# 2021
# ANNUAL REPORT

G8 Education ltd

# ACKNOWLEDGEMENT OF COUNTRY

G8 Education acknowledges the Traditional Owners of the lands on which we operate and pays our respects to Elders past, present and emerging. We recognise that Aboriginal and Torres Strait Islander peoples have been nurturing and teaching children on these lands for thousands of years. We are grateful for the opportunity to continue to learn through shared stories as we work, learn and grow connections together with our communities.

# OUR PURPOSE

*G8 Education Limited (ASX:GEM) is a leading provider of quality early learning education and care, dedicated to our purpose — to create the foundations for learning for life.*

A commitment to quality early learning has been at our core since we started as a family owned and operated company with 30 centres in 2007. Today, as we continue to evolve, our purpose remains our north star.

Our innovative and evidenced-based Education Strategy recognises that the first five years of a child's life are critical to their future learning and development. For our dedicated and passionate team members around Australia it is a privilege to create the foundations for learning for life for each and every child in our care.

# OUR BUSINESS

*G8 Education is one of Australia's leading early education providers, with over 50,000 children attending our services in any given week and more than 10,000 team members educating and caring for those children.*

We operate 448 centres under 21 brands, and together we are committed to our shared purpose of creating the foundations for learning for life.

We draw on our scale to invest in and deliver exceptional value for our families and best-in-class learning experiences for children in our care. For our team members, our scale allows us the opportunity to provide a market-leading employment offer with genuine career pathways. These approaches combine to reinforce a high quality experience for our families.

We are committed to equity and inclusion, and are committed to making high quality early education and care more accessible, including to those children with complex needs. We support every child to build a strong sense of their identity, including providing children the right to live and learn within their culture.

Through a relentless commitment to our purpose we aim to achieve our vision to be the best-in-class early childhood educator that's the first choice for parents to care for their child.

## CONTENTS

# CHAIR'S REPORT

Dear Shareholders,

On behalf of the Board, I am pleased to present the G8 Education Limited 2021 Annual Report.

As was the case in 2020, the 2021 year was dominated by the COVID-19 pandemic, with the effects of the pandemic being felt in every community in which we operate. 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.

In our 2020 Annual Report we outlined the improved health and economic environment during the latter part of 2020 which enabled sector occupancy levels to recover. This recovery continued for the first half of 2021 which, together with the improvement initiatives implemented by the Group, enabled us to grow occupancy back to be broadly in line with pre-COVID-19 levels by the middle of 2021. The onset of new variants of COVID-19 in the second half of the year resulted in lengthy and extensive lockdowns, particularly in New South Wales and Victoria. These lockdowns significantly impacted on attendance levels and core average occupancy growth, with occupancy ending the 2021 year 3.1% above 2020 and 2.1% below pre-COVID-19 levels.

More importantly, the care, skill and dedication of the entire G8 Education team to adapt to the pandemic and do whatever was necessary to protect the health and safety of our team members, children and families during the entire year ensured that infection risks were minimised throughout our network. I was also inspired by the many stories of our team providing additional care and support to those most in need.

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.

I would also like to acknowledge the support of Federal and State Governments during the year. The Federal Government moved swiftly to implement a sector specific support package to mitigate the effects of reduced attendances for all sector participants, while State Governments supported all sector players in responding to the rapidly evolving crisis on an everyday basis. The support 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.

The prioritisation of COVID-19 response activities had an impact on the pace of some of our 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 and child safety.

Starting with safety, the Group made substantial progress both in terms of team member and child safety. Our emphasis in team member safety was on supporting the mental health and well-being of our team during the pandemic. Various activities were undertaken during the year, from specific training for our leaders, increased investment in professional support networks, as well as numerous recognition and support events throughout the network. The results and feedback received from these activities have been excellent. From a child safety viewpoint, we leveraged our partnership with Bravehearts to further develop our child safety program, with a number of new training modules being completed in 2021.

We also rolled out a child safety champion network throughout all of our centres, to drive increased focus and capability on an everyday basis.

The team displayed agility to deliver enhanced learning environments in 118 centres in 2021, building on the 94 centres that were completed in 2020. The initiative covers both training the team on educational practice as well as the re-design and implementation of in-centre learning environments. Results have been encouraging, with the centres showing positive results in terms of quality, family feedback and occupancy.

The financial performance of the Group in 2021 was significantly impacted by the COVID-19 operating environment, with Government relief subsidies offsetting the impacts on occupancy of lockdown measures. Net Profit After Tax was $45.7 million. Cash flow generation continued to be strong, with $84.3 million in operating cash flows being generated.

The Group continues to maintain a strong Balance Sheet, with net debt of $25.9 million at the end of 2021 and access to $300 million of committed bank debt facilities. This balance ensures the Group has all the capital that is required to deliver its current strategy.

In light of the challenging and uncertain environment, the Board made the difficult but prudent decision not to declare a dividend in respect of the 2020 calendar year, and no interim dividend was paid for H1 2021. A dividend of 3 cents per share was declared in respect of the 2021 full year and the Board thanks shareholders for their ongoing support.

Finally, I wanted to provide an update on G8 Education's Board. In November 2021, Mark Johnson retired from his position as Chair and Non-Executive Director of G8 Education. Mr Johnson was Chair of G8 Education for nearly 7 years and retired in accordance with G8 Education's Board succession plans. On behalf of the Board, I want to thank Mark for his leadership of the Board and the Group during a period of significant transformation and wish him the greatest success for the future.

At the 2021 Annual General Meeting, Susan Forrester also retired from her position as a Non-Executive Director of G8 Education after almost 10 years with the Group.

The board appointed Debra Singh and Toni[1] Thornton as Non-Executive Directors in November 2021, following an extensive non-executive director search and recruitment process. Debra and Toni bring a wealth of skill, financial, operational, strategic and risk management leadership across several industries, and I look forward to their valuable contribution to the Board.

In closing, I would like to thank all of G8 Education team members for their fantastic contributions throughout 2021 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.

**DAVID FOSTER**
Chair

NET PROFIT AFTER TAX
**$45.7m**

OPERATING CASH FLOW GENERATION
**$84.3m** & AFTER LEASE PAYMENTS $12.0M

CORE OCCUPANCY
**70.9%**

1. Full name Antonia Thornton.

# CEO & MANAGING DIRECTOR'S REPORT

Dear Shareholders,

G8 Education is Australia's largest publicly listed early education and care provider. With over 50,000 children attending our services in any given week and over 10,000 team members educating and caring for those children. With a purpose to create the foundations for learning for life, we have the opportunity and responsibility to provide an outstanding service everyday to our children and families, centred on the quality of education and care, breadth of offer and through the provision of a highly engaging experience for our families. To enable this to happen, we are focused on providing a market-leading employment offer, with our engaged and capable team members reinforcing the quality and experience for our families.

In 2021, 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

As was the case in 2020, our predominant focus for much of 2021 was responding to the COVID-19 pandemic. Our cross-functional COVID-19 response team has worked tirelessly 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, enabling our team members and families to keep up to date with the rapidly changing regulatory environment and its impact on everyday lives. For our families, we have 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.

I continue to be amazed and inspired by how the entire G8 Education team has collectively responded to the COVID-19 challenge. Our centre-based teams have been in the front line of our COVID-19 response for two years, providing continuous care to children and families throughout the COVID-19 period, displaying courage and service in a time of great uncertainty. From online learning platforms, communication frameworks, rostering support, recognition programs and safety guidance, our support teams have provided amazing assistance to our centre-based teams during 2021.

I would also like to acknowledge the work during 2021 of Government and health authorities across the regions in which we operate. The Government's continued agility to provide financial support to the sector was tremendous and succeeded in ensuring the viability of the sector during the year. The working relationship with Governments at all levels has also been excellent, with a level of support that has greatly assisted us in navigating this extremely challenging period.

## PEOPLE PROGRAM

Our strategic focus from a team member perspective is to provide a compelling employment offer, covering leading professional development and extensive career pathways; 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 2021, the Group continued to make excellent progress in executing its People Program. From a professional development, training and career pathway perspective, a further over 4,000 educators completed learning environment training during the year, with a refresh of learning environments for 118 centres occurring after the completion of such training. Participation in the Group's ongoing professional development training for Early Childhood Teachers ("ECTs") remained strong, augmented by the pilot of a Community of Practice for ECTs. In addition, in conjunction with Gowrie Australia, we developed an enhanced Educational Leader Toolkit and piloted the roll-out of the toolkit and associated Community of Practice with a number of centres. The Group's vocational study and bachelor programs were enhanced during 2021, with approximately 850 active students participating in vocational (Certificate III and Diploma) studies and 101 students currently undertaking Bachelor study programs throughout the G8 Education network, with a further intake of 133 students scheduled for March 2022. Numerous activities were undertaken in relation to benefits, reward and recognition during the year. A full review of remuneration arrangements for both Centre managers and ECTs was completed during the year, with the Group enhancing its remuneration for both roles. Further enhancements to the overall value proposition for ECTs were announced, with roll-out to occur in the first half of 2022. A revamped service recognition program was launched in late 2021, with an enhanced team member benefits program scheduled to be launched in the first half of 2022, utilise the same platform as the Childcare Saver application that was launched to G8's families in November 2021. This application enables families to earn cash rewards from their everyday spending to help offset their cost of early education and care. The launch was very well received, with over 4,000 parents signing up to the app in the first five weeks and spending patterns growing strongly.

## CENTRE NETWORK PERFORMANCE

From a network utilisation perspective, the impact of COVID-19 delayed our greenfield construction activities, with one new greenfield centre opening during the year. As part of our previously announced divestment program, 25 centres were divested or closed during the year. This brought our total number of centres as at 31 December 2021 to 448. These centres provide a total combined licenced capacity of more than 37,800 places. Our activities in this area have improved network quality and provided a source of material earnings growth in future years as the greenfield portfolio grows and matures.

Occupancy fluctuated significantly during the year based on the prevailing COVID-19 environment. After growing strongly in the first half, lockdowns hindered occupancy growth in the second half of 2021. Closing occupancy as at the end of December was approximately 2.1% below the prior year. Government subsidies partially offset this occupancy shortfall, resulting in operating EBIT after lease interest of $80.1 million, 21% below last year. The Group's ability to convert earnings before interest, tax, depreciation and amortisation ("EBITDA") to cash remained strong with 107% cash conversion in 2021, generating operating cash flows of $84.3 million.

## OUTLOOK FOR 2022

The market environment is expected to be challenging in 2022 given the lingering effects of COVID-19 on economic conditions. In addition, the supply of new centres was not materially impacted in 2021, with further supply growth being expected in 2022. 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 roll-out of our centre improvement program (covering learning environment training, work routines and Centre Manager leadership development), child safety programs, continued roll-out of our practice support infrastructure and process 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 family 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 2021. 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, continuing to drive our purpose of creating the foundations for learning for life.

Yours sincerely,

**GARY CARROLL**
**CEO and Managing Director**

CHILDREN PER WEEK
+50,000

TEAM MEMBERS
+10,000

CENTRES IN AUSTRALIA
448

# 2021 IN NUMBERS

AS AT 31 DECEMBER 2021

*2021 was a year of continued development and achievement amongst a challenging sector and business landscape*

**448**
EARLY LEARNING EDUCATION AND CARE CENTRES

**+10,046**
TEAM MEMBERS SUPPORTING

**41,941** FAMILIES AND
**50,580** CHILDREN
with their early learning and care needs

**+3,178**
NEW TEAM MEMBERS JOINED G8 EDUCATION

**3 in 4**
TEAM MEMBERS
would recommend G8 as a great place to work

**76%** OF TEAM MEMBERS SAID THAT OVERALL,

"they feel confident that their career goals can be met at G8."

FROM 1 NOVEMBER 2021
Our qualified Early Childhood Teachers pay increased

## ABOVE NEW AWARD RATES

Our permanent Educators working towards their Early Childhood Teacher qualification also received a

**12%** ALLOWANCE ON ORDINARY HOURS
of work while they progress in their study

IN 2021
**^20%**
INCREASE IN ENROLLMENTS IN TRAINING PROGRAMS

**133**
TEAM MEMBERS
newly enrolled in Bachelor Study

**734**
TEAM MEMBERS
newly enrolled in Traineeships (Certificate III and Diploma) throughout our network

**72**
CENTRE MANAGERS
enrolled in *First Steps* induction program

OUR FAMILIES TOLD US THAT
"our service and our people are our biggest strengths."

OVER
4,000
FAMILIES DOWNLOADED CHILDCARE SAVER IN ITS FIRST MONTH, EARNING APPROXIMATELY

5% CASHBACK ON TOTAL PURCHASES

After taking advantage of discounts from more than **300 retailers**

MORE THAN
3,000
SUSPECTED CASES OF COVID-19 WERE MANAGED

20K TEAM MEMBER AND FAMILY ENQUIRIES WERE SUPPORTED,

193 CENTRES CLOSED AND REOPENED TO MANAGE COVID-19 IMPACTS

78.5%
OF FAMILIES AND

79.6%
OF TEAM MEMBERS WE SURVEYED TOLD US THAT THEY

"were satisfied with the timeliness of COVID-19 actions/communications."

65
CENTRES WERE ASSESSED AGAINST THE NATIONAL QUALITY STANDARDS, WITH

92% OF THOSE CENTRES ACHIEVING

'Meeting' or 'Exceeding' ratings

# 2021 HIGHLIGHTS

*We are proud to acknowledge the achievements of our team, delivered through courage, commitment and adaptability in the face of sector-wide challenges in 2021 including COVID-19 and workforce shortages.*

## OUR PEOPLE

We continued to prioritise our people's development and engagement, with a focus on supporting all educators and teachers through their career journeys. At the end of 2021 we had 234 team members enrolled in Bachelor study programs and 850 team members enrolled in traineeships (Cert III and Diploma). We continue to offer industry competitive rates, and in 2021 we increased wages for qualified Early Childhood Teachers, those working towards their qualification and trainee educators.

### What our team members say:

From my very first day at G8, I experienced a great onboarding process and I've been amazed with the never-ending support. The people I have met have been amazing and inspirational, and there are opportunities for everyone in the company to grow and progress, which I think is absolutely amazing.

*Janelle* — Centre Manager

My passion is watching children grow and thrive. To see their little minds expanding with knowledge about the world around them. I may teach them a thing or two each day, but they teach me so much more.

*Erin* — Lead Educator

## QUALITY

We are halfway through a significant three-year investment program to drive high quality educational practices in our centres. This includes training for all educators, significant enhancements in educational resources, ongoing coaching to support National Quality Standards as well as learning and development opportunities through traineeships and scholarships.

We aim to have 95% of our centres 'Meeting' or 'Exceeding' National Quality Standards by the end of 2024. We made progress towards this goal in 2021 as more than 65 G8 centres were assessed against the National Quality Standards, with 92% of those centres achieving 'Meeting' or 'Exceeding' ratings. In line with the national average, 86.4% of all our centres were rated as 'Meeting' or 'Exceeding' national quality standards in 2021, and we continue to strive for improvement.

### What our parents say:

The educators are lovely and have gone above and beyond for my son and shown him so much love. Since joining Bow Bowing earlier this year I've seen a huge improvement in his learning and social skills. I'm no longer worried about him starting school.

*World of Learning* — NSW

Our Pakenham centre is fantastic, from the educators to the activities and the Xplor app always keeping me informed of my child's daily routine. I have full confidence sending my daughter to daycare knowing she is going to have fun whilst always learning new things. I'm overly pleased with the progress of my daughter's learning and development, and the communication between the centre and myself. I couldn't recommend community kids more!

*Community Kids* — Victoria

## COVID-19 SUPPORT

The health and safety of our children, families, team members, and communities remained our highest priority in 2021, as we continued to navigate new challenges together.

We introduced a range of additional health and safety initiatives including a requirement for all G8 team members, suppliers and contractors working across our centre and support office network, to be fully vaccinated or have an approved medical exemption.

By reducing the risk of COVID-19 infection and transmission in our network, we were better able to remain open and continue to provide early learning and care services to support our children, families, and team members.

Tens of thousands of families across Australia were also supported by G8 Education introducing a sector-leading initiative which provided a generous discount for parents who chose to keep their children at home due to COVID-19 in 2021 before gap fee waivers were introduced.

G8 has maintained a focus on our people as we have adapted our operations to these challenges. This focus, combined with assistance from Government funding, allowed us to support and pay our team members whose employment may otherwise have been impacted by the COVID-19 economy.

## INNOVATION

In 2021 G8 strengthened its commitment to supporting the evolving needs of our families with differentiated offers that make family life easier.

### LEOR

We extended our support for families with complex needs in October through our acquisition of Leor, creating our new Specialised Care Division.

Our new Specialised Care Division provides flexible early childhood education and childcare services tailored to the individual needs of children in their own home and, with Leor's National Disability Insurance Scheme (NDIS) accreditation, a broad range of disability support services, including specialist early intervention and allied health support. This new offering also creates increased flexibility and career opportunities for our team members in the future and to reach underserved families.

### CHILDCARE SAVER

Our new exclusive family loyalty platform *Childcare Saver* launched in November, supporting our families' investment in their child's early learning by providing cashback rewards through everyday retail shopping. In its first month over 4,000 G8 Education families downloaded the app.

*Childcare Saver* families receive retail discounts at checkout from hundreds of Australia's largest and most popular retailers as well as cashback rewards on their purchases. Families are able to invest their cashback rewards from *Childcare Saver* back into their child's early learning journey. Cashback rewards can be turbocharged when our families invite their family and friends to help them grow their rewards and enjoy *Childcare Saver* retail discounts at checkout too.

## TECHNOLOGY

As part of our Education Strategy we piloted a digital technology initiative designed to position G8 centres as leaders of early learning and technology. The intention of the program was to build content and pedagogical knowledge in teachers, extend children's knowledge, understanding, experience and interests using iPads. The program also partnered with families to identify the value of technology in early learning and connect learning from centre-home and home-centre. The pilot has successfully achieved the key deliverables and a second phase will be delivered in 2022.

## SUSTAINABILITY

We are introducing a number of initiatives to track and reduce our impact on the environment across our footprint, and are pleased to present our Sustainability Report within the 2021 Annual Report (see page 16).

As educators, we recognise the important role we play in instilling positive attitudes towards the environment in the children in our care, and our curriculum integrates sustainability opportunities into daily centre life. We integrate environmental stewardship concepts into our curriculum to provide children with educational opportunities on the importance of being responsible and sustainable citizens for the future.

# STRATEGIC DIRECTION

*In 2021 we have considered our strategy to ensure we can anticipate and adapt to key external influences accelerated through the COVID-19 pandemic. This includes changes to workplace and childcare patterns, as well as the sector wide workforce shortages.*

G8 Education remains deeply committed to its purpose and vision. We are also focused on the interconnected benefits of improving centre quality, which lifts team member engagement, and collectively they improve the experience of our families and the children in our care (as demonstrated by Net Promoter Scores (NPS)).

G8 Education's three strategic objectives have been refined to focus on our evolving imperatives. The greatest is to attract, retain and develop great leaders and team members - particularly within the centre network. This recognises that centre teams are at the heart of G8 Education and perform the critical role of delivering the highest quality earning learning and care for all children attending centres. Accordingly, our centre teams are critical to delivering G8 Education's vision and fulfilling our purpose.

Our strategic objectives are clear and simple, and our unique sector advantages will allow us to deliver on each in a differentiating and powerful way. G8 Education can succeed by using our size, scale and external partnering capabilities, to create leading product and technology platforms to deliver awesome personalised and mobilised experiences for teams, children and families.

## PURPOSE

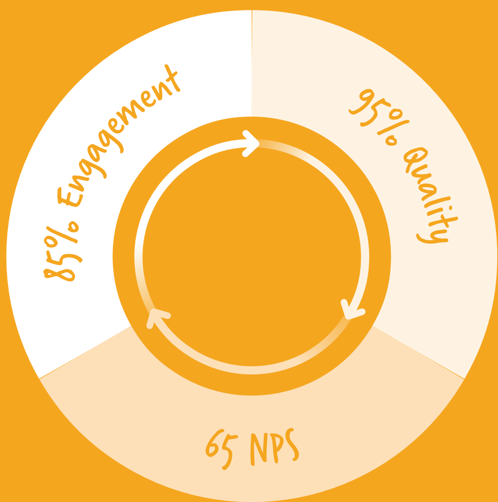
Creating the foundations for learning for life

## STRATEGIC OBJECTIVES

- Attract, retain, and develop the best people to create great teams
- Provide high quality early learning and care
- Create differentiation for teams and families

## VISION

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



## EVOLVING TO REALISE OUR PURPOSE

Everything G8 Education pursues must align with our purpose, creating the foundations for learning for life. Given the evolving external environment, we recognise we need to broaden our activities, in a measured fashion, to progress our ongoing journey.

This has given rise to several key considerations:

– the influence of changing workplace and childcare patterns, which accelerated through the pandemic, on the delivery of early learning and care services;

– the capabilities G8 Education requires to extend early learning and care services to differing times and locations, to ensure relevance with families' evolving needs and lifestyles; and

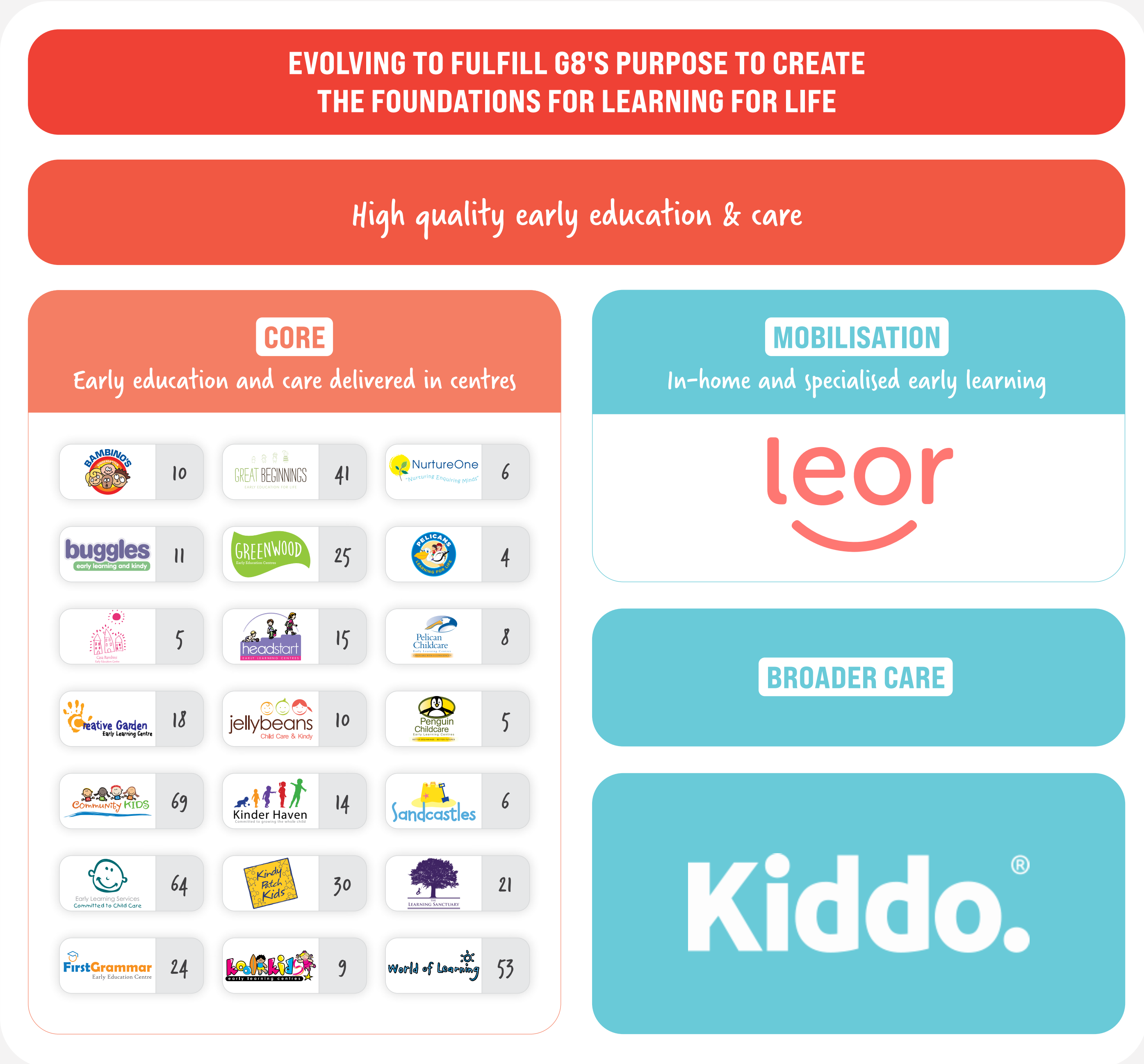
– whether this pursuit could be potentially leveraged to create a source of sustainable differentiation for G8 Education.

