining the childcare experience through design, technology, engagement, products and services

KEY MEASURES

- Net Promoter Score (NPS)
- Innovation pilots

MATERIAL RISKS

G8 Education identifies and manages risks in accordance with the Group's Risk Management Framework, which is based on ISO 31000:2018 Risk Management – Guidelines. The Group has, through the application of the Risk Management Framework, identified material strategic, operational and financial risks which could adversely affect achievement of the Group's growth strategy.

G8 Education is firmly dedicated to meeting the duty of care that it owes to its team members, children attending its centres and other stakeholders in the conduct of its business; and its commitment to robust risk management is part of this dedication.

RISK	MITIGATING ACTIVITIES
1. Pandemic (impact of COVID-19) There is a high level of uncertainty with regards to how the COVID-19 pandemic will evolve both internationally and domestically, along with corresponding responses from governments, our families, and the broader community. Along with macro-economic impacts (discussed below) COVID-19 could give rise to sporadic or prolonged lockdowns which impact attendance and occupancy at G8 Education's centres, changes in customer demand and disruption to availability of team members.	– During 2020 we implemented increased infection control measures, hygiene practices and amended centre routines across the network. – Our Group engages directly with Government bodies with regards to sector viability, subsidy models and support in response to the pandemic. – We established a pandemic/COVID-19 management team and associated processes to ensure swift and agile response and the support to teams where required due to the pandemic.
2. Safety, health and well-being It is imperative that the Group maintain safe business environments and work practices to protect the wellbeing of children, team members, families, contractors and other people who visit our centres. We care about physiological and psychological safety and are committed to creating a safe learning and working environment where everyone arrives home free from injury and illness. Injuries or safety concerns affecting our children, team members, families, or other people who visit our centres may negatively impact the reputation of our business and could result in physical harm, regulatory action and/or penalties.	– Our Group has a suite of policies that address various aspects of both team and child safety and health, including interactions with children, conduct, physical environments, procedures, recruitment and reporting. We require all team members to complete mandatory training with respect to child safety and health on an annual basis. – Our educators must have a "Working with Children Check" and our Recruitment Policy and Processes seek to ensure the best educators are engaging with the children in our care. – Our Board is provided with at least monthly updates regarding child protection and safety and our Group's Audit & Risk Management Committee and People & Culture Committee are provided with at least quarterly updates to monitor the effectiveness of the implementation of the Safety and Health policies, standards, plans, risk program, processes, resources and compliance. – We continue to invest to improve quality and safety, address risks and develop a safety culture across our business.
3. Strategic execution The successful delivery of our Group's strategic plan is critical to enable our Group to effectively leverage its scale advantage. This requires building and maintaining organisational capability in relation to planning, resourcing and execution of key projects.	– Our Board provides oversight of the delivery, progress against plan, key resourcing, capability and critical dependencies for our Group's strategy. – We have dedicated project and change management capabilities that assist with project delivery and evaluating the impact of change on our operations to ensure key initiatives are effectively embedded.
4. Competition The early learning sector remains competitive with new supply consistently entering the market. This environment creates both opportunities and risks that may impact business performance within the local markets in which we operate.	– Our Executive Leadership Team regularly review key market trends, price points across competitors, promotions and marketing activity along with our Group's occupancy, wages, strategic initiative benefits and costs. – Our business intelligence and performance reporting systems provide visibility of operating driver performance at centre level, enabling decisions to be made on a timely basis in response to changing local market conditions.

MATERIAL RISKS continued

RISK	MITIGATING ACTIVITIES
5. Governance, ethics, legal and compliance We operate in a complex regulatory environment and are subject to a wide and diverse range of laws and regulations regarding matters such as children's education and care service standards, employment, health and safety, privacy, anti-bribery and corruption, competition, corporate conduct and ASX listing rules. We must comply with these obligations to ensure the longevity and success of our business. We also operate in an environment where we may periodically be a party to legal proceedings and litigation which could have financial impacts and negatively impact our business and reputation.	– We maintain a Compliance and Regulatory Support Guide along with a suite of Corporate Governance Policies, Whistleblower Policy, Delegation of Authority and Contract Signing Process and Code of Conduct to assist with management of legal and regulatory compliance. – We have a capable Legal, Quality & Risk team in place who specialise in compliance and regulatory risk within the childcare industry. – We engage with external legal experts with respect to continuous disclosure obligations and other material legal matters. – We implement an incident notification and escalation process with a centralised dedicated compliance team to lodge notifications with regulatory authorities.
6. Industrial Relations Failure by an employer to comply with relevant employment laws or awards can lead to potential regulatory investigations or enforcement actions or other civil or criminal fines or penalties. As disclosed on 8 December 2020, the Group identified underpayments of overtime and some allowances to former and current team members, in breach of the applicable awards, and self-reported the underpayments to the Fair Work Ombudsman. The Remediation Program necessitated by these underpayments is ongoing and the Group continues to liaise with the Fair Work Ombudsman in relation to the oversight and investigation of these issues.	– Mandatory training is in place for Regional Managers, Area Managers and Centre managers. – We have established updated rostering principles. – Our time and attendance system has reconfigured work rules. – We are on track for the implementation of the new rostering platform which will automate certain compliance controls and systems. – We have established increased supervision and oversight.
7. Changes to regulatory environment Regulatory changes to the early learning sector may have an adverse impact on the way we manage and operate our centres and on our financial performance. The introduction of new legislation or regulations, or changes in Government funded child care subsidy levels may adversely impact our financial performance and future prospects.	– The sector continues to enjoy strong bipartisan Government support as evidenced by increases to child care subsidy levels in mid-2018 and relief packages throughout the COVID-19 crisis. – Our Group maintains productive working relationships at both Federal and State Government levels providing our Group with early visibility of pending regulatory changes and enabling us to prepare and respond to such change.
8. Economic Conditions & Sustainability Economic conditions, including but not limited to the unemployment rates, birth rates, lower female workforce participation, lower household income and wealth or deterioration of market conditions in the areas surrounding our centres may impact the occupancy levels at our centres. G8 Education's business may be impacted by the long-term effects of climate change, which include rising average temperatures as well as increased severity/regularity of extreme weather events, changes to global policy and government regulations.	– Our Group undertakes detailed supply demand modelling in relation to existing and new centre investments to ensure forecast social and economic drivers are factored into any investment decisions. – We completed a sustainability materiality assessment in 2020 and are focused on continually improving our response to the key areas identified, and achievement of the sustainability targets set. – We entered into a sustainability linked loan in early 2021 that focusses on the Group's commitment to and achievement of improved centre quality and team member safety.

RISK	MITIGATING ACTIVITIES
9. Financial, treasury and insurance The management of liquidity to make payments to team members and suppliers in particular, and the management of capital and availability of funding, are important requirements to support our business operations and growth.	– We have a Board approved Treasury Policy which governs the management of our treasury risks, including liquidity, funding, interest rates, the use of derivatives and counterparty risk. These risks are managed day to day by our Group Finance function. – We have medium term bank funding facilities in place with a syndicate of lenders and manage these facilities to ensure availability of cash and committed debt facilities to meet our forecasted liquidity and capital requirements. – We have an insurance program in place to reduce risk exposure for insurable risks.
10. Cyber and Emerging Technology Risks The protection of the personal information of our families and team members is paramount. A major data or information security breach has the potential to result in unauthorised access, disclosure, loss and/or misuse of family, supplier, team member and company information which may cause significant business and reputational damage, adverse regulatory and financial impacts and legal proceedings.	– Our cyber security team is responsible for managing our information security management system (ISMS) covering cyber, privacy and business continuity planning. This includes monitoring, assessing and continuing to enhance our information and physical security to keep pace with increasing threats, with monthly reporting to our Board on the implementation and success of the ISMS. – How we collect, use, secure, manage and monitor data and our key systems is governed through our Group Cyber Security, Privacy, Acceptable Use of Information Systems Policy and associated standards. – We invest in our technology infrastructure, applications and review our IT recovery plans to enhance our offsite backup and recovery capabilities. – Our Group's requires active team members to complete mandatory information and security management training at least annually. – We partner with leading cyber security firms to continuously monitor developments in relation to cyber threats and resulting remedial actions.
11. Systems and Information Management The ongoing confidentiality, integrity and availability/continuity of our core business systems is critical to our day-to-day operations and ongoing success. We must ensure that information is relevant, available and to a quality that can support good business decisions.	– Our Group has a reporting framework with Steerco, Business Transformation Office (BTO) Framework, delegation of authority and budgeting process to manage these risks and ensure that management systems are aligned with strategy. – We ensure that our key operating systems are hosted by proven providers with high availability and fault tolerance and low failure risk.
12. Organisational structure, culture and capability Our team members are key to the success of our business and it is critical that we can attract, retain and motivate appropriately skilled and trained team members that meet the existing or future education and care needs of our families. There is a risk that we may not be able to execute upon the business strategy as a result of inefficient and misaligned organisational structures and/or organisational capability, inappropriate culture and values environments and a lack of agility in our people to manage and grow the business.	– Our Group has a dedicated recruitment team focused on finding and employing the right talent to ensure the people entering our business meet the needs of each individual role. – Our Bachelor Scholarship program and G8 Family and Team Member Benefits programs are in place to attract and retain good people. Those programs subsidise early learning for our team and provide direct sponsorship and scholarships to enable our team members to undertake further education and study. These programs and the development of our people are supported by a dedicated Learning and Development team who provide ongoing training and leadership development to ensure our team members maintain our standards and develop their careers. – We have a structured talent management framework covering workforce planning, succession planning and performance management to ensure a pipeline of talent for key roles. – Team member engagement surveys are regularly conducted to understand and help us respond to the needs of our team members.

SUSTAINABILITY REPORT

EMBRACING CHANGE

Sustainability-linked loan that focusses on centre quality and team member safety

As the largest listed early education provider in Australia, G8 Education strives to achieve best practice in social, ethical, environmental and commercial business performance across all of its operations. We recognise our responsibility to have a profoundly positive impact on the future of our most valuable and vulnerable members of society and are committed to creating environments where children and families can feel safe, included and are able to thrive.

2020 was a year like no other. It highlighted how critically important the essential services offered by G8 Education are to our stakeholders, and we endured in the face of adversity by working together in new and innovative ways to support our children, families, communities, employees and investors.

During 2020, G8 Education began the process of revising its sustainability strategy by undertaking a materiality assessment to identify and understand the most material areas of focus for long-term value creation for our stakeholders. This materiality assessment has shaped the contents of this report and will guide G8 Education's strategic sustainability initiatives and commitments moving forward.

Over the next 12 months the materiality assessment will be used to implement an enhanced reporting framework to clearly demonstrate and monitor achievements as a responsible and sustainable business. By implementing effective sustainability strategies, measures and governance practices that are aligned with the sustainability topics that are most material to G8 Education we can maximise long-term value for our stakeholders and achieve our vision of being Australia's best-in-class early childhood educator that is the first choice for parents to care for their child.

MATERIALITY ASSESSMENT

During the year Ernst & Young were engaged as an independent consultant to conduct a materiality assessment designed to understand the most material issues to G8 Education. The following research methods were used to conduct the materiality assessment:

- desktop assessment and analysis of relevant internal and external documentation;
- a review of media and peer activities across Australia, as well as global megatrends;
- engagement with G8 Education's stakeholders to discuss material topics, covering short, medium and long-term perspectives;
- in-depth interviews with seven internal stakeholders and one external stakeholder, including members of G8 Education's Board; and
- a validation workshop with relevant business representatives to confirm and prioritise the most significant topics and areas of focus.

This materiality assessment is a fundamental step towards G8 Education understanding how to leverage sustainability performance to provide long-term value to all stakeholders. Regular materiality assessments will be completed and there is an intention to expand the scope to include key industry stakeholders. By identifying and prioritising the topics most significant to our business and applying those learnings to our risk management framework, we proactively manage material economic, social and environmental risks identified by our stakeholders and make more informed decisions that better reflect their needs and expectations of our business.

SUSTAINABILITY PILLARS

The material topics identified in the materiality assessment were grouped against four sustainability pillars:

Governance-related matters:

- Sustainable governance and risk management
- Ethical practises and transparent disclosure
- Sustainable earnings
- Advocacy
- COVID-19 response
- Compliance
- Data privacy

Quality-related matters:

- Education, service delivery & quality
- Property maintenance & resources
- Technology & innovation
- Family experience & engagement
- Access to care & education
- Children health & safety
- Community contribution & impact
- Reconciliation

Workforce-related matters:

- Diversity & inclusion
- Talent management development & retention
- Employee health & safety

Environmental-related matters:

- Environmental footprint
- Environmental stewardship

GOVERNANCE

Governance is the overarching pillar, representing half of G8's top material topics also reflecting how critical strong governance is to G8 Education's success. Stakeholders have increasingly high expectations in relation to financial performance, governance issues and risk management, as well as ethical practices and reporting in the current COVID-19 context, and want to ensure that management is kept accountable for improving sustainability performance through transparent disclosures. We must demonstrate ethical practices and decision-making throughout all levels of our organisation in order to succeed.

SERVICE QUALITY

Child health and safety is a key focus as well as curriculum delivery and family experience and engagement. Service Quality is G8 Education's core business and is directly linked to our families' satisfaction with our services and centre occupancy driving financial returns.

OUR PEOPLE

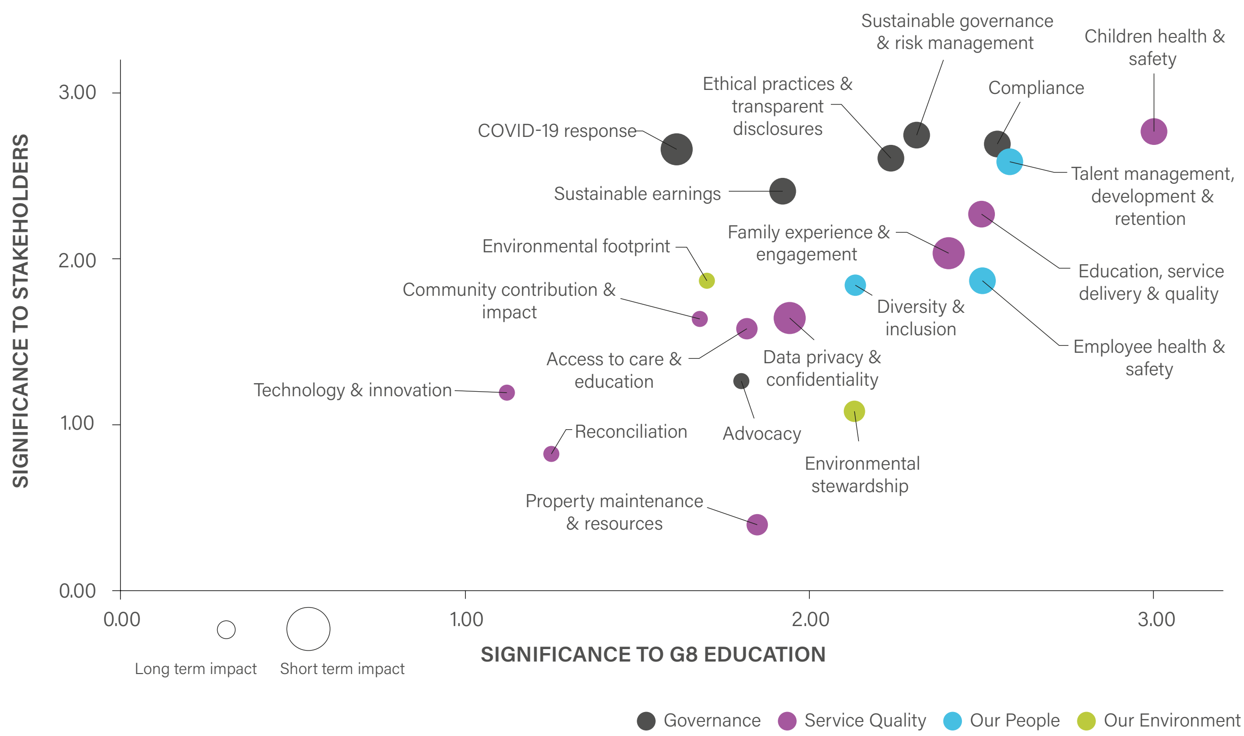
Our People and the culture of our teams are what create and maintain our reputation. As a people-focused business, employee health and safety, talent management, development and retention drive the success of G8 Education. It is critical that we retain and invest in values-driven team members who are committed to the best interest of children under our care.

OUR ENVIRONMENT

Climate change is one of the defining issues of our time, and the natural disasters of 2020 have highlighted the ongoing risk and importance of responding to climate change in Australia and around the world. G8 Education plays an important role in educating our children on the impacts of climate change and the importance of reducing our environmental footprint. We are monitoring which potential risks and opportunities are most material to us in the context of our environmental footprint, our environmental stewardship and climate change generally, which will inform our strategic and policy adjustments to best mitigate risk and seize opportunities moving forward.

MATERIALITY MATRIX

The materiality assessment identified 20 topics grouped within our four pillars that are most material to our stakeholders. The below materiality matrix maps the importance of these material topics to stakeholders against their business impact. Large dots represent short-term priorities whereas smaller dots, while still important, form part of G8 Education's long-term sustainability goals. The colours represent the four pillars.



SECTION ONE

WHAT MATTERS MOST?

This table sets out the top five material topics identified via the materiality assessment, along with G8's response, progress and commitment moving forward.

PILLAR	TOPIC DESCRIPTION	RESPONSE	TARGET
Service Quality	**Child health and safety** Looking after the physical and mental health, safety and wellbeing of the children in our care is our highest priority. Getting our culture right and providing the necessary training, policies, resources, infrastructure, spaces and support services to go beyond standard occupational health and safety and optimise physical and mental health outcomes for our children.	Children and their families are at the heart of everything we do. With more than 46,000 children across Australia in our care per week, we are deeply aware that our approach to child protection is able to have a significant impact. G8 Education is a committed champion in the development of the safest and most secure environments possible for children and families. Various G8 Education policies and documents frame the Children Health & Safety issue to ensure procedures are in place to keep children safe from harm. Incidents are reviewed weekly and each centre has its own risk register, with managers required to complete risk assessments on a regular basis. In 2020 we continued our commitment to improving child safety practices through our partnership with Bravehearts and Ernst & Young to develop a Child Protection Program that includes comprehensive training, communications and organisational culture change elements. Designed to ensure that all children in our centres are safe, and our Educators are courageous and vigilant in responding to any suspicion of child abuse or neglect, this program outlines that we can all do our part to advocate for the safety of the tens of thousands of children who attend our centres each day. The G8 Education team embraced an #iwill Statement of Commitment as a testament to the dedication we all possess in ensuring each child is protected, safe, and heard.	95% of team members complete Child Safety Training learning modules on an annual basis[1]
Governance	**Compliance** Compliance with Australian law, industry regulation and standards for childcare services.	Compliance is critical to ensure safety, health and wellbeing of children and to improve their education and development outcomes. G8 Education implements risk management frameworks, training, policies and procedures to enable it to comply with national regulations. We apply best-practice guidelines and meet the ISO31000 Risk Management Principles and Guidelines. In 2020 we merged our legal and compliance team under one consolidated Legal, Quality & Risk team. As well as providing advice directly at a centre level, this dedicated team is embedded and sits on strategic projects across the business to advise G8 on compliance with its legal and regulatory requirements. G8 Education completed 250 safety and compliance projects in 2020 and is budgeted to improve on this number in 2021.	At least 95% of all Centres achieving either 'meeting' or 'exceeding' the National Quality Standards by 31 December 2023
People	**Talent management, development and retention** Attracting and retaining highly capable individuals with a range of relevant skills, experiences and capabilities to support a high performance and positive culture within G8 Education. This includes providing quality and appropriate training and remuneration to employees and promoting high employee engagement.	Building a culture that values, invests in and engages a high performing workforce is essential to G8 Education's long-term growth and success. G8 Education continues to invest in the retention and development of values-driven team members through its various professional development opportunities and Bachelor Scholarship program, investing $2.9m into professional learning and development in 2020. Key achievements in 2020 included: – 150 team members currently undertaking Bachelor study programs throughout the G8 Education network – Provided Traineeships to more than 650 team members; – Assessed more than 7,500 Standout Educator Nominations for the standout educator of the year within G8 Education network – $16m in child care discounts saved by team members utilising the G8 Team Member Childcare Benefit Policy	85% employee engagement score by 31 December 2023 Centre manager turnover <15%

1. Excluding team members on maternity leave, extended unpaid or on workers compensation leave.

PILLAR	TOPIC DESCRIPTION	RESPONSE	TARGET
Governance	**Sustainable Governance and Risk Management** Proactively managing and mitigating material risks and opportunities to G8 Education operations, including sustainability matters within the organisation. Lead by the identification and clear articulation of responsibilities at the highest levels of governance at G8 Education.	Good governance is at the heart of any successful business and supports effective service quality and delivery as well as a safe and positive organisational culture. We recognise that the way we do business is critical in order for us to earn and maintain the respect and trust of not only G8 Education families but all stakeholders, including our employees, shareholders and the community. G8 Education's risk management policy, framework and Code of Conduct inform our risk management strategy. Enterprise risks are reviewed monthly by the Board and quarterly by the Audit and Risk Management Committee to ensure risk management and initiatives remain current. Each centre has its own risk register including environment, social, governance and financial risks and risk assessments are performed by centre managers. G8 Education and its Board are committed to good corporate governance practices and comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition). The Board of Directors guides and monitors the business and affairs of G8 Education on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board sees this commitment as fundamental to the sustainability and performance of its business and to enhance shareholder value.	95% of all active team members complete mandatory training annually [1]
	Ethical practices and transparent disclosure High-quality governance, transparency, communication, and ethical practices embedded throughout all levels of the organisation.	There is increasing demand for transparent disclosures and reporting coming from stakeholders, including investors, especially in the context of COVID-19. Compliance and risk management is embedded in our operations. G8 Education's whistle-blower policy enables anonymous reporting without fear of retribution to promote a culture of openness, honesty and transparency. G8 Education complies with the ASX Listing Rules with respect to its continuous disclosure obligations and publishes its Continuous Disclosure and Shareholder Communication Policy on its website. Our Code of Conduct and team member induction and training program are focused on embedding good communication skills and ethical practices across our day-to-day activities.	95% of all active team members complete mandatory training annually [1] 100% of all whistle-blower reports investigated and resolved.

