2022 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 work, learn and grow connections together as a united community.

OUR PURPOSE

At G8 Education our purpose is creating the foundations for learning for life.

The first five years of a child's life are critical to their future learning and development. This underpins our commitment to providing quality early learning through our innovative and evidence-based Education Strategy, and our team of passionate and dedicated Educators and Teachers around Australia.

Our teams are supported to continue their lifelong learning journeys through sector leading study pathways and professional development – helping bring to life our purpose for each and every child in our care.

OUR BUSINESS

G8 Education Limited (ASX:GEM) is one of Australia's largest providers of quality early childhood education and care, with close to 10,000 team members welcoming around 50,000 children into more than 430 services every week.

While we operate under 21 centre brands, we are all united by our shared purpose of creating the foundations for learning for life.

Led by our purpose, we have grown from a family-owned and operated company with 30 centres in 2007, to now draw on our national scale to create exceptional experiences for our children, families and team.

Each day, our dedicated team members nurture children's independent and curious minds, by creating inclusive, safe learning environments which meet children's individual needs. We support every child to build a strong sense of identity and are committed to providing children the right to live, play and learn within their culture.

At G8 Education we are committed to creating rich learning experiences through which children can thrive.

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CHAIR'S REPORT

On behalf of the Board, I am pleased to present the G8 Education Limited 2022 Annual Report.

With a continued focus on quality and safety, we have achieved significant successes in 2022 delivering benefits for our children, families, teams and communities.

Evidence suggests that children who receive high quality early education may be more likely to thrive throughout later schooling, enjoy healthier development, have greater employment opportunities, earn higher wages as adults, and enjoy more productive and fulfilling lives. Overall, this means a more prosperous future for Australia.

Our sector continues to face challenges, including cost pressures, affordability challenges and workforce shortages, which limit the care options many Australian families have available to them. We were pleased to join others across the sector in welcoming affordability and accessibility measures included in the Australian Government's Federal Budget in October 2022. We are also working to support state government reforms that will improve access to kinder and preschool programs for families in New South Wales, Victoria and Queensland from 2023.

The success of these national and state government reforms relies heavily on the availability of trained educators and early childhood teachers. Workforce shortages continue to challenge the sector. We have joined with other providers and sector bodies in calling for government to fund an increase in educator wages in a way that won't see overwhelming cost passed on to families and providers. We remain focused on the issue of workforce shortages as a priority in 2023.

Against this challenging sector backdrop, I am incredibly proud of the results G8 Education delivered in 2022 for our children, families, teams and shareholders.

We have continued our strong focus on safety and quality, earning recognition as the Queensland Child Protection Week - Child Safe Organisation for 2022, and seeing continual improvement in our National Quality Standards. By the end of 2022, 89% of our centres had earned a 'Meeting' or 'Exceeding' rating.

We also continued our development of an innovative and evidence-based early learning curriculum, as part of our Education Strategy. This strategy includes a focus on nurturing children's independence and curiosity, championing health and wellbeing, and leveraging technology that is integral for modern learning.

To deliver these successes, we overcame a challenging first quarter in which disruption from the COVID-19 Omicron wave and extensive rain and flood events along Australia's east coast forced temporary, but widespread, closures. Our focus was on supporting the safety and wellbeing of our children, families, teams and broader communities. I am grateful to our teams for the genuine concern and care displayed during these challenges and heartened by the many stories of our teams going above and beyond to support our communities during this time.

These events temporarily impacted occupancy and earnings in the first quarter of 2022. Disciplined responses to this difficult external environment mitigated the impact on the Group's financial performance in 2022 with a strong second half performance resulting in a full year Net Profit After Tax of $36.6 million.

Cash flow generation continued to be strong, with $136.8 million in operating cash flows being generated and a share buyback of $34.8 million completed during 2022 up to 31 December 2022.

The Group continued to maintain a strong Balance Sheet, with net debt of $91.0 million at the end of 2022 and access to a further $140 million of undrawn bank debt facilities. This balance ensures the Group has sufficient capital to deliver its current strategy. Dividends totalling 2.0 cents per share were declared in respect of the 2022 full year[1].

As we concluded 2022 we marked a leadership transition from our outgoing Managing Director and CEO Gary Carroll to our incoming Managing Director and CEO Pejman Okhovat.

On behalf of the Board, I would like to thank Gary for his exceptional leadership and outstanding contribution over his six years with G8 Education, initially as Chief Financial Officer before taking on the role of Managing Director and CEO in January 2017.

Gary has been a steadfast champion of our purpose, while overseeing periods of significant change and challenge for the organisation – including leading the Group through the COVID-19 pandemic. He has been a strong advocate for the sector, in particular driving support to better recognise and elevate the value of the early learning profession. He has executed and delivered solid results through the strategic transformation program and leaves in place strong foundations for the next phase of our journey.

1. In addition to an interim dividend totaling 1.0 cent per share.

NET PROFIT AFTER TAX
$36.6m

To that end, the Board and I extend a warm welcome to Pejman as he joins G8 Education. Pejman is an accomplished leader whose three decades in retail give him an exceptional understanding of consumers, and leading large, dispersed teams to deliver excellent results. We know he is delighted to join G8 Education and is committed to continuing our focus on delivering outstanding experiences for our children, families and teams and delivering value for shareholders.

Importantly, I would like to thank each and every one of our G8 Education team members for your professional and passionate service in delivering exceptional education and care to our children and families last year. I would like to thank our families for trusting your children's care and learning to our incredible teams. It is a privilege to be given the opportunity to make a positive impact in the lives of so many Australian children and families.

Lastly, thanks also to our shareholders for your ongoing support. Your commitment enables us to continue this positive impact as we pursue our purpose, creating the foundations for learning for life.

OPERATING CASH FLOW GENERATION
$136.8m
AND AFTER LEASE PAYMENTS $63.6M

CORE OCCUPANCY[1]
71%

David Foster
Chair

1. Average core occupancy excludes greenfield centres.

CEO AND MANAGING DIRECTOR'S REPORT

It is my privilege to have joined G8 Education in January 2023 as CEO and Managing Director. In presenting this report on behalf of the organisation, I acknowledge the exceptional contribution of outgoing CEO and Managing Director Gary Carroll, in delivering these results for 2022, and establishing G8 Education as the high quality education and care provider it is today. As I look ahead to the next phase of our journey, I am excited to build upon these foundations, as we continue to make a positive and lasting impact in the lives of children and their families across Australia.

QUALITY AND SUSTAINABILITY

Our purpose at G8 Education is creating the foundations for learning for life. Quality and sustainability are critical to achieving this.

In line with our strategy, we have continued to drive quality improvements across our network in 2022. We completed our quality improvement program, marking the end of our centralised delivery of targeted quality support and refreshed resources across our centres. Our focus has now shifted to a new business as usual model designed to sustain and continuously improve service quality as part of our everyday operations. By the end of 2022, 89% of our centres were 'Meeting' or 'Exceeding' the National Quality Standard, a 3% increase year on year demonstrating a continued uplift in quality performance.

We have increased our focus on managing our environmental, social and governance risks and material issues. Child health and safety remains the most significant material issue to our families, our teams and stakeholders. We were pleased to be named the Queensland Child Protection Week - Child Safe Organisation for 2022, acknowledging our commitment to the ongoing journey of creating a child-focused culture that keeps children safe.

Critical to this journey has been the appointment of a team member in each centre as a Child Protection Champion. These team members embed practices into their centres by supporting and educating team members and promoting a child safe culture.

At G8 Education we are committed to creating safe and inclusive learning environments in which children can thrive. We are proud that through our purpose we can deliver a unique and positive social impact. We piloted a new inclusion program in 2022 which focuses on educational planning and practice, families and communities, complex needs, cultural competence and learning environments through a strength-based perspective and inclusion lens.

In 2022 we committed to developing a group-wide Reconciliation Action Plan. This will complement and support the reconciliation journeys many of our centres have already begun.

Our environmental commitments included an expansion of our recycling initiatives, with the launch of a nappy recycling pilot in partnership with Kimberley-Clark. We have continued our overall program to set and achieve targeted reductions in Scope 1 and Scope 2 emissions by 2025.

PEOPLE PROGRAM

Our people bring our purpose to life every day, and it is through our dedicated teams that we deliver outstanding experiences for our children and families. In 2022 we have maintained, as a priority, our strategic focus on attracting, retaining, developing and rewarding our team members as the sector has continued to navigate unprecedented workforce shortages.

Career development remains a key pillar of our employee value proposition. Our professional development offerings, combined with our scale, are helping us mitigate sector workforce shortages by 'growing our own' talent. It is pleasing to see more than 1,000 team members engaged in our sector leading Study Pathways program in 2022, working towards Certificate III, Diploma, Bachelor and Masters qualifications. Support ranges from financial assistance, mentoring programs and allocated, paid study time. Our sector leading offering was recognised when G8 Education was named Australia's most attractive employer in Randstad's Employer Brand Research 2022 survey.

During the year we also implemented increased day-to-day support for our Centre Managers, and provided dedicated teacher registration resources for early childhood teachers, while ensuring remuneration remains market-competitive for these roles. We continue to review and refresh our educator offering, including increasing our childcare fee discount to 50% in 2022 and offering our Early Childhood Teachers either two weeks additional leave or higher wages from 2023.

We have continued a strong focus on team member wellbeing as part of our safety priority, and pleasingly we saw a significant 20% reduction in mental injury frequency rate in 2022.

Through coordinated efforts at a sector, network and local level we reduced our job vacancy levels by 37% as at 31 December 2022[1]. We continue our efforts, alongside sector peers and peak bodies, in calling for government to fund a wage increase for educators in a way that will not see overwhelming costs on to providers and working families.

1. Compared to 31 December 2021.

G8 Education has an amazing purpose and I feel very privileged to be in a position where I can support our Educators and Teachers to create the foundations for learning for life for the next generation of Australian children. I believe in the importance of listening, learning and collaborating to ensure we deliver the best possible experiences for our children, families and teams.

Pejman Okhovat, CEO and Managing Director

OPERATING EBITDA[1]
$106.5m

94%
CASH CONVERSION

OPERATING EBIT[1]
$80.3m

CENTRE NETWORK PERFORMANCE

The start of 2022 presented temporary, yet significant challenges, as our network felt the impacts of the COVID-19 Omicron wave and significant rain and flooding along the east coast of Australia. These weather impacts caused devastation in many of our communities as we focused our efforts on supporting directly impacted team members and families. As a result of these events, centre closures were elevated in the first quarter, temporarily impacting occupancy, before we saw a subsequent recovery during the second quarter. Closing occupancy at the end of December 2022 was 71%.

Our greenfields program gained momentum after a period of COVID-19 delays, opening 6 new centres in 2022. As part of our previously announced divestment and end of term exits from underperforming or undesirable sites, a total of 16 centres were divested or closed during the year. This brought our total number of centres as at 31 December 2022 to 438. These centres provide a total combined licenced capacity of more than 36,500. Our activities in this area continue to support the dual aim of improving network quality and providing a source of material earnings growth in future years as the greenfield portfolio grows and matures.

Overall, our centre network performance resulted in operating Earnings Before Interest and Tax (EBIT) after lease interest of $80.3 million, 0.2% above last year. The Group's ability to convert Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) to cash remained strong with 94% cash conversion in 2022, generating operating cash flows of $136.8 million.

OUTLOOK FOR 2023

Demand for high quality education and care is expected to grow following the introduction of the Cheaper Childcare bill and the changes to the Child Care Subsidy from 1 July 2023. Demand drivers such as workforce participation, birth rate and international migration are also forecast to be positive in the coming years. Supply growth constraints are expected to persist in 2023 as the sector continues to face workforce shortages as well as increased construction costs and construction timeframes.

Our focus on sustainable growth and returns, remains underpinned by our strategic priorities to:

- attract and retain great leaders and teams
- deliver high quality education and care for children and families
- create differentiation for families and teams.

Our strategy, implemented through our talented and dedicated team, will continue to support our commitment to delivering outstanding experiences and outcomes for our children, families and teams.