These considerations are at the core of G8 Education's new strategic focus area to provide a personalised and mobile early learning and care offering that is different in the sector.

These considerations strongly contributed to our decisions to acquire specialised care provider, Leor, and to become a strategic investor in Kiddo, an on demand booking app connecting parents and carers instantaneously.

While both Leor and Kiddo extend the capabilities and convenience of G8 Education's family offering, they also offer a unique and attractive opportunity to improve the employment proposition for G8 Education. They provide G8 Education team members unique opportunities to work in locations outside of centres and at times that suit them. Through Leor, our educators can develop new skills and capabilities to educate and care for children with more specialist needs. Enhancing the educator employment proposition with unique elements is critical to attracting and retaining valuable team members within a sector experiencing shortages and high levels of turnover.

A representation of how G8 Education is evolving to better meet its purpose is explored in the following diagram.



# 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 and children attending its centres and other stakeholders in the conduct of its business. Its commitment to robust risk management is part of this dedication.

| RISK | MITIGATING ACTIVITIES |
|---|---|
| **1. Pandemic (impact of COVID-19)**<br>There is a risk of transmission of COVID-19 either within centres or support offices, impacting the health and safety of team members, children or other visitors.<br>The risk to profitability due to centre closures arising from COVID-19 infection or lack of team to operate centres due to isolation requirements is impacted by Government requirements around closures, gap fee waivers, team isolation requirements, child isolation requirements and their ability to return to care. | – Government mandated vaccinations for team members in all states.<br>– G8's Mandatory Vaccination Policy launched in November 2021, with all G8 team members, contractors and suppliers required to be fully vaccinated by 31 January 2022.<br>– COVID Safe Plans that were initially established in 2020 continued to be adjusted across centres and support office as required based on risk ratings, with increased infection control measures, hygiene practices and amended centre routines across the network.<br>– Where permitted by the Government, we allow gap fee waivers where a child is unable to attend care due to COVID-19 isolation requirements.<br>– Our Group engages directly with Government and industry bodies regarding sector viability, subsidy models and support in response to the pandemic.<br>– Our pandemic/COVID-19 management team and associated processes continued to support our teams to ensure swift responses where required due to the pandemic. |
| **2. Safety, health and well-being**<br>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.<br>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.<br>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.<br>– Our educators must have a "Working with Children Check" and our Recruitment Policy and Processes seek to ensure the best educators are engaging with children in our care.<br>– Our Board is provided with at least monthly updates regarding child protection and safety and our Group's Audit and Risk Management Committee and People and 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.<br>– We continue to invest to improve quality and safety, address risks and develop a safety culture across our business.<br>– We are investing in a capital works program to improve the physical condition and safety of our network environments. |
| **3. Strategic execution**<br>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.<br>– 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**<br>The early learning sector remains competitive with new supply consistently entering the market.<br>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.<br>– 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.<br>– We have dedicated Marketing, Communications and Engagement team who, with the support of strategic and creative partners, focus on building the Group's reputation in the market and position the Group for commercial success, particularly in over supplied local markets. |

| RISK | MITIGATING ACTIVITIES |
|---|---|
| **5. Governance, ethics, legal and compliance**<br>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, the physical environment of the centre, privacy, anti-bribery and corruption, competition, corporate conduct and ASX listing rules.<br>We must comply with these obligations to ensure the longevity and success of our business.<br>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.<br>– We have a capable Legal, Quality & Risk team in place who specialise in compliance and regulatory risk within the childcare industry.<br>– We engage with external legal experts with respect to continuous disclosure obligations and other material legal matters.<br>– We implement an incident notification and escalation process with a centralised dedicated compliance team to lodge notifications with regulatory authorities.<br>– We have established an internal audit function to provide objective evaluations of effectiveness of the Group's governance and controls to ensure compliance. |
| **6. Industrial Relations**<br>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.<br>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.<br>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.<br>– We have established updated rostering principles.<br>– Our time and attendance system has reconfigured work rules.<br>– The Group's new Human Resource Information System (HRIS) has been successfully implemented in the support office, with the full rollout across the network on track for the first half of 2022. The new HRIS automates certain compliance controls and systems and provides improved visibility and transparency to ensure rostering compliance.<br>– We have established increased supervision and oversight. |
| **7. Changes to regulatory environment**<br>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.<br>The introduction of new legislation or regulations, or changes in Government funded childcare subsidy levels may adversely impact our financial performance and future prospects. | – The sector continues to receive strong bipartisan Government support as evidenced by increases to childcare subsidy levels in mid-2018 and relief packages throughout the COVID-19 crisis.<br>– 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**<br>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.<br>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.<br>– 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.<br>– 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**<br>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.<br>– 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.<br>– We have an insurance program in place to reduce risk exposure for insurable risks. |
| **10. Cyber and Emerging Technology Risks**<br>The protection of the personal information of our families and team members is paramount.<br>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.<br>– 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.<br>– We have implemented technology infrastructure, applications and review our IT recovery plans to enhance our offsite backup and recovery capabilities, including through penetration testing and the ongoing development of business continuity plans.<br>– Our Group requires active team members to complete mandatory information and security management training at least annually.<br>– 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**<br>The ongoing confidentiality, integrity and availability/continuity of our core business systems is critical to our day-to-day operations and ongoing success.<br>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.<br>– We ensure that our key operating systems are hosted by proven providers with high availability and fault tolerance and low failure risk. |
| **12. Recruitment, retention, culture and capability**<br>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, ensure ratio compliance, grow occupancy, and attain associated Government funding.<br>Particularly given the sector wide shortage of skilled educators, there is a risk that we may not be able to execute upon the business strategy as a result of insufficient people resources, 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.<br>– Our Bachelor Scholarship and Trainee programs 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.<br>– We are committed to improving our employee value proposition so that G8 is considered the employer of choice in the early childhood education and care sector and have implemented pay increases and improved development and support as part of that program.<br>– We have a structured talent management framework covering workforce planning, succession planning and performance management to ensure a pipeline of talent for key roles.<br>– Team member engagement surveys are regularly conducted to understand and help us respond to the needs of our team members. |

# SUSTAINABILITY REPORT

## OUR SUSTAINABILITY JOURNEY

*Our business exists to deliver on our purpose, creating the foundations for learning for life. We appreciate the long-term success of our business in achieving our purpose is reliant on the well-being of the children in our care, the families in our education community, the team members who provide the education and support, and the natural environment in which we operate.*

As mentioned in last year's Sustainability Report, in 2020 we conducted a materiality assessment to understand the most material sustainability issues to G8 Education. We grouped the identified material issues into four sustainability pillars — Governance, Service Quality, Our People, and Our Environment. The results of this materiality assessment helped shape our approach to sustainability and prioritise our sustainability initiatives and commitments. We have enhanced our disclosure in this year's reporting framework to align with the identified material issues from our 2020 materiality assessment.

This year's Sustainability Report is organised around the four sustainability pillars. Each pillar contains sections on select material sustainability topics, each of which includes a discussion on our sustainability approach for the topic, and, where applicable, how performance was measured and assessed in 2021 as well as targets for 2022.

### GOVERNANCE

Strong corporate governance and compliance with Australian law, industry regulation and standards for childcare services underpin our success. Over 86% of our centres have been assessed as meeting or exceeding the National Quality Standards as at 31 December 2021 — we aim to reach 95% by the end of 2024. We are also currently reviewing our operations and supply chain to ensure modern slavery risks are identified and reduced from our business.

### SERVICE QUALITY

Service quality is our core business. We have robust policies in place to protect our children's health and safety, and our team members are required to complete mandatory training modules each year. We pride ourselves in the quality of our pedagogical approach, which is play-based and child-led. In 2021 we entered the in-home and specialised care segments through the acquisition of Leor, which enables G8 Education to serve a broader range of families.

### OUR PEOPLE

We acknowledge the sector-wide challenges regarding turnover of educators. In 2021 we continued to invest in our team members, offering short courses, training programs for new centre managers, traineeship programs, and bachelor scholarship programs. The traineeship programs and bachelor scholarship programs both saw a 20% increase in enrolments in 2021. Our centre manager turnover was around 21% in 2021 and work is underway to achieve our long-term goal of 15%. Our employee engagement score was 77% in 2021, against our target of 85% by 2024. Other elements of our People strategy include promoting diversity and inclusion amongst our team members and within our centres and looking after the health and safety our of team members.

### OUR ENVIRONMENT

We have undertaken multiple initiatives to start tracking and reducing our impact on the environment. We are currently conducting an audit of our energy consumption and intend to provide more comprehensive reporting on our emissions in future reporting periods. As educators, we recognise the important role we can play in instilling positive attitudes towards the environment in the children in our centres, and our curriculum integrates sustainability opportunities into daily centre life.

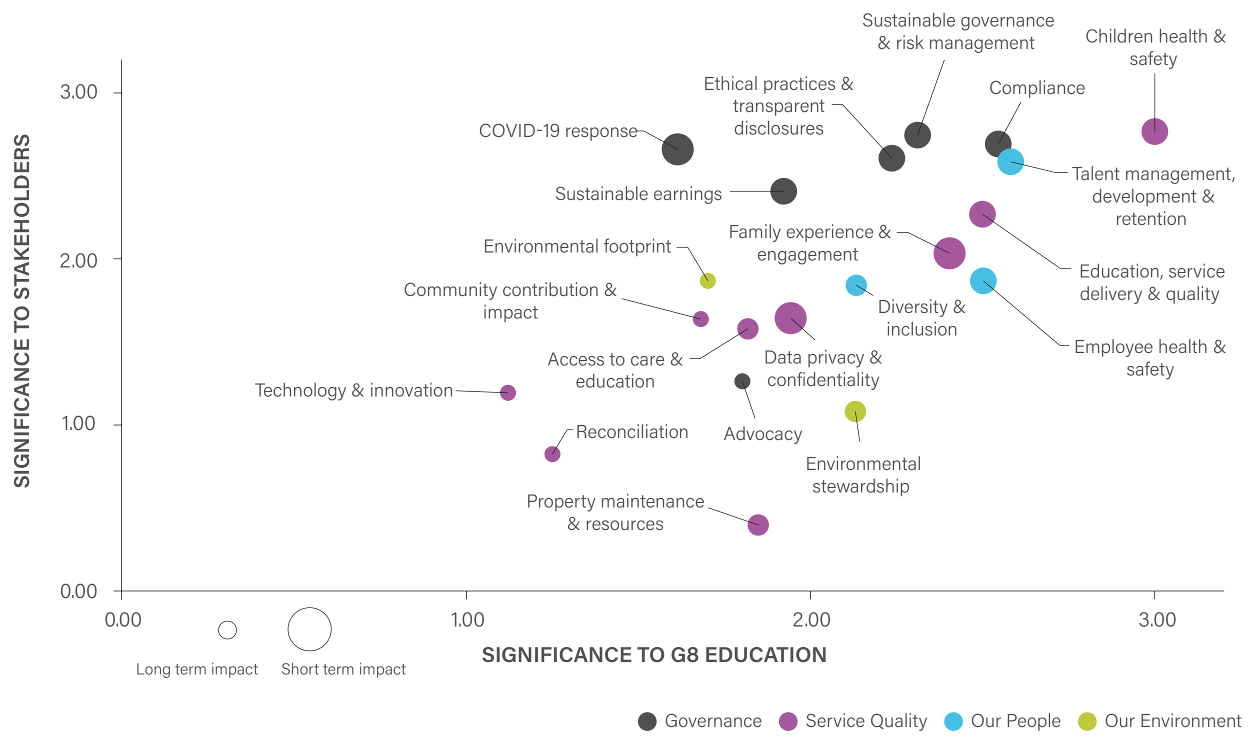
I am pleased to share our 2021 Sustainability Report. We look forward to continuing our sustainability journey and welcome feedback from our shareholders and other stakeholders.

Gary Carroll

**GARY CARROLL**
**Managing Director/Chief Executive Officer**

# MATERIALITY MATRIX

The materiality assessment completed in 2020 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 considerations. The colours represent the four pillars.




# SUSTAINABILITY APPROACH

*G8 Education's sustainability approach is focused on creating long term value for our families, team members, the communities in which we operate and our investors in the management of environment, social and governance risks and opportunities.*

We have adopted a continuous improvement approach to sustainability, where sustainability performance and reporting transparency increases each year in an effort to align with the United Nations Sustainable Development Goals (SDGs). The 17 SDGs set a global agenda for sustainable development through 2030 and are a call to action to address the world's most pressing economic, environmental and social issues.

G8 Education's business and approach to sustainability touches on numerous SDGs as outlined below and highlighted in the various reporting topics for each of our four sustainability pillars. Our sustainability targets aim to support the SDGs and we intend to report in alignment with the SDGs when possible.

SUSTAINABLE DEVELOPMENT GOALS

- 1 NO POVERTY — No Poverty
- 7 AFFORDABLE AND CLEAN ENERGY — Affordable and Clean Energy
- 3 GOOD HEALTH AND WELL-BEING — Good Health and Well-being
- 8 DECENT WORK AND ECONOMIC GROWTH — Decent Work and Economic Growth
- 4 QUALITY EDUCATION — Quality Education
- 10 REDUCED INEQUALITIES — Reduced Inequalities
- 5 GENDER EQUALITY — Gender Equality
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Responsible Consumption and Production
- 6 CLEAN WATER AND SANITATION — Clean Water and Sanitation
- 13 CLIMATE ACTION — Climate Action

# PILLAR – GOVERNANCE

REPORTING TOPIC

## Compliance, Sustainable governance and risk management, and Ethical practices and transparent disclosure

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

G8 Education is committed to good corporate governance practices and complies with the Australian Securities Exchange 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. 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.

As part of our approach to corporate governance, we are also committed to implementing sound risk management practices which we see as being integral to performance and the achievement of business objectives (both operational and strategic). To that end, G8 Education has developed a Risk Management Policy, which formalises and communicates G8 Education's approach to the oversight and management of risk at G8 Education, and a Risk Management Framework, which provides practical advice on the management of risks, links to all relevant tools and templates within G8 Education that may assist team members to understand their responsibilities, access the resources necessary to manage risk and continually improve the management and communication of risk across the organisation. The Risk Management Framework also includes our risk appetite and tolerances and our risk matrix. These resources can also be found in the corporate governance section of our website: https://g8education.edu.au/investor-information/corporate-governance/.

The Board believes compliance with G8 Education's corporate governance and risk management policies, as well as relevant federal and state regulations, is critical to our success. All team members are required to complete compliance training on child safety and information security on an annual basis, and performance against the National Quality Framework is monitored closely by the Board.

G8 Education is committed to the highest possible standard when it comes to the documentation and notification of in centre incidents. In accordance with the National Law and Regulations, G8 Education is required to notify the regulatory authority within 24 hours of it becoming aware of any serious incidents, complaints alleging that serious incidents have occurred or the law has been contravened, circumstances which pose a risk to the health, safety or wellbeing of children or any incident or allegation that physical or sexual abuse of a child has occurred while the child was in care. G8 Education's Regulatory Compliance Practice Manual provides team members with clear instructions on the procedure for notifying incidents and complaints, including mandatory reporting from centre to management and the Support Office where a dedicated Regulatory Support Team assists with the investigation and response. The Board is provided with a monthly update regarding child safety incidents and a quarterly update of compliance breaches. There are also various policies and procedures in place to ensure that crises are promptly escalated to the Board where necessary.

G8 Education believes that whistleblowers play an important role in the ability to detect misconduct and to identify, escalate and address potential issues while promoting a culture of openness, honesty and transparency. We are committed to conducting our business in accordance with the law and good business practice and recognise that our reputation is an essential element of our success. In 2021 we engaged an expert to conduct a full review of our whistleblower policy to ensure that it complies with the whistleblowing requirements under the *Corporations Act 2001* (Cth) and follows the best practice recommendations released by ASIC. G8 Education's whistleblower policy can be found in the corporate governance section of our website: www.g8education.edu.au/investor-information/corporate-governance.

## 2021 PERFORMANCE

| HOW PERFORMANCE IS MEASURED | PERFORMANCE IN FY21 |
|---|---|
| % of centres that are meeting or exceeding NQF (target: 95% by FY2024) | 86.4% |
| % of centres that have been assessed from 1 Jan 2021 to 31 Dec 2021 as meeting or exceeding NQF | 92% |
| Enterprise Risk Management Framework (ERM) including number of times ERM reviewed by the Board; number of times full ERM framework reviewed | ✓ ERM reviewed at 11 Board meetings, including a full review of ERM framework<br>✓ ERM reviewed at all Audit & Risk Management Committee Meetings<br>✓ Annual Risk Workshop conducted by the Board<br>✓ New software to improve risk management and reporting |
| Active team members who have completed all allocated Child Safety training annually (FY2021 target: 95%) | 92% |

## TARGETS FOR 2022 AND BEYOND

| How performance is measured | Targets |
|---|---|
| % of centres that are meeting or exceeding NQF | 95% by FY2024 |
| Active team members who have completed significant Child Safety training annually (excludes new joiners, who must complete mandatory training within 2 months of joining) | 95% |

REPORTING TOPIC

## Sustainable earnings

G8 Education recognises the importance of responsibly managing its fiscal responsibilities to stakeholders in an ethical, sustainable and transparent manner and that a sustainable earnings stream is necessary to achieve its purpose and strategic goals. We balance the needs of our key stakeholders to ensure that we can achieve our purpose – to create the foundations for learning for life.

G8 Education has heavily invested across 224 centres on its Improvement Program to date, with a further 138 centres inducted into the program for 2022. The key program elements of the Improvement Program include improvement in learning environments, centre manager development and weekly work routines designed to improve both family and team engagement. The financial performance of prior cohorts who have participated in the Improvement Program continues to exceed target and all assessed CY19 and CY20 cohort centres assessed in 2021 were rated as either 'Meeting' or 'Exceeding' NQS.

G8 Education is committed to continuing its investment in centre improvements, equipment and resources and technology and has allocated significant capital towards these elements in CY2022. This investment is expected to benefit both NQS ratings and team and family engagement, which in turn drives occupancy.

# PILLAR – GOVERNANCE *Continued*

REPORTING TOPIC

## Advocacy

4 QUALITY EDUCATION

G8 Education believes in being an advocate for children and in advocating the importance of early childhood education to government, sector and the community. In addition to providing formal responses to government policy, the Board of G8 Education has also approved the Company's membership in the following organisations:

### AUSTRALIAN CHILDCARE ALLIANCE (ACA)

The ACA works on behalf of early learning service providers to ensure families and their children have an opportunity to access affordable, high quality early learning services throughout Australia.

The ACA has extensive experience in the fields of early learning, training and management. The ACA works with Federal and State Governments, regulatory authorities and other stakeholders to ensure that families are supported into the future with a sustainable, affordable and viable sector.

### EARLY CHILDHOOD AUSTRALIA (ECA)

ECA has been a voice for young children since 1938. ECA is the peak early childhood advocacy organisation, acting in the interests of young children, their families and those in the early childhood field. ECA advocates to ensure quality, social justice and equity in all issues relating to the education and care of children aged birth to eight years.

### THE EARLY LEARNING AND CARE COUNCIL OF AUSTRALIA (ELACCA)

Internally, ELACCA works to strengthen quality among ELACCA member services and to create an ambitious vision for the early learning sector. Externally, ELACCA works with governments, public sector agencies and research organisations to contribute ELACCA's vast knowledge and experience to the development of good public policy for early learning and care in Australia.

G8 Education CEO Gary Carroll is Co-Chair of ELACCA.

Each of these associations are at the forefront of advocacy for children and/or the early learning sector in Australia. G8 Education's membership and involvement allows us to actively participate in that advocacy and to contribute to public policy discourse on issues affecting young children and the early learning sector. It also allows us to partner effectively with other childcare providers to identify industry trends and advocate for the entire industry, including families who are in our care.

REPORTING TOPIC

## Supply chain

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

G8 Education is committed to living out its values and opposes all forms of exploitation and all practices which violate the human rights and dignity of individuals. We oppose all forms of modern slavery and are committed to ensuring such practices do not exist within our operations or supply chain.

Our supply chain is complex with a procurement spend of approximately $175 million with around 1,500 suppliers. During the reporting period, our largest suppliers by spend provided the following goods and services:

- Property and maintenance
- Food and nappies for our childcare centres
- Educational resources
- Technology services
- Labour costs

G8 Education has undertaken a project to review and enhance the governance and practices in our operations and supply chain to ensure risks of modern slavery are eliminated. Consistent with this initiative, G8 Education is committed to:

- Conducting due diligence on all contractors and suppliers and promoting an expectation of them to make their own commitments to address risks of modern slavery in their own operations and supply chains;
- Monitoring the progress of all contractors and suppliers in addressing the risks of modern slavery in their own operations and supply chains; and
- Providing training to team members on the risks of modern slavery and how to address those risks in a manner consistent with G8 Education's values.

Please see our Modern Slavery Statement for more details on the actions we have taken to date to address the modern slavery risks in our operations and supply chain: https://g8education.edu.au/wp-content/uploads/2021/05/modern-slavery-statement-2020.pdf

# PILLAR – SERVICE QUALITY

REPORTING TOPIC

Child health and safety

3 GOOD HEALTH AND WELL-BEING

## CHILD PROTECTION POLICY

The best interest and wellbeing of the child is the primary consideration for G8 Education. G8 Education is committed to ensuring the safety, protection and wellbeing of children by providing child friendly environments where all children are respected, valued and encouraged to reach their full potential.

To support this commitment, G8 Education has developed the Child Protection Policy, which sets out G8 Education's approach to the on-going provision of a child safe organisation where children and young people are in a safe and harmonious environment during their care. This policy provides the framework for our approach to the National Principles for Child Safe Organisations, including (but not limited to) the following actions:

- Having child safety and wellbeing policies and procedures, and governance arrangements in place to guide prevention, record keeping, information sharing and external reporting obligations.
- Providing a Child Protection Statement of Commitment outlining expected behaviours, interactions and conduct of team members.
- Undertaking risk assessments and management process to minimise risk to children.
- Consulting with experts regarding child safety to inform our practice.
- Providing programs and resources to educate and engage with children about their rights, safe environment, protective strategies for staying safe and seeking help when needed.
- Providing team members with information and training to ensure they are skilled to engage positively with children and understand child rights-based approaches to practice.
- Encourage child participation in decision-making, particularly regarding safety and wellbeing issues.
- Having processes in place to regularly review opportunities for children's participation and seeking children's consent for relevant activities.
- Building cultural safety and inclusion through partnerships and respectful relationships with families and communities.
- Having our Child Safety and Wellbeing policies and procedures accessible to families and the community.
- Obtaining parental consent for relevant activities.

A copy of our Child Protection Policy can be found here: https://g8education.edu.au/about-us/sustainability/

## CHILD PROTECTION STATEMENT OF COMMITMENT

All team members and volunteers have a legal and ethical obligation to act in order to protect any child who is at risk of abuse or neglect. G8 Education has developed the Child Protection Statement of Commitment, which is applicable to all team members, including leaders, volunteers and others who may represent G8 Education in any capacity. The purpose of this Child Protection Statement of Commitment is to outline expected daily behaviours, interactions and conduct of team members required to support children, prohibit any form of child abuse or neglect and ensure mandatory reporting obligations are met. A copy of our Child Protection Statement of Commitment can be found here: https://g8education.edu.au/about-us/sustainability/

## CHILD FOCUSSED COMPLAINTS SYSTEM

G8 Education has a child focussed complaints system which includes:

- Having accessible policies for receiving, responding to and investigating complaints of child harm or abuse prioritising the safety and wellbeing of children.
- Responding effectively to concerns or complaints where harm is caused to a child by another child.
- Having processes in place for reporting to external authorities, record keeping and information sharing to ensure G8 Education meets its reporting requirements, employment law and privacy obligations.
- Providing information to team members on the complaints process, their roles and responsibilities, and reporting and privacy obligations when responding to children who disclose abuse.