1. Excluding team members on maternity leave, extended unpaid or on workers compensation leave.

DIRECTORS' REPORT

BOARD OF DIRECTORS

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 2020.

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.

MARK JOHNSON

B. Comm, FCA, CPA, FAICD

Chair, Independent Non-Executive Director

Since 1 January 2016

Mark Johnson is an experienced Chair and company director with a diverse portfolio. He is currently a Director of Goodman Limited, Goodman Funds Management Limited, Coca-Cola Amatil Limited and several other non-listed company boards.

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 Chair 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.

Special responsibilities: Member of the Audit and Risk Management Committee, Nomination Committee and People and Culture Committee

Other current listed public Company Directorships:

- Coca-Cola Amatil Limited (appointed 6 December 2016)
- Goodman Limited (appointed 1 June 2020)
- Goodman Funds Management Limited (appointed 1 June 2020)

Former listed public Company Directorships in the last three years: Westfield Corporation Limited (resigned 8 June 2018)

GARY CARROLL

B.Comm (Hons), B.Law (Hons), FCPA

Managing Director / Chief Executive Officer

Since 1 January 2017

Gary Carroll was appointed as Managing Director and CEO on 1 January 2017, having previously served as Chief Financial Officer for the Group from 25 July 2016. Prior to joining G8 Education, Gary had over 17 years' experience in senior leadership roles across multiple industries, including being Chief Financial Officer and Chief Supply Chain Officer at Super Retail Group Limited. Gary holds Bachelor of Commerce (Hons) and Bachelor of Law (Honours) degrees from the University of Queensland and is a Fellow of CPA Australia.

Special responsibilities: Nil

Other current listed public Company Directorships: Nil

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

PROFESSOR JULIE COGIN

PhD, M. Law, M. Ed, B. Bus, GAICD

Independent Non-Executive Director

Since 1 September 2017

Professor Julie Cogin has worked in the Australian education system for 30 years. In addition to her non-executive director responsibilities, Professor Cogin is the Deputy Vice-Chancellor (Business and Law) and Vice-President at RMIT University, Australia's largest multisector university. Professor Cogin also Chairs the board of RMIT Training Pty Limited and has held a number of senior academic leadership positions over the last two decades, including Dean and Head of UQ Business School at the University of Queensland and Director of the Australian Graduate School of Management and Deputy Dean, University of New South Wales.

Professor Cogin has made numerous leadership contributions while achieving substantial research and education outcomes. She is a recognised thought leader in strategy implementation, high performing workplaces and corporate culture, having authored books and world leading academic articles.

Professor Cogin has received prestigious education awards at University, National and International levels and delivered education or consulting engagements for many leading companies throughout Australia, Asia and in the USA.

Professor Cogin has been engaged as an expert witness in a number of tribunals and courts of Australia. In 2016, she was named as one of Australia's Women of Influence for her work to address gender imbalance in leadership.

Special responsibilities: Member of the Nomination Committee and People and Culture Committee

Other current listed public Company Directorships: Nil

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

SUSAN FORRESTER, AM

BA, LLB (Hons) EMBA, FAICD

Independent Non-Executive Director

Since 1 November 2011

Susan Forrester, AM, is a highly respected and accomplished professional Company Director with a powerful blend of management, board and consulting experience across ASX listed, public and private companies. She draws on more than 25 years of executive management expertise in large professional services firms, covering law, finance, HR, business and governance.

Susan has a proven leadership track record as a CEO and senior executive in the national professional services and finance industries. She gained a wealth of experience at the board table in complex corporate transactions, including private and public company mergers and acquisitions, industry aggregations and overseeing successful capital raisings.

On Australia Day 2019, she was awarded a Member (AM) in the General Division of the Order of Australia for significant service to business through governance and strategic roles and as an advocate for women.

Special responsibilities: Chair of the People and Culture Committee and Member of the Nomination Committee

Other current listed public Company Directorships: Over the Wire Holdings Ltd (appointed 1 November 2015), Jumbo Interactive Limited (appointed 1 October 2020) and Plenti Group Ltd (appointed 1 November 2020)

Former listed public Company Directorships in the last three years: Xenith IP Group Ltd (resigned 15 August 2019), Chair – National Veterinary Care Ltd (de-listed on 9 April 2020) and Viva Leisure Limited (resigned 31 December 2020)

DIRECTORS' REPORT continued

DAVID FOSTER

B.App.Sci, MBA, GAICD, SFFin

Independent Non-Executive Director

Since 1 February 2016

David Foster has had a successful career in financial services spanning over 25 years, with his last executive role being Chief Executive Officer of Suncorp Bank, Australia's 5th largest bank. Since leaving Suncorp, David 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. David currently serves as Chair of MotorCycle Holdings Limited and as Director of Genworth Mortgage Insurance Australia Limited and Bendigo and Adelaide Bank Limited.

Special responsibilities: Member of Audit and Risk Management Committee and Chair of Nomination Committee

Other current listed public Company Directorships: MotorCycle Holdings Limited (appointed 8 March 2015), Genworth Mortgage Insurance Australia Limited (appointed 30 May 2016) and Bendigo and Adelaide Bank Limited (appointed 4 September 2019)

Former listed public Company Directorships in the last three years: Kina Securities Limited (retired 23 May 2018), Thorn Group Limited (retired 23 October 2019)

PETER TRIMBLE

B.Com FCPA GAICD

Independent Non-Executive Director

Since 13 May 2020

Peter Trimble is an experienced senior management and finance executive of publicly listed companies having held roles at CSR Limited, Rinker Limited, ABC Learning Limited and Sugar Terminals Limited. These roles have crossed a diverse range of industries comprising education, construction materials, manufacturing, infrastructure and agriculture and includes 12 years of experience in the USA. He is also an experienced Non-Executive Director of a number of private companies.

Peter has an extensive background in child care operations, having joined ABC Learning as Chief Financial Officer immediately prior to the group going into administration and being a critical part of the team that managed, restructured and prepared the child care business for sale. Peter also has a background in governance, risk management, strategy and planning, merger and acquisitions and business restructuring and improvement.

Special responsibilities: Chair of the Audit and Risk Management Committee and Member of the Nomination Committee (from 20 May 2020)

Other current listed public Company Directorships: Nil

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

MARGARET ZABEL

FAICD, MBA, BMath

Independent Non-Executive Director

Since 1 September 2017

Margaret Zabel is a specialist in customer centred business transformation, brand strategy, innovation, digital communications, customer experience and change leadership. She has 20 years senior executive experience working across major companies and brands in FMCG, food, technology and communications industries including multinationals, ASX 100 and not-for-profits. Her previous roles include National Marketing Director Lion Nathan, VP Marketing for McDonald's Australia and CEO and Board Director of The Communications Council. Margaret has also served as a non-executive board director for the mental health charity R U OK? for 5 years, and is currently a Non-Executive Director on the Board of Collective Wellness Group and Fairtrade AUNZ.

Special responsibilities: Member of the Nomination Committee. Member of Audit and Risk Management Committee (until 31 December 2020). Member of People & Culture Committee (from 1 January 2021).

Other current listed public Company Directorships: Nil

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

BRIAN BAILISON

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

Independent Non-Executive Director

25 March 2010 to 20 May 2020

Brian Bailison was an Independent Non-Executive Director from 25 March 2010 to 20 May 2020.

Special responsibilities: Chair of the Audit and Risk Management Committee and Member of the Nomination Committee (until 20 May 2020)

DIRECTORS' REPORT continued

CHIEF EXECUTIVE OFFICER

Gary Carroll was appointed as Managing Director and Chief Executive Officer on 1 January 2017. 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. Gary has over 17 years' experience in senior leadership roles covering a number of industries.

COMPANY SECRETARY

Tracey Wood was appointed as Company Secretary and General Counsel on 28 May 2018. She is responsible for the Legal, Quality, Risk Management, Insurance and Company Secretarial functions for the Group.

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.

The Group divested its Singapore business (which included all of its early education centre franchises) on 20 October 2020 and no longer owns or operates any early education centre franchises.

There have been no other significant changes to the Group's activities during the financial year ended 31 December 2020.

REVIEW OF OPERATIONS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- Divested its Singapore business
- Non-cash impairment charge of $237.5 million (after tax) relating to the carrying value of intangible assets (principally goodwill) and the right to use assets and tangible assets relating to a number of underperforming centres.
- Completed underwritten $301 million equity raising via an institutional placement and retail and institutional entitlement offers.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Group has completed the extension of its senior syndicated debt facility on 17 February 2021. The refinance included a reduction of the senior syndicated loan facility to $300.0m, the term loan being converted to a revolver facility and alignment of expiry date to October 2023. There has been no change to the $100.0m subordinated facility.

Otherwise there are no matters subsequent to the end of the financial year to be disclosed.

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 ASIC Corporations (Rounding in Financial/Directors' reports) Instrument 2016/191, relating to the "rounding off" of amounts in the financial reports. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

DIVIDENDS

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

	2020 $'000	2019 $'000
Dividend for the full financial year ended 31 December 2019 of 6.0 cents per share paid on 30 October 2020. (2019: Dividend for the full financial year ended 31 December 2018 of 8.0 cents per share paid on 14 March 2019)	27,611	36,430
Nil Dividend for the half year ended 30 June 2020. (2019: Dividend for the half year ended 30 June 2019 of 4.75 cents per share paid on 11 September 2019)	—	21,771
Total	**27,611**	**58,201**

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 2020, and the number of meetings attended by each Director were:

	Full meetings of Directors		Audit and Risk Management Committee		Nomination Committee		People and Culture Committee	
	A	B	A	B	A	B	A	B
M Johnson	34	34	4	4	4	4	6	6
G Carroll	34	34	—	—	—	—	—	—
J Cogin	31	34	—	—	4	4	6	6
S Forrester	34	34	—	—	4	4	6	6
D Foster	31	34	4	4	4	4	—	—
P Trimble	17	17	3	3	2	2	—	—
M Zabel	34	34	4	4	4	4	—	—
B Bailison	18	18	2	2	2	2	—	—

A = Number of meetings attended by member
B = Number of meetings held during the time the Director held office or was a member of the Committee during the year

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 environmental 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.

INSURANCE OF OFFICERS AND AUDITORS

During the year, the Group paid a premium to insure the Directors and Officers (Managers) 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 include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Managers in their capacity as Managers of entities in the Group alleging a wrongful act, and other payments arising from liabilities incurred by the Managers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving willful breach of duty of the Managers or the improper use by the Managers 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.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Ernst & Young provide an annual declaration of their independence to the ARM Committee in accordance with the requirements of the Corporations Act 2001.

KEY OPERATIONAL INFORMATION

	Consolidated Group
Number of owned centres at year end	472
Licence capacity of owned centres at year end	39,418
Total Number of employees at year end	9,588
Total number of full time equivalent employees at year end	**7,417**

NON-IFRS FINANCIAL INFORMATION

The 2020 Annual Report contains certain non-IFRS financial measures of historical financial performance, balance sheet or cash flows that are used by management and the Directors as the primary measures of assessing the financial performance of the Group. Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards and may not be directly comparable with other companies' measures but are common practice in the industry in which G8 Education operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures.

The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by Australian Security and Investments Commission (ASIC) in December 2011 to promote full and clear disclosure for investors and other users of financial information and minimise the possibility of being misled by such information. Non-IFRS measures are not subject to audit or review.

The financial performance of the Group for the year resulted in an underlying EBIT[1] of $105.2m (Restated 2019: $119.4m). The underlying result was impacted by the COVID-19 pandemic's effect on attendance levels and the temporary changes to the child care sector's funding model. The 2020 and restated 2019 underlying EBIT includes amounts expensed for the employee payments remediation program.

The Directors highlight that underlying earnings have not been adjusted to exclude a number of government incentives received during the period as such assistance was considered recompense for costs incurred in the year that form part of underlying earnings.

1. Unaudited, Non-IFRS

AASB 16 LEASES IMPACT AND UNDERLYING RESULT (UNAUDITED, NON-IFRS)

Given the material impact of the accounting standard implemented on 1 January 2019, the Directors have included the following table which is considered to provide useful and meaningful information to the Group's stakeholders. This is non-IFRS information which is unaudited. Having provided this AASB 16 adjustment information for two financial years since implementation of AASB 16 to assist users in understanding the impact of the accounting standard, in future financial periods this AASB 16 adjustment table will no longer be provided.

The table below also illustrates the reconciliation of reported net profit / (loss) after tax ("NPAT") and reported earnings before interest and tax ("EBIT") to pre-AASB 16 underlying NPAT and EBIT. For pre-AASB 16 pro forma Balance Sheet and Statement of Cashflows refer to G8 Education's Investor Presentation released on the ASX on 23 February 2021.

AASB 16 Leases Impact on Consolidated Income Statement (Unaudited, Non-IFRS)

Consolidated Full Year	2020 Statutory $'000	2020 AASB16 Adjustment [1] $'000	2020 pre-AASB16 $'000	2019 Restated Statutory $'000	2019 AASB16 Adjustment [1] $'000	2019 Restated pre-AASB16 $'000
Revenue	788,358	(216)	788,142	922,202	(1,588)	920,614
Expenses						
Employment costs	(422,984)	—	(422,984)	(555,841)	—	(555,841)
Occupancy	(7,705)	(108,309)	(116,014)	(11,752)	(107,451)	(119,203)
Direct costs of providing services	(77,310)	—	(77,310)	(67,632)	—	(67,632)
Depreciation	(91,609)	70,206	(21,403)	(100,117)	78,029	(22,088)
Impairment loss	(275,217)	100,250	(174,967)	—	—	—
Other expenses	(50,989)	(1,585)	(52,574)	(39,986)	(1,576)	(41,562)
Finance costs	(66,721)	43,684	(23,037)	(75,974)	45,010	(30,964)
Total expenses	**(992,535)**	**104,246**	**(888,289)**	**(851,302)**	**14,012**	**(837,290)**
Profit / (loss) before income tax	**(204,177)**	**104,030**	**(100,147)**	**70,900**	**12,424**	**83,324**
Income tax benefit (expense)	17,167	(31,197)	(14,030)	(18,881)	(3,727)	(22,608)
Profit / (loss) for the year attributable to members of the parent entity	(187,010)	72,833	(114,177)	52,019	8,697	60,716

Consolidated Full Year	2020 pre-AASB16 $'000	2019 Restated pre-AASB16 $'000
Net Profit / (loss) after income tax (Pre-AASB 16)	(114,177)	60,716
Add/(Less) non-operating transactions:		
Contingent consideration not paid	(64)	(681)
Acquisition related expenses[2]	2,425	5,088
Borrowing costs expense[3,4]	—	2,476
(Gain)/loss on disposal of assets/centres	(9,035)	4,034
Foreign currency translation (gain)/loss[3,4]	—	(1,967)
Impairment loss and non-trading expenses[4]	180,878	1,442
Recognition of tax losses from acquired entities	—	(3,435)
Underlying net profit after tax	60,027	67,673
Underlying EPS (cents per share)[5]	8.06	13.02
Net Profit / (loss) before income tax (Pre-AASB 16)	(100,147)	83,324
Add Finance costs	22,152	30,470
Add/(Less) non-operating transactions:		
Contingent consideration not paid	(64)	(681)
Acquisition related expenses[2]	2,425	5,088
(Gain)/loss on disposal of assets/centres	(9,035)	4,034
Foreign currency translation (gain)/loss[3]	—	(2,810)
Impairment loss and non-trading expenses	189,874	—
Underlying earnings before interest and tax[6]	**105,205**	**119,425**

1. AASB 16 adjustments include impairment of right of use assets. Pre AASB 16, the assessment of cash generating units may have resulted in a provision for onerous leases and a corresponding expense. The Group did not make an assessment of onerous leases in the current period for inclusion in the pre-AASB 16 proforma consolidated income statement and instead used the impairment of the right of use assets amount as a proxy for this pre-AASB 16 approach.
2. Includes stamp duty, legal fees, establishment costs and abandoned acquisition costs
3. These items ceased to be removed from underlying from CY20 onwards following the repayment of the SGD bonds
4. These items have been adjusted for tax
5. 2019 Restated to reflect bonus element included in share issuance
6. Previously reported underlying EBIT for 2019 was $132.5m and underlying NPAT was $76.4m

Refer to note 14 for restatement details.

REMUNERATION REPORT

1	Introduction from the People and Culture Chair	Sets out the activities of the People & Culture Committee and the Board and people focussed highlights
2	Who is Covered	Details of Executive KMP and Non-Executive Directors
3	Remuneration Governance	Describes the role of the Board and the People and Culture Committee, and the use of remuneration consultants
4	Executive KMP Incentives	Our Strategy, Vision and Values that align to Executive KMP incentives
5	Remuneration Details for 2020	Outlines the principles and strategy applied to executive remuneration decisions and the framework used to deliver incentives
6	Executive KMP Equity Interests	Provides details of Executive KMP shareholdings in G8 Education
7	Employment Agreements	Provides details regarding the contractual arrangements between G8 Education and Executive KMP
8	Non-Executive Director Remuneration	Provides details regarding the fees paid to Non-Executive Directors

SCOPE

This Remuneration Report sets out, in accordance with the relevant Corporations Act 2001 (Corporations Act) and accounting standard requirements, the remuneration arrangements in place for the key management personnel (Executive KMP) during 2020.

1. INTRODUCTION FROM THE PEOPLE AND CULTURE COMMITTEE CHAIR

Dear Shareholders

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2020.

The purpose of this Report is to set out, in a clear and transparent way, our approach to remunerating Executive KMP, the elements of our Strategic Remuneration Framework, and remuneration of our Non-Executive Directors.

The Directors believe that our Strategic Remuneration Framework is appropriate for our business and the sector in which we operate, and allows the Board to balance remuneration outcomes which reward and motivate our Executive KMP whilst reflecting our overall business performance and delivering value to you, our shareholders.

COVID-19 Impacts

Whilst 'unprecedented' has become an overused term, CY20 was a year like no other for our people and our families. After experiencing drought and bushfires, our people experienced a turbulent year of uncertainty and increased responsibilities for managing and protecting the health and wellbeing of the children in our care. The pandemic created significant volatility across the commercial operations of our centres.

During this challenging year, G8 prioritised the health and safety of our children, families and team, which demanded a focus on education, hygiene, safety practices and wellbeing.

In the face of these challenges, the efforts of our management team and our teams at the front line were extraordinary.

CY20 Non-Compliance with Relevant Awards

During the year, a proactive review of our award and legislative requirements identified inadvertent but systemic noncompliance issues with relevant industrial awards. This important matter was self-reported to the Fair Work Ombudsman and we are undertaking a remediation program to ensure all affected team members are paid any amounts owing.

The Board apologises unreservedly to our team and is committed to rectifying this issue in full. To support future compliance, G8 is on track to deploy its new rostering system mid-year 2021, which will automate award compliance and improve visibility across the network.

CY20 Remuneration Framework Review

The new three-year remuneration framework commenced following a comprehensive review in the prior year. The review resulted in the introduction of a financial gate as part of the STI redesign and confirmed earnings per share (EPS) as the single earnings-based metric for the Long-Term Incentive Plan.

CY20 Reward Outcomes – Short Term Incentive Plan (STI)

The minimum financial performance requirements of the Short-Term Incentive Plan were not met as the 90% NPAT gateway was not achieved. This resulted in no STIs being payable to Executive KMP. The Board and the People and Culture Committee believe this outcome reflects our performance in 2020.

Notwithstanding that the NPAT gate was not achieved, in terms of the individual component of each Executive KMP's STI, there was positive progress in a number of performance areas covering teams, quality and customer and families. These are set out in some detail in Section 5 of this Report.

Board Remuneration and Gender Balance

At the 2020 AGM the Board did not seek an increase to the aggregate Non-Executive Director fee pool. As was the case in 2020, fees for Non-Executive Directors will not be changed in 2021. Our Board composition continues to reflect a healthy gender balance, with each gender now representing 50% of our independent Non-Executive Directors and women representing 42% of the Board.

Board and Management Response to COVID-19 and other issues

Whilst the Board is proud of the way G8 responded to COVID-19, we recognise that failing to meet key financial targets and disclosure of non-compliance with relevant awards has negatively impacted shareholders' experience and returns in CY20. However, taking into account:

- Board and management voluntarily accepted a 20% remuneration reduction for 6 months in 2020;
- Executive KMP will not receive STIs due to failure to achieve the financial gate (set prior to COVID-19 and not retested);
- Directors fees have been frozen for 2 calendar years; and
- The ~24% reduction in LTI eligibility for the CEO in respect of the 2020 grant

The Board has spent significant time considering the response to these issues and believes that sufficient steps have been taken to recognise the impacts of COVID-19 and the award underpayment issue.

Building a Great Team

During 2020, we further invested in building capability and driving the people strategy across the Group with the appointment of an experienced Chief People and Transformation Officer. We continue to create a better experience for our families and Centre teams by the rollout of our updated HR systems, in line with our implementation plans. We are delighted that our team engagement score continues to improve, currently sitting at 79%.

Looking forward

After a comprehensive review of our Remuneration Framework, the Board has confidence in the integrity of our People Strategy and Strategic Remuneration Framework and believes it allows the Board to balance rewarding our Executives for performance against agreed KPIs and recognising the interests of our shareholders, in an uncertain operating environment.

Finally, as I will retire from the Board at the 2021 AGM, after 10 years' service as a Director, this is my final letter to shareholders. Professor Julie Cogin, who brings extensive experience in human resource strategy and management will step into the role of Chair of this Committee and I wish her every success.

In a year that challenged us in so many ways, the Board hopes you find this Report informative and thanks you for your ongoing support.