I would like to sincerely thank our dedicated teams across Australia for your passion, commitment and talent. Your dedication to your profession makes a lasting and positive impact on our children and families.

Yours sincerely,

Pejman Okhovat
CEO and Managing Director

1. Operating EBITDA excludes non-trading items and Kiddo and is after lease interest. Refer to note 7 of the Financial Report on page 76 for a breakdown of the non-trading items. Operating EBIT excludes non-trading items and Kiddo and is after lease interest and depreciation.

2022 HIGHLIGHTS[1]

48K+
CHILDREN PER WEEK

9,808
TEAM MEMBERS

438
EARLY LEARNING AND EDUCATION CENTRES

37K+
LICENSED PLACES ACROSS AUSTRALIA

NAMED
Australia's Most Attractive Employer
BY RANDSTAD EMPLOYER BRAND RESEARCH SURVEY

3,415
NEW TEAM MEMBERS JOINED G8 EDUCATION

8K+
EARLY CHILDHOOD EDUCATORS

215
TEAM MEMBERS ENGAGED IN THE STUDY PATHWAYS BACHELOR SCHOLARSHIP PROGRAM

1,064
TEAM MEMBERS ENGAGED IN STUDY PATHWAYS TRAINEESHIPS CERT III AND DIPLOMA

OUR FIRST BACHELOR SCHOLARSHIP GRADUATES COMPLETED THEIR STUDIES AND ALL **25 Graduates** TOOK EARLY CHILDHOOD TEACHER ROLES IN OUR CENTRES

PARTICIPANTS IN OUR STUDY PATHWAYS PROGRAM INCREASED BY ↑ **62%**

1. As at 31 December 2022

102
CENTRE MANAGERS ENROLLED IN FIRST STEPS

89%
OF OUR CENTRES WERE 'MEETING' OR 'EXCEEDING' THE NATIONAL QUALITY STANDARD, A 3% INCREASE YEAR ON YEAR

SIGNED A SUSTAINABILITY LINKED LOAN WITH KPIs LINKED TO CENTRE QUALITY, EMISSION REDUCTIONS AND RECONCILIATION

AWARDED THE 'COMMITMENT TO CHILD SAFE ORGANISATIONAL PRINCIPLES AWARD' BY THE QUEENSLAND CHILD PROTECTION WEEK

Masters of Teaching SCHOLARSHIP
ADDED TO OUR STUDY PATHWAYS PROGRAM

AWARDED A bronze medal IN THE APPRENTICESHIPS-EMPLOYER AWARD CATEGORY AT THE 2022 AUSTRALIAN TRAINING AWARDS

GOLD SPONSOR FOR THE EARLY CHILDHOOD AUSTRALIA CONFERENCE, WITH A THEME THAT CHALLENGED EARLY CHILDHOOD PROFESSIONALS TO BE 'THOUGHT LEADERS AND POWERBROKERS'

Large Employer Finalist
AT THE VICTORIAN TRAINING AWARDS

4 OUT OF 5
Team members say THEIR MANAGER SUPPORTS THEIR EFFORTS TO BALANCE WORK AND PERSONAL LIFE

4 OUT OF 5
Team members say G8 PROVIDES THE OPPORTUNITY FOR LEARNING AND DEVELOPMENT

ANNOUNCED TWO WEEKS ADDITIONAL PAID ANNUAL LEAVE FOR OUR QUALIFIED EARLY CHILDHOOD TEACHERS FROM 2023

RAISED $181,031
THROUGH THE CHILDREN'S HOSPITAL FOUNDATION 42K YOUR WAY FUNDRAISER TO SUPPORT RESEARCH INTO CHILDHOOD BRAIN CANCER

STRATEGY

REFINED STRATEGIC DIRECTION

Our purpose is creating the foundations for learning for life. Through our vision we aspire to achieve positive outcomes for children and families, create a fantastic working environment for our teams, and develop a sector leading reputation for innovative early childhood programs. Sustainability and financial performance underpin our continued ability to pursue our purpose and deliver our vision.

Our strategic focus is on achieving stable, engaged teams, which are critical to delivering high quality outcomes for children and great experiences for our families. This will in turn contribute to higher occupancy. To achieve this, we will invest in attracting, retaining and developing great leaders and great teams, who are supported to deliver consistently high quality education and care.

We will pursue differentiation through innovation and leverage our scale, to makes us an attractive partner and to introduce sector leading advances in early childhood programs and technology. This includes working with Apple's education team on a pilot program to use technology devices for teaching and learning with children in the year before formal school begins and extends beyond the centre to help families use technology to guide learning at home. We are also working with a university partner, Queensland University of Technology (QUT), to rollout across our network the 'RAMSR' (Rhythm and Movement for Self-Regulation) program to support attention and emotional regulation in young children.

Combined, these strategic initiatives will deliver great outcomes for our children, families and teams, and support sustainable progress towards our purpose and vision.

OUR 2023-25 STRATEGIC PLAN

OUR PURPOSE

Creating the foundations for learning for life

OUR VISION

- Positive outcomes for children & families
- A great place to work
- Renowned for delivering innovative early childhood programs

TO ACHIEVE THIS WE WILL:

ATTRACT, RETAIN AND DEVELOP GREAT LEADERS AND TEAMS

QUALITY = 95%

DELIVERING HIGH-QUALITY OUTCOMES FOR

CHILDREN

STABLE, ENGAGED

TEAMS

RETENTION = 80%

LEAD TO GREAT EXPERIENCES FOR

FAMILIES

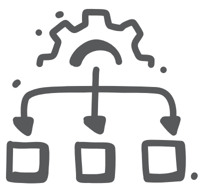
& INCREASED

OCCUPANCY

OCCUPANCY = 80%

SUSTAINABILITY & FINANCIAL PERFORMANCE UNDERPIN OUR FUTURE

PROVIDE HIGH QUALITY EARLY LEARNING AND CARE



CREATE DIFFERENTIATION FOR TEAMS AND FAMILIES

DELIVER SUSTAINABLE RETURNS FOR SHAREHOLDERS

MATERIAL RISKS

MATERIAL RISKS

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

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

RISK	MITIGATING ACTIVITIES
1. Safety, health and well-being It is imperative that the Group maintains safe business environments and work practices to protect the wellbeing of children, team members, families, contractors and other people who visit our centres. We care about physiological and psychological safety and are committed to creating a safe learning and working environment where everyone arrives home free from injury and illness. Injuries or safety concerns affecting our children, team members, families, or other people who visit our centres may negatively impact the reputation of our business and could result in physical harm, regulatory action and/or penalties.	• Our Group has a suite of policies that address various aspects of both team and child safety and health, including interactions with children, conduct, physical environments, procedures, recruitment and reporting. We require all team members to complete mandatory training with respect to child safety and health on an annual basis. • Our educators must have a "Working with Children Check" and our Recruitment Policy and Processes seek to ensure the best educators are engaging with the children in our care. • Our Board is provided with at least monthly updates regarding child protection and safety and our Group's Audit & Risk Management Committee and People, Culture & Education Committee are provided with at least quarterly updates to monitor the effectiveness of the implementation of the Safety and Health policies, standards, plans, risk program, processes, resources and compliance. • We continue to invest to improve quality and safety, address risks and develop a safety culture across our business. • We continue to invest in our capital works program to improve the physical condition and safety of our network environments. • Well established pandemic/COVID-19 processes and procedures to ensure swift and agile response and support to teams where required due to the pandemic.
2. Organisational access to workforce, culture and capability Our team members are key to the success of our business and it is critical that we can attract, retain and motivate appropriately skilled and trained team members that meet the existing or future education and care needs of our families, ensure ratio compliance, grow occupancy and attain associated Government funding. There is a risk that we may not be able to execute upon the business strategy as a result of workforce shortages, lack of induction and training, organisational capability, inappropriate culture and values environments and a lack of agility in our people to manage and grow the business.	• Our Group has a dedicated recruitment team focused on finding and employing the right talent to ensure the people entering our business meet the needs of each individual role. • Our Bachelor Scholarship program and G8 Family and Team Member Benefits programs are in place to attract and retain good people. Those programs subsidise early learning for our team and provide direct sponsorship and scholarships to enable our team members to undertake further education and study. These programs and the development of our people are supported by a dedicated Learning and Development team who provide ongoing training and leadership development to ensure our team members maintain our standards and develop their careers. • We are committed to improving our employee value proposition so that G8 is seen as the employer of choice in the Early Childhood Education sector, and have implemented pay increase and, improved development and support as part of that program. • We have a structured talent management framework covering workforce planning, succession planning and performance management to ensure a pipeline of talent for senior leadership roles. • Team member engagement surveys are regularly conducted to understand and help us respond to the needs of our team members.

MATERIAL RISKS *continued*

RISK	MITIGATING ACTIVITIES
3. Cyber and Emerging Technology Risks The protection of the personal information of our families and team members is paramount. A major data or information security breach has the potential to result in unauthorised access, disclosure, loss and/or misuse of family, supplier, team member and company information which may cause significant business and reputational damage, adverse regulatory and financial impacts and legal proceedings.	• Our information technology 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 in an effort to keep pace with the constantly evolving threat landscape. • Regular updates provided by our Chief Information Officer to the Executive Leadership Team and the Board. • 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 (which includes our Privacy Policy). • Annual information security management training is provided to team members. • We apply a variety of approaches to protect our data from risk including key vendor security assessments, penetration testing, legislative monitoring, cyber threat assessment, reviewing and monitoring industry threat analysis and benchmarking. • We deploy technical security solutions such as identity and access management and other endpoint solutions across our technology infrastructure to address identified cyber risks and to protect against data loss. • We partner with experienced cyber security firms to continuously monitor developments in relation to cyber threats and resulting remedial actions. • We commenced an internal audit on Cyber Security and Data Privacy in December 2022 and will assess the findings and implement the recommendations in our 2023 cyber roadmap.
4. Strategic execution The successful delivery of our Group's strategic plan is critical to enable our Group to effectively leverage its scale advantage. This requires building and maintaining organisational capability in relation to planning, resourcing and execution of key projects.	• Our Board provides oversight of the delivery, progress against plan, key resourcing, capability and critical dependencies for our Group's strategy. • We have project and change management process that includes evaluation of the impact of change on our operations to ensure key initiatives are effectively embedded.
5. Changes to regulatory environment Regulatory changes to the early learning sector may have an adverse impact on the way we manage and operate our centres and on our financial performance. The introduction of new legislation or regulations, or changes in Government funded child care subsidy levels may adversely impact our financial performance and future prospects.	• The sector continues to enjoy strong bipartisan Government support as evidenced by increases to child care subsidy levels announced for implementation in mid-2023 and relief packages throughout the COVID-19 crisis. • Our Group maintains productive working relationships at both Federal and State Government levels providing our Group with early visibility of pending regulatory changes and enabling us to prepare and respond to such change.
6. Governance, ethics, legal and compliance We operate in a complex regulatory environment and are subject to a wide and diverse range of laws and regulations regarding matters such as children's education and care service standards, employment, health and safety, the physical environment of the centre, privacy, anti-bribery and corruption, competition, corporate conduct and ASX listing rules. We must comply with these obligations to ensure the longevity and success of our business. We also operate in an environment where we may periodically be a party to legal proceedings and litigation which could have financial impacts and negatively impact our business and reputation.	• We maintain a Compliance and Regulatory Support Guide along with a suite of Corporate Governance Policies, Whistleblower Policy, Delegation of Authority and Contract Signing Process and Code of Conduct to assist with management of legal and regulatory compliance. • We have a capable Legal, Quality & Risk team in place who specialise in compliance and regulatory risk within the childcare industry. • We engage with external legal experts with respect to continuous disclosure obligations and other material legal matters. • We have an incident notification and escalation process with a centralised dedicated compliance team to lodge notifications with regulatory authorities. • Both an external and internal audit function is in place to provide objective evaluations of effectiveness of the Group's governance and controls to ensure compliance.