The National Quality Standard (NQS) sets a high national benchmark for early childhood education and provide the framework for G8 Education's approach to quality. The seven quality areas that comprise the NQS include educational program and practice, children's health and safety, physical environment, staffing arrangements, relationships with children, collaborative partnerships with families and communities and governance and leadership. More information on the National Quality Standards can be found here: https://www.acecqa.gov.au/nqf/national-quality-standard

# PILLAR – SERVICE QUALITY *Continued*

**REPORTING TOPIC**

*Education, service delivery and quality*

## EDUCATION STRATEGY

Fundamental to the our education strategy is fulfilling children's learning potential by developing best practice and embedding high-quality education and care across the network. We have invested significantly in quality improvement programs with a focus on building the capability of educators and teachers to enhance their pedagogy and practice across Quality Area 1 (Educational programs and practice), 3 (Physical environment) and 5 (Relationships with children). This investment has included professional development programs, indoor/outdoor environment training and an uplift in education resources. Elevating and enhancing early childhood teacher professional identity has been targeted through dedicated teacher registration mentoring and support programs.

The education strategy will continue to explore and engage in sector leading partnerships with highly regarded and ranked universities around innovative and leading education research opportunities and career enhancing study pathways. Our team continue to advocate for the early childhood education and care sector through involvement in leading national and international professional bodies, research initiatives, and government advisory panels.

Additionally, we have piloted a digital technology initiative designed to position G8 Education as a leader of early learning and technology. The intention of the program was to build content and pedagogical knowledge in teachers, extend children's knowledge, understanding, experience and interests using iPads. The program also partnered with families to identify the value of technology in early childhood education and care and connect learning from centre-home and home-centre. The pilot has successfully achieved the key deliverables and a second phase will be delivered in 2022.

The education strategy will continue to expand and extend upon the established cross functional and multisite pedagogical and practice leadership with the appointment of Ali Evans as the Head of Early Learning and Education.

## EDUCATIONAL APPROACH

G8 Education is committed to providing children and families with access to high-quality early childhood education and care. Early childhood education and care pedagogy at G8 Education is play-based, child led and is reflective of the strengths, ideas, interests and needs of individual children. The pedagogical approach is underpinned by the guiding principles articulated in the National Quality Framework.

These guiding principles include respecting and positioning the rights of every child as paramount to everything we do as an organisation, viewing all children as competent and capable learners, a continued commitment to equity and inclusion, valuing Australia's Aboriginal and Torres Strait culture, recognising families as children's first teachers, and ensuring centres always deliver best practice in a positive and engaging learning environment.

Spontaneous and intentional learning experiences are facilitated and planned for by qualified early childhood teachers and educators with the aim for every child to thrive, play, and learn. Our pedagogical approach encourages children to gain positive dispositions to learning, develops age-appropriate physical skills, supports social and emotional development, and oral language development.

## 2021 PERFORMANCE

| HOW PERFORMANCE IS MEASURED | PERFORMANCE IN FY21 |
|---|---|
| % of centres that are meeting or exceeding NQF | 86.4% |

## TARGETS FOR 2022 AND BEYOND

| HOW PERFORMANCE IS MEASURED | TARGET |
|---|---|
| % of centres that are meeting or exceeding NQF | 95% by 2024 |

REPORTING TOPIC

## Access to care and education

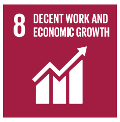

G8 Education acquired Leor in 2021 to enter the in-home and specialised care segments. As a registered NDIS provider, Leor is approved to deliver a broad range of services, including specialist early intervention and allied health supports to children across Australia. The acquisition enables G8 Education to provide extended support for existing families and addresses the growing demand under the NDIS to support children with complex needs, where there is significant latent demand. Leor is also the only Certified B Corporation in the early learning sector in Australia, which is third-party verification of its ethical business practices.

The vision for Leor is to achieve quality outcomes for children through flexible, inclusive, evidence-based approaches and a skilled and diverse workforce. It also provides a more flexible and varied work offering for G8 Education's educators who wish to develop their skills in in-home and specialised care.

# PILLAR – OUR PEOPLE

**REPORTING TOPIC**

## Talent management, development and retention


G8 Education provides various opportunities for our employees to upgrade their skills and grow with the Company. As a starting point, all Team Members have access to G8 Education's Learning Lounge, an online learning portal with more than 100 short courses. Most of these courses are focussed on pedagogy and practices, with others covering topics such as compliance and safety, people and culture, and operations.

We have developed the *First Steps* onboarding and induction program for all new Centre Managers (including internal and external appointees). This program is designed to equip these new Centre Managers with the skills and knowledge needed to feel confident in their role, ensuring they are set up for success from their first day. Centre Managers spend up to four weeks being trained and supported by a specially trained Certified Trainer. This support continues throughout their first six months with regular check-in calls, deep-dive workshops and further training offered if required.

Centre educators have multiple study pathways available to them. The *Vocational Study Pathways Program* is G8's national traineeship program offering Certificate III and Diploma qualifications in Early Childhood Education. Delivered in partnership with key Registered Training Organisations and supporting stakeholders, the program provides 'earn while you learn' opportunities for entry level roles (Certificate III) as well as upskilling opportunities for both new and existing team members (Diploma). This popular program has seen a 20% increase in study enrolments in 2021.

In addition, the *Bachelor Scholarship Program* is a dedicated program delivered in partnership with sector leading universities to support Diploma qualified team members to study degrees focused on prior-to-school settings and graduate as the next generation of Early Childhood Teachers. This program also experienced a 20% increase in study enrolments in 2021.

G8 Education also offers a *Teaching for Tomorrow* program for Early Childhood Teachers. This exclusive professional development program is delivered in partnership with Semann & Slattery to support Early Childhood Teachers with their ongoing development in both pedagogy and practice. Aligned to G8 Education's Development Framework for Teachers, the suite of initiatives explores emerging practice trends and challenging contexts whilst also providing professional development credits for required Teacher Registration.

The Company's Improvement Program also provides targeted coaching and support to build capability across educational practice, centre operations and team and culture leadership.

Throughout COVID-19 we continued to support and pay our casual team members whose employment might otherwise have been impacted.

Finally, G8 Education supports parental leave for all eligible team members and guarantees job security for team members on maternity, paternity and parental leave. All team members with family responsibilities can apply for flexible working arrangements and team members and their families can access generous childcare discounts within the Group's childcare network.

## 2021 PERFORMANCE

| HOW PERFORMANCE IS MEASURED | PERFORMANCE IN FY21 | | |
|---|---|---|---|
| Total rate of employee turnover during the reporting period | TURNOVER | TURNOVER/ VOLUNTARY | TURNOVER/ INVOLUNTARY |
| | **Total** | **27.76%** | **1.48%** |
| Centre manager turnover | 21.3% | | |
| Employee engagement score | 77% | | |
| Total number of employees by employment contract (permanent and temporary), by gender | CATEGORY | | AS AT 31/12/21 |
| | Female | | 9730 |
| | Permanent | | 7625 (78.4%) |
| | Temporary | | 325 (3.3%) |
| | Casual | | 1780 (18.3%) |
| | Male | | 316 |
| | Permanent | | 247 (78.2%) |
| | Temporary | | 22 (6.9%) |
| | Casual | | 47 (14.9%) |
| | **Grand Total** | | **10046** |
| Percentage of employees on a permanent contract, by state/territory | STATE | | AS AT 31/12/21 |
| | ACT | | 83.8% |
| | NSW | | 74.4% |
| | NT | | 100% |
| | QLD | | 75.4% |
| | SA | | 80.1% |
| | VIC | | 83.5% |
| | WA | | 75.2% |
| | **Company Wide** | | **78.4%** |
| New centre managers enrolled in *First Steps* program | | | 72 |
| Number of active students in traineeships | | | 850 |
| Number of active students enrolled in Bachelor Scholarship Program | | | 234 |

## TARGETS FOR 2022 AND BEYOND

| HOW PERFORMANCE IS MEASURED | TARGETS |
|---|---|
| Centre manager turnover | 15% by 2024 |
| Team engagement score | 85% by 2024 |

# PILLAR – OUR PEOPLE Continued

REPORTING TOPIC

Diversity and inclusion

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

G8 Education respects, values and celebrates the diversity of its team members, children, families and other stakeholders. We are committed to supporting a diverse and inclusive workforce and recognise that our team members create and maintain our unique culture. To that end, G8 Education has developed several policies to support diversity and inclusion amongst our stakeholders.

## DIVERSITY, INCLUSION AND BELONGING POLICY

At G8 Education we are committed to proactively providing a respectful and safe work environment that provides equal opportunity and is free from discrimination, harassment, bullying, victimisation, or any other form of unreasonable or inappropriate workplace behaviour for all team members. We recognise that our team members are more productive and engaged in an environment that is free from discrimination and where diversity is both valued and celebrated.

G8 Education's Diversity, Inclusion and Belonging Policy has been created to ensure fairness, equity and a sense of belonging for all team members. This policy assists team members in understanding their rights and responsibilities regarding workplace discrimination, harassment, bullying, and equal employment opportunities.

This policy also outlines G8 Education's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity and equity and for the Board to assess annually both the objectives and the Company's progress in achieving them.

At the end of 2020, the Board set measurable objectives for gender diversity for 2021, which are detailed below:

- To maintain at least equal female to male representation for Non-Executive Directors on the Board.
- To maintain at least equal female to male representation on the Executive Leadership Team, excluding the Chief Executive Officer.

G8 Education also monitors gender pay ratios with the intention to ensure equal pay for equal work.

A copy of the Diversity, Inclusion and Belonging Policy can be found here: https://g8education.edu.au/about-us/sustainability/

## ANTI-BIAS, INCLUSION AND CULTURAL DIVERSITY CENTRE POLICY

G8 Education's Anti-Bias, Inclusion and Cultural Diversity Centre Policy is guided by the Early Years Learning Framework, national law, national regulations and the National Quality Standards, which provide clear guidelines for appropriate practices and those practices that must not be condoned.

We recognise that a child's family experiences will be unique and endeavour to include families in the daily practices of the centre no matter the make-up of the family (traditional, single families, blended families, extended families, foster/adoptive families, same gender families, grandparents as carers etc.). All families are treated respectfully and have equal opportunity to participate in all aspects of our education and care service.

At G8 Education, discrimination is not accepted. We believe that every child has the right to develop fully as an individual and be treated equally regardless of their race, gender, colour, appearance, ethnicity, religion, disability, impairment, socioeconomic status or national origin.

A copy of the Anti-Bias, Inclusion and Cultural Diversity Centre Policy can be found here: https://g8education.edu.au/about-us/sustainability/

## ABORIGINAL AND TORRES STRAIT ISLANDER CULTURE AWARENESS POLICY

G8 Education endeavours to support every child in building a strong sense of their identity i.e. who they are and where they belong. We provide children the right to their identity and to live and learn within their culture. We believe this is especially important for Aboriginal and Torres Strait Island children whose distinctive culture and lifestyle have in the past been threatened and undermined. Our centres aim to foster children's positive self-esteem and to preserve their own culture and personal identity. It is with this aim that we educate all children of not only the things that make them unique but also those things that make them similar to establish an appreciation of diversity. This includes:

- We endeavour to support Indigenous children and their families to nurture their culture, their identity and their spirituality with guidance from leading authorities in this field
- Our curriculum incorporates cultural activities and the use of Aboriginal and Torres Strait Islander resources (music, posters, books, paintings etc.) in a way that is meaningful and not tokenistic
- We encourage the involvement of parents and other Aboriginal and Torres Strait Islander adults in the educational program
- We promote children's awareness of the things that Aboriginal and Torres Strait Islander people have in common with each other and with those not within that culture. We also promote awareness of the diversity of Aboriginal and Torres Strait Islander cultures from the other cultural representations in the centre and wider community. This encourages acceptance of diversity and helps to minimise discriminatory practices
- Centre teams will listen to the Aboriginal and Torres Strait Islander community, respect their views and allow opportunities for family and community members to be involved in centre programs e.g. inviting local elders to significant centre events

A copy of the Aboriginal and Torres Strait Islander Culture Awareness Policy can be found here: https://g8education.edu.au/about-us/sustainability/

## 2021 PERFORMANCE

| HOW PERFORMANCE IS MEASURED | PERFORMANCE IN FY21 |
|---|---|
| Board gender diversity as at 31 December 2021 | 57% female |
| Executive Leadership Team gender diversity as at 31 December 2021 | 50% female |
| Ratio of basic salary and remuneration of women to men | There is a -3.8% pay gap in network (women are paid more than men) and a 4.7% pay gap (men paid more than women) across like for like roles in support office.<br><br>Excluding the Chief Executive Officer, women represent more than 50% of the Executive Leadership Team and are paid on average more. |

## TARGETS FOR 2022 AND BEYOND

| HOW PERFORMANCE IS MEASURED | TARGETS IN FY22 |
|---|---|
| Board gender diversity | To maintain at least equal female to male representation for Non-Executive Directors on the Board |
| Executive Leadership Team | To maintain at least equal female to male representation on the Executive Leadership Team, excluding the Chief Executive Officer |

# PILLAR – OUR PEOPLE *Continued*

REPORTING TOPIC

## Employee health and safety

G8 Education is committed to the health and safety of all employees and strives to have injury free workplaces. G8 Education's Health and Safety Policy outlines the Company's approach to health and safety. The Company will work to eliminate hazardous practices and behaviour, which could cause accidents, injuries or illness to employees, contractors, visitors and the general public.

The Company follows established hazard identification and risk management practices as per G8 Education's documented safety management system. In addition, all team members are provided with training on the following Occupational Health and Safety matters:

- Manual handling
- Slips trips and falls
- First aid and CPR
- Emergency management
- Hazard identification and risk management
- Bullying and harassment
- Kitchen safety.

G8 Education also promotes the general health and well-being for our employees. This includes providing an Employee Assistance Program, under which employees have access to psychological counselling, as well as nutritional counselling. In addition, the Company runs step challenges that encourage employees to stay active.

### 2021 PERFORMANCE

| HOW PERFORMANCE IS MEASURED | PERFORMANCE IN FY21 |
|---|---|
| Workers covered by an occupational health and safety management system | 100% |
| LTIFR (FY21 target: 6) | 5 |

REPORTING TOPIC

## Labour Relations

In December 2020 G8 Education announced that, following a proactive review of its award and legislative requirements, it had identified inadvertent noncompliance issues with relevant awards, which were self-reported to the Fair Work Ombudsman. A remediation program has been underway since that time to ensure that all affected team members are paid in full. The Group has paid remediation program costs totalling approximately $37.9 million to 18,677 active and former team members as at 31 January 2022, with circa 7,400 team members remaining to be paid. Validation work in respect of some matters continues and G8 Education is engaging with the Fair Work Ombudsman in connection with the matter.

The Company has invested in wages and rostering systems and processes to ensure every team member is paid correctly moving forward. The new HRIS and rostering system was completed in 2021 along with a successful roll out across the support office and first regional cohort of centres, which included the progression to a weekly pay cycle. The overall remediation program, covering training, reporting and system enhancements to achieve the targeted controls is well advanced, with the measures taken to date producing high confidence in the Group's go-forward wage compliance.

# PILLAR – OUR ENVIRONMENT

REPORTING TOPIC

*Environmental footprint and stewardship*

## ENVIRONMENTAL FOOTPRINT

G8 Education is committed to responsibly managing our direct environmental impacts through improving our waste management and recycling, managing water use and sources, reducing our carbon footprint, and making our business practices sustainable for the future.

We have identified several initiatives to reduce our environmental impact including:

- Investing in solar and green energy for our existing centres
- Integrating sustainable building design principles for all new builds
- Reducing waste creation across our network
- Recycling our waste into clean energy.

With regard to energy consumption, G8 Education sources grid energy (electricity and gas) to meet most of its energy consumption requirements. Additionally, some sites have bottled LPG to meet their energy consumption requirements, and some sites have solar panels installed to reduce reliance on the grid. G8 Education is currently conducting a comprehensive audit of our energy consumption and intends to report on energy usage and scope 2 emissions across all sources in the 2022 ESG report.

## ENVIRONMENTAL STEWARDSHIP

G8 Education integrates environmental stewardship concepts directly into our curriculum, providing our children with educational opportunities around the importance of being responsible and sustainable citizens for the future.

## REPORTING AND DISCLOSURE

G8 Education is improving its ability to report and disclose on emissions and is committed to reporting on Scope 1 and Scope 2 emissions in 2022 and to providing broader disclosures with respect to Scope 3. This includes reporting on direct emissions from owned or controlled sources (Scope 1 emissions), indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by G8 Education (Scope 2 emissions) and all other indirect emissions that occur in our value chain (Scope 3 emissions).

In 2022 G8 Education intends to establish a sustainability working group to report to the Audit and Risk Management Committee on the progress the Company is making against its sustainability targets, including opportunities that have been identified and pursued to reduce waste production and energy consumption.

## 2021 PERFORMANCE

| HOW PERFORMANCE IS MEASURED | PERFORMANCE IN FY21 | | |
|---|---|---|---|
| Number of centres ‘Meeting or Exceeding’ NQS Element QA3 including 3.2.3 (the service cares for the environment and supports children to become environmentally responsible) | Of the 65 Centres that went through the regulator’s Assessment and Ratings Process in 2021, 100% achieved ‘Meeting’ or ‘Exceeding’ in QA3 | | |
| Scope 1 emissions | 2019 | 2020 | 2021* |
| | 490,094 kg $CO_2$ | 358,559 kg $CO_2$ | 351,762 kg $CO_2$ |
| Scope 1 emissions intensity | 2019 | 2020 | 2021 |
| | 223 gm $CO_2$/km | 221 gm $CO_2$/km | 217 gm $CO_2$/km |
| Energy usage in joules | 61,092,132 MJ*<br>*This does not include any bottled LPG that any of centres may currently use or consumption met by on-site solar generation | | |
| Scope 2 emissions | 12,026,123 kg $CO_2$-e*<br>*This does not include any bottled LPG that any of centres may currently use or consumption met by on-site solar generation | | |

# PILLAR – OUR ENVIRONMENT *Continued*

**CASE STUDY**

## Sustainability practices at our centres

11 SUSTAINABLE CITIES AND COMMUNITIES

*Each year G8 Education formally recognises excellence across our team through the Standout Educator Awards. The Standout Educator Awards are nominated by peers, leaders and families with over 10,500 nominations in total in 2021. Our Area Managers and Regional Managers shortlisted the nominations and our Early Learning and Education team selected our final six regional winners. Our National Standout Educator winner for sustainability was announced from the six regional winners in February 2022.*

Nominees for the Sustainability Category of the Standout Educator Awards were evaluated against the following four principles:

– demonstrating a deep commitment to sustainable and environmentally responsible activities, practices, and learning
– applying sustainability principles in early childhood education, including through real-life learning, inquiry-based learning and/or values learning
– demonstrating reciprocal and genuine involvement with community stakeholders to develop and achieve shared sustainability goals
– demonstrating a strong commitment to transformative sustainability teaching and learning.

### Cassandra Jewson, Pelican Childcare Mount Martha

Our National Standout Educator winner for sustainability in 2021 was Cassandra Jewson at Pelican Childcare Mount Martha. She became the centre's Sustainability Ambassador in 2020. Prior to Cassie starting this role, the centre's sustainability practices were generally limited to tending vegetable gardens, as the team's general knowledge of sustainability practices was limited.


Cassie has a passion for Sustainability and made it her mission to educate all those around her. Cassie created a Sustainability Management Plan, which included goals to support children's learning throughout the year, and a Sustainability Newsletter, providing families with an overview of the sustainable practices implemented throughout the centre and the different ways each room embeds sustainability into their practice.

Cassie provides the team with suggestions and guidance on how to embed more sustainable practices at the centre. She encourages asking of questions and seeks feedback often on how she can support the team in making the centre more sustainable.

An example of Cassie's initiatives include setting up collection points for both plastic bottle caps (to create a picture/mural to display within the centre) and bread tags for "Bread tags for Wheelchairs"™. Many of the families have become involved in collecting these plastic resources from their own homes and wider communities such as workplaces or cafes.

Consistent with G8 Education's overall approach to pedagogy, the children are engaged in real-life, inquiry-based and values learning through ongoing activities and daily practises to integrate sustainability into the centre.

# 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 2021.

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.

### DAVID FOSTER

*B.App.Sci, MBA, GAICD, SFFin*

**Chair**

**Since 29 November 2021**

**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:**

- Chair of the Nomination Committee and Member of the Audit and Risk Management Committee until 29 November 2021
- Member ex-officio of the Audit and Risk Management Committee, Nomination Committee and People and Culture Committee since 29 November 2021

**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)

## 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 15 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 (Honours) and Bachelor of Law (Honours) degrees from the University of Queensland and is a Fellow of CPA Australia. He has also held the position of Co-Chair of the Early Learning and Care Council of Australia since 2018.

**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 sector for more than 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, is a Non-Executive Director for the Digital Finance Cooperative Research Centre 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:**

– Chair of the People and Culture Committee since 19 May 2021

– Member of the People and Culture Committee until 19 May 2021

– Member of the Nomination Committee

**Other current listed public Company Directorships:**

– Nil

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

– Nil

# DIRECTORS' REPORT Continued

## DEBRA SINGH

## TONI[1] THORNTON

*B.A PolSCi Ec, GradCert AppFin, ADA1, LLM Ent Gov*

**Independent Non-Executive Director**

**Since 29 November 2021**

Debra has over 30 years retail experience in C-suite roles across business transformation, general management, retail operations, change management and human resources. Debra was the first woman to run a trading division at Woolworths where she spent 11 years working across supermarkets, operations and consumer electronics.

Over the past 8 years, Debra was CEO of Fantastic Furniture and Group CEO of Greenlit Brands where she built a deep knowledge of leading cultural change and operating transformations within large-scale distributed networks. Debra is currently a Non-Executive Director and member of the Audit and Risk Committee for the Shaver Shop and a Non-Executive Director on The Kids Cancer Project Boards.

**Special responsibilities:**

– Chair of the Nomination Committee and a Member of the People and Culture Committee since 29 November 2021

**Other current listed public Company Directorships:**

– Shaver Shop Group Limited (appointed 2 September 2020)

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

– Nil

**Independent Non-Executive Director**

**Since 29 November 2021**

Toni Thornton has worked in corporate finance agencies for more than 15 years. She brings a strategic commercial focus, having previously held senior positions with JBWere, Goldman Sachs JBWere and NAB.

Current directorships include CS Energy (including Chair of the Finance Risk and Assurance Committee), Millovate Pty Ltd and Triathlon Queensland as well as being a Founding Director of the private childcare enterprise Habitat Early Learning. Toni was previously a Board Member of South Bank Corporation, boutique developer Devcorp and the Gallipoli Medical Research Foundation.

Toni has more than 10 years' experience in audit at board level, is a licensed real estate agent and during her time at Goldman Sachs JBWere, was a responsible executive with the ASX holding both derivative and RG146 accreditation. She has also completed an Accelerated Executive Management program through AGSM (The Australian School of Business), the Goldman Sachs JBWere Non-Profit Leadership Program and the Goldman Sachs Executive Director Leadership Program. Toni has a Master of Laws in Enterprise Governance through Bond University.

During her time with a leading global investment bank, Toni gained significant strategic advisory experience with prominent Queensland listed companies, large private companies and Profit-for-Purpose groups including a number of Queensland's major hospital groups.

**Special responsibilities:**

– Member of the Audit and Risk Management Committee and the Nomination Committee since 29 November 2021

**Other current listed public Company Directorships:**

– Nil

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

– Nil

1. Full name Antonia Thornton.

## 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 childcare 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 childcare 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

**Other current listed public Company Directorships:**

– Nil

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

– Nil

## MARGARET ZABEL

*MBA, BMath, GAICD*

**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 , The Reject Shop and Fairtrade AUNZ.

**Special responsibilities:**

– Member of the Nomination Committee

– Member of Audit and Risk Management Committee until 19 May 2021

– Member of People and Culture Committee since 19 May 2021

**Other current listed public Company Directorships:**

– The Reject Shop (appointed 4 June 2021)

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

– Nil

# DIRECTORS' REPORT *Continued*

**MARK JOHNSON**

*B. Comm, FCA, CPA, FAICD*

### Chair, Independent Non-Executive Director

**1 January 2016 to 29 November 2021**

- Mark Johnson was the Chair of the Board and an Independent Non-Executive Director from 1 January 2016 to 29 November 2021.

**Special responsibilities:**

- Chair of the Board until 29 November 2021
- Member ex-officio of the Audit and Risk Management Committee, Nomination Committee and People and Culture Committee until 29 November 2021

**SUSAN FORRESTER, AM**

*BA, LLB (Hons) EMBA, FAICD*

### Independent Non-Executive Director

**1 November 2011 to 19 May 2021**

- Susan Forrester, AM, was an Independent Non-Executive Director from 1 November 2011 to 19 May 2021.