Susan Forrester
Chair, People and Culture Committee
Brisbane

23 February 2021

REMUNERATION REPORT continued

2. WHO IS COVERED BY THE REPORT

Key management personnel

Executive KMP have authority and responsibility for planning, directing and controlling the activities of G8 Education and comprise the Non-Executive Directors and Executive KMP (being the executive directors and other senior executives named in this report). Details of the Executive KMP during the year are set out in the table below:

	Title /Committees	Change in 2020
Non-Executive Directors		
Mark Johnson	Chair – Member, Audit & Risk Management – Member, Nomination – Member, People & Culture	No Change
Julie Cogin	Director – Member, Nomination – Member, People & Culture	No Change
Susan Forrester	Director – Chair, People & Culture – Member, Nomination	No Change
David Foster	Director – Chair, Nomination – Member, Audit & Risk Management	No Change
Peter Trimble	Director – New Chair, Audit & Risk Management – Member, Nomination	From 13 May 2020 From 20 May 2020 From 20 May 2020
Margaret Zabel	Director – Member, Nomination – Member, Audit & Risk Management	
Brian Bailison	Retired Director – Chair Audit & Risk Management – Member, Nomination	Until 20 May 2020 Until 20 May 2020 Until 20 May 2020
Executive Director		
Gary Carroll	CEO and Managing Director	No Change
Other Executive KMP		
Sharyn Williams	Chief Financial Officer	No Change
Jason Ball	General Manager Operations (ceased employment on 2 February 2021)	No change in 2020 Ceased on 2 February 2021

3. REMUNERATION GOVERNANCE AT G8 EDUCATION

This section of the Remuneration Report describes the role of the Board and the People and Culture Committee and the use of remuneration consultants when making remuneration decisions affecting Executive KMP.

Role of the Board and the People and Culture Committee

The Board is responsible for G8 Education's remuneration strategy and policies. Consistent with this responsibility, the Board has established the People & Culture Committee (PCC) which comprises solely independent Non-executive Directors (NEDs).

The role of the PCC is set out in its Charter, which is reviewed annually and was last revised and approved by the Board in 2020. In summary, the PCC's role is to:

- ensure that the appropriate procedures exist to assess the remuneration levels of the Chair, NEDs, Executive Directors, direct reports to the CEO, Board Committees and the Board as a whole;
- ensure that G8 Education meets the diversity guidelines and objectives;
- ensure that G8 Education adopts, monitors and applies appropriate remuneration policies and procedures;
- ensure that reporting disclosures related to remuneration meet the Board's disclosure objectives and all relevant legal requirements;
- develop, maintain and monitor appropriate talent management programs including succession planning, recruitment, development, retention and termination policies and procedures for senior management; and
- develop, maintain and monitor appropriate superannuation arrangements for G8 Education.

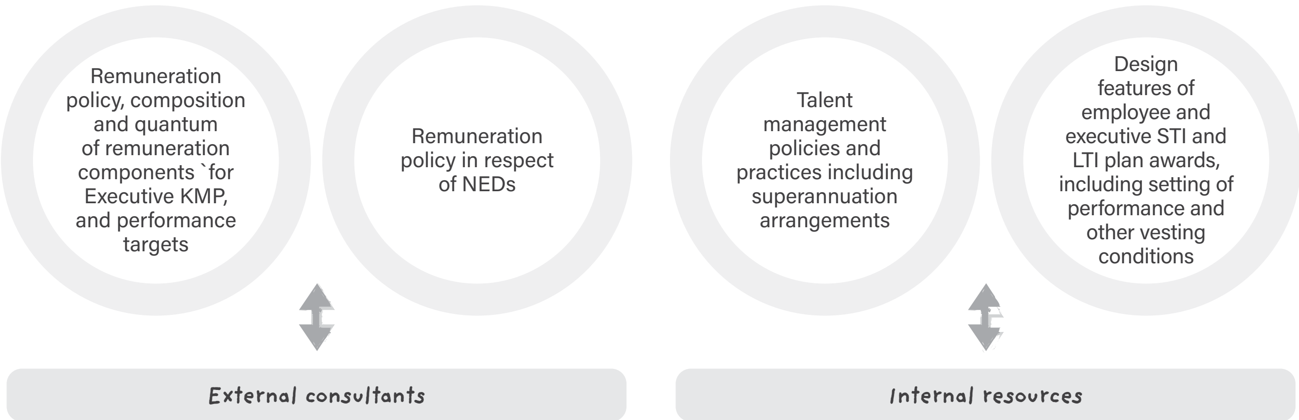
The PCC's role and interaction with Board and internal and external advisors are further illustrated below:

The Board

Reviews, applies judgment and, as appropriate, approves the PCC's recommendations

The People & Culture Committee ("PCC")

The PCC operates under the delegated authority of the Board.
The PCC is empowered to source any internal resources and obtain external independent professional advice it considers necessary to enable it to make recommendations to the Board on the following:



Further information on the PCC's role, responsibilities and membership is contained in the Corporate Governance Report set out in the Corporate Governance section of the G8 Education website.

REMUNERATION REPORT continued

3. REMUNERATION GOVERNANCE AT G8 EDUCATION

Use of remuneration consultants

All proposed remuneration consultancy contracts (within the meaning of section 206K of the Corporations Act) are subject to prior approval by the Board or the PCC in accordance with the Corporations Act.

The Board directly engages external advisors to provide input to the process of reviewing Executive KMP and NED remuneration.

During the 2020 financial year, Crichton and Associates Pty Limited (Crichton and Associates) were engaged by the Board to provide a remuneration benchmark assessment in relation to the Non-Executive Director and two executive roles. Crichton and Associates were paid $5,302 (including GST) for these services.

The following arrangements were made to ensure that the remuneration recommendations have been made free from undue influence:

- Crichton and Associates received written instructions from an independent NED on behalf the PCC and were accountable to the Board;
- During the course of this assignment, Crichton and Associates received limited input from management. Crichton and Associates reported its findings, in writing, to the independent NED and the Board; and
- Either a standard set fee was charged, or a fixed fee arrangement was agreed in advance directly with the independent NED on behalf of the PCC.

The Board was satisfied that the limited remuneration recommendations provided were made free from undue influence from any member of the Executive KMP. That view was formed due to the above arrangements being in place, the professional nature of the remuneration consultant's business and reputation and the absence of any reason to suggest otherwise.

In addition to providing remuneration consulting services, Crichton and Associates also provided services relating to other aspects of remuneration of the Group's employees, including ad hoc advice in respect of the Company's remuneration framework, remuneration reporting and proxy advisor engagement. Crichton and Associates was paid $5,860 (including GST) during 2020, for these services.

4. OUR STRATEGY, VISION AND VALUES AND LINK TO EXECUTIVE KMP REWARD

Our Executive KMP remuneration has been designed to support and reinforce G8 Education's Strategy, Purpose and Values. The at-risk components of the Executive KMP remuneration are therefore closely linked to the successful execution of the organisation's strategy.

The strategic remuneration framework which applies to Executive KMP operates over a three (3) year cycle, originally approved from 1 January 2020 and concluding on 31 December 2022.

Our Strategic Priorities

- Fulfil children's learning potential
- Deliver operational excellence
- Support and build the team
- Drive profitable growth
- Create differentiation

Our Purpose
Creating the foundations for learning for life

Our Values
Passion, Innovation, Dedication, Compassion, Integrity

SHORT TERM INCENTIVE PLAN (STIP)

The strategic priorities are translated into performance objectives and KPIs

Net Profit after Tax is the performance measure that applies to over 65% of the incentive

Measurable performance objectives are set across all strategic priorities and are closely aligned to our purpose and values. This ensures a balanced focus across all key strategic areas

Our Values are considered as we assess how performance has been achieved

Our Shareholder Value Proposition

Deliver sustainable double-digit growth in earnings for shareholders

LONG TERM INCENTIVE PLAN (LTIP)

Earnings per Share
Growth over the vesting period accounts for 100% of the award. The purpose of the incentive is to align Executive KMP remuneration opportunity with shareholder value and provide retention stimulus

4. OUR STRATEGY, VISION AND VALUES AND LINK TO EXECUTIVE KMP REWARD continued

The Components of Executive KMP Remuneration at G8 Education

Executive KMP remuneration

G8 Education's executive remuneration policies are designed to attract, motivate and retain a qualified and experienced group of executives with complimentary skills.

Fixed remuneration components are determined having regard to the specific skills and competencies of the Executive KMP with reference to both internal and external relativities, particularly local market and industry conditions. The '**at risk**' components of remuneration are strategically directed to encourage management to strive for superior (risk balanced) performance by rewarding the achievement of targets that are challenging, clearly defined, understood and communicated within the ambit of accountability of the relevant Executive KMP.

Executive KMP remuneration objectives are exemplified through three categories of remuneration, as illustrated below.

Attract, motivate and retain executive talent across diverse geographies	The creation of reward differentiation to drive performance values and behaviours	An appropriate balance of 'fixed' and 'at risk' components	Shareholder value creation through equity components

Total target remuneration (TTR) is set by reference to the relevant geographic market

Fixed	At risk	
TOTAL FIXED REMUNERATION (TFR)	**SHORT-TERM INCENTIVES (STI)**	**LONG-TERM INCENTIVES (LTI)**
TFR is set based on relevant market relativities, reflecting responsibilities, performance, qualifications, experience and geographic location	STI performance criteria are set by reference to G8 Education's group earnings and individual performance targets relevant to the specific Executive KMP	LTI targets are linked to G8 Education EPS growth
Remuneration will be delivered as:		
Base salary plus any fixed elements related to local markets, including superannuation or equivalents	Part cash and part equity (performance rights). The equity component will be subject to service and deferred for one year.	Equity in performance rights. All equity is held subject to service and performance for three years from grant date. The equity is at risk until vesting. Performance is tested once at the vesting date
Strategic intent and market positioning		
TFR will generally be positioned at the median compared to relevant market based data considering expertise and performance in the role	Performance incentive is directed to achieving Board approved targets, reflective of market circumstances. TFR + STI is intended to be positioned in the 3rd quartile of the relevant benchmark comparisons	LTI is intended to reward Executive KMP for sustainable long-term growth aligned to shareholders' interests. LTI allocation values are intended to be positioned in the 3rd quartile of the relevant benchmark comparisons

TOTAL TARGETED REMUNERATION (TTR)

TTR is intended to be positioned in the 3rd quartile compared to relevant market benchmark comparisons. 4th quartile TTR may result if outperformance is achieved. The remuneration structure is designed to ensure top quartile Executive KMP remuneration is only achieved if G8 Education outperforms.

REMUNERATION REPORT continued

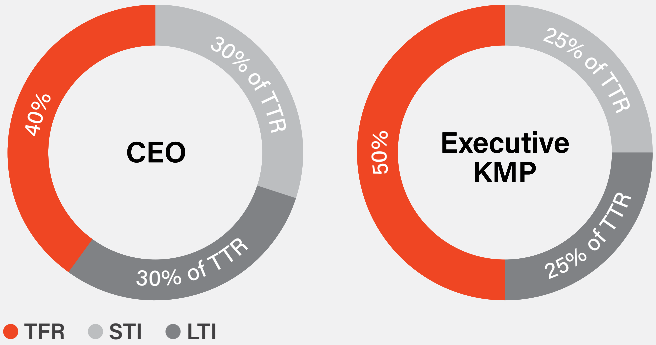
4. OUR STRATEGY, VISION AND VALUES AND LINK TO EXECUTIVE KMP REWARD continued

Remuneration composition mix

G8 Education endeavours to provide an appropriate and competitive mix of remuneration components balanced between fixed and at "risk" and paid in both cash and deferred equity.

Remuneration mix 2020

The target mix of remuneration for the CEO and Executive KMP for 2020 resulted in the following remuneration mix:



Of the above mix, the amount received by the CEO in 2020 was as follows:

Position	TFR Payable	TFR Paid	STI Paid	LTI due to Vest in 2020	2020 LTI Grant
CEO	$840k	90% being $756k [1]	0% of $630k	0% of 2018 LTI grant vested	76% of 2020 LTI grant was granted (value reduction of $50k) [2]

The "at risk" component of the (STI) and (LTI) of this mix represents the intended remuneration opportunity for these executives assuming the performance requirements set for each component are satisfied. The remuneration mix is the same in 2020 as in 2019, with no plans to change the mix in 2021, and ensures that remuneration is linked to performance and contains at risk components.

Total target remuneration (TTR)

G8 Education's approach continues to position Executive KMP at or around the market median (allowing for a range of 15% either side of the determined market median level). This positioning is confirmed regularly by reference to remuneration surveys and independent benchmark assessments from time to time. The comparator group used to benchmark Executive KMP remuneration is ASX listed companies of a similar size.

A description of the 2020 short-term and long-term incentive schemes are set out below.

Total fixed remuneration (TFR)

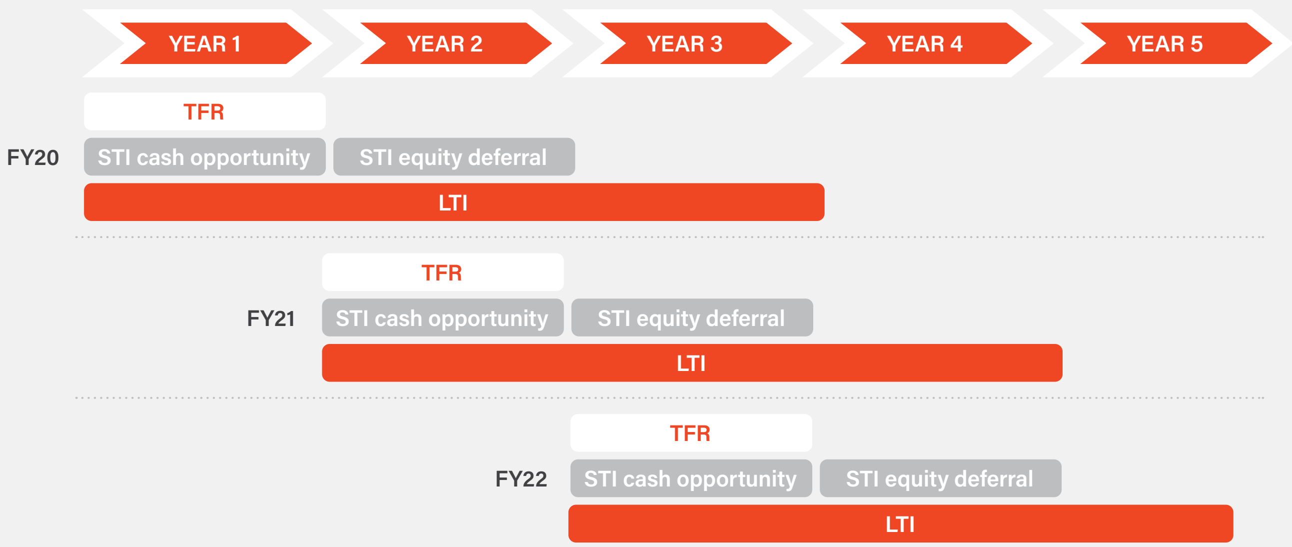
G8 Education's approach continues to position Executive KMP at or around the market median (allowing for a range of 15% either side of the determined market median level). This positioning is confirmed regularly by reference to remuneration surveys and independent benchmark assessments from time to time. The comparator group used to benchmark Executive KMP remuneration is ASX listed companies of a similar size.

A description of the 2020 short-term and long-term incentive schemes are set out below.

Remuneration – "at Risk"

As illustrated, Executive KMP remuneration is delivered on a cascading basis, with a material component deferred for one (STI) and three (LTI) years and awarded as equity. This remuneration mix is designed to ensure Executive KMP are focused on delivering results over the short, medium and long term if they are to maximise their remuneration opportunity. The Board believes this approach will align Executive KMP remuneration to shareholder interests and expectations.

The three complementary components of Executive KMP remuneration are 'earned' over multiple time ranges. This is illustrated in the following chart:



1. 90% TFR paid equates to 20% fixed remuneration reduction for 6 months.
2. CEO's 2020 LTI grant reduced by ~24% to take into account the Company's share price performance and the value of the performance rights which was determined post the April 2020 institutional capital raising.

4. OUR STRATEGY, VISION AND VALUES AND LINK TO EXECUTIVE KMP REWARD continued

Total fixed remuneration explained

Total fixed remuneration (TFR) includes all remuneration and benefits paid to an Executive KMP calculated on a total employment cost basis. In addition to base salary, superannuation and other allowances are included.

Executive KMP TFR is tested regularly for market competitiveness by reference to appropriate independent and externally sourced comparable benchmark information, including for comparable ASX listed companies, and based on a range of size criteria including market capitalisation, taking into account an executive's responsibilities, performance, qualifications, experience and location.

TFR adjustments, if any, are made with reference to individual performance, an increase in job role or responsibility, changing market circumstances as reflected through independent benchmark assessments or through promotion.

Any adjustments to Executive KMP remuneration are approved by the Board, based on PCC and CEO recommendations.

Variable (at risk) remuneration explained

Variable remuneration is intended to form a significant portion of the CEO and other Executive KMP remuneration opportunity. Apart from being market competitive, the purpose of variable remuneration is to encourage executives' behaviours towards maximising G8 Education's short, medium and long-term performance.

The key aspects are summarised below.

Short-term incentives (STI)

Purpose	The STI arrangements at G8 Education are designed to reward executives for the achievement against annual performance targets set by the Board at the beginning of the performance period. The STI program is reviewed annually by the PCC and approved by the Board. All STI awards to the CEO and other Executive KMP are approved by the PCC and Board.
Performance targets	The key performance objectives of G8 Education are directed to achieving Board approved earnings targets and by the achievement of individual performance KPIs. The structure of the STI performance targets was amended in 2020 such that in addition to financial performance targets, a financial performance gateway, being a minimum of 90% of budgeted NPAT, was established which determines the payment pool available in respect of individual KPIs (if they are achieved). In respect of the individual KPIs, in 2020 there were four individual KPIs split into three areas – Team (2), Quality (1) and Customer (1). For 2021 these KPI splits and focus areas remains the same - Team (2), Quality (1) and Customer (1), with the financial performance gateway being a minimum of 90% of budgeted NPAT also applying to individual KPIs in 2021. Any anomalies or discretionary elements are approved and validated by the Board.
Rewarding performance	The STI performance ratings are determined under a predetermined matrix with the Board determination final.
Deferral of STI	Effective from 1 January 2017 Board discretion to defer a portion of STI was introduced to reinforce alignment with shareholder interests. Any deferred grants will be determined at the end of each year and then held for one year until vesting. This achieves additional retention and alignment of executives with shareholder interests. Board discretion may be applied to defer 50% of the STI amount, above a minimum threshold of $100,000. The equity component will be independently determined based on the gross contract value using G8 Education's five-day volume weighted average price (VWAP) following the announcement of year end results in February 2021. That is, based on a Black-Scholes-Merton pricing model without discounting for service or performance hurdles. The deferred component is granted as service rights. Once the STI is awarded and service rights have been granted, there are no further performance measures attached to the rights other than continued tenure for the vesting period (one year).

REMUNERATION REPORT continued

4. OUR STRATEGY, VISION AND VALUES AND LINK TO EXECUTIVE KMP REWARD continued

Long-term incentives (LTI)

The LTI provides an annual opportunity for Executive KMP and other selected executives (based on their ability to influence and execute strategy) to receive an equity award deferred for three years, that is intended to align a significant portion of executives' overall remuneration to shareholder value over the longer term. All LTI awards remain at risk and subject to 'claw back' (forfeiture or lapse) until vesting and must meet or exceed EPS growth rates over the vesting period.

Purpose	To align Executive KMP remuneration opportunity with shareholder value and provide retention stimulus.
Types of equity awarded	LTI is provided under the G8 Education Executive Incentive Plan. See the section below for further details. Under the G8 Education Employee Incentive Plan, selected senior executives are offered performance rights (being a nil exercise price right to fully paid ordinary shares of G8 Education Limited), subject to satisfying the relevant requirements.
Time of grant	All equity grants will be made after the AGM each year but based on values determined in February following release of the full year results (except for the grant in 2020, which was based on the volume 5-day volume weighted average price on 21 April 2020 following the Group's institutional capital raising).
Time restrictions	Equity grants awarded to the Executive KMP and other executives are tested against the performance hurdles set, at the end of three years. If the performance hurdles are not met at the vesting date, performance rights lapse.
Performance hurdles and vesting schedule	Equity grants to Executive KMP and other executives are subject to one performance condition, as follows: Cumulative annual growth in Reported EPS (three years). The hurdles are set. Both were based on relevant market benchmarks. **Cumulative annual growth in Reported EPS (3 years)** Performance p.a. — % of equity to vest < 14 cents — 0% 14 cents – 17 cents — 50% to 100% pro-rata > 17 cents — 100% Performance rights vest if the time restrictions and relevant performance hurdles are met. The Board must approve any special provisions, in accordance with Company policies, in the event of termination of employment or a change of control. In respect of grants made in 2017, 2018 and 2019, the performance hurdle was compound annual growth in Reported EPS (3 years) as follows: **Performance p.a. — % of equity to vest** < 10% — 0% 10% to 15% — 50% to 100% pro-rata > 15% — 100%
Dividends	No dividends are attached to performance rights.
Voting rights	There are no voting rights attached to performance rights.
Retesting	There is no retesting of performance hurdles under G8 Education LTI.
LTI allocation	The size of individual LTI grants for the Executive KMP and other executives is determined in accordance with the Board approved remuneration strategy mix. The allocation methodology for performance rights uses a face value basis using the 5-day volume-weighted average price for G8 Education shares traded following the release of the Groups results for the preceding reporting period (unless circumstances, such as the equity raising in 2020, lead to another date being more appropriate). The value of performance rights granted may differ from the accounting valuation shown in the financial statements which considers probability of vesting and other factors.

4. OUR STRATEGY, VISION AND VALUES AND LINK TO EXECUTIVE KMP REWARD continued

G8 Education Executive Incentive Plan (GEIP)

Equity granted under the short term and long term incentive schemes is granted by way of performance or service rights issued in accordance with the GEIP. Shareholders approved the GEIP at the AGM in June 2020. The Company has established the GEIP to assist the retention and motivation of executives of G8 Education (Participants). It is intended that the performance rights will enable the Company to retain and attract the skilled and experienced executives and provide them with the motivation to enhance the success of the Company.

Rights may be offered to Participants selected by the Board. Unless otherwise determined by the Board, no payment is required for the grant of rights under the GEIP. Each right is an option to subscribe for one share. Upon the exercise of a right by a Participant, each share issued will rank equally with other Shares of the Company.

Review of the GEIP

The GEIP operates over a three year cycle, with the current GEIP operative for the period from 1 January 2020 and concluding on 31 December 2022 following shareholder approval at the 2020 Annual General Meeting. The GEIP is therefore due for formal review and shareholder approval in 2023.