MATERIAL RISKS *continued*

RISK	MITIGATING ACTIVITIES
7. Industrial Relations Failure by an employer to comply with relevant employment laws or awards can lead to potential regulatory investigations or enforcement actions or other civil or criminal fines or penalties. As disclosed on 8 December 2020, the Group identified underpayments of overtime and some allowances to former and current team members, in breach of the applicable awards, and self-reported the underpayments to the Fair Work Ombudsman. The Remediation Program necessitated by these underpayments is well progressed and the Group continues to liaise with the Fair Work Ombudsman in relation to these issues.	• Mandatory training is in place for Regional Managers, Area Managers and Centre managers. • We have established rostering principles and a workforce planning team to support Centre Managers. • The rollout of our new Human Resource Information System (HRIS) was completed in 2022. The new HRIS automates certain compliance controls and systems and provides improved visibility and transparency to ensure rostering compliance. • We have established increased supervision and oversight of our wage and rostering practices.
8. Competition The early learning sector remains competitive with new supply consistently entering the market. This environment creates both opportunities and risks that may impact business performance within the local markets in which we operate.	• Our Executive Leadership Team regularly review key market trends, price points across competitors, promotions and marketing activity along with our Group's occupancy, wages, strategic initiative benefits and costs. • Our business intelligence and performance reporting systems provide visibility of operating driver performance at centre level, enabling decisions to be made on a timely basis in response to changing local market conditions.
9. Economic Conditions & Sustainability Economic conditions, including but not limited to the unemployment rates, birth rates, lower female workforce participation, lower household income and wealth or deterioration of market conditions in the areas surrounding our centres may impact the occupancy levels at our centres. G8 Education's business may be impacted by physical climate risks including damage to or destruction of centres as a result of extreme weather events such as flooding or bush fires, and transition risks including increased expenditure from more expensive grid energy and compliance costs associated with responses to global policy and government regulations.	• Our Group undertakes detailed supply demand modelling in relation to existing and new centre investments to ensure forecast social and economic drivers are factored into any investment decisions. • We completed a sustainability materiality assessment in 2020 and are focused on continually improving our response to the key areas identified, and achievement of the sustainability targets set. • We entered into a new sustainability linked facility agreement in December 2022 that focusses on the Group's commitment to reducing carbon emissions, improving centre quality and developing a Reflect Reconciliation Action Plan. • We support the Task force for Climate-related Financial Disclosures (TCFD) and are making good progress in aligning our climate reporting with its recommendations moving forward. • A climate risk register for identified climate-related risks is maintained. • The progress G8 Education is making against its sustainability targets and initiatives is reported quarterly to the Audit & Risk Management Committee. • We have set targets to reduce our Scope 1 and Scope 2 emissions in line with the Paris Agreement.
10. Financial, treasury and insurance The management of liquidity to make payments to team members and suppliers, 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 and counterparty risk. These risks are managed day to day by our Group Finance function. • We have medium term bank funding facilities in place with a syndicate of lenders and manage these facilities to ensure availability of cash and committed debt facilities to meet our forecasted liquidity and capital requirements. • We have an insurance program in place to reduce risk exposure for insurable risks.
11. Systems and Information Management The ongoing confidentiality, integrity and availability/continuity of our core business systems is critical to our day-to-day operations and ongoing success. We must ensure that information is relevant, available and to a quality that can support good business decisions.	• Our Group has a robust reporting framework, delegation of authority and budgeting process to manage these risks and ensure that management systems are aligned with strategy. • We ensure that our key operating systems are hosted by proven providers with high availability and fault tolerance and low failure risk.

SUSTAINABILITY REPORT

Contents

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.

This year's Sustainability Report continues to be organised around the four sustainability pillars identified in our 2020 materiality assessment: Governance, Service Quality, Our People, and Environment. 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 2022 as well as targets for 2023.

GOVERNANCE

Strong corporate governance and compliance with Australian law, industry regulation and standards for childcare services underpin our success. At the end of 2022, 89% of our centres were rated as 'Meeting' or 'Exceeding' the National Quality Standards, a 3% increase year on year.

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.

OUR PEOPLE

Addressing unprecedented sector-wide workforce shortages was a priority focus in 2022. Through coordinated efforts at a sector, network and local level, we have reduced our job vacancy levels by 37%[1]. We have made improvements to our recruitment and retention activities, with career development remaining a key part of our employee value proposition. This was recognised when G8 Education was named Australia's most attractive employer in Randstad's Employer Brand Research survey in 2022. We also won a bronze model in the Apprenticeships-Employer Award category at the 2022 Australian Training Awards.

These awards reflect the quality of our sector-leading Study Pathways program which continued to grow in 2022, with the addition of a Masters of Teaching scholarship, enabling team members with a Bachelor degree from another field to complete their teacher training. It complements our existing fee-free Diploma, Certificate III and Bachelor study pathways. We also established our fourth university partnership with Edith Cowan University in Western Australia.

We remain committed to supporting sector-leading Early Childhood Teacher (ECT) career pathways, launching our inaugural Early Childhood Teacher Roadshow in 2022 and announcing two weeks additional paid annual leave for our qualified ECTs from 2023. We were delighted to bring our Centre Managers, Area Managers and Regional Managers together for the first time since before the pandemic for our national conference. With the theme of 'Reconnect' this offered an outstanding opportunity for professional development, recognition and strengthening of our critically important leadership teams. We also commenced a new Area Manager Development Program, designed to strengthen the leadership capabilities of our critically important around centre leaders through a 12-month blended learning curriculum.

We continued to introduce new and enhanced benefits and recognition programs across our entire workforce, including a 50% child care fee discount for team members, a formal 'Years of Service' recognition program, our Annual Standout Educator Awards, and our Team Saver retail rewards program. Throughout the year, we also placed a strong focus on team member wellbeing as part of our safety priority, and saw a reduction in mental injury frequency rate of 20%.

OUR ENVIRONMENT

We have undertaken multiple initiatives to start tracking and reducing our impact on the environment. Consistent with our support of the Paris Agreement, we have set targets to reduce our Scope 1 and 2 emissions. We are closely tracking our Scope 1 and 2 emissions and have obtained assurance over our emissions reporting as part of execution of a Sustainability Linked Loan in 2022 that links to three key performance indicators: reducing our carbon emissions, improving our quality and implementation of our reconciliation action plan.

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 issues into daily centre life.

I am pleased to share our 2022 Sustainability Report. We look forward to continuing our sustainability journey and welcome feedback from our shareholders and other stakeholders.

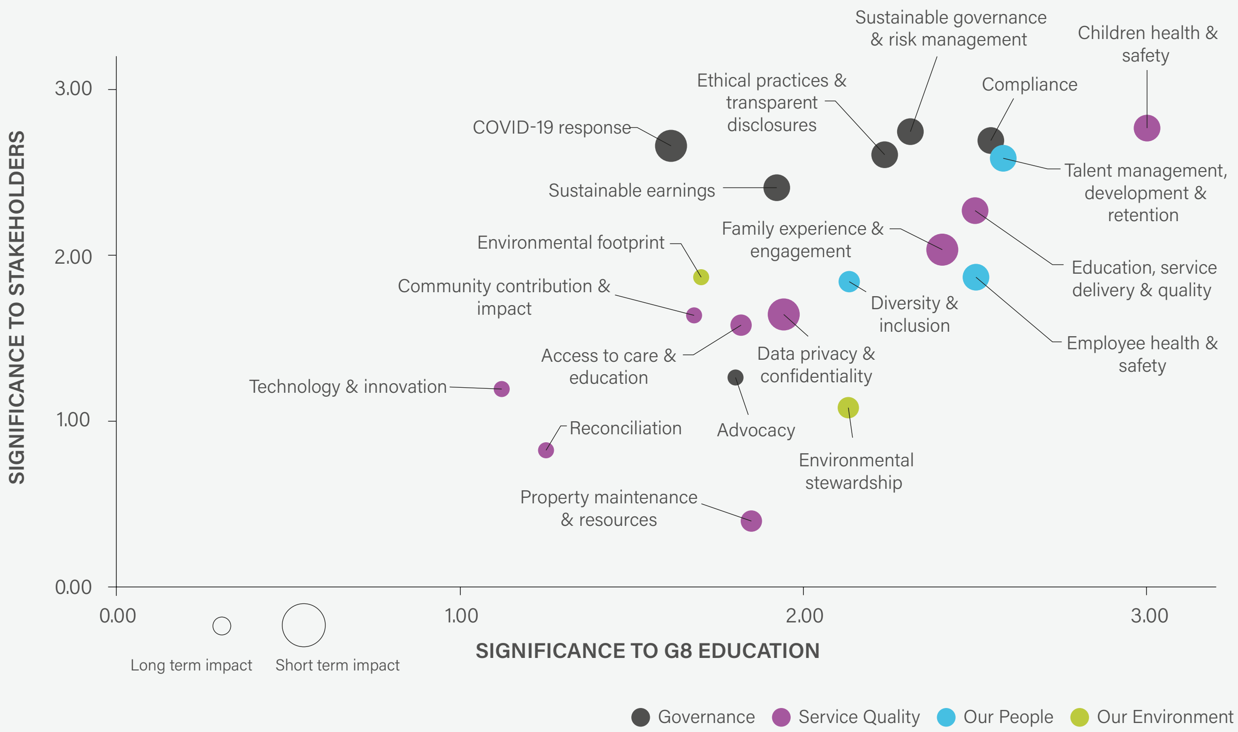
Pejman Okhovat
CEO and Managing Director

1. At 31 December 2022 compared to 31 December 2021.

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.



SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (SDGs) were established in 2015 and set a global agenda for sustainable development through 2030. The 17 SDGs are a call to action to address the world's most pressing economic, environmental and social issues.

G8 Education' 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 against the SDGs when possible.

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 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 guide and monitor 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 is found in the corporate governance section of our website: www.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 mandatory 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.

In 2022 we engaged an external expert to review the Group's compliance framework. Further improvements to the compliance framework will be made in 2023, including investment in digitisation and automation of reporting and additional training for support functions and centre teams.

HOW PERFORMANCE IS MEASURED	PERFORMANCE	
Enterprise Risk Management Framework (ERM) including number of times ERM reviewed by the Board; number of times full ERM framework reviewed	✓ ERM reviewed at 12 Board meetings ✓ ERM reviewed at all Audit & Risk Management Committee Meetings ✓ Annual Risk Workshop conducted by the Audit & Risk Management Committee	
Active team members who have completed annual Child Protection Training	**FY22 (TARGET)**	**FY21**
	82% (95%)	92%

REPORTING TOPIC

Sustainable earnings

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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.

In 2022, G8 Education continued to invest in its centres through enhancements to learning environments, centre manager development and weekly work routines. The centralised Improvement Program is complete with the program rolled out across the network including refreshed educational resources in each centre. We are now taking a 'Business As Usual' approach focused on sustaining and continuously improving centre quality, supported by the efforts of the around centre "Field Support" teams.

PILLAR – GOVERNANCE *continued*

REPORTING TOPIC
Advocacy

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

G8 Education believes in being an advocate for children and in advocating the importance of early childhood education to government, sector and the community. Our efforts to raise awareness of the positive impact of early learning and to build further recognition of the early childhood education profession continued in 2022, and we joined sector-wide discussions with government focused on improving affordability of care, increasing educator wages and supporting greater access to quality early learning and care for children with complex needs.

The Board of G8 Education has approved the Company's membership of 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. It has extensive experience in the fields of early learning, training and management and 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.

In 2022 G8 Education's primary advocacy activities centred around its involvement as a member of the Board of ELACCA. During 2022, ELACCA's advocacy activities focused on:

- Ensuring the health and safety of children and educators during the COVID-19 outbreaks in 2022;
- Improving the equity and access to early education for all Australian children. In this respect, it was pleasing to note the Government increased the base entitlement to Child Care Subsidy for indigenous children from 24 to 36 hours per fortnight from September 2022; and
- Responding to the workforce shortages in the sector through government funded increased wages for educators and an increased intake of migrant teachers.