**Special responsibilities:**

- Chair of the People and Culture Committee until 19 May 2021
- Member of the Nomination Committee until 19 May 2021

# 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 18 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 and now holds the role of Chief Legal, Quality and Risk Officer. 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
– Operation of in-home childcare and specialised NDIS segments for children.

The Group acquired Leor Pty Ltd on 1 October 2021 for entry into the in-home childcare and specialised NDIS segments for children.

There have been no other significant changes to the Group's activities during the financial year ended 31 December 2021.

## 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:

– Acquisition of Leor Pty Ltd to provide in-home childcare and specialised NDIS segments for children.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The following matters have taken place subsequent to year end:

– The Board declared a 3.0c fully franked dividend at the Board meeting on 22 February 2022 which will be the final dividend of the year.
– The Group announced the establishment of a share buy-back facility on 22 February 2022.

## 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 childcare business during the next financial year. This will be achieved through organic and acquisition led growth, including through greenfield establishments.

## 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:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Nil Dividend for the full financial year ended 31 December 2020 (2020: Dividend for the full financial year ended 31 December 2019 of 6.0 cents per share paid on 30 October 2020) | – | 27,610 |
| **Total** | **–** | **27,610** |

## MEETING 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 2021, 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 |
| D Foster | 16 | 16 | 4 | 4 | 3 | 3 | — | — |
| G Carroll | 16 | 16 | — | — | — | — | — | — |
| J Cogin | 16 | 16 | — | — | 3 | 3 | 6 | 6 |
| D Singh | 1 | 1 | — | — | — | — | 1 | 1 |
| T Thornton | 1 | 1 | — | — | — | — | — | — |
| P Trimble | 16 | 16 | 4 | 4 | 3 | 3 | — | — |
| M Zabel | 16 | 16 | 2 | 2 | 3 | 3 | 3 | 3 |
| M Johnson* | 15 | 15 | 4 | 4 | 3 | 3 | 5 | 5 |
| S Forrester* | 4 | 5 | — | — | 1 | 1 | 3 | 3 |

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
* = retired

## 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 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 wilful 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 | 448 |
| Licence capacity of owned centres at year end | 37,894 |
| Total Number of employees at year end | 10,108 |
| **Total number of full time equivalent employees at year end** | **7,598** |

## NON-IFRS FINANCIAL INFORMATION

The 2021 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.

# REMUNERATION REPORT



## 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 Key Management Personnel (KMP) during 2021.

## 1. INTRODUCTION FROM THE PEOPLE AND CULTURE COMMITTEE CHAIR

On behalf of the Board of Directors, I am pleased to present the Remuneration Report for the year ended 31 December 2021.

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

The Board believe that the Strategic Remuneration Framework is appropriate for our business and the early learning and care sector. The Framework seeks to balance remuneration outcomes which reward and motivate our Executive Team with overall business performance and delivering value to our shareholders.

### COVID-19 IMPACTS

2021 continued to be a difficult year, due to the ongoing impact of COVID-19, as we navigated changing regulation, state by state. Our team felt the impact at the front line, and displayed extraordinary courage and compassion to support each other, families and the children in their care. G8 Education continued to prioritise health and safety through vigilant hygiene and safety practices as well as making significant investment in wellbeing activities.

Extended lockdowns in Victoria and New South Wales, and the large number (193 throughout 2021) of centres closed and reopened due to COVID-19 created significant volatility across the commercial operations in our centres.

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

### STRATEGIC REMUNERATION FRAMEWORK

The three-year remuneration framework commenced in 2020, following a comprehensive review in the prior year. The review resulted in the introduction of a financial gate as part of the Short-Term Incentive Plan (STIP) redesign and confirmed Earnings Per Share (EPS) as the single earnings-based metric for the Long-Term Incentive Plan.

## 1. INTRODUCTION FROM THE PEOPLE AND CULTURE COMMITTEE CHAIR *Continued*

### FY2020 NON-COMPLIANCE WITH RELEVANT AWARDS

In 2020 G8 Education discovered an inadvertent but systemic noncompliance with relevant industrial awards. This was self-reported to the Fair Work Ombudsman and throughout 2021, we undertook a remediation program to ensure all affected team members were identified and paid in full. The Group has paid remediation program costs totalling approximately $37.9 million to 18,677 active and former team members as at 31 January 2022.

The program will be ongoing in 2022 as we seek to engage with and obtain details from a further circa 7,400 former impacted team members. A phased deployment of the new rostering system, which will automate award compliance and improve visibility across the network is well underway, with completion planned in 2022.

### FY2021 REWARD OUTCOMES

#### Fixed Remuneration

The Chief Financial Officer received an increase to Fixed Remuneration effective from 1 March 2021. This was in recognition of materially increased scope of role and validated through independent remuneration benchmarking.

There were no increases to Fixed Remuneration for the CEO and Managing Director, or for the Chief Operating Officer, being newly appointed from 1 March 2021.

#### 2021 Short-Term Incentive Plan (STIP)

Net Profit After Tax (NPAT) was set as a gate for any payment under the 2021 Short Term Incentive (STI) Plan. Both the NPAT gate and target (set at 90% and 100% budget, respectively) were achieved and this resulted in STI awards to KMP. While there has been progress made in performance areas across teams, quality and families over 2021, three of the four non-financial key performance indicator (KPI) targets were not achieved. Section 5 of this Report provides further details of KPIs and STI outcomes for KMP.

#### 2018 and 2019 Long-Term Incentive Plans (LTIP)

In relation to the 2018 and 2019 LTIP (vesting on 1 March 2021, and 1 March 2022, respectively), the Earnings Per Share (EPS) growth performance conditions were not achieved. Consequently the 2018 and 2019 LTIP lapsed in full, with all rights forfeited.

#### Board Remuneration and Gender Balance

At the 2021 AGM the Board did not seek an increase to the aggregate Non-Executive Director fee pool and the fees did not change for the FY2021 year. Our Board composition continues to reflect a healthy gender balance, with women now representing 67% of our independent Non-Executive Directors.

#### Building a Great Team

During 2021, we further invested in building capability and driving the people strategy across the Group with the appointment of a new Chief Operating Officer and Chief Customer Officer. The introduction of this additional capability to the Executive team enables greater focus on the execution of our strategy and stronger relationships with our families. In addition, we recently welcomed two new Directors, Toni Thornton and Debra Singh, who both bring a wealth of experience to the Board.

We have continued to invest in the development of our Network teams and supporting functions. Succession planning and talent management (attraction, engagement and retention) continue to be a strong focus of the People and Culture Committee.

#### 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 the balance between talent retention and performance against agreed KPIs in an uncertain operating environment has been achieved.

#### Acknowledgement

Finally, I would like to take this opportunity to thank Susan Forrester (AM), who retired from the G8 Education Board at the FY2021 AGM. Sue made many contributions to the business, its people and me personally throughout her 10 years of service. We wish her well for the future.

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.

**PROFESSOR JULIE COGIN**
**Chair, People and Culture Committee**
*22 February 2022*

# REMUNERATION REPORT Continued

## 2. WHO IS COVERED BY THE REPORT

### KEY MANAGEMENT PERSONNEL

KMP have authority and responsibility for planning, directing and controlling the activities of G8 Education, directly or indirectly, including any directors (whether executive or otherwise) 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 KMP, including any changes during the year, are set out in the table below:

| | Title/Committees | Change in 2021 |
|---|---|---|
| **Non-Executive Directors** | | |
| DAVID FOSTER | **Chair** | **From 29 November 2021** |
| | Chair, Nomination | Until 29 November 2021 |
| | Member, Nomination | From 29 November 2021 |
| | Member, Audit and Risk Management | |
| | Member, People and Culture | From 29 November 2021 |
| MARK JOHNSON | **Chair** | **Until 29 November 2021** |
| | Member, Audit and Risk Management | |
| | Member, Nomination | |
| | Member, People and Culture | |
| JULIE COGIN | **Director** | |
| | Chair, People and Culture | From 19 May 2021 |
| | Member, Nomination | |
| | Member, People and Culture | Until 19 May 2021 |
| PETER TRIMBLE | **Director** | |
| | Chair, Audit and Risk Management | |
| | Member, Nomination | |
| MARGARET ZABEL | **Director** | |
| | Member, Nomination | |
| | Member, Audit and Risk Management | Until 19 May 2021 |
| | Member, People and Culture | From 19 May 2021 |
| DEBRA SINGH | **Director** | **From 29 November 2021** |
| | Chair, Nomination | |
| | Member, People and Culture | |
| TONI[1] THORNTON | **Director** | **From 29 November 2021** |
| | Member, Audit and Risk Management | |
| | Member, Nomination | |
| SUSAN FORRESTER | **Director** | **Until 19 May 2021** |
| | Chair, People and Culture | |
| | Member, Nomination | |
| **Executive Director** | | |
| GARY CARROLL | **CEO and Managing Director** | |
| **Other Executive KMP** | | |
| SHARYN WILLIAMS | **Chief Financial Officer** | |
| MALCOLM ASHCROFT | **Chief Operating Officer** | **Commenced 1 March 2021** |
| JASON BALL | **General Manager Operations** | **Ceased 5 February 2021** |

1. Full name Antonia Thornton.

## 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.

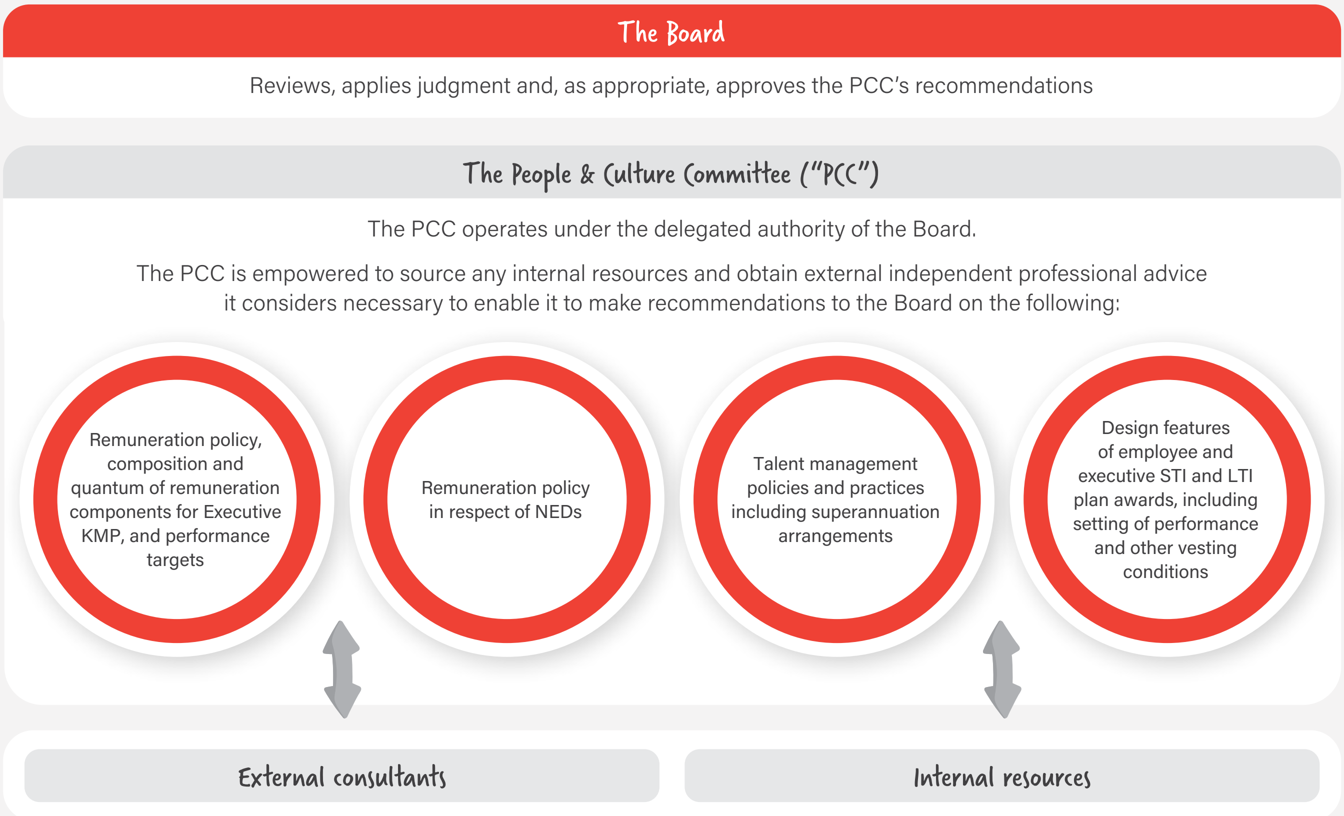
### ROLE OF THE BOARD AND THE PEOPLE AND CULTURE COMMITTEE

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 November 2021. 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 requirements as determined by the Australian Securities Exchange (ASX) or other relevant guidelines;
– 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 executives; 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:




Further information on the PCC's role, responsibilities and membership is contained in the PCC Charter, which is available on the Corporate Governance section of the G8 Education website.

# REMUNERATION REPORT *Continued*

## 3. REMUNERATION GOVERNANCE AT G8 EDUCATION *Continued*

### USE OF REMUNERATION CONSULTANTS

All proposed remuneration consultancy contracts (within the meaning of section 206K of the *Corporations Act 2001*) are subject to prior approval by the Board or the PCC in accordance with the *Corporations Act 2001*.

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

During the 2021 financial year, Crichton and Associates Pty Limited (Crichton and Associates) were engaged by the Board to undertake a review of the Strategic Remuneration Framework and provide a remuneration benchmark assessment in relation to the Non-Executive Directors and two executive roles. Crichton and Associates were paid $13,725 (including GST) for these services.

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

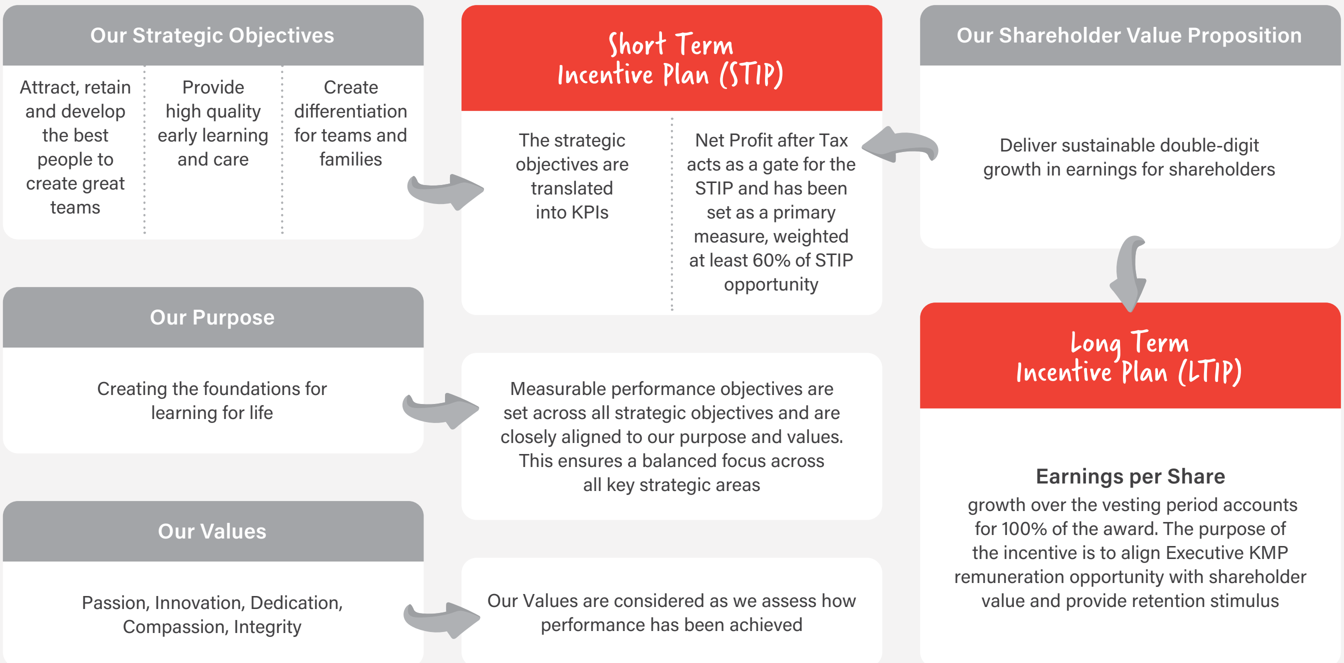
- Crichton and Associates received written instructions from an independent NED on behalf the PCC and were accountable to the Board;
- During the course of this assignment, Crichton and Associates received limited input from management. Crichton and Associates reported its findings, in writing, to the 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.

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

Executive KMP remuneration has been designed to support and reinforce G8 Education's Strategy, Purpose and Values. The at-risk components of 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.



## 4. OUR STRATEGY, PURPOSE 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 complementary 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. Components of **variable 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 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 'variable' components | Alignment of Executive and Shareholder interests through equity |

**Total Target Remuneration (TTR) is set by reference to the relevant market comparators**

| Fixed | Variable | |
|---|---|---|
| **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 growth in G8 Education's Earnings Per Share (EPS) |
| **Remuneration will be delivered as:** | | |
| Base salary, allowances, superannuation (up to the statutory maximum), and any salary sacrificed components | Cash up to a threshold value. At the Board's discretion, one half of STI award above the threshold value subject to deferral for one year into cash or equity (via performance rights). | 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 vesting date. |
| **Strategic intent and market positioning** | | |
| TFR will generally be positioned at or around the median compared to relevant market reference comparator group. The Executive's expertise and performance in the role is also considered | STI is based on the degree of achievement of Board approved targets. TFR + STI at Target is intended to be positioned in the 3rd quartile of relevant market benchmarks | 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 market benchmarks |

**Total target remuneration (TTR)**

TTR is intended to be positioned in the 3rd quartile compared to relevant market benchmarks. This approach supports competitive total remuneration outcomes for Executives if G8 Education achieves all of its targets.

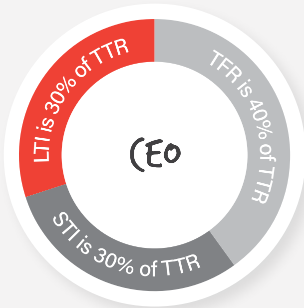
# REMUNERATION REPORT *Continued*

## 4. OUR STRATEGY, PURPOSE AND VALUES AND LINK TO EXECUTIVE KMP REWARD *Continued*

### TARGET REMUNERATION MIX

G8 Education endeavours to provide an appropriate and competitive mix of fixed and variable remuneration components paid in cash and equity.

The target remuneration mix represents the intended variable remuneration opportunities for Executive KMP assuming all relevant performance requirements are fully satisfied. This is set out for the CEO and Other Executive KMP for 2021 (expressed as a % of Total Target Remuneration, or TTR, for each remuneration element).





The remuneration mix is intended to support a high-performance culture at the Executive KMP level, with at least half of TTR tied to variable remuneration components. The remuneration mix remains unchanged from previous years, and there are no plans to change the mix in 2022.

### HOW TOTAL TARGET REMUNERATION IS DELIVERED

Executive KMP remuneration is delivered over several years, with a material portion of total remuneration deferred 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 horizons. This is illustrated in the following chart:

| | | FY21 | FY22 | FY23 | FY24 | FY25 |
|---|---|---|---|---|---|---|
| FY21 | TFR | TFR | | | | |
| | STI | Cash | X | | | |
| | Deferred STI^ | Cash or Rights | Deferral Period | X | | |
| | LTI | Performance Rights | Performance Rights | Performance Rights | X | |
| FY22 | TFR | | TFR | | | |
| | STI | | Cash | X | | |
| | Deferred STI^ | | Cash or Rights | Deferral Period | X | |
| | LTI | | Performance Rights | Performance Rights | Performance Rights | X |

^ Triggers if total STI award is above threshold value. Delivery via cash or rights at Board's discretion

X Date paid

## 4. OUR STRATEGY, PURPOSE AND VALUES AND LINK TO EXECUTIVE KMP REWARD *continued*

### TOTAL FIXED REMUNERATION (TFR)

Total Fixed Remuneration (TFR) includes all remuneration and benefits paid to Executive KMP calculated on a total employment cost basis. In addition to base salary, superannuation, allowances and any salary sacrificed components are included.

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 target positioning is validated by reference to remuneration surveys and independent benchmark assessments undertaken on a biennial basis, or more regularly as required. Where a market reference peer / comparator group is used, careful consideration is given to relevant ASX-listed organisations selected for inclusion, based on factors such as Market Capitalisation, sector, size and complexity.

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 People and Culture Committee, and where appropriate CEO, recommendations.

### VARIABLE REMUNERATION

The key aspects of the STI and LTI Plans are summarised below.

**Short-Term Incentives (STI)**

| | |
|---|---|
| **Purpose** | The STI Plan at G8 Education is designed to reward executives for the achievement of annual performance targets set by the Board at the beginning of the performance period. The STI Plan is reviewed annually by the PCC and approved by the Board.<br><br>All STI awards to Executive KMP are approved by the PCC and Board. |
| **Performance targets** | The key performance objectives under the STI Plan are tied to achievement of Board approved group objectives and performance targets relevant to the specific executive.<br><br>Net Profit After Tax (NPAT) has been set as a gate for any award under the STI Plan. This means that there is no STI award payable unless a threshold level of NPAT (as approved by the Board) has been met. As a key indicator of G8 Education's performance, NPAT is also a primary measure under the STI Plan, comprising at least 60% of the overall STI opportunity available to Executive KMP. For this component to be payable under the Plan, a target level of NPAT must be reached.<br><br>In 2021 there were four equally weighted non-financial KPIs tied to Team (2 x KPIs), Quality (1 x KPI) and Customer (1 x KPI) outcomes. These KPIs were set based on annual targets linked to G8 Education's strategic priorities. Further details of these KPIs are set out in Section 5 below.<br><br>The Board retains absolute discretion in setting the gate, performance measures and targets, and determining the achievement thereof for Executive KMP. |
| **Performance Period** | The STI Plan measures performance over a time horizon of one year, commencing 1 January and ending 31 December. For the 2021 year, the relevant Performance Period is 1 January 2021 to 31 December 2021. Any awards under the Plan are made at the completion of the Performance Period and following the announcement of full-year results. |
| **Delivery** | Generally any award under the STI Plan will be made in cash. However, the Board may defer 50% of any STI award above $100,000, to be delivered in cash or performance rights, at its discretion.<br><br>Any deferred portion will be determined at the end of the Performance Period and deferred for a period of one year. There are no further performance measures attached to any deferred portion of STI other than continued tenure for the deferral period.<br><br>This mechanism achieves additional retention of Executive KMP and aligns their interests with those of shareholders.<br><br>Should the Board apply discretion to award deferred STI in performance rights, the number of rights will be calculated by dividing the equivalent deferred cash value by the notional value of a right. The notional value of a right will be determined using G8 Education's five-day volume weighted average price (VWAP) following the announcement of full-year results. |

# REMUNERATION REPORT Continued

## 4. OUR STRATEGY, PURPOSE AND VALUES AND LINK TO EXECUTIVE KMP REWARD Continued

### Long-Term Incentives (LTI)

| | |
|---|---|
| **Purpose** | To align a significant portion of executives' overall remuneration to the delivery of sustainable shareholder value and provide retention stimulus over the long term. |
| **Delivery** | LTI is awarded in equity and provided under the G8 Education Executive Incentive Plan (GEIP).<br><br>Shareholders approved the GEIP at the 2020 Annual General Meeting, with an intended operating cycle of three years. The GEIP is due for formal review and shareholder approval in 2023.<br><br>Under the GEIP, selected senior executives (based on their ability to influence and execute strategy) are offered via performance rights (one right being a nil exercise price right to one fully paid ordinary share in G8 Education Limited), subject to satisfying the relevant Vesting Conditions.<br><br>The number of rights granted under the 2021 LTI grant is determined by dividing the executive's LTI target opportunity by the notional value of a Performance Right. The notional value of a Performance Right is calculated using the five-day volume weighted average price (VWAP) of one G8 Education Limited share up to and including 1 March 2021. |
| **Performance Period** | The LTI Plan measures performance over a time horizon of three years, commencing 1 January in the year of grant and ending 31 December three years later. For the 2021 LTI grant, the Performance Period is 1 January 2021 to 31 December 2023. Any awards under the Plan are made at Vesting Date (following the announcement of full-year results).<br><br>LTI is tested against the performance hurdles set, at the end of Performance Period. If the performance hurdles are not met at time of testing, performance rights lapse. There is no holding lock or retesting of awards under the LTI. |
| **Vesting Conditions** | Vesting of the 2021 LTI grant is subject to the Vesting Conditions being met. These comprise a service condition and one performance hurdle.<br><br>The service condition is continuous employment with G8 Education Limited from the date performance rights are granted until the Vesting Date.<br><br>The sole performance hurdle for the 2021 LTI grant is Cumulative Reported (audited) EPS over the Performance Period. The percentage of performance rights that vest for each cent of Cumulative EPS is set out in the following table: |

| Cumulative EPS over the three financial years ending 31 December 2023 | % of Performance Rights that vest |
|---|---|
| < 20 cents | 0% |
| 20 cents – 24 cents | 50% to 100% (pro-rata) |
| > 24 cents | 100% |

In respect of the 2020 LTI grant, the performance hurdle was Cumulative Reported (audited) EPS over the Performance Period, with the relevant vesting schedule as follows:

| Cumulative EPS over the three financial years ending 31 December 2022 | % of Performance Rights that vest |
|---|---|
| < 14 cents | 0% |
| 14 cents – 17 cents | 50% to 100% (pro-rata) |
| > 17 cents | 100% |

In respect of LTI grants made in 2018 and 2019, the performance hurdle was Compound Annual Growth in Reported EPS, with the vesting schedule as follows:

| Compound Annual Growth in EPS | % of Performance Rights that vest |
|---|---|
| < 10% | 0% |
| 10% to 15% | 50% to 100% (pro-rata) |
| > 15% | 100% |

## 4. OUR STRATEGY, PURPOSE AND VALUES AND LINK TO EXECUTIVE KMP REWARD *continued*

### Long-Term Incentives (LTI)

| | |
|---|---|
| **Dividends** | No dividends are attached to Performance Rights. |
| **Voting Rights** | There are no voting rights attached to Performance Rights. |
| **Cessation of Employment** | In general, when an Executive resigns, is terminated with cause or is terminated in other circumstances involving unacceptable performance or conduct, any Performance Rights which have not vested will be forfeited.<br>In the case of retrenchment or redundancy, Performance Rights will remain on foot on a pro-rata basis and may vest at the end of the relevant Performance Period, subject to satisfaction of the relevant performance hurdles.<br>In the case of termination without cause, death or permanent disability – the number of Performance Rights which vest will be determined by the Board in its sole discretion. |
| **Change of Control** | Where a Change of Control occurs, or in the Board's opinion will occur, the number of Performance Rights available to be exercised will be determined by the Board in its absolute discretion. |

### OTHER REMUNERATION ELEMENTS AND DISCLOSURES RELEVANT TO EXECUTIVE KMP

#### Claw back

The Board has discretion to claw back incentive payments for KMP where material misconduct is evident. The Claw Back Policy is available on the G8 Education website under Investor Centre, Corporate Governance.