Other remuneration elements and disclosures relevant to Executive KMP

Claw back

The Board has discretion to claw back incentive payments where material misconduct is evident. The Claw Back Policy is available on the G8 Education website.

Hedging and margin lending prohibition

Under the G8 Education Securities Trading Policy and in accordance with the Corporations Act, equity granted under G8 Education equity incentive schemes must remain at risk until vested, or until exercised if performance rights.

It is a specific condition of grant that no schemes are entered into, by an individual or their associates that specifically protect the unvested value of performance rights allocated.

G8 Education also prohibits the CEO or other 'Designated Persons' (including Executive KMP) providing G8 Education securities in connection with any margin loan or similar financing arrangement unless that person has received a specific notice of no objection in compliance with the policy from the Board.

G8 Education, in line with good corporate governance, has a formal policy setting down how and when employees of G8 Education may deal in G8 Education securities.

G8 Education's Securities Trading Policy is available on the G8 Education website under Investor Centre, Corporate Governance.

REMUNERATION REPORT continued

5. REMUNERATION DETAILS FOR 2020

Actual Remuneration Received in 2020

2020 Short Term Incentive Plan outcomes - Financial

The financial target in the 2020 Short Term Incentive Plan was aligned to our shareholder value proposition providing sustainable double-digit earnings growth for shareholders.

These financial targets form 87% of the total STI for 2020 for the CEO/Managing Director and 80% for the other Executive KMP.

The minimum financial performance requirement of the Short-Term Incentive Plan was not met as the Company fell short of the NPAT target set by the Board. Accordingly, the financial component of the STI was not awarded to any Executive KMP.

2020 Short Term Incentive Plan outcomes – individual objectives

The remaining 13% for the CEO/Managing Director and 20% for the other Executive KMP was determined based on the achievement of agreed annual objectives, subject to a financial NPAT gate, which as described earlier are a mix of quantitative and qualitative objectives. These annual objectives for Executive KMP are intended to ensure continued focus on strategic priorities and to raise the bar on performance year on year.

At the outset of 2020, clear performance objectives were set for the Executive KMP that were critical to the delivery of the 2020 plan and fundamental to the success of the long-term strategy while addressing the ongoing challenges of our competitive operating environment.

The overall assessment of Executive KMP took into account performance against the achievement of individual objectives and how the performance was achieved (i.e. through demonstrating good leadership aligned to our values) which ensures a holistic and full assessment of performance.

Detailed assessments were prepared by the Managing Director and discussed with the People and Culture Committee. The Board and the People and Culture Committee believe that the performance in 2020 has been appropriately reflected in the Short Term Incentive Plan outcomes.

The table below summarises the 2020 results for Executive KMP against the individual KPI's.

Objective groupings	Number of objectives	Objective Areas	Weighting	Objective Measure	Actual Achieved	Awarded
Team	2	CM Voluntary Turnover	25%	CM voluntary rolling turnover (as at 31 December 2020) < 15%	18.8%	—
		Team Engagement	25%	Engagement score of 80%	79%	—
Quality	1	National Quality Framework Assessment and Rating	25%	KPI not taken into account in FY20, due to impact of COVID-19 and ability for audits to be completed	KPI not assessed in FY20	— —
Customer/ Families	1	Customer NPS	25%	Customer NPS score of > 55%	45.9%	—

The Executive KMP were not awarded any STI payments in 2020 on the basis that the financial NPAT gateway was not achieved and the above KPIs were not achieved in full.

Remuneration Received by Executive KMP

During 2020 G8 responded to the challenges presented by COVID-19 by implementing a temporary 20% pay reduction for NEDs, Executive KMP and non-KMP executives (effective from 3 April to 2 October 2020 for Directors, and from 1 May to 30 October 2020 for executives). From November 2020 all executive salaries were reinstated to contractual remuneration rates.

The following table sets out the value of the remuneration received by Executive KMP during the year. The figures in this table differ from those shown in the statutory table later in Section 2 as the statutory table includes an apportioned accounting value for all unvested Long Term Incentive Plan grants (which remain subject to the satisfaction of performance and service conditions and may not ultimately vest).

The values disclosed in the below table, while not in accordance with the accounting standards, are intended to be helpful for shareholders in better demonstrating the linkages between performance and the remuneration realised by the Executive KMP.

The table below shows:

- Fixed remuneration
- Short Term Incentive
- Any vesting of Long Term Incentive Plan awards
- Termination Payments

The performance conditions associated with 2018 performance rights requiring EPS growth of more than 10% over 3 years to 31 December 2020 were not achieved and accordingly the performance rights did not vest.

5. REMUNERATION DETAILS FOR 2020 continued

Amount $	Fixed Remuneration [1]	STI [2]	LTI vested [3]	Termination payments	Total actual remuneration earned
G Carroll	757,816	—	—	—	757,816
S Williams	414,762	—	—	—	414,762
J Ball	404,645	—	—	—	404,645

1. Base Salary, superannuation and non-monetary benefits such as motor vehicle and travel
2. Value of STI paid in respect to 2020 performance
3. Intrinsic value of LTI that vested during the financial year

Relationship between G8 Education performance and Executive KMP remuneration

The performance of the Group and remuneration paid to Executive KMP over the last 5 years is summarised in the table below.

	2016 [2] $'000	2017 [2] $'000	2018 [2] $'000	Restated 2019 $'000	2020 $'000
Total revenue	778,513	796,806	858,173	922,202	**788,358**
EBIT	160,691	150,878	132,184	146,379	**(138,341)**
Net Profit After Tax	80,265	80,581	71,831	52,019	**(187,010)**
Underlying EBIT (unaudited, Non IFRS)[1]	160,660	156,034	136,261	119,425	**105,205**
Underlying NPAT (unaudited, Non IFRS)[1]	93,342	92,874	79,417	67,673	**60,027**
Underlying EPS (cents)[1]	24.68	21.80	17.54	13.02	**8.06**
Annual dividend per share (cents)	24.0	18.0	14.0	12.75	**—**
Share price as at 31 December ($)	3.59	3.45	2.83	1.90	**1.18**
Total Fixed Remuneration Executive KMP	**2,297**	**1,816**	**1,712**	**1,745**	**1,577**

1. As defined on page 33.
2. Prior year numbers have not been restated for AASB16 Leasing Standard nor for Remediation Program underpayments identified in 2020

		Fixed Remuneration						Performance Rights [1]		Proportion of total remuneration	
		Short-term		Post employmentcosts							
	Year	TFR $	STI $	Dividends from Share Plan $	Superannuation benefits $	Termination payment $	Total $	Share based payment $	Total + share based payments $	Performance related %	Share Plan related %
G Carroll	2020	736,468	—	—	21,348	—	757,816	72,993	830,809	—	9
	2019	819,215	—	—	20,767	—	839,982	(77,611)	762,371	—	—
S Williams	2020	393,414	—	—	21,348	—	414,762	26,671	441,433	—	6
	2019	437,500	—	—	20,767	—	458,267	(19,426)	438,841	—	—
J Ball	2020	383,297	—	—	21,348	—	404,645	26,671	431,316	—	6
	2019	426,250	—	—	20,767	—	447,017	—	447,017	—	—
Total	**2020**	**1,513,179**	**—**	**—**	**64,044**	**—**	**1,577,223**	**126,335**	**1,703,558**	**—**	**7**
Total	**2019**	**1,682,965**	**—**	**—**	**62,301**	**—**	**1,745,266**	**(97,037)**	**1,648,229**	**—**	**—**

1. The 2018 Performance Rights were cancelled in 2020 as the hurdle was not met.

The Total Fixed Remuneration of Executive KMP is reviewed annually as part of the overall remuneration framework review. Based upon the Company's financial results for 2020 there has been no approved increase in base salary for the NEDs for CY2021. The salary review in respect of Executive KMP will be conducted in June 2021, with effect from 1 July 2021, as the Group aligns all team member remuneration reviews to a 1 July timeline.

REMUNERATION REPORT continued

6. EXECUTIVE KMP EQUITY INTERESTS

The tables below set out the equity interests held by Non-executive Directors ("NEDs") and Executive KMP.

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Shares	Ownership type	Balance at the start of the year	Other changes during the year	Balance at the end of the year
Directors of G8 Education Limited				
Ordinary Shares				
M Johnson (Chair)	Directly	75,000	25,000	100,000
G Carroll (CEO)	Directly	120,000	54,547	174,547
J Cogin	Directly	19,000	14,000	33,000
S Forrester, AM	Directly	51,969	—	51,969
D Foster	Directly	22,976	32,127	55,103
P Trimble	Directly	—	50,000	50,000
M Zabel	Directly	29,000	—	29,000
Other Executive KMP of G8 Education Limited				
Ordinary Shares				
S Williams	Directly	35,000	30,455	65,455
J Ball	Directly	—	22,000	22,000

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held directly or beneficially, by each Executive KMP, including their related parties is as tabled below.

	Tranche	Grant Date	Fair Value at Grant Date	Balance at the start of the year	Granted during the year	Lapsed or forfeited during the year	Balance at the end of the year	Value of Performance Rights granted in year [1]	Financial year in which grant vests
	Number	Date	$	Number	Number	$	Number	$	Year
G Carroll	**2020 Perf. Rights**	30-June 2020	0.74	—	520,000 [4]	—	520,000	384,800	2023
	2019 Perf. Rights	10-May 19	3.18	198,119	—	—	198,119	630,018	2022
	2018 Perf. Rights [2]	20-July 18	2.39	198,847	—	—	198,847	475,244	2021
	2017 Perf. Rights [2]	20-July 17	3.19	142,249	—	142,249	—	453,774	2020
Total				**539,215**	**520,000**	**142,249**	**916,966**	**1,943,836**	
S Williams	**2020 Perf. Rights**	30-June 2020	0.74	—	190,000	—	190,000	140,600	2023
	2019 Perf. Rights	10-May 19	3.18	72,020	—	—	72,020	229,023	2022
	2018 Perf. Rights [2]	20-July 18	2.39	77,623	—	—	77,623	185,519	2021
	2017 Perf. Rights [2]	6-Oct 17	3.70	53,629	—	53,629	—	198,427	2020
Total				**203,272**	**190,000**	**53,629**	**339,643**	**753,569**	
J Ball [3]	**2020 Perf. Rights**	30-June 2020	0.74	—	190,000	—	190,000	140,600	2023
	2019 Perf. Rights	10-May 19	3.18	70,251	—	—	70,251	223,398	2022
	2018 Perf. Rights	20-July 18	2.39	74,135	—	—	74,135	177,183	2021
	2017 Perf. Rights	22-Jan 18	3.42	50,359	—	50,359	—	172,227	2020
Total				**194,745**	**190,000**	**50,359**	**334,386**	**713,408**	
Total				**937,232**	**900,000**	**246,237**	**1,590,995**	**3,410,813**	

1. The Performance Rights are expensed over a three year period in line with the vesting conditions of the Performance Rights (refer Note 31). Plan participants may not enter into any transaction designed to remove the at-risk aspect of the Performance Rights before they vest. The value at the exercise date for Performance Rights is the Group share price.
2. The 2017 Performance Rights lapsed on 21 February 2020 and the 2018 Performance Rights lapsed on 22 February 2021 as the respective performance hurdles were not met.
3. The Performance Rights held by Jason Ball lapsed on 2 February 2021 upon cessation of his employment.
4. Reduction in FY20 LTI grant for CEO to approximately 75% (reduction value of $50,000)

7. EMPLOYMENT AGREEMENTS (AUDITED)

The CEO and other Executive KMP operate under employment agreements.

The following sets out details of the employment agreements relating to the CEO and other Executive KMP. The terms for the CEO and all other Executive KMP are similar but do, on occasion, vary to suit different needs.

Length of contract	The CEO and other Executive KMP are on permanent contracts, which is an ongoing employment contract until notice is given by either party.
Notice periods	In order to terminate the employment arrangements, the CEO is required to provide G8 Education with twelve months' written notice. Other Executive KMP are required to provide G8 Education six months' written notice.
Resignation	On resignation, unless the Board determines otherwise all unvested STI or LTI benefits are forfeited.
Termination on notice by G8 Education	G8 Education may terminate employment of the CEO by providing twelve months' written notice. For other Executive KMP, the notice period is six months' written notice. The Company may make payment, based on total fixed remuneration, in lieu of the notice period.
Death or total and permanent disability	On death or total and permanent disability, the Board has discretion to allow all unvested STI and LTI benefits to vest.
Termination for serious misconduct	G8 Education may immediately terminate employment at any time in the case of serious misconduct, CEO and other Executive KMP will only be entitled to payment of TFR up to the date of termination. On termination without notice by G8 Education in the event of serious misconduct: – all unvested STI or LTI benefits will be forfeited; and – any employee share scheme instruments provided to the employee on vesting of STI or LTI awards that are held in trust will be forfeited.
Statutory entitlements	Payment of statutory entitlements of long service leave and annual leave applies in all events of separation.
Post-employment restraints	The CEO is subject to post-employment restraints of up to 24 months. All other Executive KMP are subject to post-employment restraints for up to 12 months.

SECTION ONE

REMUNERATION REPORT continued

8. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

NED remuneration

Principle	Comment
Fees are set by reference to key considerations	Fees for NEDs are based on the nature of the NEDs' work and their responsibilities. The remuneration rates reflect the complexity of G8 Education's business and the extent of the number of geographical locations in which G8 Education operates. In determining the level of fees, survey data on comparable companies is considered. NEDs' fees are recommended by the PCC and determined by the Board. Shareholders approve the aggregate amount available for the remuneration of NEDs. During 2020, the NEDs, CEO and Executive KMP took a 20% remuneration reduction for a period of 6 months, due to the impact of COVID-19. No increase in NED remuneration is proposed for 2021. There has been no increase since 2018.
Remuneration is structured to preserve independence whilst creating alignment	To preserve independence and impartiality, NEDs are not entitled to any form of incentive payments including options and the level of their fees is not set with reference to any measure of G8 Education performance. However, to create alignment between directors and shareholders, the Board has adopted guidelines that encourages NEDs to hold (or have a benefit in) shares in G8 Education equivalent in value to at least one year's base fees. G8 Education does not offer loans to NEDs to fund share ownership.
Aggregate Board and committee fees are approved by shareholders	The total amount of fees paid to NEDs in 2020 is within the aggregate amount approved by shareholders at the AGM in May 2017 of $1,100,000 per annum including superannuation. No increase to the NED fee pool is being sought at the 2021 AGM.

NED fees and other benefits explained

Elements	Details	2020[1] $	2019[2] $
Board fees per annum	Board Chair fee	285,000	285,000
	Board NED Base fee	140,000	140,000
Committee fees per annum	Audit & Risk Chair fee	25,000	25,000
	Nomination Chair fee	25,000	25,000
	People and Culture Chair fee	25,000	25,000
	Audit & Risk Member fee	No fee	No fee
	Nomination Member fee	No fee	No fee
	People and Culture Member fee	No fee	No fee

1. 2020 fees are before the 20% reduction in paid remuneration implemented for 6 months due to COVID-19
2. fees include superannuation

8. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION continued

Post-employment benefits	
Superannuation	Superannuation contributions have been made at a rate of 9.5% of the Board fee which satisfies the Company's statutory superannuation contributions. The contribution rate will increase in future years in line with mandated legislative increases. However, the NED fees are inclusive of superannuation. Contributions will be limited to the Australian Government's prescribed maximum contributions limit.
Retirement schemes	There are no retirement schemes in place for NEDs other than Statutory Superannuation.
Other benefits	
Equity instruments	NEDs do not receive any performance related remuneration, options, performance rights or shares.
Other fees/benefits	NEDs receive reimbursement for costs directly related to G8 Education business and reimbursement for up to $1,000 per annum of relevant continued education expenses. Payments of $3,149 were made to NEDs throughout 2020 for travel allowances. No payments were made to NEDs during 2020 for extra services or special exertions.

NED total remuneration paid

	Year	Fees $	Superannuation benefits $	Total $
M Johnson (Chair)	2020	236,538	20,768	257,306
	2019	264,215	20,767	284,982
J Cogin	2020	115,266	10,950	126,216
	2019	127,854	12,146	140,000
S Forrester	2020	135,848	12,906	148,754
	2019	150,685	14,315	165,000
D Foster	2020	135,848	12,906	148,754
	2019	150,685	14,315	165,000
P Trimble [1]	2020	82,410	7,829	90,239
M Zabel	2020	115,266	10,950	126,216
	2019	127,854	12,146	140,000
B Bailison [2]	2020	55,869	5,308	61,177
	2019	150,685	14,315	165,000
Total	**2020**	**877,045**	**81,617**	**958,662**
Total	**2019**	**971,978**	**88,004**	**1,059,982**

1. Commenced on 13 May 2020
2. Ceased on 20 May 2020

There was no increase to NED fees in 2020, however, there was a 20% reduction for 6 months, due to COVID-19.

Minimum Shareholding Guidelines

The Board has approved minimum shareholding guidelines for NEDs, the CEO and Executive KMP. Under these guidelines, all NEDs are encouraged to accumulate a minimum shareholding in G8 Education shares equivalent in value to one year's base fees and all Executive KMP are encouraged to accumulate a minimum shareholding in G8 Education shares equivalent to one year's fixed remuneration. The Board believes that this guideline will ensure alignment with shareholders' interests.

The guidelines were implemented in January 2017, with NEDs and Executive KMP encouraged to accumulate the recommended holding over the next five years or from appointment.

DIRECTORS' REPORT

Director's Tenure

The Directors shall retire from office in accordance with the Constitution of G8 Education and/or the applicable sections of the Corporations Act. The Board has a policy that in general the maximum term of service for a NED should be approximately ten years. However, this term may be extended for reasons such as Board or Committee Chairship, providing continuity or a particular capability of a Non-executive Director.

Corporate Governance

G8 Education is strongly committed to good corporate governance practices and substantially complies with the ASX Corporate Governance Council's (CGC) Corporate Governance Principles and Recommendations (Fourth Edition). The Board of directors guides and monitors the business and affairs of G8 Education on behalf of the shareholders by whom they are elected and to whom they are accountable. G8 Education's compliance with the Principles are found in the corporate governance section of our website: www.g8education.edu.au/investor-information/corporate-governance.

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. During 2020, G8 Education engaged Ernst & Young to perform non-audit services. 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. The Directors are satisfied the provision of non-audit services by the auditor, as set out in note 32, did not compromise the auditor independence requirements of the Corporations Act 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; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Auditors 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 51.

Auditor

Ernst & Young were appointed as auditor on 25 May 2016 and continue in office in accordance with section 237 of the *Corporations Act 2001*.

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

Gary Carroll

Gary Carroll
Managing Director

23 February 2021

AUDITOR'S INDEPENDENCE DECLARATION LIMITED

to the Directors of G8 Education Limited

Building a better working world

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's Independence Declaration to the Directors of G8 Education Limited

As lead auditor for the audit of the financial report of G8 Education Limited for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of G8 Education Limited and the entities it controlled during the financial year.

Ernst & Young

Ric Roach
Partner
23 February 2021

SECTION ONE

Financial Report

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	Consolidated 2020 $'000	Consolidated Restated 2019 $'000
Continuing operations			
Revenue	3	776,456	916,622
Other income	4	11,902	5,580
Total		**788,358**	**922,202**
Expenses			
Employment costs	5,14	(422,984)	(555,841)
Occupancy		(7,705)	(11,752)
Direct costs of providing services		(77,310)	(67,632)
Depreciation	5	(91,609)	(100,117)
Impairment loss	1(a)	(275,217)	—
Other expenses		(50,989)	(39,986)
Finance costs	5	(66,721)	(75,974)
Total expenses		**(992,535)**	**(851,302)**
Profit / (loss) before income tax		**(204,177)**	**70,900**
Income tax benefit (expense)[1]	6	17,167	(18,881)
Profit / (loss) for the year attributable to members of the parent entity		**(187,010)**	**52,019**
		Cents	Cents
Basic earnings per share	8	(25.11)	10.01
Diluted earnings per share	8	(25.11)	10.01

1. Includes income tax benefit associated with impairment loss of $37.7m.

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

Refer to note 14 for details restatement details.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Consolidated 2020 $'000	Consolidated Restated 2019 $'000
Profit / (loss) for the year	**(187,010)**	**52,019**
Other comprehensive income, net of income tax		
Items that are or may be reclassified to the consolidated income statement:		
Exchange differences on translation of foreign operations	(8,998)	672
Effective portion of changes in fair value of cash flow hedges	—	(1,885)
Other	—	(131)
Total other comprehensive loss	**(8,998)**	**(1,344)**
Total comprehensive income / (loss) for the year	**(196,008)**	**50,675**

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

Refer to note 14 for restatement details.