In addition to its ELACCA activities, G8 Education's own advocacy activities included:

- Providing a pre-Budget submission and meeting with various Ministers to propose improvements in child care subsidy for in-home care to improve affordability for families and changes to the tax system to encourage employers to provide early learning cost support as part of salary packaging; and
- Participating in discussions with Government, peak bodies and other large sector providers in relation to the potential for multi-employer bargaining to be implemented in the sector, alongside a material wage increase for educators that is funded by Government.

WE ADVOCATED FOR IMPACT AT THE 2022 ECA NATIONAL CONFERENCE

G8 Education was proud to be the Gold Sponsor of the 2022 Early Childhood Australia (ECA) National Conference in Canberra. Under the theme, Passion to Power: Our future profession, we connected with others in the sector to plan for a future in which the societal impact and leadership of our profession is more widely recognised. "At a time when our sector is facing unprecedented workforce shortages it has never been more important to bring people together to inspire, learn and align in our response to these challenges," said Gary Carroll, G8 Education CEO as he spoke at the conference.

PILLAR – GOVERNANCE *continued*

REPORTING TOPIC

Human Rights and Supply Chain

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We are committed to carrying out business fairly, honestly and ethically and we recognise the important impact we can have by ensuring that suppliers from whom we procure goods and services align with our commitments.

Our supply chain is complex with a procurement spend of approximately $228 million with around 1,789 direct suppliers. Our procurement practices are established to ensure that we do not select providers of services or goods on the basis of price alone, but select suppliers based on various criteria including a review of policies and practices related to ESG. We have a robust contract execution process in place, pursuant to which all procurement agreements must be reviewed by the Legal team irrespective of quantum or term.

During 2022, our largest suppliers by spend provided the following goods and services:

- Property and maintenance (including commercial cleaners, gardeners, and repair and maintenance workers)
- Centre resources (including food, nappies and office supplies)
- Educational resources (including arts, crafts and teaching aids)
- Technology services (including software licences and IT services)
- People costs (including agency and casual recruitment and education development)

In addition, during this year we have invested in a "procure to pay" system which we anticipate will be implemented in early 2023. We expect this new system to help reduce our modern slavery risks by improving visibility and implementing further controls over our vendor engagement process.

HUMAN RIGHTS

Our Code of Conduct confirms that G8 is committed to supporting and promoting human rights that benefit all our stakeholders including our families, employees, shareholders, investors and the communities in which we live and operate. In addition, we oppose all forms of modern slavery and are committed to ensuring such practices do not exist within our operations or supply chain. We recognise and seek to ensure that our practices align with the United Nations Universal Declaration of Human Rights and the United Nations Principles on Business and Human Rights.

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/2022/12/FY2021-GEM-Modern-Slavery-Statement.pdf

PILLAR – GOVERNANCE continued

REPORTING TOPIC

Privacy and Cyber Security

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

G8 Education understands the importance of its privacy and data protection responsibilities. Regular updates on cyber security and data protection are provided by our Chief Information Officer to the Executive Leadership Team and the Board. Annual mandatory information security training is provided to team members, along with supplementary training and education on topics such as phishing.

G8 Education recognises that the constantly evolving threat landscape for cyber security makes cyber security awareness vital for Directors and senior executives. Professor Julie Cogin completed a Graduate Diploma in Cyber Security in 2022 and other Board members attended external cyber security training, seminars or workshops.

G8 Education's privacy policy (available on our website) describes the type of information we collect and how we use that information. We do not sell personal information to third parties and we allow individuals the opportunity to participate in how their personal information is used in accordance with the Australian Privacy Principles.

We apply a variety of approaches to protect our data from risk including key vendor security assessments, legislative monitoring, cyber threat assessment, penetration testing, reviewing and monitoring industry threat analysis and benchmarking. We also deploy technical security solutions such as identity and access management and other endpoint solutions across our technology infrastructure to address identified cyber risks and to protect against data loss.

G8 Education's external audit considers cyber security in its identification and assessment of risk of material misstatement of the financial report. The Company also commenced an internal audit on Cyber Security and Data Privacy in December 2022 and will assess the findings and implement the recommendations in its 2023 cyber roadmap. Privacy and cyber security remain a high-risk area and we are focussed on building our capability to be better prepared to respond in the ever-changing threat landscape.

HOW PERFORMANCE IS MEASURED	PERFORMANCE	
	FY22	FY21
Number of reportable data breaches[1]	0	1
Percentage of data breaches involving personally identifiable information (PII)	0	100%
Number of students affected	0	<100

1. Data breaches reported to the Office of the Australian Information Commissioner (OAIC)

PILLAR – SERVICE QUALITY

REPORTING TOPIC

Child Health and Safety

3 GOOD HEALTH AND WELL-BEING

CHILD PROTECTION POLICY

The best interest and wellbeing of children 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.

A copy of the 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 the 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 which prioritises 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.

G8 RECOGNISED AS LEADING CHILD SAFE ORGANISATION

In September 2022 G8 Education was awarded the Queensland Child Protection Week - Child Safe Organisation Award. The award recognises G8 Education's commitment to embedding child safe practices across its organisation including appointing Child Protection Champions in every centre across Australia. The Morcombe Foundation commended G8 Education on its achievement while visiting Community Kids Yandina 1 during Child Protection Week. "Congratulations on being awarded Child Safe Organisation for 2022, it is very well deserved. We know you would have worked hard to obtain this award," said Bruce Morcombe OAM.

PILLAR – SERVICE QUALITY *continued*

REPORTING TOPIC

Community Contribution & Impact

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

RECONCILIATION ACTION PLAN

We acknowledge the Traditional Owners of the Lands across Australia and pay our respect to the Elders past, present and emerging. We support reconciliation with Aboriginal and Torres Strait Islander peoples. As a sign of our commitment to the reconciliation movement, we have begun developing a corporate Reflect Reconciliation Action Plan (RAP) and will seek accreditation of this first stage RAP in 2023. This will complement and support the reconciliation journeys many of our centres have already begun.

A RAP Committee has been established to drive the implementation of our RAP, chaired by G8 Education's Head of Education. The RAP Committee has monthly scheduled meetings in 2023 to ensure progress and will report to the Board via the Audit & Risk Management Committee. We look forward to sharing our progress in due course.

COMMUNITY CONTRIBUTION

The start of 2022 presented incredible challenges as the COVID-19 omicron wave and extensive flooding impacted communities across Australia. Our centres play a critical role in our communities. We are proud of the way our teams have supported our children, families and each other as we navigated flood and COVID-19 impacts, including centre closures, reopenings and support for those directly affected. In particular, our teams rallied behind the community of Lismore in northern New South Wales, donating books and raising emergency funds, which were matched by G8, following devastating floods.

Our team also rose to the challenge of supporting the Children's Hospital Foundation 42K Your Way fundraiser. We raised an incredible $181,031 against our target of $150,000, to support research into childhood brain cancer. Our teams walked, rolled, danced and skipped to compete the 42 kilometre challenge in August, forming a community partnership of which we are incredibly proud.

PILLAR – SERVICE QUALITY *continued*

REPORTING TOPIC

Education, Service Delivery and Quality

4 QUALITY EDUCATION

5 GENDER EQUALITY

EDUCATION STRATEGY

In 2022 we continued to implement the ongoing education strategy to lift quality across the network and improve outcomes for children, families, communities and team. A new Education Strategy for 2023-2025 was developed drawing on national and international research and insights and building on the positive work to date. We also established a new Education Advisory Committee that will commence in 2023 to provide thought leadership, advice and guidance to the Early Learning and Education Team and Board of G8 Education.

Children's learning, development and wellbeing has been disrupted by the pandemic in recent years. In response, to support children's improved executive function, oral language, self-regulation and physical activity, an evidence based program has been sourced through the Queensland University of Technology, named Rhythm and Movement for Self-Regulation (RAMSR)[1]. Initial professional learning commenced in 2022 at the Early Childhood Teacher roadshows with strong positive feedback. This program will continue to be implemented in 2023 and beyond.

The digital technologies pilot continued in 2022 in some Queensland centres. This partnership with Apple's Education team continues to evolve and highlight the importance of strengthening digital literacies of teachers, educators, children and families. Supporting children and families with e-safety is an important focus of the program and children learn about being digital citizens and how ipads can be used as a learning tool for multiple purposes. This program is only operating in the year prior to school. In 2023 there are plans to expand the project interstate to a larger cohort of G8 Education's network. There has been very positive feedback from participating children, families and team members. A small cohort of G8 Education team members were fortunate to visit the Australian Research Council Centre of Excellence for the Digital Child at the Queensland University of Technology to further enhance learning and collaboration. This included early childhood teachers participating in the pilot.

Embedding quality is an important focus of the Education Strategy and strengthening centre based leadership teams to drive continuous improvement. Professional learning for Educational leaders to empower their work within centres is an important focus area. The Education team continued to play a key role in supporting Early Childhood Teachers with teacher registration/accreditation and understandings of the Australian Professional Standards for Teachers. Programs will be expanding in 2023 including the ongoing work to support our future teacher workforce currently studying through our Bachelor Scholarship Programs.

EDUCATIONAL APPROACH

Collaborating and partnering with families and communities remains a key focus of our approach and understanding the importance of `place' and `context'. Team are supported and encouraged to understand their local community context, drawing on the Australian Early Childhood Development Census (AEDC) data amongst other information to inform program planning and support children's lifelong learning outcomes. Additional learning opportunities were offered in 2023 to support inclusion and wellbeing including ongoing work with BeYou, a national wellbeing initiative of the Federal Government.

The Education strategy and educational approach at G8 Education supports the importance of working in strengths-based ways and embedding relevant curriculum frameworks and guidelines. The Approved Learning Frameworks for early learning and outside school hours care have been reviewed and updated in 2022 and will be released in 2023 with an expected increased focus on reconciliation, inclusion, sustainability and leadership and teamwork. These are all key focus areas within our Education strategy and team will be supported in 2023 to understand and embed the updated changes.

1. Williams et al., (2021). Rhythm and Movement for Self-Regulation (RAMSR) 2020 - 2021. RCT and follow-up. Research Brief.

PILLAR – SERVICE QUALITY *continued*

REPORTING TOPIC

Education, Service Delivery and Quality

4 QUALITY EDUCATION

5 GENDER EQUALITY

PERFORMANCE AGAINST THE NATIONAL QUALITY FRAMEWORK

Consistent with our commitment to high-quality education and care, G8 Education has set a long-term target of 95% of centres meeting or exceeding the NQF.

To meet these targets, G8 Education will continue its investment in educational programming and practice support, the recruitment and retention of team members, resources, physical environment and technology.

At the end of 2022, 89% of G8 Education centres are rated as 'Meeting' or 'Exceeding' the National Quality Standards representing a 3% improvement year on year.

HOW PERFORMANCE IS MEASURED	PERFORMANCE		
	FY25 TARGET	FY22	FY21
% of centres that are meeting or exceeding NQF	95%	89%	86%
% of centres that were assessed during the reporting period as meeting or exceeding NQF		87%	92%

PILLAR – OUR PEOPLE

REPORTING TOPIC

Talent Management, Development and Retention

1 NO POVERTY

8 DECENT WORK AND ECONOMIC GROWTH

G8 Education acknowledges the well-publicised labour shortages in the early childhood education sector, and we are not immune to the challenges of the tight labour market. G8 Education uses labour hire agencies to respond to acute staff shortages to keep our centres open and meet service standards. Whilst we saw an increase in the use of agency labour in 2022, we are targeting a reduction in 2023.

We have made improvements to our recruitment and retention activities, with career development remaining a key pillar of our employee value proposition. This was recognised when G8 Education was named Australia's most attractive employer in Randstad's Employer Brand Research survey in 2022. We also won a bronze model in the Apprenticeships-Employer Award category at the 2022 Australian Training Awards.