#### Hedging and margin lending prohibition

Under the G8 Education Securities Trading Policy and in accordance with the *Corporations Act 2001*, 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 EXECUTIVE KMP

### 2021 SHORT-TERM INCENTIVE PLAN OUTCOMES

The NPAT financial target in the 2021 Short-Term Incentive Plan (STIP) is aligned to our shareholder value proposition to deliver sustainable double-digit earnings growth for shareholders. As a key and critical indicator of G8 Education overall performance, NPAT was set as a gate for any payment, and a majority-weighted measure, under the 2021 STIP. The NPAT KPI comprised 70% of the 2021 STI opportunity for the CEO/Managing Director and 60% for the other Executive KMP. Both the NPAT gate and target (set at 90% and 100% of the Board-approved NPAT budget, respectively) were achieved.

Subject to the NPAT gate being met, the remaining 30% of STI awards for the CEO/Managing Director and 40% for the other Executive KMP was determined based on the achievement of agreed non-financial KPIs. These performance objectives were critical to the delivery of the 2021 plan and fundamental to the success of the long-term strategy, while addressing the ongoing challenges of our competitive operating environment.

A robust and holistic assessment of performance was undertaken for Executive KMP, considering both the degree of achievement of these objectives and how this performance was achieved (i.e., through demonstrating visible and positive leadership aligned to our values). 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 overall performance in 2021 has been appropriately reflected in the Short-Term Incentive Plan outcomes.

The table below summarises the results for Executive KMP against the 2021 G8 Scorecard.

| Category | Measure | Descriptor | Target | Achieved |
|---|---|---|---|---|
| **Financial** (Deliver sustainable double-digit earnings growth for shareholders) | GATE – Net Profit After Tax (NPAT) | Net Profit After Tax determines the available profit pool from which incentives are funded | ≥ 90% NPAT budget | Achieved |
| | Net Profit After Tax (NPAT) | Net Profit After Tax determines the available profit pool from which incentives are funded | $44.1m NPAT | Achieved in Full |
| **Team** (Attract, retain, and develop the best people to create great teams) | Centre Manager Voluntary Turnover | Centre Managers who voluntarily resign | CM rolling Voluntary Turnover ≤ 15% | Not Achieved |
| | Engagement Score | Engagement Score measures the commitment of team members to helping G8 achieve its goals | Engagement Score ≥ 80% | Not Achieved |
| **Quality** (Provide high quality early learning and care) | NQS Assessment & Rating (A&R) | Assessment & Rating of centres in relation to the National Quality Standards | ≥ 85% of Centres assessed as 'meeting' or 'exceeding' NQS | Achieved in Full |
| **Customer** (Create differentiation for teams and families) | Net Promoter Score (NPS) | Net Promoter Score measures customer loyalty based on likelihood to recommend | G8 NPS ≥ 55 | Not Achieved |

Based on the performance outcomes above, the CEO and Managing Director was awarded 77.5% of his total 2021 STIP opportunity, with other Executive KMP awarded 70% of their total STIP opportunity.

In accordance with the STIP framework, 50% of STI awards above $100,000 have been deferred until March 2023 for payment. The Board has decided to award the deferred potion of STI in performance rights using the cash equivalent value and believe that this aligns the interests of Executive KMP with those of shareholders.

### REMUNERATION EARNED BY EXECUTIVE KMP

The following table sets out the value of the remuneration earned by Executive KMP during the year. For the avoidance of doubt, variable remuneration figures in the table include all remuneration earned, but not necessarily received, relating to performance during the period of 1 January to 31 December 2021. The figures in this table differ from those shown in the statutory table as the statutory table includes an apportioned accounting value for all unvested equity 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 during the 2021 financial year.

The table below shows:

– Total Fixed Remuneration
– Short-Term Incentives
– Vested Long-Term Incentives
– Termination Payments

## 5. REMUNERATION DETAILS FOR EXECUTIVE KMP *Continued*

| Executive KMP | Fixed Remuneration[1] | 2021 STI – Cash [2] | 2021 STI – Deferred Equity [3] | 2019 LTI[4] | Termination payments [5] | Total actual remuneration earned |
|---|---|---|---|---|---|---|
| G Carroll | 840,346 | 294,125 | 194,125 | — | — | 1,328,596 |
| S Williams | 492,937 | 136,260 | 36,260 | — | — | 665,457 |
| M Ashcroft | 497,655 | 137,500 | 37,500 | — | — | 672,655 |
| J Ball | 68,857 | — | — | — | 284,162 | 353,019 |

1. Base salary, superannuation and non-monetary benefits such as motor vehicle and travel.
2. STI relating to the 2021 Performance Period and payable in cash following the announcement of full-year 2021 results.
3. Deferred equity STI relating to the 2021 Performance Period and to be awarded in rights, subject to continued employment by the Executive KMP at Mar 2023.
4. Intrinsic value of the 2019 LTI grant (measured over Jan 2019 to Dec 2021) due to vest in Mar 2022.
5. Includes ex-gratia payment and payment in lieu of notice.

### RELATIONSHIP BETWEEN G8 EDUCATION PERFORMANCE AND KMP REMUNERATION

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

| | 2017 [2] \$'000 | 2018 [2] \$'000 | 2019 \$'000 | Restated 2020 [3] \$'000 | 2021 \$'000 |
|---|---|---|---|---|---|
| Total revenue | 796,806 | 858,173 | 922,202 | 788,358 | 878,733 |
| EBIT | 150,878 | 132,184 | 146,379 | (141,141) | 118,720 |
| Net Profit After Tax | 80,581 | 71,831 | 52,019 | (188,970) | 45,681 |
| Underlying EBIT (unaudited, Non IFRS) [1] | 156,034 | 136,261 | 119,425 | 99,858 | 70,008 |
| Underlying NPAT (unaudited, Non IFRS) [1] | 92,874 | 79,417 | 67,673 | 62,658 | 39,499 |
| Underlying EPS (cents) [1] | 21.80 | 17.54 | 13.02 | 7.39 | 4.66 |
| Annual dividend per share (cents) | 18.0 | 14.0 | 12.75 | — | — |
| Share price as at 31 December (\$) | 3.45 | 2.83 | 1.90 | 1.18 | 1.11 |
| Total Fixed Remuneration Executive KMP [4] | 1,816 | 1,631 | 1,745 | 1,577 | 1,900 |
| Total Variable Remuneration Executive KMP [5] | 219 | 82 | — | — | 836 |
| Total Fees Non-Executive Directors [4,6] | 845 | 1,060 | 1,060 | 959 | 1,018 |

1. As defined on page 42.
2. Prior year numbers have not been restated for AASB16 Leasing Standard nor for Remediation Program underpayments identified in 2020.
3. The year ended 31 December 2020 has been restated for a change in the Group's accounting policy for Software as a Service (SaaS) arrangements.
4. TFR for Executive KMP and NED fees in 2020 reflected a 20% reduction for 6 months, due to COVID-19.
5. Includes value of all STI and LTI earned in year (i.e. 2021 includes 2021 Cash and Deferred Equity STI relating to performance over the Jan - Dec 21 period, and 2019 LTI relating to performance over the period of Jan 19 - Dec 21).
6. NED fees are inclusive of superannuation.

# REMUNERATION REPORT *Continued*

## 5. REMUNERATION DETAILS FOR EXECUTIVE KMP *Continued*

### STATUTORY REMUNERATION TABLE

| | | Short-term benefits | | | Post-employment benefits | | Long-term benefits /Share-based payments | Total Remuneration | Performance related | Share Plan related |
|---|---|---|---|---|---|---|---|---|---|---|
| **Amount $** | **Year** | **Base Salary[1]** | **Non-monetary benefits** | **Cash STI** | **Superannuation benefits** | **Termination payments** | **Performance Rights[2]** | | **% of Total Remuneration** | **% of Total Remuneration** |
| G Carroll | 2021 | 817,715 | — | 294,125 | 22,631 | — | 339,551 | 1,474,022 | 43% | 23% |
| | 2020 | 736,468 | — | — | 21,348 | — | 72,993 | 830,809 | 9% | 9% |
| S Williams | 2021 | 470,306 | — | 136,260 | 22,631 | — | 106,507 | 735,704 | 33% | 14% |
| | 2020 | 393,414 | — | — | 21,348 | — | 26,671 | 441,433 | 6% | 6% |
| M Ashcroft | 2021 | 477,278 | — | 137,500 | 20,377 | — | 57,909 | 693,064 | 28% | 8% |
| | 2020 | — | — | — | — | — | — | — | — | — |
| J Ball | 2021 | 63,433 | — | — | 5,424 | 284,162 | (26,671) | 326,348 | 0% | 0% |
| | 2020 | 383,297 | — | — | 21,348 | — | 26,671 | 431,316 | 6% | 6% |
| **Totals** | **2021** | **1,828,732** | **—** | **567,885** | **71,063** | **284,162** | **477,296** | **3,229,138** | **32%** | **15%** |
| | **2020** | **1,513,179** | **—** | **—** | **64,044** | **—** | **126,335** | **1,703,558** | **7%** | **7%** |

1. Base salary figures for 2020 reflect the 20% reduction implemented for 6 months due to COVID-19
2. Performance rights figures are inclusive of 2021 deferred STI awards

## 6. KMP EQUITY INTERESTS

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

| Shares | Ownership type | Balance at the start of the year | Changes during the year | Balance at the end of the year / at retirement or termination |
|---|---|---|---|---|
| **Directors of G8 Education Limited** | | | | |
| **Ordinary Shares** | | | | |
| D Foster (Chair) | Indirectly | 55,103 | 23,660 | 78,763 |
| G Carroll (CEO) | Directly | 174,547 | — | 174,547 |
| J Cogin | Indirectly | 33,000 | 12,000 | 45,000 |
| D Singh[1] | Indirectly | — | 50,000 | 50,000 |
| A Thornton[2] | Directly | — | 23,150 | 23,150 |
| P Trimble | Indirectly | 50,000 | 50,000 | 100,000 |
| M Zabel | Indirectly | 29,000 | 11,000 | 40,000 |
| S Forrester, AM[3] | Directly and indirectly | 51,969 | — | 51,969 |
| M Johnson[4] | Indirectly | 100,000 | — | 100,000 |
| **Other Executive KMP of G8 Education Limited** | | | | |
| **Ordinary Shares** | | | | |
| S Williams | Directly | 65,455 | — | 65,455 |
| M Ashcroft[5] | Directly | — | 100,000 | 100,000 |
| J Ball[6] | Directly | 22,000 | — | 22,000 |

1. Appointed 29 November 2021
2. Appointed 29 November 2021
3. Retired 19 May 2021
4. Retired 29 November 2021
5. Employment commenced 1 March 2021
6. Employment ceased on 5 February 2021

## 6. KMP EQUITY INTERESTS *Continued*

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.

| | | | Number of Rights | | | | | Value of Rights ($)[2] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Tranche** | **Grant Date** | **Fair Value at Grant Date[1]** | **Balance at the start of the year** | **Granted in year** | **Vested in year** | **Lapsed / forfeited in year** | **Balance at the end of the year** | **Granted in year** | **Vested in year** | **Lapsed/ forfeited in year** | **Year in which grant vests** |
| **Number** | **Date** | **$** | **Number** | **Number** | **Number** | **Number** | **Number** | **$** | **$** | **$** | **Year** |
| **G Carroll** | | | | | | | | | | | |
| 2021 Perf. Rights | 28-June 21 | 0.89 | — | 583,406 | — | — | 583,406 | 519,231 | — | — | 2024 |
| 2020 Perf. Rights | 30-June 20 | 0.74 | 520,000 | — | — | — | 520,000 | — | — | — | 2023 |
| 2019 Perf. Rights | 10-May 19 | 2.42 | 198,119 | — | — | — | 198,119 | — | — | — | 2022 |
| 2018 Perf. Rights[3] | 20-July 18 | 2.39 | 198,847 | — | — | 198,847 | — | — | — | 475,244 | 2021 |
| **Total** | | | **916,966** | **583,406** | **—** | **198,847** | **1,301,525** | **519,231** | **—** | **475,244** | |
| **S Williams** | | | | | | | | | | | |
| 2021 Perf. Rights | 28-June 21 | 0.89 | — | 211,833 | — | — | 211,833 | 188,531 | — | — | 2024 |
| 2020 Perf. Rights | 30-June 20 | 0.74 | 190,000 | — | — | — | 190,000 | — | — | — | 2023 |
| 2019 Perf. Rights | 10-May 19 | 2.42 | 72,020 | — | — | — | 72,020 | — | — | — | 2022 |
| 2018 Perf. Rights[3] | 20-July 18 | 2.39 | 77,623 | — | — | 77,623 | — | — | — | 185,519 | 2021 |
| **Total** | | | **339,643** | **211,833** | **—** | **77,623** | **473,853** | **188,531** | **—** | **185,519** | |
| **M Ashcroft** | | | | | | | | | | | |
| 2021 Perf. Rights | 28-June 21 | 0.89 | — | 232,906 | — | — | 232,906 | 207,286 | — | — | 2024 |
| 2020 Perf. Rights | 30-June 20 | 0.74 | — | — | — | — | — | — | — | — | 2023 |
| 2019 Perf. Rights | 10-May 19 | 2.42 | — | — | — | — | — | — | — | — | 2022 |
| 2018 Perf. Rights | 20-July 18 | 2.39 | — | — | — | — | — | — | — | — | 2021 |
| **Total** | | | **—** | **232,906** | **—** | **—** | **232,906** | **207,286** | **—** | **—** | **—** |
| **J Ball[4]** | | | | | | | | | | | |
| 2021 Perf. Rights | 28-June 21 | 0.89 | — | — | — | — | — | — | — | — | 2024 |
| 2020 Perf. Rights | 30-June 20 | 0.74 | 190,000 | — | — | 190,000 | — | — | — | 140,600 | 2023 |
| 2019 Perf. Rights | 10-May 19 | 2.42 | 70,251 | — | — | 70,251 | — | — | — | 170,074 | 2022 |
| 2018 Perf. Rights[3] | 20-July 18 | 2.39 | 74,135 | — | — | 74,135 | — | — | — | 177,183 | 2021 |
| **Total** | | | **334,386** | **—** | **—** | **334,386** | **—** | **—** | **—** | **487,857** | **—** |
| **Grand Total** | | | **1,590,995** | **1,028,145** | | **610,856** | **2,008,284** | **915,048** | **—** | **1,148,620** | **—** |

1. Fair value at grant date is calculated independently based on the Black-Scholes-Merton pricing model and using a risk-neutral assumption.
2. 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.
3. The 2018 Performance Rights lapsed in full on 22 February 2021 as the performance hurdles were not met.
4. All Performance Rights on foot lapsed in full, upon cessation of employment.

# REMUNERATION REPORT Continued

## 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.

| | |
|---|---|
| **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:<br>– 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 any 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, and other Executive KMP will only be entitled to payment of TFR up to the date of termination.<br>On termination without notice by G8 Education in the event of serious misconduct:<br>– all unvested STI or LTI benefits will be forfeited; and<br>– 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. |

## 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.<br>No increase in NED remuneration is proposed for 2022. 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 variable remuneration including incentive payments or equity awards. NED fees are not set with reference to any measure of G8 Education performance.<br>However, to create alignment between directors and shareholders, the Board has adopted a Minimum Shareholding Guideline 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 2021 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 2022 AGM. |

### NED FEES AND OTHER BENEFITS EXPLAINED

| Elements | Details | 2021[1] $ | 2020[1,2] $ |
|---|---|---|---|
| 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 |
| | Property Working Group Chair fee[3] | 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 |

| Post-employment benefits | |
|---|---|
| Superannuation | Superannuation contributions are made in line with the legislated Superannuation Guarantee. NED fees are inclusive of superannuation contributions, which have been made at a rate of 10% for the 2021 year (and 9.5% for the 2020 year). The superannuation contribution rate will increase in future years in line with mandated legislation. Any 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. |
| Fixed Fees | NEDs do not receive any performance-related compensation in cash, options, 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.<br>No payments were made to NEDs during 2021 for travel allowances, extra services or special exertions. |

1. NED fees include superannuation
2. 2020 fees do not reflect the 20% reduction in paid remuneration implemented for 6 months due to COVID-19
3. Property Working Group was formalised as a Committee of the Board - "Property Committee" from 1 January 2022

# REMUNERATION REPORT Continued

8. Non-Executive Director (NED) remuneration Continued

## NED TOTAL REMUNERATION PAID

| | Year | Fees $ | Superannuation benefits $ | Total $ |
|---|---|---|---|---|
| D Foster (Chair) | 2021 | 159,204 | 15,544 | 174,748 |
| | 2020 | 135,848 | 12,906 | 148,754 |
| M Johnson[1] | 2021 | 249,782 | 22,425 | 272,207 |
| | 2020 | 236,538 | 20,768 | 257,306 |
| B Bailison[2] | 2021 | — | — | — |
| | 2020 | 55,869 | 5,308 | 61,177 |
| S Forrester[3] | 2021 | 59,694 | 1,652 | 61,346 |
| | 2020 | 135,848 | 12,906 | 148,754 |
| M Zabel | 2021 | 150,334[4] | 14,658 | 164,992 |
| | 2020 | 115,266 | 10,950 | 126,216 |
| J Cogin | 2021 | 141,728 | 13,841 | 155,569 |
| | 2020 | 115,266 | 10,950 | 126,216 |
| P Trimble[5] | 2021 | 150,685 | 14,692 | 165,377 |
| | 2020 | 82,410 | 7,829 | 90,239 |
| A Thornton[6] | 2021 | 9,790 | 979 | 10,769 |
| | 2020 | — | — | — |
| D Singh[6] | 2021 | 11,538 | 1,154 | 12,692 |
| | 2020 | — | — | — |
| **Totals** | **2021** | **932,755** | **84,945** | **1,017,700** |
| | **2020**[7] | **877,045** | **81,617** | **958,662** |

## 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.

1. M Johnson retired on 29 November 2021
2. B Bailison retired on 20 May 2020
3. S Forrester retired on 19 May 2021
4. Includes $25,000 extra duties fee for role as Chair of Property Working Group
5. P Trimble commenced as NED on 13 May 2020
6. A Thornton and D Singh commenced as NEDs on 29 November 2021
7. There was a 20% reduction to NED fees for 6 months during 2020, due to COVID-19

# 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 2021, 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 57.

## 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**
22 February 2022

# AUDITOR'S INDEPENDENCE DECLARATION LIMITED

## TO THE DIRECTORS OF G8 EDUCATION LIMITED

Building a better working world

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### 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 2021, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene 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

Ernst & Young

DMcKenzie

Kellie McKenzie
Partner
22 February 2022


# FINANCIAL REPORT

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

| | Notes | Consolidated 2021 $'000 | Consolidated Restated 2020 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 3 | **866,336** | 776,456 |
| Other income | 4 | **12,397** | 11,902 |
| **Total** | | **878,733** | 788,358 |
| **Expenses** | | | |
| Employment costs | 5, 14 | **(537,629)** | (425,921) |
| Properties, utilities and maintenance costs | | **(48,214)** | (42,995) |
| Direct costs | | **(33,692)** | (37,093) |
| Software development expenses | | **(6,901)** | (4,121) |
| Depreciation and amortisation | 5 | **(88,674)** | (90,287) |
| Impairment expenses | | **—** | (275,217) |
| Other expenses | | **(44,819)** | (52,980) |
| Finance costs | 5 | **(53,259)** | (66,721) |
| **Total expenses** | | **(813,188)** | (995,335) |
| **Profit / (loss) before income tax** | | **65,545** | (206,977) |
| Income tax (expense) / benefit [1] | 6 | **(19,864)** | 18,007 |
| **Profit / (loss) for the year attributable to members of the parent entity** | | **45,681** | (188,970) |

| | Notes | Cents | Cents |
|---|---|---|---|
| Basic earnings per share | 8 | **5.39** | (25.38) |
| Diluted earnings per share | 8 | **5.37** | (25.38) |

1. An income tax benefit associated with impairment loss of $37.7m is included in the 2020 reporting period.

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

The year ended 31 December 2020 has been restated for a change in the Group's accounting policy for Software as a Service (SaaS) arrangements. Refer to note 34 for restatement details.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | Consolidated | |
|---|---|---|
| | **2021** **$'000** | Restated 2020 $'000 |
| **Profit/(loss) for the year** | **45,681** | (188,970) |
| **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 [1] | – | (8,998) |
| **Total other comprehensive loss** | – | (8,998) |
| **Total comprehensive income / (loss) for the year** | **45,681** | (197,968) |

1. The exchange difference on foreign operations relates to the Singapore subsidiary group which was disposed of in the prior year.

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

Refer to note 34 for restatement details.