Consolidated Balance Sheet

As at 31 December 2020

	Notes	Consolidated 2020 $'000	Consolidated Restated 2019 $'000
Assets			
Current assets			
Cash and cash equivalents	18	316,989	40,603
Trade and other receivables	9	17,383	29,936
Other current assets	10	10,268	11,232
Current tax asset		—	1,938
Total current assets		344,640	83,709
Non-current assets			
Property, plant and equipment	11	87,419	103,864
Right of use assets	20	468,655	606,219
Deferred tax assets	6	117,104	72,789
Intangible assets	16	1,055,242	1,193,160
Other non-current assets	10	987	5,894
Total non-current assets		1,729,407	1,981,926
Total assets		2,074,047	2,065,635
Liabilities			
Current liabilities			
Trade and other payables	12	73,892	54,840
Contract liabilities		9,105	7,148
Current tax liability		2,773	—
Lease liabilities	20	69,435	68,482
Provisions	13	120,581	97,007
Total current liabilities		275,786	227,477
Non-current liabilities			
Other payables	12	657	696
Borrowings	19	295,139	387,750
Lease liabilities	20	611,815	640,655
Provisions	13	16,153	13,087
Total non-current liabilities		923,764	1,042,188
Total liabilities		1,199,550	1,269,665
Net assets		874,497	795,970
Equity			
Contributed equity	21	1,209,227	907,255
Reserves		22,905	19,160
Retained earnings		(357,635)	(130,445)
Total equity		874,497	795,970

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

Refer to note 14 for restatement details.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Consolidated	Notes	Con-tributed Equity $'000	Hedging Reserve $'000	Cost of Hedging Reserve $'000	Translation Reserve $'000	Share Based Payment Reserve $'000	Profits Reserve $'000	Retained Earnings $'000	Total $'000
Balance 1 January 2019		**893,567**	**1,615**	**270**	**8,326**	**131**	**46,188**	**(56,613)**	**893,484**
Adjustment on adoption of AASB 16		—	—	—	—	—	—	(70,326)	(70,326)
Adjustment on restatement for the remediation program	14	—	—	—	—	—	(33,350)	—	(33,350)
Balance 1 January 2019 (restated)		**893,567**	**1,615**	**270**	**8,326**	**131**	**12,838**	**(126,939)**	**789,808**
Profit for the year		—	—	—	—	—	55,525	(3,506)	52,019
Other comprehensive income (net of tax)		—	(1,615)	(270)	672	(131)	—	—	(1,344)
Total comprehensive income for the year		**—**	**(1,615)**	**(270)**	**672**	**(131)**	**55,525**	**(3,506)**	**50,675**
Transactions with owners in their capacity as owners									
Contributions of equity, net of transaction cost	21	13,688	—	—	—	—	—	—	13,688
Dividends provided for or paid	22	—	—	—	—	—	(58,201)	—	(58,201)
Total		**13,688**	**—**	**—**	**—**	**—**	**(58,201)**	**—**	**(44,513)**
Balance 31 December 2019		**907,255**	**—**	**—**	**8,998**	**—**	**10,162**	**(130,445)**	**795,970**
Balance as at 1 January 2020		**907,255**	**—**	**—**	**8,998**	**—**	**10,162**	**(130,445)**	**795,970**
Profit / (loss) for the year		—	—	—	—	—	40,180	(227,190)	(187,010)
Other comprehensive income / (loss) (net of tax)		—	—	—	(8,998)	—	—	—	(8,998)
Total comprehensive income / (loss) for the year		**—**	**—**	**—**	**(8,998)**	**—**	**40,180**	**(227,190)**	**(196,008)**
Transactions with owners in their capacity as owners									
Contributions of equity, net of transaction costs and net of tax	21	301,972	—	—	—	—	—	—	301,972
Share based payment expense	31	—	—	—	—	174	—	—	174
Dividends provided for or paid	22	—	—	—	—	—	(27,611)	—	(27,611)
Total		**301,972**	**—**	**—**	**—**	**174**	**(27,611)**	**—**	**274,535**
Balance 31 December 2020		**1,209,227**	**—**	**—**	**—**	**174**	**22,731**	**(357,635)**	**874,497**

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

Refer to note 14 for restatement details.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		785,430	923,056
Payments to suppliers and employees (inclusive of GST)		(515,683)	(670,585)
Interest received		885	494
Interest paid		(62,960)	(69,388)
Income taxes paid		(18,107)	(29,587)
Net cash inflows from operating activities	23	**189,565**	**153,990**
Cash flows from investing activities			
Payments for purchase of businesses (net of cash acquired)		(11,300)	(49,506)
Payments for purchase of intangible assets	16	(5,464)	—
Net proceeds for divestments		7,608	5,553
Proceeds from the sale of property, plant and equipment		6	—
Payments for property plant and equipment		(21,451)	(39,767)
Net cash outflows from investing activities		**(30,601)**	**(83,720)**
Cash flows from financing activities			
Share issue costs	21	(11,139)	(33)
Dividends paid	22	(19,057)	(44,490)
Principal elements of lease payments		(58,486)	(63,748)
Repayment of corporate notes		—	(269,892)
Proceeds from issue of shares	21	301,215	—
Proceeds from borrowings		65,000	295,000
Payments of borrowings		(160,004)	(2,058)
Net cash (outflows)/ inflows from financing activities		**117,529**	**(85,221)**
Net increase in cash and cash equivalents		276,493	(14,951)
Cash and cash equivalents at the beginning of the financial year		40,603	55,521
Effects of exchange rate changes on cash		(107)	33
Cash and cash equivalents at the end of the financial year	18	**316,989**	**40,603**

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

Index to Notes to the Financial Statements

1. Financial Overview

Note 1: Material events during the reporting period

a) COVID-19 pandemic

December 2019 saw the start of an unfolding event with global health, social and macroeconomic consequences in the form of the spread of the COVID-19 pandemic, which in March 2020 was declared a global pandemic in most countries in the world. Following the outbreak, the Australian Government applied significant steps to cope with, and delay, the spread of the pandemic.

Since mid-March 2020 actions have been taken to eradicate the pandemic, which include, among others, restrictions on the movement of citizens and gatherings, closure of international and interstate borders and a reduction in the number of employees attending their workplace.

These steps have had extensive implications on the Australian economy and businesses across all industries, including that of the Group. The effects of the consequent economic downturn as well as the measures introduced by the Federal Government (and foreign governments) specifically in the child care sector has had a significant impact on the business of the Group.

The Group is vigilantly managing the impact of this event and continues to assess the risks on an ongoing basis since, due to its nature, this is an event that is changing constantly. In the context of managing the impact of the COVID-19 pandemic, the Group focused on two primary areas:

- The safety and wellbeing of the Group's team and the children and families that attend the Group's centres; and
- Business continuity, specifically the Group's cashflow, liquidity and balance sheet.

Recognising this risk, the Federal Government announced an initial Child Care Relief Package in April 2020, to support sector viability and to provide care for families of essential workers and vulnerable children. That initial relief package was reviewed and updated with a transition phase package of support for the period 13 July 2020 to 27 September 2020 and a recovery package for the period 28 September 2020 to 31 January 2021.

Following the announcement of the Government's initial sector relief package, the Group raised $301m via an underwritten institutional and retail entitlement offer. This capital raising provides the Group with the liquidity and financial flexibility to withstand a prolonged period of economic downturn and allows the Group to pursue sensible opportunities that may emerge from this challenging period.

During the year, the Group completed negotiations with lenders to adjust covenants through to 31 December 2021. In February 2021, the Group completed a refinance of its senior debt facilities to extend the average debt expiry of facilities and reduce the Group's finance costs, refer to note 29.

The Group has examined the implications of the COVID-19 pandemic on its financial statements and on the assumptions and estimates used in preparing the financial statements, as follows:

- The Group examined whether there has been a negative effect on its results, which may be indicative of signs of impairment of cash-generating units.
- The Group reviewed and revised the estimated credit risks of receivables and increased the provision for expected credit losses where the credit risk has increased.
- The Group reviewed its ability to meet debt facilities' covenants. As a result of this review and discussions with the Group's lending syndicates, the Group's debt facilities were amended to waive or adjust covenants through to December 2021, whilst the Group operates through the COVID-19 pandemic effected period.

The COVID-19 pandemic outbreak had a material impact on the financial statements of the Group as discussed below.

i) Government assistance

The Group received government assistance during the reporting period, due to the adverse impact the COVID-19 pandemic had on its operation. The government assistance the Group received and the impact on the financial statements is discussed below. Payments received are presented as revenue in the period they relate to.

Child Care Relief Package

6 April 2020 – 12 July 2020

The child care relief package was a funding arrangement for the early childhood education and care sector in response to the COVID-19 pandemic and its impact on child care enrolments and attendance. The funding arrangement made child care services fee-free for families for a period of 14 weeks starting 6 April 2020 until 12 July 2020.

The weekly payment under this government assistance was approximately 50% of the Group revenue based on the fortnight preceding 2 March 2020.

Transition Package

13 July 2020 – 27 September 2020

The Child Care Relief Package ceased on 12 July 2020 and the JobKeeper Subsidy ceased on 20 July 2020. From the 13 July 2020 to 27 September 2020 the Group received Transition Payments equal to 25% of fee revenue in the relevant reference period used during the Child Care Relief Package.

On 2 August 2020, in response to increased COVID-19 cases, regions within the state of Victoria entered into either Stage 3 or Stage 4 lockdowns, for a 6-week period. The Government increased the transition payment from 25% to 30% for impacted centres during this period. In addition, a "parent gap waiver" for COVID-19 related non-attendances was introduced. The waiver ensured the Group received Child Care Subsidy (CCS) funding for bookings where there was no attendance, within the lockdown regions. The Group had 141 centres within these regions.

Recovery Package

28 September 2020 – 31 January 2021

The package included a 25% Recovery Payment until 31 January 2021 for services in Victoria. The fortnightly payment under this government assistance was based on 25% of the fee revenue in the relevant reference period used during the Child Care Relief Package.

GAP Fees Waived

13 July 2020 – 31 January 2021

All services in Australia were permitted to waive fees and still receive CCS payments if they are forced to close on public health advice until 31 January 2021.

JobKeeper Subsidy

A government grant has been received in the form of financial support provided by the Federal Government under the JobKeeper wage subsidy scheme. The scheme was to support businesses affected by the significant economic impact of the COVID-19 pandemic, for a period of 16 weeks starting 30 March 2020. This government grant has been recognised as an offset to employment costs. JobKeeper ceased earlier for child care providers due to the roll out of the Transition Package.

Note 1: Material events during the reporting period continued

The Group recognised the following government assistance, specific to COVID-19, during the period:

	Consolidated 2020 $'000
Revenue	
Child Care Relief Package, Transition and Recovery Payments	160,270
Total	**160,270**
Expenses	
JobKeeper subsidy	102,917
Total	**102,917**
Net Total	**263,187**

ii) Rent concessions

The Group sought rent concessions from lessors of child care centres during the period. The rent concessions received were in various forms and include one-off rent reductions, rent waivers or deferral of lease payments.

Refer to note 34(g) for impact of rent concessions during the period.

iii) Impairment

During the period, the Group completed a strategic portfolio review. The review considered the additional impacts of the COVID-19 pandemic operating environment, the risk of delays in economic recovery and subsequent impact on performance. The review involved a detailed assessment of the Group's tangible and intangible assets, right of use assets, and the recoverability of trade and other debtors. As a result, the Group recognised the following impairment loss:

	Consolidated 2020 $'000
Expenses	
Impairment of goodwill and intangible assets [1]	145,285
Impairment of goodwill associated with assets held for sale	4,290
Impairment of right of use assets [2]	101,157
Impairment of property, plant and equipment [3]	16,823
Expected credit loss of trade and other receivables	7,662
Total	**275,217**
Tax benefit	(37,692)
Post tax	**237,525**

1. Refer to note 16 for impairment of goodwill and intangible assets.
2. Refer to note 20 for impairment of right of use assets.
3. Refer to note 11 for impairment of property, plant and equipment.

iv) Capital raising and repayment of borrowings

During the period the Group completed a capital raising of $301.2m ($290.1m net of transaction costs) to provide additional liquidity to support the continuation of the Group's operations through the period impacted by the COVID-19 pandemic, while also strengthening the balance sheet to position the Group for further growth opportunities during the recovery phase. Refer to note 21.

The Group used $95.0m of the funds raised from the capital raising to repay syndicated debt.

b) Employee Payments Remediation Program

During the reporting period, as part of implementing a new Human Resources Information System ("HRIS") and rostering system, the Group conducted a review of award and legislative requirements. This review identified inadvertent non-compliance with some requirements of the Children's Services Award and the Educational Services (Teachers) Award (collectively "Awards) for a number of the Group's team members in Australia. The remediation of these issues, which occurred over the last seven financial years, is estimated to be a one-off cost before tax of $80.0m and after tax of $56.9m. In order to reflect this in the appropriate periods, an expense of $33.3m after tax is included in the restatement of opening retained earnings as at 1 January 2019, an expense of $10.6m after tax has been included in the 2019 financial year, and an expense of $13.0m after tax has been included in the current 2020 financial year. Refer to note 14.

1. Financial Overview

Note 1: Material events during the reporting period continued

c) Sale of Singapore business

During the year the Group sold its subsidiary group operating in Singapore including 17 owned child care centres. The Group received consideration of $11.9m during the year, including a return of Group cash balances. As a result of the sale, the Group disposed of assets of $16.2m and liabilities of $6.8m which were classified as held for sale during the year. The Group has also recognised a gain on sale of $10.3m upon completion, reflecting $8.5m from the realisation of the FX reserve.

d) Going concern

The Group recognised a net loss after tax of $187.0m (of which $242.3m is non-cash impairment loss and non-trading expenses, refer to note 7), the Directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate. Management expects the cash reserves, together with the forecast cash flow generation from operations and the extension of debt facilities, will allow the Group to overcome the adverse impact of the COVID-19 pandemic, fulfil the Group's remediation program obligations and meet its debts for the 12 months from the date of this report. Net current assets were $68.9m as at 31 December 2020. Debt facilities were refinanced after year end with a maturity in October 2023, refer to note 29.

The 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. As a result, the financial statements have been prepared on a going concern basis.

Note 2: Segment Information

a) Description of segments

The Executive Team (the Chief Operating Decision Maker that makes strategic decisions) considers the business as one Group of centres and regularly reviews operating results at this level to assist and make decisions about the allocation of resources. The Executive Team has therefore identified one operating segment, being the management of child care centres. All revenue in this report was derived from external customers and relates to the single operating segment and the segment disclosure has not altered from the last Annual Report.

	Australia $'000	Foreign Country $'000	Total $'000
31 December 2020			
Revenue from external customers	765,135	11,321	776,456
Non-current assets [1]	1,612,304	—	1,612,304
31 December 2019			
Revenue from external customers	900,834	15,788	916,622
Non-current assets [1]	1,869,647	39,490	1,909,137

Timing of revenue recognition	Australia $'000	Foreign Country $'000	Total $'000
31 December 2020			
Revenue recognised at a point in time	749,617	11,307	760,924
Total revenue from contracts with customers	**749,617**	**11,307**	**760,924**
Other revenue	15,518	14	15,532
Total revenue	**765,135**	**11,321**	**776,456**
31 December 2019			
Revenue recognised at a point in time	884,615	15,783	900,398
Total revenue from contracts with customers	**884,615**	**15,783**	**900,398**
Other revenue	16,219	5	16,224
Total revenue	**900,834**	**15,788**	**916,622**

1. Non-current assets exclude deferred tax assets.

Note 3: Revenue

	Consolidated 2020 $'000	Consolidated 2019 $'000
From continuing operations		
Sales revenue		
Revenue from child care centres	600,435	899,521
Government Assistance (refer to note 1(a))	160,270	—
Funding relating to child care operations	14,483	14,660
	775,188	914,181
Other revenue		
Management fee income	1,268	2,441
Total revenue continuing operations	**776,456**	**916,622**

Accounting policy

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

Revenue is recognised for the major business activities as follows:

i) Revenue from child care centres

Fees paid by families and/or the Australian Government (Child Care Benefit, Child Care Tax Rebate and Child Care Subsidy) and the Singapore Government are recognised as and when a child attends a child care service, as under AASB 15 *Revenue from Contracts with Customers* this is when the customer has consumed the benefits of this service (satisfies its performance obligation).

Due to the COVID-19 outbreak government assistance was received during the year (refer to note 1(a)(i)).

Revenue received in advance from parents, guardians and government is recognised as deferred income and classified as a current liability (i.e. contract liability for performance obligations yet to be satisfied).

ii) Funding related to child care operations

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 as under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

iii) Management fee income

Fees paid by franchisees are recognised in accordance with the franchise agreement and once the operational support service has been performed, as this is when the Group transfers control of this service (satisfies its performance obligation) to the franchisee.

Note 4: Other Income

	Consolidated 2020 $'000	Consolidated 2019 $'000
Deferred consideration not payable (refer to note 15)	64	681
Gain on sale of centres	10,425	—
Gain on sale of vehicles	—	7
Interest	884	494
Gain on surrender / termination of leases	529	1,588
Translation gain on revaluation of notes issued in Singapore dollars and hedge FX movement	—	2,810
Total other income	**11,902**	**5,580**

Accounting policy

i) Deferred consideration

Refer to notes 14 and 15.

ii) Interest income

Interest income is recognised using the effective interest method.

1. Financial Overview

Note 5: Expenses

	Consolidated 2020 $'000	Consolidated Restated 2019 $'000
Profit / (Loss) before income tax includes the following specific expenses:		
Depreciation expense		
Depreciation expense of property, plant and equipment (refer to note 11)	20,784	21,372
Amortisation of intangibles (refer to note 16)	17	—
Depreciation expense of right-of-use assets (refer to note 20)	70,808	78,745
	91,609	**100,117**
Employment costs		
Wages and salaries	484,999	512,284
JobKeeper subsidy (refer to note 1(a))	(102,917)	—
Post-employment benefits	40,728	43,688
Share-based payment expense	174	(131)
	422,984	**555,841**
Finance costs		
Interest and finance charges	20,715	29,087
Interest expense on lease liabilities (refer to note 20)	43,685	44,827
Foreign exchange loss	44	—
Remediation program interest	2,277	2,060
	66,721	**75,974**

The above should be read in conjunction with notes 20 and 34.

Refer to note 14 for restatement details.

Note 6: Income Tax and Deferred Tax Assets

	Consolidated 2020 $'000	Restated 2019 $'000
a) Income tax expense		
Current tax	24,374	30,599
Deferred tax	(40,974)	(11,883)
Under / (over) provision prior year	(567)	165
Income tax expense / (benefit)	**(17,167)**	**18,881**
Income tax expense / (benefit) is attributable to:		
Results from continuing operations	(17,167)	18,881
	(17,167)	**18,881**
Deferred income tax expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	(40,974)	(11,883)
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) from continuing operations before income tax expense	(204,177)	70,900
Tax on operations at the Australian tax rate of 30% (2019: 30%)	(61,253)	21,270
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Adjustments relating to prior year	(567)	165
Entertainment	463	256
Deferred consideration not payable	—	(204)
Acquisition and divestment related costs – not deductible	232	2,224
Recognition of losses from previously acquired entities	—	(3,435)
Recognition of tax benefit from financial instruments	—	(1,031)
Impairment of Goodwill	43,586	—
Other non-allowable items	275	(287)
Difference in overseas tax rates	97	(77)
Income tax expense / (gain)	**(17,167)**	**18,881**
Weighted average tax rate	8.4%	26.6%
c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting year and not recognised in the consolidated income statement but directly debited or credited to equity		
Net deferred tax – debited directly to equity	3,342	28,757

Refer to note 14 for restatement details.

1. Financial Overview

Note 6: Income Tax and Deferred Tax Assets continued

	Consolidated 2020 $'000	Consolidated Restated 2019 $'000
Deferred tax asset		
The balance comprises temporary differences attributable to:		
Employee benefits [1]	34,433	29,780
Share issue transaction costs	3,240	996
Total temporary differences	**37,673**	**30,776**
Other		
s40-880 deductions	474	737
Provision for expected credit loss	1,559	594
Accrued expenses	3,034	4,309
Property, plant and equipment	6,068	—
Lease liabilities	204,375	211,745
Recognised losses transferred in from previously acquired entities	—	3,435
Provisions	6,892	3,225
Total other	**222,404**	**224,045**
Total deferred tax assets	**260,075**	**254,821**
Deferred tax liability		
Buildings	(567)	(211)
Right of use / make good assets	(140,896)	(181,208)
Prepayments	(1,508)	(613)
Total deferred tax liability	**(142,971)**	**(182,032)**
Net deferred tax asset	**117,104**	**72,789**

1. Employee Benefits include the tax benefit of $23.1m (2019: $18.8m) arising from the remediation program. Refer to note 14.

	Employee Benefits $'000	Share Issue Transaction Costs $'000	Lease liabilities net of right of use / make good assets $'000	Other $'000	Total $'000
Restated at 1 January 2019	**24,310**	**998**	**(2,362)**	**9,203**	**32,149**
Charged to the consolidated income statement	5,470	(12)	4,152	2,273	**11,883**
Charged directly to equity	—	10	28,747	—	**28,757**
At 31 December 2019	**29,780**	**996**	**30,537**	**11,476**	**72,789**
Charged to the consolidated income statement	4,653	(1,098)	32,942	4,477	**40,974**
Charged directly to equity	—	3,342	—	—	**3,342**
At 31 December 2020	**34,433**	**3,240**	**63,479**	**15,953**	**117,104**

Refer to note 14 for restatement details.

Note 6: Income Tax and Deferred Tax Assets continued

Tax consolidation

i) Members of the tax consolidated group and the tax sharing agreement

G8 Education and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 3 December 2007. G8 Education is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 *Tax Consolidation Accounting*

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises 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.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement, the funding of tax within the Group is based on an acceptable method of allocation under AASB Interpretation 1052. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or 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.

IFRIC 23 *Uncertainty over Income Tax Treatments*

The Group applies judgement in identifying uncertainties over income tax treatments. As the Group operated in a multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include treatment of related party transactions and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing reviews, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

iii) Tax related contingencies

At 31 December 2020 there are no tax related contingencies (2019: nil).

Accounting policy

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 the consolidated income statement, 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.

1. Financial Overview

Note 7: Profit for the Year

Profit/(loss) for the year includes the following post-tax items that are unusual because of their nature, size or incidence. Underlying earnings have not been adjusted to exclude a number of government incentives received during the period as such assistance was considered recompense for costs incurred in the year that form part of underlying earnings.

	Consolidated Post-Tax	
	2020 $'000	Restated 2019 $'000
a) Non-trading items (after tax)		
Non-trading expenses		
Impairment loss (refer to note 1(a))	237,525	—
Expenses related to legal matters	5,850	—
Acquisition related expenses	2,425	5,088
Increase in employee provisions	1,501	—
Loss on disposal of assets/centres	1,307	4,034
Impairment of inventory	817	—
Remediation program costs	3,767	—
Total non-trading expenses	**253,192**	**9,122**
Non-trading income		
Gain on disposal of assets/centres	10,425	—
Foreign currency translation gain	—	1,967
Gain on divestment of leases	370	1,588
Contingent consideration not paid	64	681
Total non-trading income	**10,859**	**4,236**
Net Total	**242,333**	**4,886**
b) Government assistance and rent concessions (after tax)		
COVID-19 related income		
Child care relief package (refer to note 1(a))	112,189	—
JobKeeper subsidy (refer to note 1(a))	72,042	—
Rent concessions (refer to note 1(a))	3,053	—
Total non-trading income	**187,284**	**—**
c) Finance expenses (after tax)		
Finance expenses		
Foreign currency translation loss	32	—
Interest expense on lease liabilities	30,579	31,636
Interest and finance charges	14,500	20,104
Remediation program interest	1,594	1,442
Total finance expenses	**46,705**	**53,182**

Refer to note 14 for restatement details.