G8 Education has a multi-pronged strategy to address chronic staff shortages and increase employee retention. At the public policy level, we have worked with industry bodies to lobby governments for action to address sector-wide labour shortages. At the G8 Education level, actions undertaken in 2022 included:

- Increased investment in induction procedures for Early Childhood Teachers and new Centre Managers
- Providing study pathways, professional development programs (see Talent development over page), management leadership programs and paid professional development days
- Increasing remuneration for key roles
- Enhancing flexible employment and rostering practices
- Offering wellbeing programs to support mental health
- Providing mentoring programs to Early Childhood Teachers and Centre Managers
- Expanding team member benefits and rewards including increasing team member discounts to 50%
- Formal 'Years of Service' recognition program
- Annual Standout Educator Awards
- Team Saver retail rewards program

G8 Education is committed to providing a fair wage for all employees and we have invested heavily in our Human Resources Information Systems to ensure award compliance. We advocate for improved working conditions for the early childhood education sector, including meeting with various Ministers and providing pre-budget submissions to petition for Government support for increased wages for educators in 2022.

PILLAR – OUR PEOPLE continued

TALENT DEVELOPMENT

G8 Education provides various opportunities for our employees to upgrade their skills and grow with the company. 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.

All new Centre Managers participate in the First Steps onboarding and induction program which is designed to equip them 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 specialised 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 to develop their skills, including through our four university partnerships. The Vocational Study Pathways Program is G8 Education'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).

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.

We were pleased to supplement our sector leading Study Pathways program with the addition of a Masters of Teaching Scholarship in 2022 which allows team members with a Bachelor degree from another field to complete their teacher training.

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.

We remain committed to supporting sector-leading Early Childhood Teacher (ECT) career pathways, launching our inaugural Early Childhood Teacher Roadshow in 2022 and announcing two weeks additional paid annual leave for our qualified ECTs from 2023. We were delighted to bring our Centre Managers, Area Managers and Regional Managers together for the first time since before the pandemic for our national conference. With the theme of 'Reconnect' this offered an outstanding opportunity for professional development, recognition and strengthening of our critically important leadership teams. We also commenced a new Area Manager Development Program, designed to strengthen the leadership capabilities of our critically important around centre leaders through a 12-month blended learning curriculum.

Playful Innovation championed at National ECT Roadshow

Our inaugural National ECT Roadshow saw over 500 of our Early Childhood Teachers come together across five capital cities to collaborate with sector-leading researchers and professionals, including learning practical skills to be able to implement QUT's RAMSR (Rhythm and Movement for Self-Regulation) program. "I think what is special about the RAMSR program is we know what incredible benefits it has for children, but it also supports Educator and Teacher wellbeing by promoting the importance of 'play' for adults," said Ali Evans, G8 Education's Head of Early Learning and Education.

PILLAR – OUR PEOPLE *continued*

HOW PERFORMANCE IS MEASURED	PERFORMANCE			
New employees and employee turnover	GENDER		FY22 # NEW HIRES	
	Female		3153	
	Male		179	
	Non-binary		83	
	Total		**3,415**	
	% Female		92.3%	
Total employee turnover rates			FY22	FY21
	Voluntary		33.9%	27.8%
	Involuntary		1.6%	1.5%
Centre Manager voluntary turnover rate		FY25 TARGET	FY22	FY21
		15%	19.1%	21.3%
Total number of employees by employment contract, by gender	CATEGORY		AS AT 31/12/22	AS AT 31/12/21
	Female		9,396	9,730
	Permanent		7,331 (78.0%)	7,625 (78.4%)
	Temporary		334 (3.6%)	325 (3.3%)
	Casual		1,731 (18.4%)	1,780 (18.3%)
	Male		347	316
	Permanent		263 (75.8%)	247 (78.2%)
	Temporary		21 (6.1%)	22 (6.9%)
	Casual		63 (18.2%)	47 (14.9%)
	Non-Binary		65	—
	Permanent		35 (53.8%)	—
	Temporary		4 (6.2%)	—
	Casual		26 (40.0%)	—
	Total		**9,808**	**10,046**
Percentage of employees on a permanent contract, by state/territory	STATE		AS AT 31/12/22	AS AT 31/12/21
	ACT		81.0%	83.4%
	NSW		73.2%	74.4%
	NT		ND	100%
	QLD		75.5%	75.4%
	SA		79.9%	80.1%
	VIC		80.9%	83.5%
	WA		84.1%	75.2%
	Total		**77.8%**	**78.4%**

PILLAR – OUR PEOPLE *continued*

HOW PERFORMANCE IS MEASURED	PERFORMANCE		
		FY22	FY21
Number of employees that took parental leave		288	279
Number of employees that took parental leave and returned to work after taking parental leave		14	12
Number of employees that took parental leave, returned to work after taking parental leave and remained employed as at the end of the financial year		5	9

	FY25 TARGET	FY22	FY21
Employee Engagement Score	80%	75%	77%
New centre managers enrolled in *First Steps* program		102	72
Number of active students in traineeships		1,064	850
Number of current students in Bachelor Scholarship Program		215	234

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

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 2021, the Board set measurable objectives for gender diversity for 2022, 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.

Performance against these targets is set out on page 30.

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 Standard, which provide clear guidelines for appropriate practices and those practices that must not be condoned.

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/

PILLAR – OUR PEOPLE *continued*

REPORTING TOPIC

Diversity and Inclusion

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

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 by dominant cultures. 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.

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

GENDER PAY EQUITY

G8 Education believes in equal pay for equal work and strives to eliminate gender pay gaps across the organisation. During 2022 we reduced the gender pay gap across like-for-like roles from 4.7% to 3.9%. The year-over-year reduction can be attributable to several factors, including:

- Carving out a centralised pool from the 2022 remuneration review budget to address market adjustments and identified gender pay disparities
- Validating and addressing identified gender pay disparities in identical roles across support office functions
- Continuing the focus on educating managers on internal relativity (including gender pay issues) when benchmarking newly created roles

Gender pay gap is based on like-for-like role analysis, which removes roles which are solely occupied by either men or women, and helps to normalise the effect of gender representation with women comprising the vast majority of the workforce at G8 Education (96.6%) and more broadly in the Early Childhood Education sector.

HOW PERFORMANCE IS MEASURED	PERFORMANCE		
	FY23 TARGET	**FY22**	**FY21**
Non-Executive Director gender diversity as at 31 December 2022	At least 50% female	66.7% female	66.7% female
Executive Leadership Team[1] gender diversity as at 31 December 2022	At least 50% female	71.4% female	50% female
Gender pay gap	**LOCATION**	**FY22**	**FY21**
	In network	(3.6)%	(3.8)%
	All G8 Education	3.9%	4.7%

1. Excluding the Chief Executive Officer

PILLAR – OUR PEOPLE *continued*

REPORTING TOPIC

Employee Health and Safety

3 GOOD HEALTH AND WELL-BEING

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 works to eliminate hazardous practices and behaviour, which could cause accidents, injuries or illness to employees, contractors, visitors and the general public.

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

- Health and Safety General induction
- Manual handling
- Emergency management
- Kitchen safety
- First aid
- Bullying and harassment
- Mental wellbeing
- Injury management and Return to work
- Excursion risk management
- Transitions and separations
- Emotion Coaching for Children
- Teaching through trauma

G8 Education also promotes the general health and well-being for our employees. Team members have access to free confidential Employee Assistance Program, under which employees have access to psychological counselling and nutritional counselling. In addition, the company runs step challenges that encourage employees to stay active, provides team members access to free flu vaccinations, and offers discounted gym memberships.

Throughout the year, we placed a strong focus on team member wellbeing as part of our safety priority, and saw a 20% reduction in our mental injury frequency rate.

HOW PERFORMANCE IS MEASURED	PERFORMANCE	
Workers covered by an occupational health and safety management system	**FY22**	**FY21**
	100%	100%
LTIFR Main types of injuries were contusions, wounds and musculoskeletal injuries (sprains and strains)	**FY22**[1]	**FY21**
	5.54	5

REPORTING TOPIC

Labour Relations

8 DECENT WORK AND ECONOMIC GROWTH

REMEDIATION PROGRAM

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 $38 million to date. G8 Education continues to engage with the Fair Work Ombudsman in connection with the matter.

MULTI-EMPLOYER BARGAINING

New industrial relations legislation passed through Parliament in 2022 has paved the way for multi-employer bargaining processes to commence across the Early Childhood Education sector. G8 Education has been working collaboratively with unions, peak bodies and employers to commence the planning process in relation to multi-employer bargaining. We look forward to sharing our progress in due course.

1. Target is 6

PILLAR – OUR ENVIRONMENT

REPORTING TOPIC

Environmental footprint and stewardship

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

CLIMATE GOVERNANCE

G8 Education's Board is ultimately responsible for overseeing climate-related risks and opportunities. The Board has delegated oversight to the Audit and Risk Management Committee within our Enterprise Risk Management Framework.

A climate risk register for identified climate-related risks is maintained and G8 Education's progress against its sustainability targets and initiatives is reported to the Audit and Risk Management Committee.

CLIMATE STRATEGY AND RISK MANAGEMENT

During the year the Board conducted a risk workshop which included a session on climate risk to identify and assess the physical and transition risks and opportunities that could potentially impact the operational and/or financial performance of the business. The primary physical risks identified were disruptions to centre operations, damage to or destruction of centres as a result of extreme weather events such as flooding or bush fires, and increased energy usage to keep centres cool during hotter weather. The primary transition risks identified were increased expenditures from more expensive grid energy and compliance, and negative reputational and/ or financial impacts from failing to achieve emissions targets. Some significant opportunities were also identified: a material reduction in energy costs through the implementation of a network solar solution, and attraction and retention of team members who are passionate about sustainability and who want to work for a company that cares about environmental, social and governance matters, including active management of climate related risks.

G8 Education's scope 1 and 2 emissions are predominantly made of fleet emissions and grid energy (electricity and gas) 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. We have identified several initiatives to reduce our emissions, including:

- reducing the number of vehicles in our bus fleet;
- installing solar panels at our Varsity Lakes support office, and
- implementing a solar solution for renewable energy across our network (currently approximately 10-15 centres have solar panels installed on-site).

Other initiatives that may be considered in the future include integrating sustainable building design principles for new builds and switching petrol based fleet vehicles from petrol to hybrid.

Aside from our emissions reductions initiatives, G8 Education is committed to responsibly managing our direct environmental impacts through improving our waste management and recycling, managing water use and sources, and making our business practices sustainable for the future.

In July 2022 we were proud to expand our involvement in recycling initiatives with the launch of The Nappy Loop nappy recycling pilot in partnership with Kimberly-Clark Australia. We are exited to contribute to this partnership and the positive environmental impact it can make.

CLIMATE METRICS AND TARGETS

Climate change is one of the most significant long-term challenges facing our future. We support the Paris Agreement to limit global average temperature rise to well below 2°C and have set our Scope 1 and Scope 2 emissions targets to align with this scenario.

The National Greenhouse and Energy Reporting (NGER) method used to calculate G8 Education's Scope 2 emissions aligns with the 'location-based' method for Scope 2 Accounting method under the World Resource Institute (WRI) Greenhouse Gas Protocol. We are closely tracking our Scope 1 and 2 emissions and have obtained assurance over our emissions reporting as part of execution of a Sustainability Linked Loan (SLL) in 2022. The SLL incentivises a reduction in carbon emissions as one of three key performance indicators, the other two being improvement in quality and implementation of our reconciliation action plan.

G8 Education currently has limited visibility on its Scope 3 emissions. This is an area under investigation, and we hope to report more in future reporting periods.

88%
REDUCTION IN NUMBER OF ANNUAL REPORTS PRINTED (2022 VS 2018)

65.6%
E-COMMUNICATIONS PREFERENCE FOR SHAREHOLDERS IN 2022 VS 23.9% IN 2018

PILLAR – OUR ENVIRONMENT *continued*

CASE STUDY

National Standout Educator for Sustainability: Juliet Davis

Juliet Davis from Great Beginnings Secret Harbour was this year recognised at G8's National Standout Educator for Sustainability as part of our annual awards. Juliet has implemented a Sustainability Management Plan for the centre which focusses on reducing energy, water and food waste by incorporating sustainable practices into their program. "It is so incredibly rewarding to educate these young minds and teach them the importance of caring for our planet and all of the fascinating creatures that live alongside us," said Juliet Davis, Educator at Great Beginnings Secret Harbour.