# CONSOLIDATED BALANCE SHEET

As at 31 December 2021

| | Notes | Consolidated 2021 $'000 | Consolidated Restated 2020 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 18 | **74,131** | 316,989 |
| Trade and other receivables | 9 | **19,604** | 17,383 |
| Other current assets | 10 | **12,299** | 10,268 |
| Current tax asset | | **17,582** | — |
| **Total current assets** | | **123,616** | 344,640 |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **107,458** | 84,875 |
| Right of use assets | 20 | **441,161** | 468,655 |
| Deferred tax assets | 6 | **108,089** | 119,662 |
| Intangible assets | 16 | **1,057,494** | 1,049,261 |
| Investment in an associate | 24(b) | **1,000** | — |
| Other non-current assets | 10 | **7,211** | 987 |
| **Total non-current assets** | | **1,722,413** | 1,723,440 |
| **Total assets** | | **1,846,029** | 2,068,080 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | **78,265** | 73,892 |
| Contract liabilities | 3(i) | **12,343** | 9,105 |
| Current tax liability | | **—** | 2,773 |
| Lease liabilities | 20 | **73,207** | 69,435 |
| Provisions | 13 | **90,098** | 120,581 |
| **Total current liabilities** | | **253,913** | 275,786 |
| **Non-current liabilities** | | | |
| Other payables | 12 | **6,867** | 657 |
| Borrowings | 19 | **96,055** | 295,139 |
| Lease liabilities | 20 | **559,651** | 611,815 |
| Provisions | 13 | **14,832** | 16,153 |
| **Total non-current liabilities** | | **677,405** | 923,764 |
| **Total liabilities** | | **931,318** | 1,199,550 |
| **Net assets** | | **914,711** | 868,530 |
| **Equity** | | | |
| Contributed equity | 21 | **1,209,227** | 1,209,227 |
| Reserves | | **65,316** | 16,938 |
| Retained earnings | | **(359,832)** | (357,635) |
| **Total equity** | | **914,711** | 868,530 |

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

Refer to note 34 for restatement details.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| Consolidated | Notes | Contributed Equity $'000 | Translation Reserve $'000 | Share Based Payment Reserve $'000 | Profits Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Balance 1 January 2020** | | 907,255 | 8,998 | — | 10,162 | (130,445) | 795,970 |
| Adjustment on restatement of software development expenses | 34 | — | — | — | (4,007) | — | (4,007) |
| **Balance 1 January 2020 (restated)** | | 907,255 | 8,998 | — | 6,155 | (130,445) | 791,963 |
| Profit / (loss) for the year | | — | — | — | 38,220 | (227,190) | (188,970) |
| Other comprehensive income / (loss) (net of tax) | | — | (8,998) | — | — | — | (8,998) |
| **Total comprehensive income / (loss) for the year** | | — | (8,998) | — | 38,220 | (227,190) | (197,968) |
| **Transactions with owners in their capacity as owners** | | | | | | | |
| Contributions of equity, net of transaction cost | 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 | 16,764 | (357,635) | 868,530 |
| **Balance 1 January 2021** | | **1,209,227** | **—** | **174** | **16,764** | **(357,635)** | **868,530** |
| Profit / (loss) for the year | | **—** | **—** | **—** | **47,877** | **(2,196)** | **45,681** |
| **Total comprehensive income / (loss) for the year** | | **—** | **—** | **—** | **47,877** | **(2,196)** | **45,681** |
| **Transactions with owners in their capacity as owners** | | | | | | | |
| Share based payment expense | 31 | **—** | **—** | **501** | **—** | **—** | **501** |
| **Total** | | **—** | **—** | **501** | **—** | **—** | **501** |
| **Balance 31 December 2021** | | **1,209,227** | **—** | **675** | **64,641** | **(359,832)** | **914,711** |

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

Refer to note 34 for restatement details.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Notes | Consolidated 2021 $'000 | Consolidated Restated 2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | **868,519** | 785,430 |
| Payments to suppliers and employees (inclusive of GST)[1] | | **(704,854)** | (519,804) |
| Interest received | | **81** | 885 |
| Interest paid (non-leases) | | **(11,233)** | (19,426) |
| Interest paid (leases) | | **(39,599)** | (43,534) |
| Income taxes paid | | **(28,647)** | (18,107) |
| **Net cash inflows from operating activities** | 23 | **84,267** | 185,444 |
| **Cash flows from investing activities** | | | |
| Payments for purchase of businesses (net of cash acquired) | | **(2,630)** | (11,300) |
| Payments for purchase of intangible assets[1] | | **(1,290)** | (1,580) |
| Net (payments) / proceeds for divestments | | **(6,980)** | 7,608 |
| Proceeds from the sale of property, plant and equipment | | **—** | 6 |
| Payments for property, plant and equipment | | **(41,384)** | (21,214) |
| Acquisition of investment in associate | 24(b) | **(1,000)** | — |
| **Net cash outflows from investing activities** | | **(53,284)** | (26,480) |
| **Cash flows from financing activities** | | | |
| Share issue costs | 21 | **—** | (11,139) |
| Dividends paid | 22 | **—** | (19,057) |
| Principal elements of lease payments | | **(72,297)** | (58,486) |
| Proceeds from issue of shares | 21 | **—** | 301,215 |
| Proceeds from borrowings | | **—** | 65,000 |
| Repayments of borrowings | | **(201,544)** | (160,004) |
| **Net cash (outflows)/ inflows from financing activities** | | **(273,841)** | 117,529 |
| **Net increase in cash and cash equivalents** | | **(242,858)** | 276,493 |
| Cash and cash equivalents at the beginning of the financial year | | **316,989** | 40,603 |
| Effects of exchange rate changes on cash | | **—** | (107) |
| **Cash and cash equivalents at the end of the financial year** | 18 | **74,131** | 316,989 |

1. 2020 Cash flows have been restated to include the reclassification of the software development expenses from investing to operating outflows. Refer to note 34 for restatement details.

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

# NOTES TO THE FINANCIAL STATEMENTS

# 1 FINANCIAL OVERVIEW

## NOTE 1: MATERIAL EVENTS DURING THE REPORTING PERIOD

### a) COVID-19 pandemic

The Group is vigilantly managing the impact of the COVID-19 pandemic 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 continues to focus 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.

The COVID-19 pandemic outbreak had a material impact on the financial statements of the Group during the prior reporting period. Moreover, the pandemic continued to have an impact on the Group's operations during the current period, with snap lockdowns and closure of child care centres across different geographical locations during the 2021 year.

Australian governments, both State and Federal, have continued to show their support of the child care sector throughout the year, by allowing Gap Fee Waivers (where a centre is closed or a child or a member of their immediate family is required to isolate due to COVID-19), and providing support packages to locked down Local Government Authorities (LGAs).

#### i) Government assistance

Although Government grants were received by the Group during the reporting period, the level of financial support was significantly lower than in 2020 as the sector and broader economy commenced the post COVID-19 recovery.

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.

**Recovery Package**

**28 September 2020 – 31 January 2021**

The package included a 25% Recovery Payment for services in Victoria. The fortnightly payment under this government assistance was based on approximately 25% of the Group revenue based on the fortnight preceding 2 March 2020.

**Gap Fees Waived**

**13 July 2020 – 30 June 2022**

All services in Australia are permitted to waive fees and still receive CCS payments, until 30 June 2022, if they are forced to close on public health advice or a child is unable to attend due to the following circumstances:

— They, or a member of their immediate household, must isolate due to COVID-19;

— The service, or a room at the service, is closed due to COVID-19 on written advice from a state or territory government such as a health, education, or regulatory agency; or

— The state or territory has restricted access to child care in a region due to COVID-19 (or has restricted school attendance in the case of Outside School Hours Care).

**Business Continuity Payments**

**23 August 2021 – 31 October 2021**

In the current year, business continuity payments related to packages supporting centres in NSW, Victoria and the ACT whilst they were experiencing extended lockdowns due to COVID-19. To qualify for these packages, centres had to satisfy the following criteria:

— Have a reasonable expectation that attendance will drop below 50%; and

— Needed to be waiving gap fees for all families not attending.

Services received 25–40% of their pre-lockdown revenue (depending on service type).

**Prior-Year**

**30 March 2020 – 31 December 2020**

During the prior year the Group also received government assistance due to the adverse impact the COVID-19 pandemic had on its operation, including:

— Child Care Relief Package, 6 April 2020 – 12 July 2020

— Transition Package, 13 July 2020 – 27 September 2020

— Recovery Package, 28 September – 31 January 2021 (refer above)

— GAP Fees Waived, 13 July 2020 – 31 January 2021 (refer above however conditions have varied from 2020)

— JobKeeper Subsidy, 30 March 2020 – 20 July 2020

# 1 FINANCIAL OVERVIEW

## NOTE 1: MATERIAL EVENTS DURING THE REPORTING PERIOD CONTINUED

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

| | Consolidated | |
|---|---|---|
| | **2021 $'000** | 2020 $'000 |
| **Revenue** | | |
| Business Continuity Payments | **15,960** | — |
| Child Care Relief Package, Transition and Recovery Payments | **5,303** | 160,270 |
| **Total** | **21,263** | 160,270 |
| **Expenses** | | |
| JobKeeper subsidy | **—** | 102,917 |
| **Total** | **—** | 102,917 |
| **Net Total** | **21,263** | 263,187 |

**ii) Rent concessions**

The Group sought rent concessions from lessors of child care centres during the prior period. The rent concessions received were in various forms and included one-off rent reductions, rent waivers or deferral of lease payments. Lease deferrals were repaid in the current period and there were no further concessions given.

**b) Refinance of debt facilities**

The Group refinanced its senior debt facilities in February 2021 which reduced the Group's finance costs, extended the average maturity profile and included the establishment of sustainability-linked performance targets. The refinance established $300.0m in revolving facilities to replace a $200m term loan and $200m revolver. The refinance of debt facilities maintained a staggered debt profile with next expiry date in October 2023.

Following the refinance the Group repaid $200.0m senior syndicated debt. The $300.0m revolving facilities remain undrawn as at 31 December 2021.

The Group's $100.0m junior debt facility remain was fully drawn as 31 December 2021 (2020: $100.0m).

Refer note 19.

**c) Employee Payments Remediation Program Update**

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

The remediation of these issues, which occurred over the last seven financial years and including the 2020 financial year, was estimated to be a one-off cost before tax of $80.0m and after tax of $56.9m. Remediation program costs totalling approximately $37.9 million were paid in 2021. The total remediation program cost estimate remains $80.0m, with those costs fully provided for in prior reporting periods.

**d) Change to accounting policy adopted**

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (SaaS) arrangement. The Group has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the changes as a result of changing this policy is described in note 34.

**e) Going concern**

The Group recognised a net profit after tax of $45.7m for the period; current liabilities exceeded current assets by $130.3m as at 31 December 2021. 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, the extension of debt facilities and the availability of unused debt capacity will allow the Group to overcome the adverse impact of the COVID-19 pandemic, fulfil the remaining Group's remediation program obligations and meet its debts for the 12 months from the date of this report. Debt facilities were refinanced in February 2021 with a maturity in October 2023, refer to note 19.

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.

# 1 FINANCIAL OVERVIEW

## NOTE 2: SEGMENT INFORMATION

### Description of segments

The Executive Team (the Chief Operating Decision Maker) 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 relates to the single operating segment and the segment disclosure has not altered from the last Annual Report.

| | Australia $'000 | Foreign Country[1] $'000 | Total $'000 |
|---|---|---|---|
| **31 December 2021** | | | |
| Revenue from external customers | **866,336** | **—** | **866,336** |
| Non-current assets[2] | **1,614,324** | **—** | **1,614,324** |
| **31 December 2020** | | | |
| Revenue from external customers | 765,135 | 11,321 | 776,456 |
| Non-current assets[2] | 1,603,778 | — | 1,603,778 |

| Timing of revenue recognition | Australia $'000 | Foreign Country $'000 | Total $'000 |
|---|---|---|---|
| **31 December 2021** | | | |
| Revenue recognised at a point in time | **849,596** | **—** | **849,596** |
| **Total revenue from contracts with customers** | **849,596** | **—** | **849,596** |
| Other revenue recognised over time | **16,740** | **—** | **16,740** |
| **Total revenue** | **866,336** | **—** | **866,336** |
| **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 recognised over time | 15,518 | 14 | 15,532 |
| **Total revenue** | 765,135 | 11,321 | 776,456 |

1. A subsidiary group, based in Singapore, was disposed of in the prior year.
2. Non-current assets exclude deferred tax assets.

## NOTE 3: REVENUE

### Disaggregation of revenue

| | Consolidated 2021 $'000 | Consolidated 2020 $'000 |
|---|---|---|
| **From continuing operations** | | |
| *Sales revenue* | | |
| Revenue from child care centres | **829,201** | 600,435 |
| Government Assistance (refer to note to 1(a)(i)) | **21,263** | 160,270 |
| Funding relating to child care operations | **15,872** | 14,483 |
| | **866,336** | 775,188 |
| *Other revenue* | | |
| Management fee income | **—** | 1,268 |
| **Total revenue continuing operations** | **866,336** | 776,456 |

# 1 FINANCIAL OVERVIEW

## NOTE 3: REVENUE CONTINUED

### 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) 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), 31 December 2021: $12.3m (2020: $9.1m).

**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 that were being paid by franchisees in Singapore were recognised in accordance with the franchise agreement and once the operational support service had been performed, as this is when the Group transferred control of this service (satisfied its performance obligation) to the franchisee. The Singapore Group was divested in the prior year.

## NOTE 4: OTHER INCOME

| | Consolidated | |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| Deferred consideration not payable | **—** | 64 |
| Gain on sale of centres | **6,590** | 10,425 |
| Interest | **83** | 884 |
| Gain on lease modifications | **3,970** | — |
| Gain on surrender / termination of leases | **1,754** | 529 |
| **Total other income** | **12,397** | 11,902 |

### Accounting policies

**i) Deferred consideration**

Refer to notes 14(ii).

**ii) Gain on sale of centres**

Gains and losses on disposal are determined by comparing proceeds with the carrying amount.

**iii) Interest income**

Interest income is recognised using the effective interest method.

**iv) Gains on lease modifications, surrenders & termination**

Gains / (losses) from lease modifications are recognised as a result of the remeasurement of the right of use asset and lease liability following the modification of lease agreements.

Gains / (losses) from the surrender / termination of leases are determined by comparing payments with the carrying amount of the right of use asset and lease liability.

# 1 FINANCIAL OVERVIEW

## NOTE 5: EXPENSES

| | Consolidated 2021 $'000 | Consolidated Restated 2020 $'000 |
|---|---|---|
| **Profit / (Loss) before income tax includes the following specific expenses:** | | |
| **Depreciation expense** | | |
| Depreciation expense of property, plant and equipment (refer to note 11) | **20,965** | 19,465 |
| Amortisation of intangibles (refer to note 16) | **140** | 14 |
| Depreciation expense of right-of-use assets (refer to note 20) | **67,569** | 70,808 |
| | **88,674** | 90,287 |
| **Employment costs** | | |
| Wages and salaries | **494,738** | 484,999 |
| JobKeeper subsidy (refer to note 1(a)) | **—** | (102,917) |
| Boosting Apprenticeship Commencement (BAC) subsidy | **(5,179)** | — |
| Training and professional development | **5,128** | 2,937 |
| Post-employment benefits expense | **42,441** | 40,728 |
| Share-based payment expense | **501** | 174 |
| | **537,629** | 425,921 |
| **Finance costs** | | |
| Interest and finance charges | **13,660** | 20,715 |
| Interest expense on lease liabilities (refer to note 20) | **39,599** | 43,685 |
| Foreign exchange loss | **—** | 44 |
| Remediation program interest | **—** | 2,277 |
| | **53,259** | 66,721 |

The above should be read in conjunction with notes 20 and 35.

Refer to note 34 for restatement details.

## NOTE 6: INCOME TAX AND DEFERRED TAX ASSETS

| | Consolidated 2021 $'000 | Consolidated Restated 2020 $'000 |
|---|---|---|
| **a) Income tax expense** | | |
| Current tax | **8,399** | 24,374 |
| Deferred tax | **11,679** | (41,814) |
| Under / (over) provision current tax prior year | **(108)** | (567) |
| Under / (over) provision deferred tax prior year | **(106)** | — |
| **Income tax expense / (benefit)** | **19,864** | (18,007) |
| Income tax expense / (benefit) is attributable to: | | |
| Results from continuing operations | **19,864** | (18,007) |
| | **19,864** | (18,007) |
| **Deferred income tax expense included in income tax expense comprises:** | | |
| Decrease / (increase) in deferred tax assets | **11,573** | (41,814) |

# 1 FINANCIAL OVERVIEW

## NOTE 6: INCOME TAX AND DEFERRED TAX ASSETS CONTINUED

| | Consolidated 2021 $'000 | Consolidated Restated 2020 $'000 |
|---|---|---|
| **b) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Profit / (loss) from continuing operations before income tax expense | **65,545** | (206,977) |
| Tax on operations at the Australian tax rate of 30% (2020: 30%) | **19,664** | (62,093) |
| **Tax effect of amounts which are not deductible (taxable) in calculating taxable income** | | |
| Adjustments relating to prior year | **(214)** | (567) |
| Entertainment | **66** | 463 |
| Acquisition and divestment related costs - not deductible | **336** | 232 |
| Impairment of Goodwill | **—** | 43,586 |
| Other non-allowable items | **12** | 275 |
| Difference in overseas tax rates | **—** | 97 |
| **Income tax expense / (gain)** | **19,864** | (18,007) |
| Weighted average tax rate | **30.3%** | 8.7% |
| **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 – (credited) / debited directly to equity | — | 3,342 |

Refer to note 34 for restatement details.

| | Consolidated 2021 $'000 | Consolidated Restated 2020 $'000 |
|---|---|---|
| **Deferred tax asset** | | |
| *The balance comprises temporary differences attributable to:* | | |
| Employee benefits provisions[1] | **26,538** | 34,433 |
| Share issue transaction costs | **1,980** | 3,240 |
| **Total temporary differences** | **28,518** | 37,673 |
| **Other** | | |
| s40-880 deductions | **255** | 474 |
| Provision for expected credit loss | **1,612** | 1,559 |
| Accrued expenses | **4,204** | 3,034 |
| Property, plant and equipment | **9,077** | 6,832 |
| Intangibles | **1,700** | 1,794 |
| Lease liabilities | **189,857** | 204,375 |
| Provisions | **6,973** | 6,892 |
| **Total other** | **213,678** | 224,960 |
| **Total deferred tax assets** | **242,196** | 262,633 |
| **Deferred tax liability** | | |
| Buildings | **(567)** | (567) |
| Right of use / make good assets | **(132,624)** | (140,896) |
| Prepayments | **(916)** | (1,508) |
| **Total deferred tax liability** | **(134,107)** | (142,971) |
| **Net deferred tax asset** | **108,089** | 119,662 |

1. Employee Benefits include the tax benefit of $12.5m (2020: $23.1m) arising from the remediation program, refer to note 1(b).

# 1 FINANCIAL OVERVIEW

## NOTE 6: INCOME TAX AND DEFERRED TAX ASSETS CONTINUED

| | 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 2020** | 29,780 | 996 | 30,537 | 13,193 | 74,506 |
| Charged to the consolidated income statement | 4,653 | (1,098) | 32,942 | 5,317 | 41,814 |
| Charged directly to equity | — | 3,342 | — | — | 3,342 |
| **At 31 December 2020** | 34,433 | 3,240 | 63,479 | 18,510 | 119,662 |
| Charged to the consolidated income statement | (7,895) | (1,260) | (6,246) | 3,827 | (11,573) |
| **At 31 December 2021** | **26,538** | **1,980** | **57,233** | **22,337** | **108,089** |

### 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.

AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

The Group applies judgement in identifying uncertainties over income tax treatments. The Group considers 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 determines, based on its tax compliance and transfer pricing reviews, whether it is probable that its tax treatments (including those for the subsidiaries) would be accepted by the taxation authorities.

**iii) Tax related contingencies**

At 31 December 2021 there are no tax related contingencies (2020: nil).

## 1 FINANCIAL OVERVIEW

### NOTE 6: INCOME TAX AND DEFERRED TAX ASSETS CONTINUED

**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.

### NOTE 7: PROFIT FOR THE YEAR

Profit/(loss) for the year includes the following items that are material because of their nature, size or incidence.

| | Consolidated 2021 $'000 | Consolidated Restated 2020 $'000 |
|---|---|---|
| **a) Non-trading items** | | |
| **Non-trading income** | | |
| Gain on lease modifications | **3,970** | (158) |
| Gain on sale of centres | **6,590** | 10,425 |
| Gain on surrender / termination of leases | **1,754** | 528 |
| Contingent consideration no longer payable | **—** | 64 |
| **Total non-trading income** | **12,314** | 10,859 |
| **Non-trading expenses** | | |
| Impairment loss | **—** | (275,217) |
| Expenses related to legal matters | **—** | (7,500) |
| Acquisition related expenses | **(618)** | (2,425) |
| Abandoned acquisition expenses | **(489)** | (41) |
| Increase in employee provisions | **—** | (2,145) |
| Loss on disposal of assets/centres | **(5,165)** | (1,307) |
| Impairment of inventory | **—** | (1,167) |
| Remediation program costs | **—** | (4,096) |
| Software development expenses | **(6,901)** | (4,121) |
| **Total non-trading expenses** | **(13,173)** | (298,019) |
| **Non-trading items** | **(859)** | (287,160) |
| Income tax (expense)/ benefit | **258** | 52,578 |
| **Net non-trading items** | **(601)** | (234,582) |

# 1 FINANCIAL OVERVIEW

## NOTE 7: PROFIT FOR THE YEAR CONTINUED

| | Consolidated 2021 $'000 | Consolidated Restated 2020 $'000 |
|---|---|---|
| **b) Government assistance and rent concessions** | | |
| **COVID-19 related income** | | |
| Child care relief package (refer to note 1(a)) | **21,263** | 160,270 |
| JobKeeper subsidy (refer to note 1(a)) | **—** | 102,917 |
| Rent concessions (refer to note 1(a)) | **—** | 4,109 |
| **Total non-trading income** | **21,263** | 267,296 |
| **c) Finance expenses** | | |
| **Finance expenses** | | |
| Foreign currency translation loss | **—** | (44) |
| Interest expense on lease liabilities | **(39,599)** | (43,685) |
| Interest and finance charges | **(13,660)** | (20,715) |
| Remediation program interest | **—** | (2,277) |
| **Total finance expenses** | **(53,259)** | (66,721) |

Refer to note 34 for restatement details.

## NOTE 8: EARNINGS PER SHARE

| | Consolidated 2021 Cents | Consolidated Restated 2020 Cents |
|---|---|---|
| **a) Basic earnings per share** | | |
| Profit/(loss) attributable to the ordinary equity holders of the Company | **5.39** | (25.38) |
| **b) Diluted earnings per share** | | |
| Profit/(loss) from continuing operation attributable to the ordinary equity holders of the Company | **5.37** | (25.38) |
| | **$'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 | **45,681** | (188,970) |
| **Diluted earnings per share** | | |
| Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share | **45,681** | (188,970) |

# 1 FINANCIAL OVERVIEW

## NOTE 8: EARNINGS PER SHARE CONTINUED

| | 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] | **847,390,315** | 744,704,927 |
| **Adjustments for calculation of diluted earnings per share:** | | |
| Performance rights [1] | **2,568,212** | — |
| **Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share** | **849,958,527** | 744,704,927 |

1. 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 34 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.

## NOTE 9: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Trade receivables** | | |
| Trade receivables | **16,231** | 13,348 |
| Allowance for expected credit losses (refer to note (a) below) | **(2,244)** | (1,918) |
| **Total** | **13,987** | 11,430 |
| **Other receivables** | | |
| GST receivable | **3,177** | 2,428 |
| Other debtors | **2,440** | 3,525 |
| **Total trade and other receivables** | **19,604** | 17,383 |

# 1 FINANCIAL OVERVIEW

## NOTE 9: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES CONTINUED

### a) Allowance for expected credit losses

As at 31 December 2021, current trade receivables of the Group were assessed for expected credit losses. Movements in the allowance for expected credit losses of receivables are as follows:

| | Consolidated | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| Opening balance | **1,918** | 2,063 |
| Allowance for impairment recognised during the year net of collections | **1,415** | 2,677 |
| Receivables written off during the year as uncollectable | **(1,089)** | (2,822) |
| **Closing balance** | **2,244** | 1,918 |

The creation and release of the provision for expected credit losses has been included in 'other expenses' 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

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. As at 31 December 2021, trade receivables of $1.7m (2020: $1.4m) 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 future recoverability is expected.

The ageing analysis of these trade receivables is as follows:

| | Consolidated | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| Up to 3 months | **1,565** | 1,376 |
| 3 to 6 months | **87** | 56 |
| **Total** | **1,652** | 1,432 |

### 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.

# 1 FINANCIAL OVERVIEW

## NOTE 10: CURRENT AND NON-CURRENT ASSETS - OTHER

| | Consolidated 2021 $'000 | Consolidated 2020 $'000 |
|---|---|---|
| **Current** | | |
| Prepayments | **10,842** | 8,065 |
| Inventory | **1,438** | 1,526 |
| Deposits | **19** | 677 |
| **Total other current assets** | **12,299** | 10,268 |
| **Non-current** | | |
| Deposits on acquisitions | **43** | — |
| Prepayments | **5,948** | 114 |
| Deposits | **1,220** | 873 |
| **Total other non-current assets** | **7,211** | 987 |
| **Total other current and non-current assets** | **19,510** | 11,255 |

### Accounting policy

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

Prepayments non-current relates to payments made, more than one year in advance.