Note 8: Earnings per Share

	Consolidated	
	2020 CPS	Restated 2019 CPS
a) Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company	(25.11)	10.01
b) Diluted earnings per share		
Profit/(loss) from continuing operation attributable to the ordinary equity holders of the Company	(25.11)	10.01

	$'000	$'000
c) Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(187,010)	52,019
Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	(187,010)	52,019

	Number	Number
d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share [1]	744,704,927	519,688,296
Adjustments for calculations of diluted earnings per share:		
Performance rights	1,240,000	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share [2]	**744,704,927**	**519,688,296**

1. 2019 EPS restated to reflect bonus element included in share issuance.
2. At 31 December 2020, 1.2m performance rights were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

Refer to note 14 for restatement details.

Accounting policy

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.

1. Financial Overview

Note 9: Current Assets — Trade and Other Receivables

	Consolidated 2020 $'000	Consolidated 2019 $'000
Trade receivables	13,348	18,605
Allowance for impairment of trade receivables (refer to note (a) below)	(1,918)	(2,063)
Total	**11,430**	**16,542**
GST receivable	2,428	2,145
Other debtors [1]	3,525	11,249
Total trade and other receivables	**17,383**	**29,936**

1. Net amount after making allowance for impairment of other receivables $3.3m (2019: nil).

a) Impaired trade receivables

As at 31 December 2020, current trade receivables of the Group were assessed for impairment. Movements in the allowance for expected credit losses of receivables are as follows:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Opening balance	2,063	1,721
Allowance for impairment recognised during the year	2,677	1,461
Receivables written off during the year as uncollectable	(2,822)	(1,119)
Closing balance	**1,918**	**2,063**

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

b) Past due but not impaired

As at 31 December 2020, trade receivables of $1.4m (2019: $5.3m) 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 2020 $'000	Consolidated 2019 $'000
Up to 3 months	1,376	5,196
3 to 6 months	56	2
Over 6 months	—	97
Total	**1,432**	**5,294**

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.

For information concerning the credit risk of receivables, refer to note 17.

Accounting policy

A trade receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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

Under the Child Care Subsidy (CCS), Child Care Benefits are 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. The parent fees receivable relates to child care fees where amounts are past due and not paid in advance.

The Group applied the expected credit loss (ECL) model. For trade and other receivables and deposits on acquisition, the Group has applied the standard's simplified approach whereby the loss allowance is measured at an amount equal to lifetime expected credit losses. The Group assesses expected credit losses in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group has established a calculation that is based on the Group's historic credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Note 10: Current and Non-Current Assets — Other

	Consolidated	
	2020 $'000	2019 $'000
Current		
Prepayments	8,065	8,679
Inventory	1,526	1,507
Deposits	677	1,046
Total other current assets	**10,268**	**11,232**
Non-current		
Deposits on acquisitions	—	2,669
Prepayments	114	356
Inventory	—	1,762
Deposits	873	1,107
Total other non-current assets	**987**	**5,894**
Total other current and non-current assets	**11,255**	**17,126**

Accounting policy

Deposits on acquisitions relate to deposits made for the purchase of centres. Once settled the amount transferred forms part of the business combination accounting.

Inventories relate to childcare centre consumables. These are measured at the lower of cost and net realisable value. Any write down in the value of the inventory due to obsolescence is booked as an expense when the inventory becomes obsolete. Current replacement cost is the cost the Group would incur to acquire or replace inventories held for distribution at balance date.

1. Financial Overview

Note 11: Non-Current Assets — Property, Plant and Equipment

	Buildings $'000	Vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Consolidated				
Year ended 31 December 2020				
Opening net book amount	3,980	268	99,616	103,864
Transfer to intangibles (refer to note 16)			(2,568)	(2,568)
Additions through business combinations (refer to note 15)	—	—	190	190
Additions – other	—	—	24,766	24,766
Disposals	—	(3)	(1,218)	(1,221)
Depreciation charge	(166)	(74)	(20,544)	(20,784)
Impairment loss (refer to note 1(a))	—	(37)	(16,786)	(16,823)
Effect of foreign exchange changes	—	—	(5)	(5)
Closing net book amount	**3,814**	**154**	**83,451**	**87,419**
At 31 December 2020				
Cost	5,189	1,392	202,479	209,060
Accumulated depreciation and impairment	(1,375)	(1,238)	(119,028)	(121,641)
Net book amount	**3,814**	**154**	**83,451**	**87,419**

	Buildings $'000	Vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Consolidated				
Year ended 31 December 2019				
Opening net book amount	3,994	383	82,617	86,994
Initial provision	—	—	1,171	1,171
Additions	146	—	40,751	40,897
Disposals	(3)	(18)	(3,816)	(3,837)
Depreciation charge	(157)	(97)	(21,118)	(21,372)
Effect of foreign exchange changes	—	—	11	11
Closing net book amount	**3,980**	**268**	**99,616**	**103,864**
At 31 December 2019				
Cost	5,189	1,394	183,895	190,478
Accumulated depreciation	(1,209)	(1,126)	(84,279)	(86,614)
Net book amount	**3,980**	**268**	**99,616**	**103,864**

a) Leasehold Improvements

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Cost	110,417	98,999
Accumulated depreciation and impairment	(55,576)	(37,785)
Net book amount	**54,841**	**61,214**

b) Non-current assets pledged as security

Refer to note 19 for information on the non-current assets pledged as security by the Company and its controlled entities.

Note 11: Non-Current Assets — Property, Plant and Equipment continued

Accounting policy

Property, plant and equipment are stated at historical cost less depreciation and impairment. 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 consolidated 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
- Leasehold Improvements: 5 – 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 consolidated income statement.

Refer to note 13(b) for accounting policy on make good.

c) Impairment of property, plant and equipment

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

Property, plant and equipment (including leasehold improvements) are tested for impairment as part of the cash generating units (CGU) to which they relate, usually a child care centre.

During the period, the Group completed a strategic portfolio review. The review considered the additional impacts of the COVID-19 pandemic operating environment, the risk of delays in economic recovery and subsequent impact on performance. As a result of this review, the Group identified indicators of impairment for CGUs to which property, plant and equipment relate and recognised an impairment loss, refer to note 1(a)(iii).

Note 12: Current and Non-Current Liabilities — Trade and Other Payables

		Consolidated	
	Notes	2020 $'000	2019 $'000
Trade payables [1]		18,449	18,201
Contingent consideration	15	75	797
Centre enrolment advances		1,245	2,494
Other payables and accruals [1]		54,123	33,348
Total current		**73,892**	**54,840**
Contingent consideration	15	657	696
Total non-current		**657**	**696**

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

Accounting policy

These amounts (excluding contingent consideration) 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.

1. Financial Overview

Note 13: Current and Non-Current Liabilities — Provisions

	Consolidated	
	2020 $'000	Restated 2019 $'000
Current liabilities		
Employee benefits (note (a) below)	33,257	34,264
Remediation program	80,000	62,743
Other provisions	7,324	—
Total current	**120,581**	**97,007**
Non-current liability		
Employee benefits	4,532	2,338
Make good provision (note (b) below)	11,621	10,749
Total non-current	**16,153**	**13,087**

The Group has identified that certain team members should have received additional amounts to payments previously made. The remediation program is under way and will be completed in the next financial period. At 31 December 2020, there is a provision to recognise payments for additional agreed hours of work, overtime, allowances, penalties and interest to current and former team members of an estimated $80.0m. Refer to note 14 for restatement details.

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	
	2020 $'000	2019 $'000
Leave obligations expected to be settled after 12 months	3,551	4,422
	3,551	**4,422**

Accounting policy

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 Education, are accounted for as equity-settled share-based payment transactions when the rights over the shares are granted by G8 Education.

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 the consolidated income statement over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

b) Make good provision

Costs required to return certain leased premises to their original condition as set out in the lease agreements are recognised as a provision in the financial statements. The provision has been calculated as an estimate of future costs and discounted to present value.

2. Business Combinations, Goodwill & Impairment

Note 14: Critical Accounting Estimates, Judgements and Errors

Significant 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 and intangible assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 16. The recoverable amounts of goodwill have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 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. 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. Where outside the measurement period under AASB 3 *Business Combinations*, if the earn out target is not met then the amount not paid of the deferred contingent consideration is taken to the consolidated income statement as a credit and the corresponding entry against the liability.

iii) Long service leave

The liability for long service leave is recognised as a provision for employee benefits and measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on staff turnover history.

iv) Make good provision

Costs required to return certain leased premises to their original condition as set out in the lease agreements are recognised as a provision in the financial statements. The provision has been calculated as an estimate of future costs and discounted to present value.

v) Leases – determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

vi) Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

vii) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Correction of Prior Period Error

During the reporting period, as part of implementing a new Human Resources Information System ("HRIS") and rostering system, the Group conducted a review of award and legislative requirements. This review identified inadvertent non-compliance with some requirements of the Children's Services Award and the Educational Services (Teachers) Award (collectively "Awards") for a number of the Group's Team members in Australia.

The remediation of these issues, which occurred over the last seven financial years, is estimated to be a one-off cash payment before tax of $80.0m. This is an error and in order to reflect this in the appropriate periods, $33.3m after tax is included in the 1 January 2019 restatement of opening retained earnings as required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The 1 January 2019 current provisions increased by $47.6m and the deferred tax asset increased by $14.3m. An expense of $10.6m after tax has been included in the 2019 financial year, and an expense of $13.0m after tax has been included in the current financial year. Interest incurred on the wage remediation underpayments have been recognised in the period which they relate. The expected tax benefit of the remediation of $23.1m has been recognised within tax expense in the period which they relate and is included within the Employee Benefits portion of deferred tax balances.

Critical accounting estimates and judgements have been made in the calculations as to the number of additional agreed hours of work, overtime hours, allowance payments and appropriate award rates. Any adjustments to the estimates will be recognised in the period the revisions are verified.

2. Business Combinations, Goodwill & Impairment

Note 14: Critical Accounting Estimates, Judgements and Errors continued

The error has been corrected by restating each of the affected financial statement line items for the prior years as follows:

Consolidated Balance Sheet Extract

	2019 $'000	Movement $'000	Restated 2019 $'000
Deferred tax assets	53,966	18,823	72,789
Current provisions	(34,264)	(62,743)	(97,007)
Net assets	**839,890**	**(43,920)**	**795,970**
Reserves	63,080	(43,920)	19,160
Total equity	**839,890**	**(43,920)**	**795,970**

Consolidated Income Statement Extract

	2019 $'000	Movement $'000	Restated 2019 $'000
Employment costs	542,801	13,040	555,841
Finance costs	73,914	2,060	75,974
Profit / (loss) before income tax	**86,000**	**(15,100)**	**70,900**
Income tax expense / benefit	23,411	(4,530)	18,881
Profit / (loss) for the year attributable to members of the parent entity	**62,589**	**(10,570)**	**52,019**

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of 2.03 cents per share.

Note 15: Business Combinations

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

During the year, the Group purchased 4 centres as outlined below. Each acquisition was not material:

Number of centres	4
	$'000
Purchase consideration	
Cash consideration	9,931
Total purchase consideration	**9,931**
Assets and liabilities acquired at fair value	
Property, plant and equipment	139
Right of use assets	16,571
Lease liabilities	(16,571)
Net identifiable assets/(liabilities) acquired	**139**
Goodwill	9,792
Total	**9,931**
Revenue and profit / (loss) contribution from the date of acquisition to period end 31 December 2020[1]	
Revenue	3,143
Loss before tax	**(2,071)**

1. The loss for the period was $2.1m. The centres were not operating prior to acquisition.

Refer to note 14 in the Annual Report 2019 for 2019 Business Combinations disclosure.

Acquisition related expenses of $2.4m (2019: $5.1m) are included in the consolidated income statement.

No goodwill is deductible for tax purposes.

Note 15: Business Combinations continued

During the year accounting adjustments were made to provisional amounts recognised in 2019 as outlined below:

	2019 Adjustments Australia $'000
Purchase consideration	
Purchase price adjustments	251
Contingent consideration	36
Total purchase adjustments	**287**
Assets and liabilities acquired at fair value	
Property, plant and equipment	51
Employee benefit liabilities	—
Net identifiable assets / (liabilities) acquired	**51**
Goodwill	236
Total	**287**

The above amounts relate to accounting adjustments for assets and liabilities taken on at acquisition date but not finalised at 31 December 2019.

Contingent Consideration

As part of the purchase agreement with previous owners a portion of the consideration was determined to be contingent, based on the performance of the acquired business.

The following table outlines the additional cash payments to the previous owners upon meeting specified performance conditions:

At 31 December 2020	Total potential contingent consideration payable $'000	Carrying value $'000	Conditions
Acquisition of 1 centre [1]	900	732	19 years occupancy hurdle based on licence capacity

1. The Group has assessed that a portion of this amount should be recorded as current.

Movement in Contingent Consideration

A reconciliation of the fair value of the contingent consideration liability is provided below:

	Consolidated	
	2020 $'000	2019 $'000
Financial liability for contingent consideration as at 31 December	1,493	2,687
Write back of contingent consideration to the consolidated income statement for performance condition not met – other income (refer to note 4)	(64)	(681)
Increase of contingent consideration to goodwill for performance condition met	—	693
Fair value adjustments	36	127
Contingent consideration paid	(733)	(2,055)
Contingent consideration for new acquisitions	—	722
Total contingent consideration payable as at 31 December	**732**	**1,493**

Accounting policy

The acquisition method of accounting is used to account for all business combinations. Purchase consideration 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 as 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 or are re-estimated during the period are recognised as other income.

2. Business Combinations, Goodwill & Impairment

Note 16: Non-Current Assets – Intangible assets

	Consolidated 2020			
	Goodwill $'000	Intellectual Property $'000	Software $'000	Total $'000
Opening net book amount	1,189,910	3,250	—	1,193,160
Transfer from PPE (refer to note 11)	—	—	2,568	2,568
Additions	9,792	—	5,464	15,256
Adjustments in respect of prior year acquisitions	236	—	—	236
Disposal of centres	(10,233)	—	—	(10,233)
Amortisation	—	—	(17)	(17)
Impairment (refer to note 1(a))	(142,035)	(3,250)	—	(145,285)
Effect of foreign exchange changes	(443)	—	—	(443)
Closing net book amount	**1,047,227**	**—**	**8,015**	**1,055,242**
Cost	1,200,314	3,250	8,032	1,211,596
Accumulated amortisation and impairment	(153,087)	(3,250)	(17)	(156,354)
Net book amount	**1,047,227**	**—**	**8,015**	**1,055,242**

	Consolidated 2019			
	Goodwill $'000	Intellectual Property $'000	Software $'000	Total $'000
Opening net book amount	1,131,206	3,250	—	1,134,456
Additions	64,877	—	—	64,877
Adjustments in respect of prior year acquisitions	936	—	—	936
Disposal of centres	(7,747)	—	—	(7,747)
Effect of foreign exchange changes	638	—	—	638
Closing net book amount	**1,189,910**	**3,250**	**—**	**1,193,160**
Cost	1,200,962	3,250	—	1,204,212
Accumulated impairment	(11,052)	—	—	(11,052)
Net book amount	**1,189,910**	**3,250**	**—**	**1,193,160**

The Group divested or closed 6 Australian centres during 2020 (2019: 41) and sold its subsidiary group operating in Singapore including 17 child care centres. The results of the sale of the Singapore centres and the other divested centres were not material and therefore did not meet the conditions under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* to be disclosed as discontinued operations. Refer to note 1(c).

Accounting policy

i) Software

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over the period of their expected benefit, being their finite useful life.

Note 16: Non-Current Assets – Intangible assets continued

a) Impairment tests

Goodwill, intellectual property and software are monitored and tested for impairment on an operating segment level as outlined in the accounting policy below. 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 2021 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 intangible assets impairment testing, the recoverable amount is compared to the carrying amount of the assets of the Group, which aside from goodwill and intellectual property, also includes the fixed and right of use assets of the child care centres and working capital.

b) Key assumptions used for value-in-use calculations

The value-in-use calculation is based on cashflow projections which are a function of each of the following key assumptions: occupancy, child care fees and centre expenses.

The Group included in the assumptions an allowance for the ongoing negative impacts of the COVID-19 pandemic, refer to note 1(a), and for the remediation program. The Group also made assumptions, with reference to external economic forecasts, about long term recovery from COVID-19 and changes in the market as a result, e.g. unemployment rates.

Occupancy has been impacted by COVID-19 and is expected to gradually return to pre-COVID-19 levels within the next three years. 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 the historically established wage cost as a percentage of revenue which is driven by future growth in occupancy.
- Centre occupancy expenses – based on current rental payments and increased by a forecast annual rental growth percentage; 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 10% (2019: 10% (12% measured on a pre-AASB16 Leases basis));
- Full support office costs allocation; and
- Forecast period of 5 years plus a terminal growth calculation with a growth rate of 2% (2019: 3 years, 2%). The change from a 3-year to a 5-year forecast period is to account for a forecast gradual return to pre-COVID-19 market conditions, prior to calculating terminal growth.

c) Impairment charge

The assessment of the discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings of the Group and the lease portfolio of the Group.

As disclosed in the Group's interim financial statements, based on the carrying values, an impairment loss of $145.3m has been recognised during the year, as the calculated value in use exceeded the carrying amount of the net assets.

The Group also completed an assessment of asset carrying values at year-end and management have determined that no further Goodwill impairment was required.

Sensitivity

The Group has completed a sensitivity analysis on its impairment model.

The calculation of value in use is most sensitive to the following input assumptions:

- Discount rate
- Occupancy % (resulting in a net movement in revenue and costs)
- Terminal growth rate

Key changes to inputs that would result in no head room are:

- An increase of 1.8% in the pre-tax discount rate; or
- A net movement in average occupancy and wages expense leading to a 13.5% decrease in forecast EBITDA (adjusted for notional rental payments) in the terminal year.

There would still be head room if the terminal growth rate was reduced to 0.0%.

3. Capital Structure & Financial Risk Management

Note 17: 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.

Derivatives are exclusively used for hedging purposes, i.e. 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 under the expected credit loss model.

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 fair value $'000	Financial assets at amortised cost $'000	Total $'000
2020			
Financial assets			
Cash and cash equivalents	—	316,989	316,989
Trade and other receivables	—	17,383	17,383
	—	**334,372**	**334,372**
2019			
Financial assets			
Cash and cash equivalents	—	40,603	40,603
Trade and other receivables	—	29,936	29,936
Deposits on acquisitions	2,669	—	2,669
	2,669	**70,539**	**73,208**

	Liabilities at fair value $'000	Liabilities at amortised cost $'000	Total $'000
2020			
Financial liabilities			
Trade and other payables	—	55,897	55,897
Borrowings	—	295,139	295,139
Contingent consideration	732	—	732
Lease liabilities	—	681,250	681,250
	732	**1,032,286**	**1,033,018**
2019			
Financial liabilities			
Trade and other payables	—	36,762	36,762
Borrowings	—	387,750	387,750
Contingent consideration	1,493	—	1,493
Lease liabilities	—	709,137	709,137
	1,493	**1,133,649**	**1,135,142**

Note 17: Financial Risk Management continued

a) Foreign exchange risk

The Group had operations in Singapore during the year and was 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 was managed through a natural hedge as the cash flows from the Singapore operations were denominated in Singapore dollars.

The Group sold its Singapore operations during the year. Refer to note 1(c).

The carrying amounts of the Group's financial assets and liabilities that are denominated in other foreign currencies are set out below:

	2020 SGD $'000	2019 SGD $'000
Cash and cash equivalents	—	2,337
Trade receivables	—	1,025
Trade payables	—	(260)
	—	**3,102**

During the year, the following foreign-exchange related amounts were recognised in the consolidated income statement and other comprehensive income:

	2020 $'000	2019 $'000
Amounts recognised in the consolidated income statement		
FX gain on settlement of corporate notes included in other income	—	2,810
	—	**2,810**

Accounting policy

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'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 consolidated 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 consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated 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:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each consolidated 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
- 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.

The Group sold its Singapore operations during the year. Refer to note 1(c).

3. Capital Structure & Financial Risk Management

Note 17: Financial Risk Management continued

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. G8 Education's fixed and floating borrowing mix is to be monitored by management and reported to the Board on a regular basis (at least quarterly). Derivative products may be used to manage G8 Education's interest rate risk profile but any hedging undertaken is subject to Board approval and will not exceed the level of floating rate exposure. The Group's borrowings at variable rates are denominated in Australian dollars only. The Group held no derivatives at 31 December 2020.

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 9 *Financial Instruments*, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	31 December 2020		31 December 2019	
	Balance $'000	Total Loans %	Balance $'000	Total Loans %
Syndicated loan facilities	247,200	82%	342,200	88%
Net exposure to cash flow interest rate risk	**247,200**	**82%**	**342,200**	**88%**

An analysis by maturities is provided. Refer to note 17(d).

Sensitivity

At 31 December 2020, if interest rates had changed by - 0.25%/+ 0.25% absolute from the year end rates with all other variables held constant, post-tax result for the year would have been $432,600 higher or $432,600 lower respectively (post-tax profit for the year for 2019: $598,850 higher or $598,850 lower respectively).

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 Subsidy, the Federal Government is considered to be a high quality debtor.

Analysis of the ageing of the impaired trade receivables is performed. Refer to note 9.

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.

i) Financing arrangements

Details of financing arrangements are disclosed. Refer to note 19.

ii) 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.