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.

HOW PERFORMANCE IS MEASURED	PERFORMANCE					
	FY22			FY21		
	centres assessed	centres assessed as 'meeting' or 'exceeding' QA3	centres assessed as 'meeting' or 'exceeding' QA3	centres assessed	centres assessed as 'meeting' or 'exceeding'	centres assessed as 'meeting' or 'exceeding'
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)	83	82	96%	65	60	95%

	FY22	FY21	FY20	FY19
Scope 1 emissions	306,960 kg CO_2	351,762 kg CO_2	358,559 kg CO_2	490,094 kg CO_2
Scope 1 emissions intensity	185gm CO_2/km	217 gm CO_2/km	221 gm CO_2/km	223 gm CO_2/km
Energy usage in joules	60,286,904 MJ[1]	61,092,132 MJ		
Scope 2 emissions	11,761,701 kg CO_2-e[1]	12,026,123 kg CO_2-e		

1. This does not include any bottled LPG that any of centres may currently use or consumption met by on-site solar generation.

DIRECTORS' REPORT

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of G8 Education Limited and the entities it controlled at the end of, or during, the year ended 31 December 2022.

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 Director of Bendigo and Adelaide Bank Limited and Star Entertainment Group Limited. He is also a Non-Executive Director of Australian Reinsurance Pool Corporation.

Special responsibilities:

- Member of Audit and Risk Management Committee
- Member of the People, Culture & Education Committee
- Member of the Nomination Committee
- Member of the Property Committee

Other current listed public Company Directorships: Bendigo and Adelaide Bank Limited (appointed 4 September 2019), Star Entertainment Group Limited (appointed 15 December 2022).

Former listed public Company Directorships in the last three years: Genworth Mortgage Insurance Australia Limited (retired 31 March 2022), MotorCycle Holdings Limited (retired 23 December 2022)

PEJMAN OKHOVAT

B.BUSINESS STUDIES (HONS)

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER SINCE 3 JANUARY 2023

Pejman Okhovat joined G8 Education as CEO and Managing Director in January 2023.

Prior to joining the Group, Pejman has held senior leadership positions across a number of well-known retail organisations in Australia and internationally, including as the Managing Director of BIG W, Chief Executive Officer of NZX-listed retailer The Warehouse and as a senior leader at UK retailers Marks and Spencer, Sainsburys and ASDA/Walmart. He has extensive experience in leading large teams within geographically dispersed networks, with a strong focus on customer service, business transformation and delivering value for all stakeholders.

Pejman is committed to continuing G8 Education's purpose-led approach to delivering meaningful societal impact through quality early childhood education delivered through a passionate and capable team of educators and support team.

He holds a BA Hons in Business Studies from Leeds Business School, with further executive education at Babson College (USA) and INSEAD (Singapore).

Special responsibilities: Nil

Other current listed public Company Directorships: Nil

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

DIRECTORS' REPORT *continued*

PROFESSOR JULIE COGIN

PHD, M. LAW, M. ED / HRM, GRAD. DIP. CYBER SECURITY, 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, with more than 100,000 students. In this role she is accountable for financial, people, legal and student experience outcomes in Australian, Vietnam, Singapore and China.

Professor Cogin 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, 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, corporate culture and executive remuneration, 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. Professor Cogin is a member of Chief Executive Women (CEW).

Special responsibilities:

- Chair of the People, Culture & Education Committee
- Member of the Nomination Committee

Other current listed public Company Directorships: Nil

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

DEBRA SINGH

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 Household Goods. Debra is also a Non-Executive Director on the Shaver Shop and The Kids Cancer Project boards.

Special responsibilities:

- Chair of the Nomination Committee
- Member of the People, Culture & Education Committee

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

DIRECTORS' REPORT *continued*

TONI THORNTON[1]

B.A POLSCI EC, GRADCERT APPFIN, LLM EG

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 to the G8 Education Board, having previously held senior positions with JBWere, Goldman Sachs JBWere and NAB.

Current directorships include Star Entertainment Group Limited, CS Energy (including Chair of the Finance Risk and Assurance Committee) and Millovate Pty Ltd 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 holds a Master of Law 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 & Risk Management Committee
- Member of the Nomination Committee
- Member of the Property Committee

Other current listed public Company Directorships: Star Entertainment Group Limited (subject to regulatory approvals)

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

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
- Member of the Nomination Committee
- Member of the Property Committee

Other current listed public Company Directorships: Nil

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

1. Full name Antonia Thornton

DIRECTORS' REPORT *continued*

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 Boards of Select Harvests, The Reject Shop, Collective Wellness Group and Fairtrade AUNZ.

Special responsibilities:

- Chair of the Property Committee[1]
- Member of the Nomination Committee
- Member of People, Culture & Education Committee

Other current listed public Company Directorships: The Reject Shop (appointed 4 June 2021), Select Harvests (appointed 1 Oct 2022)

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

GARY CARROLL

B.COMM (HONS), B.LAW (HONS), FCPA

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER 1 JANUARY 2017 TO 31 DECEMBER 2022

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

1. Property Working Group was formalised as a Committee of the Board - "Property Committee" from 1 January 2022

DIRECTORS' REPORT continued

CHIEF EXECUTIVE OFFICER

Pejman Okhovat was appointed as Managing Director and Chief Executive Officer on 3 January 2023. 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. Prior to joining the Group, Pejman has held senior leadership positions across a number of well-known retail organisations in Australia and internationally, including as the Managing Director of BIG W, Chief Executive Officer of NZX-listed retailer The Warehouse and as a senior leader at UK retailers Marks and Spencer, Sainsburys and ASDA/Walmart. He has extensive experience in leading large teams within geographically dispersed networks, with a strong focus on customer service, business transformation and delivering value for all stakeholders.

COMPANY SECRETARY

Tracey Wood was appointed as company secretary and general counsel on 28 May 2018 and holds the role of Chief Legal, Quality and Risk Officer. Tracey holds Master of Laws (with High Distinction), Bachelor of Laws (Hons), Bachelor of Arts (Psychology) (Hons) degrees and a Graduate Diploma in Applied Corporate Governance. 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.

There have been no significant changes to the Group's activities during the financial year ended 31 December 2022.

REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects are set out on pages 2 to 9, including the Chair's Report, CEO & Managing Director's Report, FY22 Highlights and Strategy sections.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- Gary Carroll ceased as Managing Director and CEO effective 31 December 2022.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

- Effective 3 January 2023, Pejman Okhovat was appointed Managing Director and CEO.
- The Group completed the share buy-back program in January 2023. Over the period of the share buy-back program between April 2022 and January 2023 there were a total of 37.9 million shares repurchased for $40.0 million (including transaction costs).
- 1,267,740 performance rights were issued to Pejman Okhovat under the Employee Incentive Plan (GEIP) on 20 February 2023.
- On 21 February 2023 the Board declared a 2.0 cent fully franked dividend in relation to the 2022 financial year to be paid on 6 April 2023.
- A non-cash share capital reduction totalling $271.5 million was resolved by the Board on 21 February 2023 in accordance with section 258F of the *Corporations Act 2001*. The transaction is wholly contained within equity and involves no reduction to net assets or the number of shares on issue. The purpose and effect of this transaction is to improve balance sheet presentation through the offset of historical losses with recorded capital contributions in order to more closely reflect the net equity of the Group.

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. In certain instances 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 tenth of a million dollars.

DIRECTORS' REPORT *continued*

DIVIDENDS

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

	2022 $'000	2021 $'000
Dividend for the full financial year ended 31 December 2021 of 3.0 cents per share paid on 1 April 2022 (2021: Nil Dividend for the full financial year ended 31 December 2020)	25,422	—
Dividend for the half year ended 30 June 2022 of 1.0 cents per share paid on 7 October 2022 (2021: Nil Dividend for the half year ended 30 June 2021)	8,267	—
Total	**33,689**	**—**

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 2022, and the number of meetings attended by each Director were:

	Full meetings of Directors		Audit and Risk Management Committee		People, Culture & Education Committee		Nomination Committee		Property Committee	
	A	B	A	B	A	B	A	B	A	B
D Foster	15	15	6	6	6	6	3	3	8	8
G Carroll*	15	15	—	—	—	—	—	—	—	—
J Cogin	15	15	—	—	6	6	3	3	—	—
D Singh	15	15	—	—	6	6	3	3	—	—
T Thornton	15	15	6	6	—	—	3	3	8	8
P Trimble	15	15	6	6	—	—	3	3	8	8
M Zabel	15	15	—	—	6	6	3	3	8	8

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

While the above table records Committee member attendance, Directors are invited to and attend all Committee meetings where available.

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.

The Group's approach with respect to climate governance, strategy and risk management is set out on page 32.

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.

DIRECTORS' REPORT *continued*

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*.

PERFORMANCE RIGHTS

Unissued ordinary shares of G8 Education Limited under the G8 Education Employee Incentive Plan (GEIP) (both Long-Term Incentive Plan and Short-Term Incentive Plan) 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
30 June 2020	1 March 2023	0.74	922,533	30 May 2023
28 June 2021	1 March 2024	0.89	1,065,805	31 May 2024
2 September 2021	1 March 2024	0.89	78,713	31 May 2024
14 April 2022	22 February 2023	1.03	257,912	30 June 2023
19 May 2022	1 March 2025	1.01	919,703	31 May 2025
20 February 2023	1 March 2025	n/a[1]	1,267,740	31 May 2025
Total			**4,512,406**	

1. 1,267,740 performance rights were issued to Pejman Okhovat under the GEIP on 20 February 2023. The rights are yet to be valued using a Black Scholes model.

KEY OPERATIONAL INFORMATION

	CONSOLIDATED GROUP
Number of owned centres at year end	438
Licence capacity of owned centres at year end	37,225
Total number of employees at year end	9,808
Total number of full time equivalent employees at year end	**8,472**

Non-IFRS financial information

The 2022 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.

Underlying Net Profit After Tax (NPAT) is considered a non-IFRS measure. 2022 Underlying NPAT is calculated as the reported NPAT and adding back post-tax non-trading net expense items totalling $9.1 million, a post-tax borrowing costs write off expense totalling $0.8 million and an effective tax rate adjustment of $1.0 million. Non-trading items include redundancy costs, loss on disposal of assets/centres and software development expenses. Refer to note 7 of the Financial Report section of this Annual Report for a breakdown of the non-trading items. The Board exercises its discretion in determining whether these items are adjusted for when determining remuneration outcomes.

Underlying Earnings Per Share (EPS) is considered a non-IFRS measure. 2022 Underlying EPS is calculated by dividing 2022 Underlying NPAT by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

REMUNERATION REPORT

DIRECTORS' REPORT continued

REMUNERATION REPORT (AUDITED)

Contents

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 2022.

1. INTRODUCTION FROM THE PEOPLE, CULTURE AND EDUCATION COMMITTEE CHAIR

On behalf of the Board of Directors, I am pleased to present the Remuneration Report for the year ended 31 December 2022.

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

The 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 the Executive KMP with overall business performance and delivering value to our shareholders.

COVID-19 IMPACTS

The first 4 months of 2022 continued to be impacted by COVID-19, with educators unable to attend work resulting in the need to close rooms and centres. 196 centres were affected by partial or full closure during this time, resulting in significant volatility across the commercial operations in our centres. Again, in the face of these continued challenges, the efforts of our executives and teams at the front line were extraordinary.

EDUCATION ADVISORY BOARD

From 2023 the PCEC established an Education Advisory Committee to provide thought leadership, advice and guidance to the PCEC, the Board and the Early Learning Education Team of G8 Education. The Education Advisory Committee is overseen by the PCEC and plays a consultative role in the implementation of G8's Education Strategy.

STRATEGIC REMUNERATION FRAMEWORK REVIEW

2022 was the final year of the three-year cycle over which the remuneration framework operates. Details of the framework, including the elements and delivery of remuneration, and incentive plan design principles are outlined in Section 4 of this Report.