## NOTE 11: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

| Consolidated | Buildings $'000 | Vehicles $'000 | Furniture, fittings and equipment $'000 | Total $'000 |
|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | |
| Opening net book amount | **3,815** | **155** | **80,905** | **84,875** |
| Additions | **—** | **—** | **46,467** | **46,467** |
| Disposals | **(992)** | **(13)** | **(1,914)** | **(2,919)** |
| Depreciation charge | **(147)** | **(58)** | **(20,760)** | **(20,965)** |
| **Closing net book amount (restated)** | **2,676** | **84** | **104,698** | **107,458** |
| **At 31 December 2021** | | | | |
| Cost | **3,690** | **593** | **240,378** | **244,661** |
| Accumulated depreciation & Impairment | **(1,014)** | **(509)** | **(135,680)** | **(137,203)** |
| **Net book amount** | **2,676** | **84** | **104,698** | **107,458** |

# 1 FINANCIAL OVERVIEW

## NOTE 11: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT CONTINUED

| Consolidated | Buildings $'000 | Vehicles $'000 | Furniture, fittings and equipment $'000 | Total $'000 |
|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | |
| **Opening net book amount** | 3,980 | 268 | 99,616 | 103,864 |
| Adjustment on restatement for software development expenses | — | — | (5,725) | (5,725) |
| **Opening net book amount (restated)** | 3,980 | 268 | 93,891 | 98,139 |
| Transfer to intangibles (refer to note 16) | — | — | (569) | (569) |
| Additions through business combinations | — | — | 190 | 190 |
| Additions – other | — | — | 24,629 | 24,629 |
| Disposals | — | (3) | (1,218) | (1,221) |
| Depreciation charge | (165) | (73) | (19,227) | (19,465) |
| Impairment loss | — | (37) | (16,786) | (16,823) |
| Effect of foreign exchange on depreciation | — | — | (5) | (5) |
| **Closing net book amount (restated)** | 3,815 | 155 | 80,905 | 84,875 |
| **At 31 December 2020** | | | | |
| Cost | 5,190 | 649 | 196,783 | 202,622 |
| Accumulated depreciation & impairment | (1,375) | (494) | (115,878) | (117,747) |
| **Net book amount (restated)** | 3,815 | 155 | 80,905 | 84,875 |

Refer to note 34 for restatement details

### a) Leasehold Improvements

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

| | Consolidated | |
|---|---|---|
| | **2021 $'000** | 2020 $'000 |
| Cost | **133,067** | 110,417 |
| Accumulated depreciation | **(65,562)** | (55,576) |
| **Net book amount** | **67,505** | 54,841 |

# 1 FINANCIAL OVERVIEW

## NOTE 11: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT CONTINUED

### 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.

### 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.

The Group reviews annually whether the triggers indicating a risk of impairment exist. The review considered the ongoing impact of the COVID-19 pandemic on the 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 potential impairment for CGUs to which property, plant and equipment relate and tested the carrying values of these CGUs. No impairment losses were recognised in 2021 (2020: $16.8m impairment losses).

## NOTE 12: CURRENT AND NON-CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

| | | Consolidated | |
|---|---|---|---|
| | Notes | 2021 $'000 | 2020 $'000 |
| Trade payables [1] | | **13,284** | 18,449 |
| Contingent consideration | 15 | **75** | 75 |
| Centre enrolment advances | | **295** | 1,245 |
| Other payables and accruals [1] | | **64,611** | 54,123 |
| **Total current** | | **78,265** | 73,892 |
| Contingent consideration [2] | 15 | **6,867** | 657 |
| **Total non-current** | | **6,867** | 657 |

1. Trade and other payables are non-interest bearing and are normally settled on 30-day terms.
2. The Group has recognised a financial liability for the fair value of contingent consideration on acquisitions where an earn-out target is expected to be met.

### 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 2021 $'000 | Consolidated 2020 $'000 |
|---|---|---|
| **Current liabilities** | | |
| Employee benefits (note (a) below) | **41,613** | 33,257 |
| Remediation program [1] | **41,819** | 80,000 |
| Other provisions | **6,666** | 7,324 |
| **Total current** | **90,098** | 120,581 |
| **Non-current liability** | | |
| Employee benefits | **5,027** | 4,532 |
| Make good provision | **9,805** | 11,621 |
| **Total non-current** | **14,832** | 16,153 |

1. Refer note 1(c).

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

The current provision for employee benefits includes all accrued annual leave and long service leave expected to be taken or paid within the next 12 months. 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 annual leave that is not expected to be taken or paid within the next 12 months.

| | Consolidated 2021 $'000 | Consolidated 2020 $'000 |
|---|---|---|
| Leave obligations expected to be settled after 12 months | **6,139** | 3,551 |
| | **6,139** | 3,551 |

### Accounting policy

**i) Short term obligations**

Liabilities for wages and salaries, including non-monetary benefits and annual leave that could be taken or paid within 12 months of the reporting date are recognised 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.

# 1 FINANCIAL OVERVIEW

## NOTE 13: CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS CONTINUED

### 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.

## NOTE 14: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### 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**

The Group tests annually whether goodwill is impaired, 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**

If 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) Provision for employee remediation**

During the prior reporting period, as part of implementing a new Human Resources Information System ("HRIS") and rostering system, the Group had conducted a review of award and legislative requirements. This review had identified inadvertent non-compliance with some requirements of the Children's Services Award and the Educational Services (Teachers) Award for a number of the Group's team members in Australia, refer not 1 (c). The provision is for the remediation of these issues.

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 in which the revisions are verified.

# 2 BUSINESS COMBINATIONS, GOODWILL & IMPAIRMENT

## NOTE 15: BUSINESS COMBINATIONS

### i) Leor acquisition

On 30 September 2021, the Group acquired Leor Pty Ltd a company specialising in in-home child care and early childhood intervention NDIS services. The goodwill recognised is attributable to the future profitability of the acquired business.

| | 2021 $'000 |
|---|---|
| **Purchase consideration** | |
| Cash consideration | **2,000** |
| Purchase price adjustments (to cash) | **(51)** |
| Contingent consideration (at fair value) | **6,393** |
| **Total purchase consideration** | **8,342** |
| **Assets and liabilities acquired at fair value** | |
| Cash and cash equivalents | **62** |
| Trade and other receivables | **37** |
| Trade and other payables | **(165)** |
| Provisions | **(54)** |
| **Net identifiable assets/(liabilities) acquired** | **(120)** |
| Goodwill | **8,462** |
| **Total** | **8,342** |
| **Revenue and profit / (loss) contribution from the date of acquisition to period end 31 December 2021** | |
| Revenue | **398** |
| Loss before tax | **(15)** |

Acquisition related expenses of $0.5m (2020: $2.4m) are included in the consolidated income statement within other expenses.

No goodwill in relation to the Leor acquisition is deductible for income tax purposes.

### ii) Other business combinations

During the year, the Group did not purchase any centres via a business combination (2020: 4 centres).

| | 2020 $'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** | |
| Revenue | 3,143 |
| Loss before tax | (2,071) |

The centres were not operating prior to acquisition.

No goodwill is deductible for income tax purposes.

# 2 BUSINESS COMBINATIONS, GOODWILL & IMPAIRMENT

## NOTE 15: BUSINESS COMBINATIONS CONTINUED

### iii) Adjustments to provisional accounting

During the year accounting adjustments were made to provisional amounts recognised in 2020 as outlined below:

| | 2020 Adjustments Australia $'000 |
|---|---|
| **Total purchase adjustments** | **291** |
| **Assets and liabilities acquired at fair value** | |
| Goodwill | 291 |
| **Total** | **291** |

The above amounts relate to accounting adjustments for the purchase consideration recognised on acquisition date but not finalised at 31 December 2020.

### iv) Contingent Consideration

As part of the Leor Pty Limited purchase agreement with the previous owner, a portion of the consideration was determined to be contingent, based on the performance of the acquired business. The Group has discounted the maximum earnout per the contract for the time value of money, using a risk adjusted discount rate, which contemplates potential risks in meeting earnout targets.

In addition, as part of an historical purchase agreement with the previous owner for 1 centre, 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 2021 | Total potential contingent consideration payable $'000 | Carrying value $'000 | Conditions |
|---|---|---|---|
| Acquisition of 1 centre[1] | 750 | 549 | 19 years occupancy hurdle based on licence capacity |
| Acquisition of Leor Pty Ltd | 7,500 | 6,393 | 3 year hurdle based on EBITDA |

1. The Group has assessed that $0.1m (2020: $0.1m) 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 2021 $'000 | Consolidated 2020 $'000 |
|---|---|---|
| Opening balance | **732** | 1,493 |
| Write back of contingent consideration to the consolidated income statement for performance condition not met – other income (refer to note 4) | **—** | (64) |
| Fair value adjustments | **(108)** | 36 |
| Contingent consideration paid | **(75)** | (733) |
| Contingent consideration for new acquisitions | **6,393** | — |
| **Total contingent consideration payable as at 31 December** | **6,942** | 732 |

### 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 or expense.

# 2 BUSINESS COMBINATIONS, GOODWILL & IMPAIRMENT

## NOTE 16: NON-CURRENT ASSETS – INTANGIBLE ASSETS

| | Consolidated 2021 | | |
|---|---|---|---|
| | Goodwill $'000 | Software $'000 | Total $'000 |
| Opening net book amount | 1,047,227 | 2,034 | 1,049,261 |
| Additions | 8,462 [1] | 976 | 9,438 |
| Adjustments in respect of prior year acquisitions | 291 | — | 291 |
| Disposal of centres | (1,129) | (227) | (1,356) |
| Amortisation | — | (140) | (140) |
| **Closing net book amount** | 1,054,851 | 2,643 | 1,057,494 |
| Cost | 1,207,938 | 2,713 | 1,210,651 |
| Accumulated amortisation and impairment | (153,087) | (70) | (153,157) |
| **Net book amount** | 1,054,851 | 2,643 | 1,057,494 |

1. Refer note 15(i)

| | Consolidated 2020 | | | |
|---|---|---|---|---|
| | Goodwill $'000 | Intellectual Property $'000 | Software (Restated) [1] $'000 | Total $'000 |
| Opening net book amount | 1,189,910 | 3,250 | — | 1,193,160 |
| Transfer from PPE (refer to note 11) | — | — | 569 | 569 |
| Additions | 9,792 | — | 1,479 | 11,271 |
| Adjustments in respect of prior year acquisitions | 236 | — | — | 236 |
| Disposal of centres | (10,233) | — | — | (10,233) |
| Amortisation | — | — | (14) | (14) |
| Impairment (refer to note 1(a)) | (142,035) | (3,250) | — | (145,285) |
| Exchange differences | (443) | — | — | (443) |
| **Closing net book amount** | 1,047,227 | — | 2,034 | 1,049,261 |
| Cost | 1,200,314 | 3,250 | 2,048 | 1,205,612 |
| Accumulated impairment | (153,087) | (3,250) | (14) | (156,351) |
| **Net book amount** | 1,047,227 | — | 2,034 | 1,049,261 |

1. 2020 Software movement has been restated due to the retrospective application of the IFRIC agenda decision for Cloud Computing Arrangements. Refer to note 34 for details.

The Group acquired 1 childcare company during 2021 for which goodwill was recognised. The Group divested or closed 25 Australian centres during 2021 (2020: 6). Goodwill was attributed to 9 of the divested centres based upon an allocation relative to sale price. No goodwill was attributed to the closed centres.

### Accounting policy

**i) Software-as-a-Service (SaaS) arrangements**

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

### 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 assets is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets for 2022 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.

# 2 BUSINESS COMBINATIONS, GOODWILL & IMPAIRMENT

## NOTE 16: NON-CURRENT ASSETS – INTANGIBLE ASSETS CONTINUED

### 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% (2020: 10%);
— Full support office costs allocation; and
— Forecast period of 5 years plus a terminal growth calculation with a growth rate of 2% (2020: 2%).

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.

### c) Impairment charge

The Group completed an assessment of asset carrying values at year-end and management have determined that no 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 2.0% in the pre-tax discount rate; or
— A decrease of 19.7% in forecast EBITDA (adjusted for notional rent payments) driven by a decrease in average occupancy, partially offset by a reduction in wages expense, 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 amortised cost $'000 | Total $'000 |
|---|---|---|
| **2021** | | |
| **Financial assets** | | |
| Cash and cash equivalents | **74,131** | **74,131** |
| Trade and other receivables | **19,604** | **19,604** |
| | **93,735** | **93,735** |
| **2020** | | |
| **Financial assets** | | |
| Cash and cash equivalents | 316,989 | 316,989 |
| Trade and other receivables | 17,383 | 17,383 |
| | 334,372 | 334,372 |

| | Liabilities at fair value $'000 | Liabilities at amortised cost $'000 | Total $'000 |
|---|---|---|---|
| **2021** | | | |
| **Financial liabilities** | | | |
| Trade and other payables | **—** | **60,799** | **60,799** |
| Borrowings | **—** | **96,055** | **96,055** |
| Contingent consideration | **6,942** | **—** | **6,942** |
| | **6,942** | **156,854** | **163,796** |
| **2020** | | | |
| **Financial liabilities** | | | |
| Trade and other payables | — | 55,897 | 55,897 |
| Borrowings | — | 295,139 | 295,139 |
| Contingent consideration | 732 | — | 732 |
| | 732 | 351,036 | 351,768 |

# 3 CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

## NOTE 17: FINANCIAL RISK MANAGEMENT CONTINUED

### a) 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 2021 (2020: Nil).

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 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| $'000 | Balance % | Total Loans $'000 | Balance % | Total Loans |
| Syndicated Loan Facilities | **47,200** | **47%** | 247,200 | 82% |
| **Net exposure to cash flow interest rate risk** | **47,200** | **47%** | 247,200 | 82% |

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

**Sensitivity**

At 31 December 2021, 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 $82,600 higher or $82,600 lower respectively (post-tax profit for the year for 2020: $432,600 higher or $432,600 lower respectively).

### b) 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.

### c) 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

## 3 CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

### NOTE 17: FINANCIAL RISK MANAGEMENT CONTINUED

**Contractual maturities of financial liabilities**

| | 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 |
|---|---|---|---|---|---|---|---|
| **Consolidated 2021** | | | | | | | |
| **Non derivative** | | | | | | | |
| Syndicated Debt Facilities | **3,245** | **3,262** | **6,418** | **109,436** | **—** | **122,361** | **100,000** |
| Contingent consideration | **—** | **75** | **2,075** | **5,725** | **375** | **8,250** | **6,942** |
| Trade and other payables | **60,799** | **—** | **—** | **—** | **—** | **60,799** | **60,799** |
| Lease liabilities | **54,798** | **54,204** | **108,090** | **274,198** | **335,107** | **826,397** | **632,858** |
| **Consolidated 2020** | | | | | | | |
| **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 |

**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:

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

b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

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

The following table present the Group's liabilities measured and recognised at fair value on a recurring basis at 31 December 2021 and 31 December 2020:

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **At 31 December 2021** | | | | |
| **Liabilities** | | | | |
| Contingent consideration (refer to note 15)[1] | **—** | **—** | **6,942** | **6,942** |
| **At 31 December 2020** | | | | |
| **Liabilities** | | | | |
| Contingent consideration (refer to note 15)[1] | — | — | 732 | 732 |

1. The Group has discounted the maximum earnout per the contract for the time value of money, using a risk adjusted discount rate, which contemplates potential risks in meeting earnout targets.

# 3 CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

## NOTE 18: CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | Consolidated 2021 $'000 | Consolidated 2020 $'000 |
|---|---|---|
| Cash at bank and in hand | **74,131** | 316,989 |
| **Total cash and cash equivalents** | **74,131** | 316,989 |

### 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

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Current $'000 | Non-current $'000 | Total $'000 | Current $'000 | Non-current $'000 | Total $'000 |
| **Secured** | | | | | | |
| Syndicated Debt Facilities | — | **100,000** | **100,000** | — | 300,000 | 300,000 |
| **Total secured borrowings** | — | **100,000** | **100,000** | — | 300,000 | 300,000 |
| Borrowing costs | — | **(3,945)** | **(3,945)** | — | (4,861) | (4,861) |
| **Total borrowings** | — | **96,055** | **96,055** | — | 295,139 | 295,139 |

### a) Syndicated debt facilities

The Group had $100.0m drawn from the $400.0m syndicated debt facilities as at 31 December 2021. During the period, the Group completed the extension of its senior syndicated debt facility. 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. The Group made a $200.0m repayment of the syndicated debt facility during the period.

### b) Fair value

Carrying value is approximate to the fair value for all borrowings.

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

| | Notes | Consolidated 2021 $'000 | Consolidated 2020 $'000 |
|---|---|---|---|
| **Current** | | | |
| *Floating charge* | | | |
| Cash and cash equivalents | 18 | **74,131** | 316,989 |
| Trade and other receivables | 9 | **19,604** | 17,383 |
| Other current assets | 10 | **12,299** | 10,268 |
| **Total current assets pledged as security** | | **106,034** | 344,640 |
| **Non-current** | | | |
| *First mortgage* | | | |
| Buildings | 11 | **2,676** | 3,815 |
| Leased property | 20 | **440,620** | 467,828 |
| *Floating charge* | | | |
| Other non-current assets | 10 | **7,211** | 987 |
| Vehicles, furniture, fittings and equipment | 11 | **104,782** | 83,060 |
| **Total non-current assets pledged as security** | | **555,289** | 555,690 |
| **Total assets pledged as security** | | **661,323** | 900,330 |

# 3 CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

## NOTE 19: CURRENT AND NON-CURRENT LIABILITIES – BORROWING CONTINUED

### c) Financing arrangements

As at 31 December 2021 the following lines of credit were in place:

| | Consolidated | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Credit standby arrangements** | | |
| Total facilities | **1,000** | 500 |
| Used at balance date | **(585)** | (464) |
| **Unused at balance date** | **415** | 36 |
| **Syndicated Debt facilities** | | |
| Total facilities | **400,000** | 500,000 |
| Used at balance date | **(100,000)** | (300,000) |
| **Unused at balance date** | **300,000** | 200,000 |
| **Bank guarantee facilities** | | |
| Total facilities | **50,000** | 50,000 |
| Used at balance date | **(34,162)** | (34,793) |
| **Unused at balance date** | **15,838** | 15,207 |

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.

### 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 an amortised cost basis.

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:

| At 31 December 2020 | Leased property $'000 | Leased vehicle $'000 | Total $'000 |
|---|---|---|---|
| Cost | **712,005** | **2,987** | **714,992** |
| Accumulated depreciation and impairment | **(244,177)** | **(2,160)** | **(246,337)** |
| **Net book amount** | **467,828** | **827** | **468,655** |
| Additions | **10,533** | **85** | **10,618** |
| Remeasurement of make-good provision | **(1,507)** | **—** | **(1,507)** |
| Disposals | **(3,723)** | **(69)** | **(3,792)** |
| Depreciation charge | **(66,782)** | **(787)** | **(67,569)** |
| Modification to lease terms | **20,146** | **485** | **20,631** |
| Variable lease payments reassessment | **14,125** | **—** | **14,125** |
| **Closing net book amount as at 31 December 2021** | **440,620** | **541** | **441,161** |
| Cost | **748,021** | **3,451** | **751,472** |
| Accumulated depreciation and impairment | **(307,401)** | **(2,910)** | **(310,311)** |
| **As at 31 December 2021** | **440,620** | **541** | **441,161** |

| | Consolidated | | |
|---|---|---|---|
| At 31 December 2019 | Leased property $'000 | Leased vehicle $'000 | Total $'000 |
| 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 | 16,571 | — | 16,571 |
| Additions | 8,372 | — | 8,372 |
| Remeasurement of make-good provision | 779 | — | 779 |
| 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 |

# 3 CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

## NOTE 20: RIGHT OF USE ASSETS AND LEASE LIABILITIES CONTINUED

### b) Lease liabilities

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

| | Consolidated 2021 $'000 | Consolidated 2020 $'000 |
|---|---|---|
| Current lease liabilities | **73,207** | 69,435 |
| Non-current lease liabilities | **559,651** | 611,815 |
| **Total lease liabilities** | **632,858** | 681,250 |

| | Total $'000 |
|---|---|
| **As 31 December 2020** | **681,250** |
| Additions | **10,593** |
| Disposals | **(17,947)** |
| Accretion of interest | **39,599** |
| Payments | **(111,859)** |
| Modification to lease terms | **17,044** |
| Variable lease payments reassessment | **14,178** |
| **Closing net book amount as at 31 December 2021** | **632,858** |

| | Total $'000 |
|---|---|
| **As 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).

# 3 CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

## NOTE 20: RIGHT OF USE ASSETS AND LEASE LIABILITIES CONTINUED

### c) Amounts recognised in profit and loss

The following are the amounts recognised in profit and loss:

| | Consolidated | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| Depreciation expense of right-of-use assets | **67,569** | 70,808 |
| Interest expense on lease liabilities | **39,599** | 43,685 |
| Expense relating to short-term leases (included in occupancy expenses) | **256** | 201 |
| Expense relating to leases of low-value assets (included in Direct costs) | **1,810** | 2,415 |
| Variable lease (receipts)/payments (included in occupancy and other expenses) | **344** | (3,584) |
| Impairment loss on leases | **—** | 101,157 |
| (Gain) / loss on surrender/termination of leases | **(1,754)** | (529) |
| (Gain) / loss on lease modification | **(3,970)** | — |
| (Gain) / loss on sale of assets | **(7,927)** | (163) |
| **Total amounts recognised in profit and loss** | **95,927** | 213,990 |

The Group had total cash outflows for leases of approximately $112m in 2021 (2020:$102.2m) the principal portion of lease payments totalled $72.3m (2020:$58.5m), interest payments totalled $39.6m (2020: $43.7m) and other payments relating to low-value assets and net variable lease payments totalled approximately $2.2m (2020: ($1.0m) (included in payments to suppliers and employees).

### 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.

The Group reviews annually whether the triggers indicating a risk of impairment exist. During the period the Group reviewed the CGUs to which the right of use assets relate and tested the carrying values for impairment. No impairment losses were recognised in 2021 (2020: $101.2 impairment loss).

In addition, 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. The assessment did not result in the reversal of impairment losses during the current period.

### 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 if 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 recognition exemption to its short-term leases of property (i.e., those leases 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.

# 3 CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

## NOTE 21: CONTRIBUTED EQUITY

### a) Share capital

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | **2021 No. of Shares** | 2020 No. of Shares | **2021 $'000** | 2020 $'000 |
| Ordinary shares fully paid | **847,390,315** | 847,390,315 | **1,209,227** | 1,209,227 |

### b) Movements in ordinary share capital

| Details | Number of Shares '000 | $'000 |
|---|---|---|
| **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** |
| **31 December 2021 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. The Company also advises the market of any changes to dividend reinvestment plan.

### 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 (excluding lease liabilities) divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

# 3 CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

## NOTE 21: CONTRIBUTED EQUITY CONTINUED

The gearing ratios at 31 December were as follows:

| | Notes | Consolidated 2021 $'000 | Consolidated 2020 $'000 |
|---|---|---|---|
| Borrowings | 19 | **96,055** | 295,139 |
| Less: cash and cash equivalents | 18 | **(74,131)** | (316,989) |
| Net debt | | **21,924** | (21,850) |
| Total equity | | **914,711** | 868,530 |
| **Total capital** | | **936,635** | 846,680 |
| Gearing ratio | | **2%** | Nm |

### 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.

## NOTE 22: DIVIDENDS

### a) Ordinary shares

As a result of the financial impacts of the covid-19 pandemic, G8 Education temporarily suspended dividends and its dividend policy as per ASX announcement on 9 April 2020, resulting in no dividends paid to shareholders during 2021 in relation to the 2020 financial year. On 22 February 2022 G8 Education recommenced dividends by declaring a dividend in relation to the 2021 year. Refer to note 29.

Dividends declared or paid during the prior reporting period 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 |

### b) Franking credits

| | Consolidated 2021 $'000 | Consolidated 2020 $'000 | Parent Entity 2021 $'000 | Parent Entity 2020 $'000 |
|---|---|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2020: 30%) | **32,427** | 24,144 | **32,427** | 24,144 |

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

a) Franking credits that will arise from the payment of the amount of the provision for income tax;

b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

c) 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.