Note 17: Financial Risk Management continued

Contractual maturities of financial liabilities

	Consolidated 2020						
	0 to 6 months $'000	6 to 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	>5years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non derivative							
Syndicated debt facilities	4,186	5,900	11,800	320,273	—	342,159	300,000
Contingent consideration	—	75	75	225	525	900	732
Trade and other payables	55,897	—	—	—	—	55,897	55,897
Lease liabilities	54,418	54,518	108,667	297,609	392,330	907,542	681,250

Contractual maturities of financial liabilities

	Consolidated 2019						
	0 to 6 months $'000	6 to 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	>5years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non derivative							
Syndicated debt facilities	8,716	8,716	111,797	278,107	56,675	464,011	395,000
Contingent consideration	722	75	75	225	600	1,697	1,493
Trade and other payables	36,762	—	—	—	—	36,762	36,762
Lease liabilities	56,091	55,935	111,718	318,972	465,800	1,008,516	709,137

e) Fair value measurements

The fair value of financial assets and financial liabilities (excluding lease 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:

— quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

— 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

— inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table present the Group's assets and liabilities measured and recognised at fair value on a recurring basis at 31 December 2020 and 31 December 2019:

At 31 December 2020 $'000	Level 1	Level 2	Level 3	Total
Liabilities				
Contingent consideration (refer to note 15)	—	—	732	732

At 31 December 2019 $'000	Level 1	Level 2	Level 3	Total
Assets				
Deposit on acquisitions[1]	—	—	2,669	2,669
Liabilities				
Contingent consideration (refer to note 15)	—	—	1,493	1,493

1. Deposits on acquisitions are fully refundable.

3. Capital Structure & Financial Risk Management

Note 18: Current Assets — Cash and Cash Equivalents

	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash at bank and in hand	316,989	40,603
Total cash and cash equivalents	**316,989**	**40,603**

Accounting policy

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.

Note 19: Current and Non-Current Liabilities — Borrowing

	2020			2019		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Secured						
Syndicated debt facilities (a)	—	300,000	300,000	—	395,000	395,000
Total secured borrowings	**—**	**300,000**	**300,000**	**—**	**395,000**	**395,000**
Borrowing costs	—	(4,861)	(4,861)	—	(7,250)	(7,250)
Total borrowings	**—**	**295,139**	**295,139**	**—**	**387,750**	**387,750**

a) Syndicated debt facilities

The Group had $300.0m drawn from the $500.0m syndicated debt facilities as at 31 December 2020. During the period, the Group used $95.0m of the funds raised from the capital raising to repay syndicated debt. The Group has completed the extension of its senior syndicated debt facilities on 12 February 2021. Refer to note 29.

b) Fair value

Carrying value is equal to fair value for all borrowings.

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

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000
Current			
Floating charge			
Cash and cash equivalents	18	316,989	40,603
Trade and other receivables	9	17,383	29,936
Other current assets	10	10,268	11,232
Total current assets pledged as security		**344,640**	**81,771**
Non-current			
First mortgage			
Buildings	11	3,814	3,980
Leased property	20	467,828	604,729
Floating charge			
Other non-current assets	10	987	5,894
Vehicles, furniture, fittings and equipment	11	83,605	99,884
Total non-current assets pledged as security		**556,234**	**714,487**
Total assets pledged as security		**900,874**	**796,258**

Note 19: Current and Non-Current Liabilities — Borrowing continued

c) Financing arrangements

As at 31 December 2020 the following lines of credit were in place:

	Consolidated	
	2020 $'000	2019 $'000
Credit standby arrangements		
Total facilities	500	500
Used at balance date	(464)	(412)
Unused at balance date	**36**	**88**
Syndicated debt facilities		
Total facilities	500,000	500,000
Used at balance date	(300,000)	(395,000)
Unused at balance date	**200,000**	**105,000**
Bank guarantee facilities		
Total facilities	50,000	50,000
Used at balance date	(34,793)	(36,321)
Unused at balance date	**15,207**	**13,679**

The Group maintains a secured facility for the provision of bank guarantees to landlords of premises leased by the Group and syndicated debt facilities. Refer to note 29.

d) Fair value

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

Accounting policy

Measurement

Borrowings are initially recognised at fair value, net of transaction costs 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 consolidated 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 facilities, are capitalised to the loan and expensed on a straight-line basis over the term of the facilities.

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 the consolidated income statement 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.

3. Capital Structure & Financial Risk Management

Note 20: Right of Use Assets and Lease Liabilities

a) Right of use assets

Set out below are the carrying amounts of right-of-use assets and movements during the year:

	Consolidated		
	Leased property $'000	Leased vehicle $'000	Total $'000
As at 31 December 2019			
Cost	682,403	3,097	685,500
Accumulated depreciation	(77,674)	(1,607)	(79,281)
Net book amount	**604,729**	**1,490**	**606,219**
Additions through business combinations (refer to note 15)	16,571	—	16,571
Additions – other	9,151	—	9,151
Disposals	(6,863)	(1)	(6,864)
Depreciation charge	(69,525)	(1,283)	(70,808)
Modification to lease terms	14,498	680	15,178
Variable lease payments reassessment	408	—	408
Impairment loss (refer to note 1(a))	(101,098)	(59)	(101,157)
Effect of foreign exchange changes	(43)	—	(43)
Closing net book amount as at 31 December 2020	**467,828**	**827**	**468,655**
Cost	712,005	2,987	714,992
Accumulated depreciation and impairment	(244,177)	(2,160)	(246,337)
As at 31 December 2020	**467,828**	**827**	**468,655**

	Consolidated		
	Leased property $'000	Leased vehicle $'000	Total $'000
Adjustment on adoption of AASB 16 as at 1 January 2019	611,810	1,947	613,757
Additions through business combinations	76,559	—	76,559
Additions through make good	4,755	—	4,755
Additions – other	1,279	206	1,485
Disposals or terminations	(20,287)	—	(20,287)
Depreciation charge	(77,138)	(1,607)	(78,745)
Modification to lease terms	132	944	1,076
Variable lease payments reassessment	7,502	—	7,502
Effect of foreign exchange changes	117	—	117
Closing net book amount as at 31 December 2019	**604,729**	**1,490**	**606,219**
Cost	682,403	3,097	685,500
Accumulated depreciation and impairment	(77,674)	(1,607)	(79,281)
As at 31 December 2019	**604,729**	**1,490**	**606,219**

b) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Consolidated	
	2020 $'000	2019 $'000
Current lease liabilities	69,435	68,482
Non-current lease liabilities	611,815	640,655
Total lease liabilities	**681,250**	**709,137**

Note 20: Right of Use Assets and Lease Liabilities continued

	Total $'000
At 31 December 2019	**709,137**
Additions through business combinations (refer to note 15)	16,571
Additions — other	8,372
Disposals	(8,064)
Accretion of interest	43,685
Payments	(102,066)
Modification to lease terms	15,880
Variable lease payments reassessment	(2,231)
Effects of exchange rate changes	(34)
Closing net book amount as at 31 December 2020	**681,250**

The maturity analysis of lease liabilities are disclosed. Refer to note 17(d) and note 34(g).

	Total $'000
Adjustment on adoption of AASB16 as at 1 January 2019	**710,798**
Additions through business combinations	76,559
Additions – other	1,485
Disposals	(26,236)
Accretion of interest	44,827
Payments	(108,575)
Modification to lease terms	1,076
Variable lease payments reassessment	9,084
Effects of exchange rate changes	119
Closing net book amount as at 31 December 2019	**709,137**

c) Amounts recognised in profit and loss

The following are the amounts recognised in profit and loss:

	Consolidated	
	2020 $'000	2019 $'000
Depreciation expense of right-of-use assets	70,808	78,745
Interest expense on lease liabilities	43,685	44,827
Expense relating to short-term leases (included in occupancy expenses)	201	—
Expense relating to leases of low-value assets (included in direct costs)	2,415	3,206
Variable lease (receipts)/payments (included in occupancy and other expenses)	(3,584)	560
Impairment loss on leases	101,157	—
(Gain) / loss on surrender/termination of leases	(529)	(1,588)
(Gain) / loss on sale of assets	(163)	(4,957)
Total amount recognised in profit and loss	**213,990**	**120,793**

The Group had total cash outflows for leases of approximately $102.2m in 2020 - the principal portion of lease payments totalled $58.5m, interest payments totalled $43.7m and other payments relating to low-value assets and net variable lease receipts totalled approximately $1.0m (included in payments to suppliers and employees).

3. Capital Structure & Financial Risk Management

Note 20: Right of Use Assets and Lease Liabilities continued

d) Impairment of right of use assets

Right of use assets are tested for impairment as part of the CGU to which they relate, usually a child care centre.

During the period, the Group completed a strategic portfolio review. The review considered the additional impacts of the COVID-19 pandemic operating environment, the risk of delays in economic recovery and subsequent impact on performance. As a result of this review, the Group identified indicators of impairment for CGUs to which right of use assets relate and recognised an impairment loss, refer to note 1(a)(iii).

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Accounting policy

Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right of use assets are depreciated on a straight-line basis over the shorter of useful life and the lease term.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease exemption to its short-term leases of property (i.e. those leases that have that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

The Group applies the low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Due to the impact COVID-19 and following a strategic review of the portfolio, the Group re-assessed the lease term of some leases which include renewal option. The Group remeasured the lease liability and adjusted the right of use asset to reflect the change in assessment.

Amendments to AASB 16 COVID-19 Related Rent Concessions

Refer to note 34.

Note 21: Contributed Equity

a) Share capital

	Consolidated		Consolidated	
	2020 No. of Shares	2019 No. of Shares	2020 $'000	2019 $'000
Ordinary shares fully paid	847,390,315	460,176,931	1,209,227	907,255

b) Movements in ordinary share capital

Details	Number of Shares '000	$'000
31 December 2018 balance	**455,380**	**893,567**
Dividend reinvestment plan	4,797	13,711
Transaction costs of shares issued	—	(33)
Deferred tax credit recognised directly in equity	—	10
31 December 2019 balance	**460,177**	**907,255**
Dividend reinvestment plan	10,694	8,554
Equity placement	376,519	301,215
Transaction costs of shares issued	—	(11,139)
Deferred tax credit recognised directly in equity	—	3,342
31 December 2020 balance	**847,390**	**1,209,227**

c) 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.

d) 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.

e) 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 on a pre-lease basis. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as per a pre-AASB 16 Leases balance sheet plus net debt.

The gearing ratios at 31 December were as follows on a pre-AASB 16 *Leases* basis:

		Consolidated	
	Notes	2020 $'000	2019 $'000
Borrowings	19	295,139	387,750
Less: cash and cash equivalents	18	(316,989)	(40,603)
Net debt		(21,850)	347,147
Total equity (pre-AASB 16)		1,051,405	795,970
Total capital (pre-AASB 16)		**1,029,555**	**1,143,117**
Gearing ratio (pre-AASB 16) [1]		**Nm**	**27%**

1. Not meaningful as net debt is <0.

The Directors assess an appropriate level of gearing based on a leverage rate of less than 45% (on a pre—AASB 16 *Leases* basis).

Accounting policy

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.

3. Capital Structure & Financial Risk Management

Note 22: Dividends

a) Ordinary shares

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

Dividends	CPS	Total dividend $'000
Financial year 2020		
2019 final dividend (paid on 30 October 2020)	6.0	27,611
Dividend paid during the year ended 31 December 2020		**27,611**
Cash		19,057
Dividend reinvestment plan		8,554
Dividend paid during the year ended 31 December 2020		**27,611**

Dividends	CPS	Total dividend $'000
Financial year 2019		
2018 final dividend (paid on 5 April 2019)	8.0	36,430
2019 interim dividend (paid on 3 October 2019)	4.75	21,771
Dividend paid during the year ended 31 December 2019		58,201
Cash		44,490
Dividend reinvestment plan		13,711
Dividend paid during the year ended 31 December 2019		**58,201**

G8 Education temporarily suspended dividends and its dividend policy as per ASX announcement on 9 April 2020, with the exception of the CY19 final dividend which was paid on 30 October 2020.

b) Franking credits

	Consolidated		Parent Entity	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2019: 30%)	24,144	13,679	24,144	13,679

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.

Accounting policy

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.

Note 23: Reconciliation of Cash Flows

Reconciliation of profit after tax to net cash flows from operating activities

	Consolidated 2020 $'000	Consolidated Restated 2019 $'000
Profit / (loss) for the year	(187,010)	52,019
Depreciation	91,609	100,117
Write back of deferred consideration not payable	(64)	(681)
(Gain) / loss on divestment of leases	(529)	(1,588)
Translation gain on revaluation of notes issued in Singapore dollars and hedge FX movement	—	(2,810)
Net (gain) / loss on sale of assets	(9,118)	4,034
Write back of make good costs	(27)	—
Amortised borrowings costs	2,398	3,539
Lease adjustments	29	—
Brokerage and legal fees treated as investing cashflows	717	970
Impairments	275,217	—
Non-cash employee benefits expense - share based payments	174	(131)
(Increase)/decrease in deferred tax asset	3,435	(7,353)
(Increase)/decrease in trade and other debtors	8,676	7,125
Increase/(decrease) in trade and other creditors	30,861	(2,535)
Increase/(decrease) in contract liabilities	1,898	(1,369)
Increase/(decrease) in lease liabilities	(4,109)	—
Increase/(decrease) in provisions	11,119	8,428
Increase/(decrease) in provision for income taxes payable	(35,746)	(5,768)
Net exchange differences	35	(7)
Net cash inflows from operating activities	**189,565**	**153,990**

Refer to note 14 for restatement details.

Changes in liabilities arising from financing activities

	Opening balance 1 Jan 2020 $'000	Cash flows $'000	Foreign exchange movement $'000	Change in fair value $'000	Considered interest in operating cash flows $'000	New leases $'000	Other $'000	Closing balance 31 Dec 2020 $'000
Current lease liabilities	68,482	(102,066)	(34)	69,435	43,685	1,437	(11,504)	69,435
Non current lease liabilities	640,655	—	—	(69,435)	—	23,505	17,090	611,815
Non-current interest bearing loans and borrowings	387,750	(95,004)	—	—	—	—	2,393	295,139

	Opening balance 1 Jan 2019 $'000	Cash flows $'000	Foreign exchange movement $'000	Change in fair value $'000	Considered interest in operating cash flows $'000	New leases $'000	Other $'000	Closing balance 31 Dec 2019 $'000
Current lease liabilities	63,584	(108,575)	119	68,482	44,827	—	45	68,482
Non current lease liabilities	647,214	—	—	(68,482)	—	78,044	(16,121)	640,655
Current interest bearing loans and borrowing	279,566	(269,892)	(11,397)	—	—	—	1,723	—
Non-current interest bearing loans and borrowings	92,188	292,943	—	—	—	—	2,619	387,750
Derivative liability	(10,837)	—	—	10,837	—	—	—	—

4. Group Structure

Note 24: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy set out. Refer to note 34(b).

Name of Entity	Country of incorporation	Class of Shares/Units	2020 %	2019 %
Subsidiaries of Company				
Grasshoppers Early Learning Centres Pty Ltd	Australia	Ordinary	100	100
Togalog Pty Ltd	Australia	Ordinary	100	100
RBWOL Holding Pty Ltd [1]	Australia	Ordinary	100	100
Ramsay Bourne Holdings Pty Ltd [1]	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 [1]	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 [1]	Australia	Ordinary	100	100
Sydney Cove Children's Centre B Pty Ltd [1]	Australia	Ordinary	100	100
Sydney Cove Children's Centre C Pty Ltd [1]	Australia	Ordinary	100	100
Sydney Cove Property Holdings Pty Ltd [1]	Australia	Ordinary	100	100
World Of Learning Pty Ltd [1]	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 [1]	Australia	Ordinary	100	100
Sterling Early Education Holdings Pty Ltd [1]	Australia	Ordinary	100	100
Woodland Education Operations Pty Ltd [1]	Australia	Ordinary	100	100
Kindy Kids Operations Pty Ltd [1]	Australia	Ordinary	100	100
CG Operations Pty Ltd [1]	Australia	Ordinary	100	100
Kool Kids Operations Pty Ltd [1]	Australia	Ordinary	100	100
North Shore Childcare Pty Ltd [1]	Australia	Ordinary	100	100
Ooorama Operations Pty Ltd [1]	Australia	Ordinary	100	100
Jacaranda Operations Pty Ltd [1]	Australia	Ordinary	100	100
Huggy Bear Operations Pty Ltd [1]	Australia	Ordinary	100	100
Jellybeans Operations Pty Ltd [1]	Australia	Ordinary	100	100
Jellybeans Attadale (Pty Ltd) [1]	Australia	Ordinary	100	100
Jane's Place Operations Pty Ltd [1]	Australia	Ordinary	100	100
Jolimont Private Education Pty Ltd [1]	Australia	Ordinary	100	100
WTTS Operations Pty Ltd [1]	Australia	Ordinary	100	100
BUI Investments Pty Ltd [1]	Australia	Ordinary	100	100
Derafi Pty Ltd [1]	Australia	Ordinary	100	100
Alfoom Investments Pty Ltd [1]	Australia	Ordinary	100	100
Shemlex Pty Ltd [1]	Australia	Ordinary	100	100
Kindy Kids Village Pty Ltd [1]	Australia	Ordinary	100	100
Kindy Kids Long DayCare and Preschool Pty Ltd [1]	Australia	Ordinary	100	100
Three Little Pigs Pty Ltd [1]	Australia	Ordinary	100	100
A.C.N. 078 042 378 Pty Ltd [1]	Australia	Ordinary	100	100
ES5 Pty Ltd [1]	Australia	Ordinary	100	100
Kindy Patch Unit Trust	Australia	Ordinary	100	100
Sydney Cove Children's Centre Unit Trust	Australia	Ordinary	100	100
Sydney Cove Children's Centre Unit Trust B	Australia	Ordinary	100	100

Note 24: Subsidiaries continued

Name of Entity	Country of incorporation	Class of Shares/Units	2020 %	2019 %
Shemlex Investment Unit Trust	Australia	Ordinary	100	100
Shemlex Investments Freehold Unit 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 [1]	Australia	Ordinary	100	100
GW Concord Pty Ltd [1]	Australia	Ordinary	100	100
GW Chatswood Pty Ltd [1]	Australia	Ordinary	100	100
GW Macquarie Park Pty Ltd [1]	Australia	Ordinary	100	100
GW Brookvale Pty Ltd [1]	Australia	Ordinary	100	100
GW Bronte Pty Ltd [1]	Australia	Ordinary	100	100
GW Katoomba Pty Ltd [1]	Australia	Ordinary	100	100
GW Gladesville Pty Ltd [1]	Australia	Ordinary	100	100
GW Frenchs Forest Pty Ltd [1]	Australia	Ordinary	100	100
GW Prep Holdings Pty Ltd [1]	Australia	Ordinary	100	100
Lane Cove CCC Unit Trust	Australia	Ordinary	100	100
Lane Cove CCC Pty Ltd [1]	Australia	Ordinary	100	100
Waterloo CCC Unit Trust	Australia	Ordinary	100	100
Waterloo CCC Pty Ltd [1]	Australia	Ordinary	100	100
GW Chatswood Unit Trust	Australia	Ordinary	100	100
Homebush CCC Pty Ltd	Australia	Ordinary	100	100
Homebush CCC Unit Trust	Australia	Ordinary	100	100
Dendy Street Childcare Pty Ltd	Australia	Ordinary	100	100
Childcare Saver Pty Ltd	Australia	Ordinary	100	100
G8 Education Singapore Pte. Ltd. [2]	Singapore	Ordinary	—	100
Cherie Hearts Corporate Pte. Ltd. [2]	Singapore	Ordinary	—	100
Cherie Hearts Holdings Pte. Ltd. [2]	Singapore	Ordinary	—	100
Cherie Hearts @ Gombak Pte. Ltd. [2]	Singapore	Ordinary	—	100
Bright Juniors Pte. Ltd. [2]	Singapore	Ordinary	—	100
Our Juniors Global Schoolhouse Pte. Ltd. [2]	Singapore	Ordinary	—	100

1. These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Legislative Instrument 2016/785 issued by the Australian Securities and Investment Commission. refer to note 26.
2. The Group sold its Singapore operations during the year. Refer to note 1(c).

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

4. Group Structure

Note 25: Parent Entity Disclosures

As at, and throughout the financial year ended 31 December 2020 the parent entity of the Group was G8 Education Limited.

	2020 $'000	Restated 2019 $'000
Result of parent entity		
Profit / (loss) for the year after tax	(172,035)	55,525
Other comprehensive income / (loss)	—	(2,016)
Total comprehensive income / (loss) for the year	**(172,035)**	**53,509**
Financial position of parent entity at year end		
Current assets	338,238	69,308
Non-current assets	1,612,822	1,835,127
Total assets	**1,951,060**	**1,904,435**
Current liabilities	271,217	213,108
Non-current liabilities	792,701	904,503
Total liabilities	**1,063,918**	**1,117,611**
Total equity of parent entity comprising of:		
Contributed equity	1,209,227	907,255
Reserves	22,905	10,162
Accumulated losses	(344,990)	(130,593)
Total equity	**887,142**	**786,824**

Refer to note 14 for restatement details.

Parent entity contingencies

Refer to note 28 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. Refer to note 26.

Accounting policy

The financial information for the parent entity, G8 Education, 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.

ii) Tax consolidation legislation. Refer to note 6.

Note 26: Deed of Cross Guarantee

All subsidiaries identified, refer to note 24, as having been granted relief from the requirement to prepare a Financial Report and Directors' Report Under ASIC Legislative Instrument 2016/785 (As Amended) issued by the Australian Securities and Investments Commission are considered to be in the closed group.

Below is a consolidated statement of comprehensive income for the year ended 31 December 2020 of the closed group:

a) Consolidated statements of comprehensive income

	2020 $'000	Restated 2019 $'000
Continuing operations		
Revenue	765,135	900,834
Other income	11,901	5,572
Total	**777,036**	**906,406**
Expenses		
Employment costs	(417,549)	(546,772)
Occupancy	(8,121)	(11,509)
Direct costs of providing services	(76,390)	(65,971)
Depreciation	(90,416)	(97,656)
Impairment loss	(268,942)	—
Other expenses	(50,563)	(38,174)
Finance costs	(66,159)	(75,680)
Total expenses	**(978,140)**	**(835,762)**
Share in profit of subsidiaries	(3,210)	—
Profit / (loss) before income tax	**(204,314)**	**70,644**
Income tax benefit (expense)	17,304	(18,881)
Profit / (loss) for the year	**(187,010)**	**51,763**
Effective portion of changes in fair value of cash flow hedges	—	(1,885)
Total comprehensive income /(loss) for the year	**(187,010)**	**49,878**

Refer to note 14 for restatement details.

4. Group Structure

Note 26: Deed of Cross Guarantee continued

b) Balance Sheet

Set out below is a consolidated balance sheet as at 31 December 2020 of the closed group.