Following a comprehensive review and acknowledging prior year feedback from proxy advisors, the proposed new framework commences in 2023 and builds on G8 Education's maturity in remuneration practices. It introduces threshold and stretch components to the Short-Term Incentive Plan (STIP), supporting a high-performance culture where there is continued focus on driving incremental improvement in performance.

It also incorporates a second performance measure of growth in Total Shareholder Return (TSR) in the Long-Term Incentive Plan (LTIP). This approach strengthens the alignment of executive and shareholder interests and positions G8 Education's remuneration framework more closely in line with general market practice.

We look forward to sharing the details of the proposed new framework in the Notice of Meeting for the 2023 Annual General Meeting and in the 2023 Remuneration Report.

1. The Board resolved to amend the name of this Committee from "People & Culture Committee" to "People, Culture & Education Committee" on 24 November 2022

REMUNERATION REPORT (AUDITED) continued

2022 REWARD OUTCOMES

Fixed Remuneration

The Chief Financial Officer received an increase to Fixed Remuneration effective from 1 November 2022. This was in recognition of materially increased scope of role.

There were no increases to Fixed Remuneration for the CEO and Managing Director or for the Chief Operating Officer.

2022 Short-Term Incentive Plan (STIP)

Net Profit After Tax (NPAT) was set as a gate for any payment under the 2022 STIP. As the NPAT gate (set at 90% budget) was achieved, Executive KMP were eligible to receive STI awards. However, NPAT performance was below budget and all but one of the non-financial Key Performance Indicator (KPI) targets were not achieved. In addition, the Board deemed it appropriate to adjust remuneration outcomes under the 2022 STIP downwards considering holistic performance across safety and occupancy results. Section 5 of this Report provides further details of KPI achievement and corresponding STI outcomes for Executive KMP.

2019 and 2020 Long-Term Incentive Plan (LTIP)

As disclosed in the 2021 Remuneration Report, the Earnings Per Share (EPS) growth performance conditions under the 2019 LTIP (vesting on 1 March 2022) were not achieved. Consequently the 2019 LTIP lapsed in full, with all rights forfeited.

Regarding the 2020 LTIP (due to vest on 1 March 2023), the EPS growth performance conditions were met in full and accordingly it is expected that all rights under the plan will vest for Executive KMP.

In the Board's view, the vesting and quantum of awards under these incentive plans appropriately reflects the achievements and performance of G8 Education over the respective performance periods.

BOARD REMUNERATION AND GENDER BALANCE

At the 2022 AGM the Board did not seek an increase to the aggregate Non-Executive Director fee pool and the fees did not change for the 2022 year. Our Board composition continues to reflect a healthy gender balance, with women representing 67% of our independent Non-Executive Directors.

TRANSITION OF CEO AND MANAGING DIRECTOR

At the end of 2022, Gary Carroll departed G8 Education in his capacity as CEO and Managing Director. On behalf of the Board, I would like to thank Gary for his outstanding commitment and contribution to G8 Education over the last six years. Gary has overseen a period of significant change through a very challenging operating environment, including most recently during COVID-19. During this time, Gary has been an excellent leader and champion of our purpose, creating the foundations for learning for life. He has executed and delivered solid results with the strategic transformation program while ensuring G8 Education has the right structures and team in place to drive quality outcomes for our children, families, and team members.

We are delighted to welcome Pejman Okhovat as G8 Education's new CEO and Managing Director in 2023. Pejman is an accomplished leader, a veteran of the retail and consumer space and has significant experience driving business performance, delivering exceptional consumer outcomes and experiences and leading teams to achieve excellent results.

2022 KEY ACHIEVEMENTS

2022 saw G8 Education recognised externally as Australia's most attractive employer in Randstad's Employer Brand Research, with the main highlight being the career progression opportunities available to our team members. Our sector-leading Study Pathways Program ranging from Certificate III Traineeships to the Bachelor Scholarship Program was also recognised as finalists in the Victoria State Training Awards and the Bronze recipient at the Australian Training Awards.

We have continued to invest in succession planning and talent management initiatives (attraction, engagement and retention), with our internal graduate program producing its first graduate cohort, and a significant reduction in our Centre Manager turnover over 2022. Further enhancements to our team member value proposition centered on our Centre Managers, Early Childhood Teachers and Educators, which will continue to drive stability in our teams across a challenging talent landscape.

LOOKING FORWARD

After a comprehensive review of our Strategic Remuneration Framework, the Board has confidence in the integrity of our People Strategy and Remuneration Framework and believes the balance between talent retention and performance against agreed KPIs in an uncertain operating environment has been achieved.

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, Culture & Education Committee

21 February 2023

REMUNERATION REPORT (AUDITED) 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 during the year are set out in the table below:

	TITLE/COMMITTEES	CHANGE IN 2022
NON-EXECUTIVE DIRECTORS		
David Foster	**Chair**	**No Change**
	Member, Nomination	No Change
	Member, Audit & Risk Management	No Change
	Member, People, Culture & Education	No Change
	Member, Property[1]	From 1 January 2022
Peter Trimble	**Director**	**No Change**
	Chair, Audit & Risk Management	No Change
	Member, Nomination	No Change
	Member, Property[1]	From 1 January 2022
Julie Cogin	**Director**	**No Change**
	Chair, People, Culture & Education	No Change
	Member, Nomination	No Change
Margaret Zabel	**Director**	**No Change**
	Chair, Property[1]	From 1 January 2022
	Member, Nomination	No Change
	Member, People, Culture & Education	No Change
Toni Thornton[2]	**Director**	**No Change**
	Member, Nomination	No Change
	Member, Audit & Risk Management	No Change
	Member, Property[1]	From 1 January 2022
Debra Singh	**Director**	**No Change**
	Chair, Nomination	No Change
	Member, People, Culture & Education	No Change
EXECUTIVE DIRECTORS		
Gary Carroll	**CEO and Managing Director**	**Until 31 December 2022**
Pejman Okhovat	**CEO and Managing Director**	**From 3 January 2023**
OTHER EXECUTIVE KMP		
Sharyn Williams	**Chief Financial Officer**	**No Change**
Malcolm Ashcroft	**Chief Operating Officer**	**No Change**

1. Property Working Group was formalised as a Committee of the Board - "Property Committee" from 1 January 2022.
2. Full name Antonia Thornton

REMUNERATION REPORT (AUDITED) continued

3. REMUNERATION GOVERNANCE AT G8 EDUCATION

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

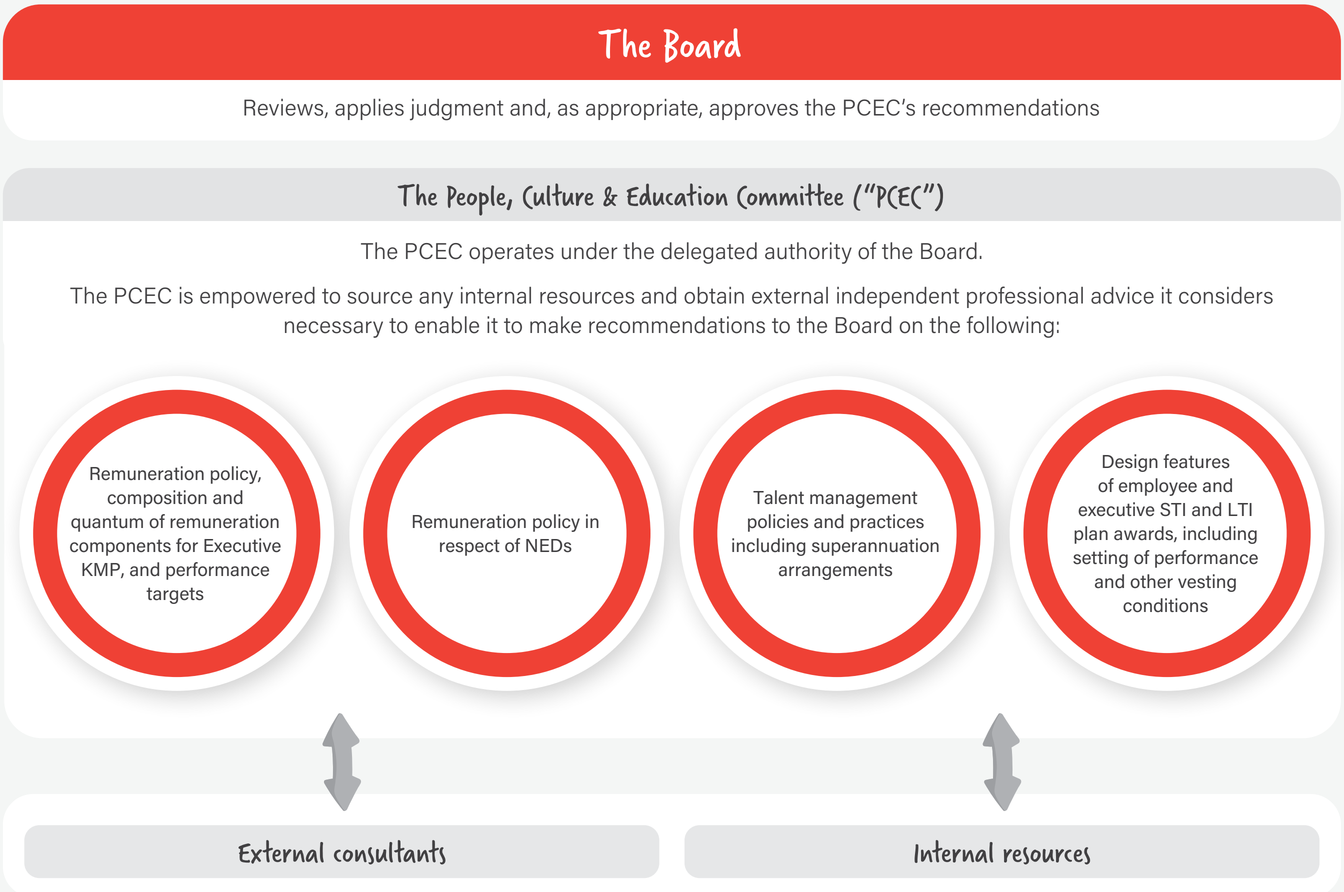
ROLE OF THE BOARD AND THE PEOPLE, CULTURE AND EDUCATION COMMITTEE

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

The role of the PCEC is set out in its Charter, which is reviewed annually and was last revised and approved by the Board in November 2022. In summary, the PCEC's role is to:

- ensure that 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;
- develop, maintain and monitor appropriate superannuation arrangements for G8 Education; and
- oversee the establishment and operation of an Education Advisory Board.

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



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

REMUNERATION REPORT (AUDITED) 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 PCEC 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 2022 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 CEO and MD role. Crichton and Associates were paid $16,724 (including GST) for these services.