# 3 CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

## NOTE 23: RECONCILIATION OF CASH FLOWS

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

| | Consolidated 2021 $'000 | Consolidated Restated 2020 $'000 |
|---|---|---|
| Profit / (loss) for the year | **45,681** | (188,970) |
| Depreciation | **88,674** | 91,608 |
| Write back of deferred consideration not payable | **—** | (64) |
| (Gain) / loss on divestment of leases | **(1,754)** | (529) |
| Net (gain) / loss on sale of centres / assets | **(1,425)** | (9,118) |
| Write back of make good costs | **—** | (27) |
| Amortised borrowings costs | **2,455** | 2,398 |
| Lease adjustments | **(3,970)** | 29 |
| Brokerage and legal fees treated as investing cashflows | **—** | 717 |
| Impairments | **—** | 275,217 |
| Non- cash employee benefits expense - share based payments | **501** | 174 |
| (Increase) / decrease in deferred tax asset | **11,573** | 3,435 |
| (Increase) / decrease in trade and other debtors | **(2,221)** | 8,676 |
| (Increase) / decrease in other current assets | **(2,031)** | — |
| (Increase) / decrease in non-current assets | **(6,224)** | — |
| Increase / (decrease) in trade and other creditors | **1,929** | 28,937 |
| Increase / (decrease) in contract liabilities | **3,238** | 1,898 |
| Increase / (decrease) in lease liabilities | **—** | (4,109) |
| Increase / (decrease) in provisions[1] | **(31,804)** | 11,119 |
| Increase / (decrease) in provision for income taxes payable | **(20,355)** | (35,746) |
| Net exchange differences | **—** | 35 |
| **Net cash inflows from operating activities** | **84,267** | **185,680** |

1. Includes reduction in provision for wage remediation of $37.9m, refer note 1(c).

Refer to note 34 for restatement details.

### Changes in liabilities arising from financing activities

| | Opening balance 1 Jan 2021 $'000 | Cash flows $'000 | Foreign exchange movement $'000 | Movement to current liability $'000 | Considered interest in operating cash flows $'000 | New leases $'000 | Other $'000 | Closing balance 31 Dec 2021 $'000 |
|---|---|---|---|---|---|---|---|---|
| Current lease liabilities | **69,435** | **(111,859)** | **—** | **73,207** | **39,599** | **423** | **2,402** | **73,207** |
| Non-current lease liabilities | **611,815** | **—** | **—** | **(73,207)** | **—** | **10,170** | **10,873** | **559,651** |
| Non-current interest bearing loans and borrowings | **295,139** | **(201,544)** | **—** | **—** | **—** | **—** | **2,460** | **96,055** |

| | Opening balance 1 Jan 2020 $'000 | Cash flows $'000 | Foreign exchange movement $'000 | Movement to current liability $'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 |

# 4 GROUP STRUCTURE

## NOTE 24: INTERESTS IN OTHER ENTITIES

### a) 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 | 2021 % | 2020 % |
|---|---|---|---|---|
| **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 |

# 4 GROUP STRUCTURE

## NOTE 24: INTERESTS IN OTHER ENTITIES CONTINUED

| Name of Entity | Country of incorporation | Class of Shares/Units | 2021 % | 2020 % |
|---|---|---|---|---|
| **Subsidiaries of Company** | | | | |
| Sydney Cove Children's Centre Unit Trust | Australia | Ordinary | **100** | 100 |
| Sydney Cove Children's Centre Unit Trust B | Australia | Ordinary | **100** | 100 |
| 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 |
| Murmuration Holdings Pty Ltd | Australia | Ordinary | **100** | — |
| Leor Pty Ltd [2] | Australia | 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 acquired Leor Pty during the year. Refer to note 15 for Leor acquisition details.

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

### b) Interests in associates

In November 2021, The Group acquired a 20% interest in Kiddo Group Holdings Pty Ltd (Kiddo) through a share subscription agreement for a total consideration of $1m.

Kiddo represents a mobile platform connecting and matching parents with carers to provide in-home care for their children. Kiddo is a private entity that is not listed on any public exchange.

### Accounting policy

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's interests in associates is accounted for using the equity method in the consolidated financial statements.

# 4 GROUP STRUCTURE

## NOTE 25: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 31 December 2021 the parent entity of the Group was G8 Education Limited.

| | 2021 $'000 | 2020 Restated $'000 |
|---|---|---|
| **Result of parent entity** | | |
| Profit / (loss) for the year after tax | **47,878** | (176,035) |
| Other comprehensive income / (loss) | **—** | — |
| **Total comprehensive income / (loss) for the year** | **47,878** | (176,035) |
| **Financial position of parent entity at year end** | | |
| Current assets | **115,928** | 338,238 |
| Non-current assets | **1,624,021** | 1,606,855 |
| **Total assets** | **1,739,949** | 1,945,093 |
| Current liabilities | **248,455** | 271,217 |
| Non-current liabilities | **561,941** | 792,701 |
| **Total liabilities** | **810,396** | 1,063,918 |
| **Total equity of parent entity comprising of:** | | |
| Contributed equity | **1,209,227** | 1,209,227 |
| Reserves | **65,316** | 16,938 |
| Accumulated losses | **(344,990)** | (344,990) |
| **Total equity** | **929,553** | 881,175 |

Refer to note 34 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 a number 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.

# 4 GROUP STRUCTURE

## 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 2021 of the closed group:

### a) Consolidated statements of comprehensive income

| | 2021 $'000 | 2020 Restated $'000 |
|---|---|---|
| **Continuing operations** | | |
| Revenue | **866,336** | 765,135 |
| Other income | **12,397** | 11,901 |
| **Total** | **878,733** | 777,036 |
| **Expenses** | | |
| Employment costs | **(537,629)** | (417,549) |
| Occupancy | **(48,214)** | (8,121) |
| Direct costs of providing services | **(33,692)** | (76,390) |
| Software development expenses | **(6,901)** | (4,121) |
| Depreciation | **(88,674)** | (89,095) |
| Impairment loss | **—** | (268,942) |
| Other expenses | **(44,819)** | (50,563) |
| Finance costs | **(53,259)** | (66,159) |
| **Total expenses** | **(813,188)** | (980,940) |
| Share in profit of subsidiaries | **—** | (3,210) |
| **Profit / (loss) before income tax** | **65,545** | (207,114) |
| Income tax benefit (expense) | **(19,864)** | 18,144 |
| **Profit / (loss) for the year** | **45,681** | (188,970) |
| **Total comprehensive income /(loss) for the year** | **45,681** | (188,970) |

Refer to note 34 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 2021 of the closed group.

| | 2021 $'000 | 2020 Restated $'000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | **74,131** | 316,989 |
| Trade and other receivables | **19,604** | 17,383 |
| Other current assets | **12,299** | 10,268 |
| Current tax asset | **17,582** | — |
| **Total current assets** | **123,616** | 344,640 |
| **Non-current assets** | | |
| Property, plant and equipment | **107,458** | 84,875 |
| Right of use assets | **441,161** | 468,655 |
| Deferred tax assets | **108,089** | 119,662 |
| Intangible assets | **1,057,494** | 1,049,261 |
| Investment in an associate | **1,000** | — |
| Other non-current assets | **7,211** | 987 |
| **Total non-current assets** | **1,722,413** | 1,723,440 |
| **Total assets** | **1,846,029** | 2,068,080 |
| **Current liabilities** | | |
| Trade and other payables | **78,265** | 73,892 |
| Contract liabilities | **12,343** | 9,105 |
| Current tax liability | **—** | 2,773 |
| Lease liabilities | **73,207** | 69,435 |
| Provisions | **90,098** | 120,581 |
| **Total current liabilities** | **253,913** | 275,786 |
| **Non-current liabilities** | | |
| Other payables | **6,867** | 657 |
| Borrowings | **96,055** | 295,139 |
| Lease liabilities | **559,651** | 611,815 |
| Provisions | **14,832** | 16,153 |
| **Total non-current liabilities** | **677,405** | 923,764 |
| **Total liabilities** | **931,318** | 1,199,550 |
| **Net assets** | **914,711** | 868,530 |
| **Equity** | | |
| Contributed equity | **1,209,227** | 1,209,227 |
| Reserves | **65,316** | 16,938 |
| Retained earnings | **(359,832)** | (357,635) |
| **Total equity** | **914,711** | 868,530 |

Refer to note 34 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: OTHER MATTERS

### Class action

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.

## NOTE 29: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The following material matter ha3s taken place subsequent to year end:

The Board declared a 3.0c fully franked dividend at the Board meeting on 22 February 2022 which will be the final dividend of the year.

The Group announced the establishment of a share buy-back facility on 22 February 2022.

# 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**

— D Foster (appointed chair 29 November 2021)
— M Johnson (retired 29 November 2021)

**ii) CEO and Managing Director**

— G Carroll

**iii) Independent Non-Executive Directors**

— J Cogin
— S Forrester (retired 19 May 2021)
— D Singh (appointed 29 November 2021)
— T Thornton (appointed 29 November 2021)
— P Trimble
— M Zabel

### 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 |
| M Ashcroft | Chief Operating Officer (appointed 1 March 2021) |
| J Ball | General Manager Operations (ceased employment on 5 February 2021) |

### c) Key Management Personnel compensation

| | Consolidated | |
|---|---|---|
| | **2021 $'000** | 2020 $'000 |
| Short term employee benefits [1] | **3,330** | 2,390 |
| Post employment benefits | **156** | 146 |
| Termination benefits | **284** | — |
| Deferred short-term benefits | **134** | — |
| Share based payments [2] | **343** | 126 |
| | **4,247** | 2,662 |

1. Includes Non-Executive Directors' fees
2. 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 pages 54 to 60.

### 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.

# 6 OTHER

## 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 | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| Share-based payment expense | **501** | 174 |

### 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) for the 2018 and 2019 Grants 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. | |

Performance conditions of the 2018 Grant and 30 January 2019 Grant were not met. The options were forfeited on 1 March 2021.

Shareholders approved changes to the GEIP at the General Annual Meeting held on 17 June 2020.

The vesting conditions for the 2020 and 2021 Grants comprises a cumulative EPS measure rather than a CAGR measure as used for previous Grants. The performance rights of these Grants 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 | | |
| | 2020 Grant | 2021 Grant | Percentage of Performance Rights that vest |
| | Less than 14 cent | Less than 20 cents | 0% |
| | 14 cents to 17 cents | 20 cents to 24 cents | 50% – 100% (pro-rata) |
| | > 17 cents | > 24 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. | | |

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 2018 | 415,059 | — | — | (415,059) | — | — |
| 30 January 2019 | 30,527 | — | — | (30,527) | — | — |
| 10 May 2019 | 431,755 | — | — | (91,520) | 340,235 | 340,235 |
| 30 June 2020 | 1,240,000 | — | — | (250,000) | 990,000 | 990,000 |
| 28 June 2021 | — | 1,499,499 | — | — | 1,499,499 | 1,499,499 |
| 2 September 2021 | — | 78,713 | — | — | 78,713 | 78,713 |
| **Total** | **2,117,341** | **1,578,212** | **—** | **(787,106)** | **2,908,447** | **2,908,447** |

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 |
|---|---|---|---|---|
| 10 May 2019 | 1 March 2022 | 2.42 | 340,235 | 30 May 2022 |
| 30 June 2020 | 1 March 2023 | 0.74 | 990,000 | 30 May 2023 |
| 28 June 2021 | 1 March 2024 | 0.89 | 1,499,499 | 31 May 2024 |
| 2 September 2021 | 1 March 2024 | 0.89 | 78,713 | 31 May 2024 |
| **Total** | | | **2,908,447** | |

### 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 [1] | Risk free rate | Time to maturity | Annual dividend yield | Model used |
|---|---|---|---|---|---|---|---|
| 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 |
| Tranche 8 | 28 June 2021 | $1.00 | 56% | 0.16% | 2.68 years | 4.66% | Black Scholes |
| Tranche 9 | 2 September 2021 | $1.01 | 48% | 0.09% | 2.49 years | 4.89% | Black Scholes |

1. The expected volatility of the Company was determined after considering, the historic share price volatility of the Company and the tendency of volatility to revert to its mean.

### Accounting policy

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

The fair value of options and Performance Rights that 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.

# 6 OTHER

## NOTE 32: REMUNERATION OF AUDITORS

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

| Fees to Ernst & Young (Australia) | Consolidated 2021 $ | 2020 $ |
|---|---|---|
| Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities | **500,000** | 537,923 |
| Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm | **—** | 50,000 |
| Fees for other services | | |
| – Transactional and other services | **143,000** | 301,800 |
| – Advisory – Child Safety | **—** | — |
| – Sustainability reporting | **—** | 40,376 |
| **Total Auditor's remuneration** | **643,000** | 930,099 |

## 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.

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.

## NOTE 34: CHANGES IN ACCOUNTING POLICIES

### IFRIC agenda decision – Configuration and Customisation Costs in Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (SaaS) arrangement. The Group has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the changes as a result of changing this policy is described below.

### Accounting policy – Software-as-a-Service (SaaS) arrangements

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract. Previously some costs had been capitalised and amortised over its useful life.

### Impact of adoption

As a result of retrospective application of this change in accounting policy the following adjustments have been included in the financial statements:

— An expense of $4.0m after tax is included in the restatement of opening retained earnings as at 1 January 2020, as a result of a $5.7m reduction in PPE[1] and a $1.7m increase in Deferred tax assets;

— An expense of $2.0m after tax has been recognised in the 2020 financial year; and

— An expense of $4.3m after tax has been included in the current 2021 reporting period that would have previously been capitalised (under the previous policy).

# 6 OTHER

## NOTE 34: CHANGES IN ACCOUNTING POLICIES CONTINUED

The Group has restated the prior period comparative amounts as follows:

| Consolidated Balance Sheet Extract | 2020 $'000 | SaaS Policy movement (Opening Balance) $'000 | SaaS Policy movement (2020 Impact) $'000 | Restated 2020 $'000 |
|---|---|---|---|---|
| Deferred tax assets | 117,104 | 1,718 | 840 | 119,662 |
| Property, plant and equipment | 87,419 | (5,725) | 3,181 | 84,875 |
| Intangible assets | 1,055,242 | — | (5,981) | 1,049,261 |
| **Net assets** | **874,497** | **(4,007)** | **(1,960)** | **868,530** |
| Reserves | 22,905 | (4,007) | (1,960) | 16,938 |
| **Total equity** | **874,497** | **(4,007)** | **(1,960)** | **868,530** |

1. Software assets in development were recorded within Property plant and equipment in the 2020 opening balance. These assets were subsequently transferred to Intangible assets during the year 2020 year, however have now been expensed.

| Consolidated Income Statement Extract | 2020 $'000 | SaaS Policy movement $'000 | Restated 2020 $'000 |
|---|---|---|---|
| Software development expenses | — | (4,121) | (4,121) |
| Depreciation and amortisation | (91,609) | 1,322 | (90,287) |
| **Profit / (loss) before income tax** | **(204,177)** | **(2,800)** | **(206,977)** |
| Income tax benefit / (expense) | 17,167 | 840 | 18,007 |
| **Profit / (loss) for the year attributable to members of the parent entity** | **(187,010)** | **(1,960)** | **(188,970)** |

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 $0.27 cents per share.

| Consolidated Statement of Cash Flows | 2020 $'000 | SaaS Policy movement $'000 | Restated 2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees (inclusive of GST) | (515,683) | (4,121) | (519,804) |
| **Net cash inflows from operating activities** | **189,565** | **(4,121)** | **185,444** |
| **Cash flows from investing activities** | | | |
| Payments for purchase of intangible assets | (5,464) | 3,884 | (1,580) |
| Payments for property, plant and equipment | (21,451) | 237 | (21,214) |
| **Net cash outflows from investing activities** | **(30,601)** | **4,121** | **(26,480)** |

# 6 OTHER

## NOTE 35: 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. The Company's principal activities are operating child care centres and ownership of franchised child care centres.

The financial statements were authorised for issue on 22 February 2022. 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 2021 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.

# 6 OTHER

## NOTE 35: OTHER SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 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 exercised.

#### ii) Translation

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income 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) 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 $nil (2020: $27.6m) 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

### g) Income statement classification

The classification of certain expense items has been adjusted within the Consolidated Income Statement to provide users of the financial statements with a better understanding of categories of costs incurred by the Group. We have also reclassified the comparative financial information presented to enable the users of the financial statements to appropriately compare the two periods. This change in classification has no effect on the total expenses recorded and reported, or the Profit / (loss) before income tax in either period.

### h) Accounting standards and interpretations applied from 1 January 2021

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 2020, except for the adoption of new standards, interpretations or amendments effective as of 1 January 2021, refer note 34.

### i) Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to AASB 16

On 28 May 2020, the AASB issued Covid-19-Related Rent Concessions - amendment to AASB 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under AASB 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

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

The group did not recognise rent concessions in the current year. In the prior year, 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

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2021 reporting period. The standards are not expected to have a material financial impact on the entity in the current or future reporting periods and on foreseeable future transactions.

# DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and notes set out on pages 71 to 114 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 2021 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**

**Director**

22 February 2022

# INDEPENDENT AUDITOR'S REPORT

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## 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 2021, 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 2021 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

Building a better working world

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 and estimation by the Group.<br><br>The Group's impairment assessments are complex and involve judgements and estimation 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 ongoing 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.<br><br>The Group's disclosures are included in notes 14, 16 and 20 to the financial statements, which includes the key assumptions applied by the Group. | Our audit procedures included an evaluation of the following judgements and assumptions used in the Group's impairment assessment:<br>• Evaluated the Group's identification of cash generating units ("CGU") for non-current assets and one CGU for goodwill, including quantification of the carrying amount of the CGUs.<br>• Agreed the cash flow forecasts to Board-approved budgets.<br>• 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.<br>• Assessed discount rate and long-term growth rate assumptions with involvement from EY valuation specialists.<br>• Considered whether the Group's cash flow forecasts contemplated the potential future impacts of the COVID-19 pandemic on income and expenses.<br>• Considered management plans for centre closures and sales and tested the Group's cash flow forecasts reflected these plans.<br>• Assessed and performed independent sensitivity analysis on management's review of underperforming assets and held inquiries with the Group's property team.<br>• Tested the mathematical accuracy of the impairment models, including recalculating the recoverable amount.<br>• Considered the market capitalisation of the Group relative to the recorded net asset amount at 31 December 2021.<br>• Performed independent sensitivity analysis over the impairment model in relation to key assumptions including occupancy, growth rates, and discount rates.<br>• Considered the adequacy of disclosure in notes 14,16 and 20 to the financial statements regarding the impairment testing approach, key assumptions and sensitivity analysis. |

# INDEPENDENT AUDITOR'S REPORT

Building a better working world

## Employee remediation

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As detailed in Note 13, the Group has recorded a Provision of $41.8 million for Employee Remediation as at 31 December 2021. A review of G8's award and legislative requirements in the prior period 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 is in the process of remediating this issue.<br><br>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. The Group used legal counsel and accounting experts in estimating underpayments. | In assessing the Provision for Employee Remediation, our procedures included the following:<br><br>► Developed an understanding of the basis for management's estimate for the provision as at balance date and the movement for the financial year ended 31 December 2021.<br><br>► Enquired of 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.<br><br>► With the assistance of our EY Employment Law Specialist Team, we considered the independence, experience, competency of the Group's independent experts who were engaged to assist management in determining the remediation provision at 31 December 2021 and assessed the reasonability of the conclusion reached.<br><br>► Tested a sample of payments made to both current and former employees during the period, with reference to the amounts assessed as payable by the Group's external experts.<br><br>► Examined advice from, and held discussions with, the Group's external experts to understand residual risks in the settlement of the provision.<br><br>► Assessed the adequacy of the disclosures made in the financial statements including the significant judgements and estimates adopted by management. |

# INDEPENDENT AUDITOR'S REPORT

Building a better working world

## 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 \$866 million of which \$21 million related to one-off COVID-19 Government Support. Customers are generally invoiced in advance, alongside processing of Child Care Subsidy by the Department of Human Services. Accordingly, there is a risk that revenue is recognised in the incorrect period.<br><br>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.<br><br>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 ("AASB 15") and AASB 120 Accounting for Government Grants and Disclosure of Government Assistance ("AASB 120"). To do this, we:<br><br>► Assessed the Group's identification of the performance obligations and revenue recognition under AASB15 and AASB 120.<br>► Assessed the Group's design effectiveness of key controls over the recognition of revenue.<br>► Correlated 100%of revenue to accounts receivable and cash, testing outliers.<br>► Tested a sample of daily revenue to source documentation.<br>► Tested 100%of government funding from the Victorian Recovery Package and NSW, Victorian and ACT Viability Package through to cash receipt and a sample of payments received for transition relief.<br>► 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.<br>► Assessed journal entries relating to revenue, in particular those near the year end.<br>► 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 2021 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.

# INDEPENDENT AUDITOR'S REPORT

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.

## 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.

# INDEPENDENT AUDITOR'S REPORT

Building a better working world

- 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.

- 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

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## Report on the Audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 44 to 62 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of G8 Education Limited for the year ended 31 December 2021, complies with section 300A of the Corporations Act 2001.

### Responsibilities

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

Ernst & Young

Ernst & Young

Kellie McKenzie
Partner
Brisbane
22 February 2022

# SHAREHOLDER INFORMATION

The total issued capital of the Company as at 31 December 2021 and as at the date of this annual report is 847,390,315.

The Shareholder information set out below was applicable as at 31 December 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 | 675,763,069 | 218 | 79.75 |
| 50,001 to 100,000 | 29,780,644 | 412 | 3.52 |
| 10,001 to 50,000 | 83,484,115 | 3,942 | 9.85 |
| 5,001 – 10,000 | 29,568,862 | 3,842 | 3.49 |
| 1,001 – 5,000 | 25,535,550 | 9,163 | 3.01 |
| 1 – 1,000 | 3,258,075 | 6,308 | 0.38 |
| | **847,390,315** | **23,885** | **100.00%** |

There were 2677 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 | 203,988,204 | 24.07 |
| Citicorp Nominees Pty Limited | 185,824,443 | 21.93 |
| J P Morgan Nominees Australia Pty Limited | 94,209,944 | 11.12 |
| National Nominees Limited | 78,467,997 | 9.26 |
| BNP Paribas Noms Pty Ltd | 26,515,069 | 3.13 |
| BNP Paribas Nominees Pty Ltd (Agency Lending) | 16,469,156 | 1.94 |
| Citicorp Nominees Pty Limited (Colonial First State Inv) | 5,841,181 | .69 |
| BNP Paribas Nominees Pty Ltd (Six Sis Ltd) | 2,985,032 | .35 |
| BNP Paribas Nominees Pty Ltd (Hub24 Custodial Serv Ltd) | 2,887,134 | .34 |
| BNP Paribas Nominees Pty Ltd (IB AU Noms Retail) | 2,674,822 | .32 |
| Triskelion Enterprises Pty Ltd | 2,612,824 | .31 |
| RAP Investments Pty Limited | 2,600,000 | .31 |
| HSBC Custody Nominees (Australia) Limited | 1,913,495 | .23 |
| Netwealth Investments Limited | 1,559,542 | .18 |
| Mr Riccardo Pisaturo | 1,400,000 | .17 |
| HSBC Custody Nominees (Australia) Limited - GSCO ECA | 1,261,201 | .15 |
| Australian Executor Trustees Limited | 1,088,741 | .13 |
| Shobra Pty Ltd | 1,018,000 | .12 |
| Nulis Nominees (Austrlaia) Limited | 836,765 | .10 |
| Demeta Pty Ltd | 775,000 | .09 |
| | **634,928,550** | **74.93** |

# SHAREHOLDER INFORMATION

## c) Substantial holders

Substantial holders as at 17 February 2022 in the Company are set out below:

| Ordinary Shares | Number held | Percentage |
|---|---|---|
| Allan Gray | 139,235,152 | 16.43% |
| Host-Plus Pty Limited as trustee of the Hostplus Pooled Superannuation Trust | 55,425,655 | 6.54% |
| Tanarra Entities | 86,875,476 | 10.25% |
| Yarra Management Nominees Pty Ltd, TA Universal Investment Holdings Ltd, Yarra Capital Management Ltd, Yarra Investment Management Ltd and Nikko AM Equities Australia Pty Ltd | 56,579,659 | 6.68% |
| Sunsuper Pty Ltd atf Sunsuper Superannuation Fund | 46,422,692 | 5.48% |

## d) Voting rights

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

### i) Ordinary shares

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

### ii) Options

There are no voting rights attached to the options.

### iii) Unquoted securities

There are no unquoted securities on issue.

# CORPORATE DIRECTORY

## Directors
D Foster, Chairman
G Carroll, Managing Director and Chief Executive Officer
Prof J Cogin, Non-Executive Director
D Singh, Non-Executive Director
A Thornton, 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

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

designdavey

G8 Education ltd

www.G8education.edu.au

G8 Education Limited (ABN 95 123 828 553)