	2020 $'000	Restated 2019 $'000
Current assets		
Cash and cash equivalents	316,989	38,127
Trade and other receivables	17,383	29,025
Other current assets	10,268	30,600
Current tax asset	—	2,000
Total current assets	**344,640**	**99,752**
Non-current assets		
Property, plant and equipment	87,419	103,307
Right of use assets	468,655	601,475
Deferred tax assets	117,104	72,789
Intangible assets	1,055,242	1,158,970
Other non-current assets	987	6,991
Total non-current assets	**1,729,407**	**1,943,532**
Total assets	**2,074,047**	**2,043,284**
Current liabilities		
Trade and other payables	73,892	53,686
Contract liabilities	9,105	6,200
Current tax liability	2,773	—
Lease liabilities	69,435	66,654
Provisions	120,581	96,930
Total current liabilities	**275,786**	**223,470**
Non-current liabilities		
Other payables	657	696
Borrowings	295,139	387,750
Lease liabilities	611,815	637,398
Provisions	16,153	13,087
Total non-current liabilities	**923,764**	**1,038,931**
Total liabilities	**1,199,550**	**1,262,401**
Net assets	**874,497**	**780,883**
Equity		
Contributed equity	1,209,227	907,255
Reserves	22,905	10,162
Retained earnings	(357,635)	(136,534)
Total equity	**874,497**	**780,883**

Refer to note 14 for restatement details.

5. Unrecognised Items

Note 27: Commitments

Capital commitments

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

Note 28: Contingencies

Contingent liabilities

G8 Education has been served with a class action filed by Slater and Gordon in the Supreme Court of Victoria. The claim alleges breaches of the company's continuous disclosure obligations between 23 May 2017 and 23 February 2018. The Group is defending the proceedings. No provision has been recognised in relation to this matter.

Note 29: Events Occurring After the Balance Sheet Date

The following material matter has taken place subsequent to year end:

- The Group completed the extension of its senior syndicated debt facility on 12 February 2021. The refinance included a reduction of the senior syndicated loan facility to $300.0m, the term loan being converted to revolver and alignment of expiry date to October 2023. There has been no change to the $100.0m subordinated facility.

6. Other

Note 30: Key Management Personnel Disclosures

a) Directors

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

i) Chair – Independent Non-Executive

- M Johnson

ii) Executive Director

- G Carroll

iii) Independent Non-Executive Directors

- J Cogin
- S Forrester
- D Foster
- P Trimble (appointed 13 May 2020)
- M Zabel
- B Bailison (retired 20 May 2020)

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
– S Williams	Chief Financial Officer
– J Ball	General Manager Operations (ceased employment on 2 February 2021)

c) Key Management Personnel compensation

	Consolidated	
	2020 $'000	2019 $'000
Short term employee benefits	1,513	1,683
Post employment benefits	64	62
Share based payments [1]	126	(97)
	1,703	**1,648**

1. Includes the write back of share-based payments expense due to vesting conditions not being met.

The relevant information on detailed remuneration disclosures can be found in the Remuneration Report on 34 to 49.

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 31 for details of options issued to Key Management Personnel.

ii) Option holdings

Refer to note 31 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 and other Key Management Personnel of the Group, including their associates, are set out in the Remuneration Report. There were no shares issued during the reporting year as compensation.

Note 31: Share-based Payments

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	
	2020 $'000	2019 [1] $'000
Share-based payment expense on shares issued to KMP	174	(131)

1. 2019 Includes the write back of share-based payments expense due to vesting conditions not being met.

G8 Education Executive Incentive Plan (GEIP)

Shareholders approved the GEIP at the Annual General Meeting (AGM) in May 2017. The Company has established the GEIP to assist the retention and motivation of executives of G8 Education (Participants). It is intended that the Performance Rights will enable the Company to retain and attract the skilled and experienced executives and provide them with the motivation to enhance the success of the Company.

Under the Performance Rights, rights may be offered to Participants selected by the Board. Unless otherwise determined by the Board, no payment is required for the grant of rights under the GEIP. Subject to any adjustment in the event of a bonus issue, each right is an option to subscribe for one Share. Upon the exercise of a right by a Participant, each Share issued will rank equally with other Shares of the Company.

Performance Rights (PRs) vest on achievement of the following performance and service conditions by the vesting date.

Performance Conditions – Earnings per Share (EPS) Compound Annual Growth Rate (CAGR)	The percentage of Performance Rights that vest for each % EPS CAGR is based on the vesting schedule below:	
	EPS CAGR	Percentage of Performance Rights that vest
	Less than 10%	0%
	10% to 15%	50% – 100% (pro-rata)
	> 15%	100%
Service Condition	Holders of Performance Rights must be continuously employed by the Company from the Grant Date to the Vesting Date.	
Retesting	Awards are not retested.	
Dividend Policy	Holders of Performance Rights are not entitled to receive dividends prior to vesting.	

Recently, shareholders approved changes to the GEIP at the General Annual Meeting held on 17 June 2020.

The vesting conditions for the 2020 Grant comprises a cumulative EPS measure rather than a CAGR measure as used for previous Grants. The 2020 performance rights vest on achievement of the following performance and service conditions by the vesting date.

Performance Conditions – Reported (Audited) Earnings per Share (EPS) with a Cumulative EPS measure	The percentage of Performance Rights that vest for each cent of Cumulative EPS is illustrated in the following table:	
	Cumulative EPS	Percentage of Performance Rights that vest
	Less than 14 cents	0%
	14 cents to 17 cents	50% – 100% (pro-rata)
	> 17 cents	100%
Service Condition	Holders of Performance Rights must be continuously employed by the Company from the Grant Date to the Vesting Date.	
Retesting	Awards are not retested.	
Dividend Policy	Holders of Performance Rights are not entitled to receive dividends prior to vesting.	

Following this approval, the Company granted options (2020 Grant) to members of the ELT on 30 June 2020.

In addition, performance conditions of 2017 Grant were not met. The options were forfeited on 1 March 2020.

Performance Rights issued under the plan may not be transferred unless approved by the Board. The table below summarises rights granted under the plan.

6. Other

Note 31: Share-based Payments continued

Grant date	Balance at the start of the year (Number)	Granted during the year (Number)	Exercised during the year (Number)	Forfeited during the year (Number)	Balance at the end of the year (Number)	Unvested at the end of the year (Number)
20 July 2017	152,386	—	—	(152,386)	—	—
6 October 2017	53,629	—	—	(53,629)	—	—
22 January 2018	50,359	—	—	(50,359)	—	—
20 July 2018	415,059	—	—	—	415,059	415,059
30 January 2019	52,333	—	—	(21,806)	30,527	30,527
10 May 2019	452,631	—	—	(20,876)	431,755	431,755
30 June 2020	—	1,240,000	—	—	1,240,000	1,240,000
Total	**1,176,397**	**1,240,000**	**—**	**(299,056)**	**2,117,341**	**2,117,341**

Unissued ordinary shares of G8 Education under the GEIP at the date of this report are set out in the table below.

Grant date	Vesting date	Value of performance right at grant date $	Number of performance rights	Expiry date
20 July 2017	1 March 2020	3.19	—	30 May 2020
6 October 2017	1 March 2020	3.70	—	30 May 2020
22 January 2018	1 March 2020	3.82	—	30 May 2020
20 July 2018	1 March 2021	2.39	415,059	30 May 2021
30 January 2019	1 March 2021	2.73	30,527	30 May 2021
10 May 2019	1 March 2022	2.42	431,755	30 May 2022
30 June 2020	1 March 2023	0.74	1,240,000	30 May 2023
Total			**2,117,341**	

Valuation of instruments issued

Value of the financial benefit

In terms of performance rights issued to Key Management Personnel (KMP), the table below lists the inputs used in the model:

	Grant date	Share price on grant date	Share price volatility	Risk free rate	Time to maturity	Annual dividend yield	Model used
Tranche 1	20 July 2017	$3.77	30%	2.31%	2.62 years	6.37%	Black Scholes
Tranche 2	6 October 2017	$3.83	30%	2.17%	2.57 years	6.27%	Black Scholes
Tranche 3	22 January 2018	$3.82	30%	2.04%	2.11 years	5.45%	Black Scholes
Tranche 4	20 July 2018	$2.87	30%	2.09%	2.62 years	7.27%	Black Scholes
Tranche 5	30 January 2019	$3.06	34%	1.82%	2.08 years	5.56%	Black Scholes
Tranche 6	10 May 2019	$2.83	34%	1.28%	2.81 years	5.79%	Black Scholes
Tranche 7	30 June 2020	$0.89	48%	0.26%	2.67 years	6.96%	Black Scholes

Accounting policy

Share-based compensation benefits are provided to certain employees via the GEIP.

The fair value of options and Performance Rights are granted under the GEIP are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

For share options and Performance Rights, the fair value at grant date is determined using a Black Scholes model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sale growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimate of the number of options and performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon exercise of the options and Performance Rights, the balance of the share-based payments reserve relating to those options remains in the share-based payments reserve.

Note 32: Remuneration of Auditors

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

	Consolidated 2020 $	Consolidated 2019 $
Fees to the group auditor for auditing the statutory report	537,923	543,102
Fees for other assurance and agreed-upon-procedure services	50,000	—
Fees for other services	342,176	154,500
Total Auditor's remuneration	**930,099**	**697,602**

Note 33: Related Party Transactions

a) Parent entity

The parent entity within the Group is G8 Education.

b) Subsidiaries

Interests in subsidiaries are set out, refer to note 24.

c) Key Management Personnel

For details of transactions that Key Management Personnel and their related entities had with the Group during the year. Refer to note 30.

During the reporting period, the Directors and Key Management Personnel, including the Group's managing director and CEO, G Carroll, the Group's Chief Financial Officer, S Williams and General Manager Operations, J Ball, agreed to 20% reduction to their base fixed remuneration for a 6-month period, (effective from 3 April to 2 October 2020 for Directors, and from 1 May to 30 October 2020 for executives). From November 2020 all executive salaries were reinstated to contractual remuneration rates.

The Group receives services from a software provider which became a related party on 13 May 2020, as a result of the appointment of P Trimble as a director. The services received in the reporting period were made on terms equivalent to those that prevail in arm's length transactions. The amount recognised as an expense in the reporting period for the services received was immaterial.

There was nil outstanding at the reporting date in relation to transactions with related parties.

6. Other

Note 34: Other 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 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 (disposed October 2020). 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 23 February 2021. The Company has the power to amend and reissue the financial report.

Compliance with IFRS

Compliance with AASB ensures that the financial report of G8 Education 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 ("Company" or "parent entity") as at 31 December 2020 and the results of all subsidiaries for the year then ended.

G8 Education 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 affect 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) Goods and Services Tax (GST)

Revenues, expenses and assets and liabilities 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.

d) Rounding amounts

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

e) Going concern

Refer to note 1(d)

f) 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 entities are recognised in other comprehensive income as described, refer to note 17, and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the consolidated income statement 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. Amounts are reclassified to the consolidated income statement when the associated hedge transaction affects the consolidated income statement.

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 $27.6m (2019: $58.2m) were distributed from the profits reserve during the year.

The amount transferred to profits reserve comprises the transfer from net profit for the current year for profit making entities within the Group and characterises profits available for distribution as dividends in the future years. The restatement for the remediation program has been adjusted against the profits reserve. Refer to note 14.

Note 34: Other Significant Accounting Policies continued

g) Accounting standards and interpretations applied from 1 January 2020

The accounting policies adopted in the preparation of the consolidated financial report are consistent with those followed in the preparation of the Group's annual report for the year ended 31 December 2019, except for the adoption of new standards, interpretations or amendments effective as of 1 January 2020.

Amendments to AASB 16 COVID-19 Related Rent Concessions

On 28 May 2020, in response to the COVID-19 pandemic, the International Accounting Standards Board has issued COVID-19 Related Rent Concessions – amendment to AASB 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient may elect not to assess whether a COVID-19 related rent concession is a lease modifications. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for the change under AASB 16, if the change were not a lease modification. If the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

The Group applied the practical expedient to all rent concessions that met the condition.

The Group recognised a gain of $4.1m in profit and loss to reflect changes in lease payments arising from rent concessions that meet the conditions of the practical expedient. This amount is presented as an offset to occupancy expenses.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact of the amendments.

IFRS 9 Financial Instruments

Fees in the '10 per cent' test for derecognition of financial liabilities As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.
The amendments are not expected to have a material impact on the Group.

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 53 to 101 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 2020 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 24 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 26.

Note 34(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.

Gary Carroll

Gary Carroll
Director

23 February 2021

Independent Auditor's Report

to the Members of G8 Education Limited

Building a better working world

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent Auditor's Report to the Members of G8 Education Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of G8 Education Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

Independent Auditor's Report

to the Members of G8 Education Limited

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Impairment of non-current assets including goodwill

Why significant	How our audit addressed the key audit matter
The determination of the recoverable amounts of non-current assets including property, plant and equipment, right of use assets and goodwill required significant judgement by the Group. Impairment assessments are complex and involve significant management judgement. These include judgements and estimates relating to occupancy, future childcare rate increases and revenues, anticipated costs, growth rates, forecast capital expenditure, centres to be exited, and the discount rate applied. This includes potential impacts of the COVID-19 pandemic on income and expenses. As such, impairment testing of goodwill and other non-current assets was considered to be a key audit matter. The Group's disclosures are included in notes 1a, 11, 16 and 20 to the financial statements, which includes the key assumptions applied by the Group and impairment charge of $145.3 million in relation to goodwill and $118 million in property, plant and equipment and right of use assets.	Our audit procedures included an evaluation of the following judgements and assumptions used in the Group's impairment assessment: ▸ Evaluated the Group's identification cash generating units ("CGU") for non-current assets and one CGU for goodwill, including quantification of the carrying amount of the CGUs; ▸ Agreed the cash flow forecasts to Board approved budgets; ▸ Assessed future cash flow assumptions through comparison with current trading performance, externally derived data (where applicable), disposals in the period and inquiry with the Group in respect of its basis for rate increases, key growth and trading assumptions; ▸ Assessed discount rate and long-term growth rate assumptions with involvement from EY valuation specialists; ▸ Considered whether the Group's cash flow forecasts contemplated the potential future impacts of the COVID-19 pandemic on income and expenses; ▸ Considered management plans for centre closures and sales and tested the Group's cash flow forecasts reflected these plans; ▸ Assessed and performed independent sensitivity analysis on management's review of underperforming assets and held inquiries with the Group's property team; ▸ Tested the mathematical accuracy of the impairment models, including recalculating the recoverable amount; ▸ Considered the market capitalisation of the Group relative to the recorded net asset amount at 31 May 2020 and 31 December 2020 when impairment of goodwill was tested; ▸ Performed independent sensitivity analysis over the impairment model in relation to key assumptions including occupancy, growth rates, and discount rates; and ▸ Considered the adequacy of disclosure in notes 1a, 11,16 and 20 to the financial statements regarding the impairment testing approach, key assumptions and sensitivity analysis.

Independent Auditor's Report

to the Members of G8 Education Limited

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Employee remediation

Why significant	How our audit addressed the key audit matter
The Group has recorded a Provision for Employee Remediation as both a current year and prior period accounting matter. A review of G8's award and legislative requirements identified inadvertent non-compliance issues with the Children's Services Award and the Educational Services (Teachers) Award in Australia over the past 6.5 years. The non-compliance resulted in the underpayment of current and former employees. The Group intends to remediate this issue in the next financial period. The provision for employee remediation was a key audit matter because of the estimation uncertainty and judgements used in determining the payroll shortfall to be used in calculating the provision and the nature of the matter. The Group used legal counsel and accounting experts in estimating underpayments. The provision for the cumulative amount of additional payroll costs payable to current and former employees as at 31 December 2020 is \$80.0 million. As outlined in Note 14, the income statement impact of the provision affects the current year by \$13 million after tax, the comparative financial year by \$10.6 million and opening retained earnings at 1 January 2019 by \$33.4 million.	In assessing the Provision for Employee Remediation, our procedures included the following: ▶ Developed an understanding of the non-compliance with the requirements of the Children's Services Award and the Educational Services (Teachers) Award in Australia and held discussions with management, the Audit & Risk Management Committee, management's accounting experts and the Group's legal counsel to determine the nature of the matters and assessed the accounting treatment was aligned with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*; ▶ Developed an understanding of the basis for management's estimate of the provision, and the nature of the estimation uncertainty at reporting date; ▶ Assessed the design effectiveness of key controls implemented by the Group over the accounting for the payroll remediation provision; ▶ As the Group engaged external experts to assist management in determining the amount of any potential underpayment, we considered the independence, experience and competency of the Group's independent experts as well as the results of their procedures; ▶ Tested the completeness of the expert's model by agreeing inputs to supporting documentation for a sample of employee pay periods; ▶ Tested the mathematical accuracy of the provision calculation on a sample basis and assessed if it was in line with the requirements of Australian Accounting Standards; ▶ Assessed management's judgements applied in determining key assumptions including alternate assumptions considered; and ▶ Assessed the adequacy of the disclosures made in the financial statements including the restatement of prior periods and the significant judgements and estimates adopted by management.

Independent Auditor's Report

to the Members of G8 Education Limited

Revenue Recognition

Why significant	How our audit addressed the key audit matter
Revenue is recognised by the Group when the underlying childcare service has been provided. Revenue from childcare services, government assistance and funding for the Group for the financial year was $775.2 million. Customers are generally invoiced in advance and adjustments made through processing of Child Care Subsidy by the Department of Human Services. Accordingly, there is a risk that revenue is recognised in the incorrect period. The Group focuses on revenue as a key performance measure for executives and it is also a key parameter by which the performance of the Group is measured. As a result, we consider revenue to be a key audit matter. Refer to note 3 to the financial statements for disclosure relating to revenue.	Our audit evaluated revenue recognised in accordance with AASB15 *Revenue from contracts with customers*. To do this, we: ▸ Assessed the Group's identification of the performance obligations and revenue recognition under AASB15 and AASB 120 *Accounting for Government Grants and Disclosure*; ▸ Assessed the Group's design effectiveness of key controls over the recognition of revenue; ▸ Correlated 100% of revenue to accounts receivable and cash, testing outliers; ▸ Tested a sample of daily revenue to source documentation; ▸ Tested 100% of government funding from the Early Childhood Education and Care Relief Package through to cash receipt and a sample of payments received for transition relief; ▸ Assessed whether revenue is recognised in the appropriate financial period by assessing the completeness of the deferred revenue balance through testing a sample of parent fees in advance bookings; ▸ Tested reconciliations relating to revenue recognised and agreed this to support for Child Care Subsidy; ▸ Assessed journal entries relating to revenue, in particular those near the year end; and ▸ Assessed the adequacy of the Group's disclosures in relation to revenue and related accounting policies.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Independent Auditor's Report

to the Members of G8 Education Limited

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

to the Members of G8 Education Limited

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

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

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

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

Independent Auditor's Report

to the Members of G8 Education Limited

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of G8 Education Limited for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ric Roach
Partner
Brisbane
23 February 2021

Shareholder Information

The total issued capital of the Company as at 31 December 2020 and as at the date of this annual report is 847,390,315.

The Shareholder information set out below was applicable as at 5 February 2021.

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	% Issued Capital
100,001 and Over	675,802,245	217	79.75
50,001 to 100,000	26,616,783	375	3.14
10,001 to 50,000	82,877,220	3,996	9.78
5,001 – 10,000	31,484,263	4,150	3.72
1,001 – 5,000	27,204,104	9,862	3.21
1 – 1,000	3,405,700	6,686	0.40
	847,390,315	**25,286**	**100.00**

There were 2,792 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 (Australia) Limited	186,564,210	22.02
Citicorp Nominees Pty Limited	146,266,578	17.26
J P Morgan Nominees Australia Pty Limited	122,792,475	14.49
National Nominees Limited	87,311,371	10.30
BNP Paribas Noms Pty Ltd	31,806,854	3.75
BNP Paribas Nominees Pty Ltd (Agency Lending)	19,505,186	2.30
HSBC Custody Nominees (Australia) Limited	7,678,606	0.91
Netwealth Investments Limited	5,801,855	0.68
Citicorp Nominees Pty Limited (Colonial First State Inv)	5,416,351	0.64
RAP Investments Pty Limited	2,600,000	0.31
HSBC Custody Nominees (Australia) Limited - GSCO ECA	2,244,663	0.26
BNP Paribas Nominees Pty Ltd (IB AU Noms Retail)	1,751,333	0.21
BNP Paribas Nominees Pty Ltd (Hub24 Custodial Serv)	1,735,415	0.20
Mr Riccardo Pisaturo	1,400,000	0.17
BNP Paribas Nominees Pty Ltd (IOOF Invmt Mngt Ltd)	1,175,000	0.14
Viss Holdings Pty Ltd	1,170,683	0.14
Shobra Pty Ltd	1,168,000	0.14
CS Third Nominees Pty Limited	1,004,799	0.12
CS Fourth Nominees Pty Limited	1,000,412	0.12
Mr Craig Graeme Chapman	1,000,000	0.12
	629,393,791	**74.28**

c) Substantial holders

Substantial holders as at 11 February 2021 in the Company are set out below:

Ordinary Shares	Number held	Percentage
Allan Gray	117,614,533	14.06%
Sumitomo Mitsui Trust Holdings, Inc.	71,919,183	8.49%
Dimensional Group	23,072,573 [1]	5.014%
The Vanguard Group, Inc	41,842,834	5.001%

1. Substantial holding notice disclosed 11/11/2019 prior to capital raise.

d) Voting rights

The voting rights attached to each class of capital 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 and performance rights

There are no voting rights attached to options.

iii) Unquoted securities

There are no unquoted securities on issue.

Corporate Directory

Directors

M Johnson, Chair

G Carroll, Managing Director

Prof J Cogin, Non-Executive Director

S Forrester, AM, Non-Executive Director

D Foster, Non-Executive Director

P Trimble, Non-Executive Director

M Zabel, Non-Executive Director

Company Secretary

T Wood

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, QLD 4227

Telephone: 07 5581 5300
Facsimile: 07 5581 5311

www.g8education.edu.au

Share registry:

Link Market Services Limited

Level 21, 10 Eagle Street
Brisbane QLD 4000

Auditor:

Ernst & Young

111 Eagle Street
Brisbane QLD 4001

Lawyers:

Allens Linklaters Lawyers

Level 26, 480 Queen Street
Brisbane QLD 4000

Securities exchange listing:

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


Kinder Haven

G8 Education ltd

www.G8education.edu.au

G8 Education Limited (ABN 95 123 828 553)