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

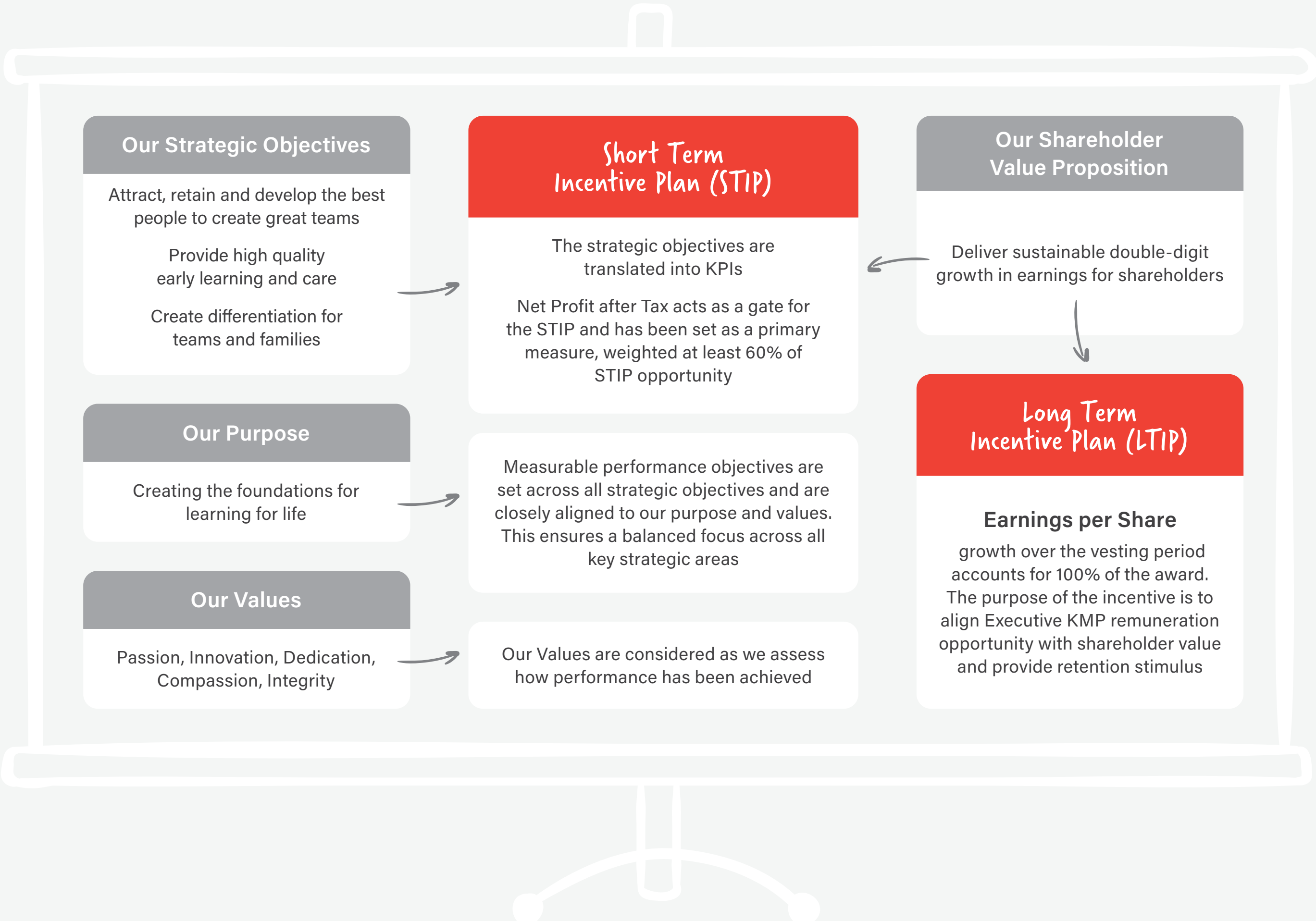
- Crichton and Associates received written instructions from an independent NED on behalf of the PCEC and were accountable to the Board;
- During any engagement, Crichton and Associates received limited input from management. Crichton and Associates reported its findings, in writing, to the independent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

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, VISION 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, with 2022 being the final year in the current cycle.



REMUNERATION REPORT (AUDITED) continued

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

THE COMPONENTS OF EXECUTIVE KMP REMUNERATION AT G8 EDUCATION

Executive KMP remuneration

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

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 financial and non-financial objectives tied to strategic priorities.	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.	Part cash and part equity (via performance rights and at the Board's discretion). Any equity component will be subject to service and deferred for one year.	Equity in performance rights. All equity is held subject to service and performance for three years from grant date. Performance is tested once with equity at risk until the date of vesting.
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 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.

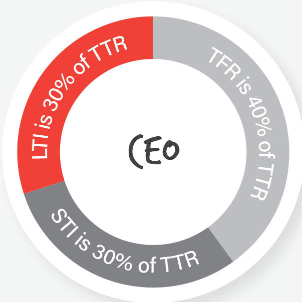
REMUNERATION REPORT (AUDITED) continued

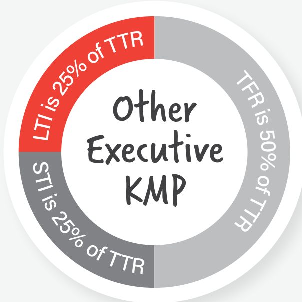
4. OUR STRATEGY, VISION AND VALUES AND LINK TO EXECUTIVE KMP REWARD continued

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 2022 (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. While the remuneration mix remains unchanged from previous years, there will be material changes from 2023 with the commencement of Pejman Okhovat as the CEO and MD, and the introduction of the proposed new Remuneration Framework.

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:

		FY22	FY23	FY24	FY25	FY26
FY21	TFR	TFR				
	STI	Cash	X			
	Deferred STI^	Cash or Rights	Deferral Period	X		
	LTI	Performance Rights			X	
FY22	TFR		TFR			
	STI		Cash	X		
	Deferred STI^		Cash or Rights	Deferral Period	X	
	LTI		Performance Rights			X

^ Triggers if total STI award is above threshold value. Delivery via cash or rights at Board's discretion
X Date of payment or vesting of incentive awards

REMUNERATION REPORT (AUDITED) continued

4. OUR STRATEGY, VISION 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 PCEC and CEO recommendations (where appropriate).

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 PCEC and approved by the Board. All STI awards to Executive KMP are approved by the PCEC 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. 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. In 2022 there were five non-financial KPIs across Team, Quality and Customer focus areas. These KPIs were set based on annual targets linked to G8 Education's strategic priorities. 2022 Scorecard outcomes are further subject to adjustment at the Board's discretion based on holistic performance, across areas including but not limited to safety and occupancy outcomes. Details of the 2022 Scorecard are set out in Section 5 below. The Board approves the gate, performance measures and targets, and retains absolute discretion in 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 2022 year, the relevant Performance Period is 1 January 2022 to 31 December 2022. 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. 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. This mechanism achieves additional retention of Executive KMP and aligns their interests with those of shareholders. Should the Board apply discretion to award deferred STI in performance rights, the equity allocation will be calculated using G8 Education's five-day volume weighted average price (VWAP) following the announcement of year end results.

REMUNERATION REPORT (AUDITED) continued

4. OUR STRATEGY, VISION 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). 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. Under the GEIP, selected senior executives (based on their ability to influence and execute strategy) are offered 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. The number of rights granted under the 2022 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 5-day Volume Weighted Average Price (VWAP) of one G8 Education Limited share up to and including 1 March 2022.
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 two years later. For the 2022 LTI grant, the Performance Period is 1 January 2022 to 31 December 2024. Any awards under the Plan are made at Vesting Date (following the announcement of full-year results). LTI is tested against pre-determined performance hurdles at the end of the 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 2022 LTI grant is subject to the Vesting Conditions being met. These comprise a service condition and one performance hurdle. The service condition is continuous employment with G8 Education Limited from the date performance rights are granted until the Vesting Date. The sole performance hurdle for the 2022 LTI grant is the Compound Annual Growth Rate (CAGR) of Reported (audited) Earnings Per Share (EPS) over the Performance Period, subject to adjustment for significant items as determined by the Board in its discretion. The percentage of performance rights that vest for each % of CAGR of EPS is set out in the following table:

CAGR of EPS over the three financial years ending 31 December 2024	% of Performance Rights that vest
< 10%	0%
10% – 15%	50% to 100% (pro-rata)
> 15%	100%

In respect of the 2021 LTI grant, the performance hurdle was Cumulative Reported (audited) EPS over the Performance Period, subject to adjustment for significant items as determined by the Board in its discretion. The relevant vesting schedule is as follows:

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%

REMUNERATION REPORT (AUDITED) continued

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

LONG-TERM INCENTIVES (LTI)

Vesting Conditions	In respect of the 2020 LTI grant, the performance hurdle was Cumulative Reported (audited) EPS over the Performance Period, subject to adjustment for significant items as determined by the Board in its discretion. The relevant vesting schedule is 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 the 2019 LTI grant, the performance hurdle was CAGR of Reported (audited) EPS over the Performance Period, subject to adjustment for significant items as determined by the Board in its discretion. The relevant vesting schedule is as follows:

CAGR of EPS over the three financial years ending 31 December 2021	% of Performance Rights that vest
< 10%	0%
10% to 15%	50% to 100% (pro-rata)
> 15%	100%

Dividends	No dividends are attached to Performance Rights.
Voting Rights	There are no voting rights attached to Performance Rights.
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. 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. 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

Clawback

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

Hedging and margin lending prohibition

Under the G8 Education Securities Trading Policy and in accordance with the Corporations Act, equity granted under G8 Education equity incentive schemes must remain at risk until vested, or until exercised if performance rights. It is a specific condition of grant that no schemes are entered into, by an individual or their associates that specifically protect the unvested value of performance rights allocated.

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

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

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

REMUNERATION REPORT (AUDITED) continued

5. REMUNERATION DETAILS FOR EXECUTIVE KMP

2022 SHORT-TERM INCENTIVE PLAN OUTCOMES

The NPAT financial target in the 2022 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's overall performance, NPAT was set as a gate for any payment under the 2022 STIP. The NPAT KPI comprised 70% of the 2022 STI opportunity for the CEO/Managing Director and 60% for the other Executive KMP. While the NPAT gate (set at 90% of the Board-approved NPAT budget) was met, the NPAT budget / target was not achieved. This resulted in a partial payment (75%) under the NPAT KPI for Executive KMP.

The remaining 30% of STI awards for the CEO/Managing Director and 40% for other Executive KMP was determined based on the achievement of agreed non-financial KPIs. These performance objectives were critical to the delivery of the 2022 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 (where appropriate) and discussed with the PCEC. The Board applied a small downward adjustment to STI awards when considering safety and occupancy performance during the 2022 year and believes that the resolved STI outcomes appropriately reflect G8 Education's overall performance in 2022.

The table below summarises the results for Executive KMP against the 2022 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 has been set as a gate before any STI can be paid**	**≥ 90% NPAT budget**	**Achieved**[1]
	Net Profit After Tax (NPAT)	Net Profit After Tax is the sole financial KPI	$49.3m NPAT	Partially Achieved[1]
Team (Attract, retain, and develop the best people to create great teams)	Centre Manager Voluntary Turnover	Centre Managers who voluntarily resign from their employment	CM Voluntary Turnover ≤ 19.2%	Achieved
	Early Childhood Teacher Voluntary Turnover	Early Childhood Teachers who voluntarily resign from their employment	ECT Voluntary Turnover ≤ 38.0%	Not Achieved
	Team 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	≥ 90% of Centres assessed as 'meeting' or 'exceeding' NQS	Not Achieved
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

1. $47.5m Underlying NPAT was achieved against the budget of $49.3m.

Based on the outcomes detailed above and the Board's overall adjustment to reflect a holistic view of performance, the CEO and Managing Director was awarded 57% of his total 2022 STIP opportunity, with other Executive KMP awarded 51% of their total STIP opportunity.

In accordance with the STIP framework, 50% of STI awards above $100,000 have been deferred until March 2024 for payment. The Board has decided to award the deferred portion of STI in cash, noting the administration involved with issuing equity for relatively small amounts. While G Carroll ceased employment on 31 December 2022, the deferred portion of his STI will be paid in the ordinary course around March 2024.

2020 LONG-TERM INCENTIVE PLAN OUTCOMES

The 2020 LTI Plan was tested on 31 December 2022. The Board determined in their assessment that the EPS growth performance conditions were met in full and it is expected that 100% of rights under the Plan will vest on 1 March 2023 for eligible Executive KMP. This translates to the issue of 520,000 shares to G Carroll and 190,000 shares to S Williams.

REMUNERATION REPORT (AUDITED) continued

5. REMUNERATION DETAILS FOR EXECUTIVE KMP continued

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, 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 2022. 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 2022 financial year.

The table below shows:

- Total Fixed Remuneration
- Short-Term Incentives
- Tested Long-Term Incentives
- Termination Payments

EXECUTIVE KMP $	Fixed Remuneration[1]	2022 STI-Cash[2]	2022 STI-Deferred Cash[3]	2020 LTI[4]	Termination payments[5]	Total actual remuneration earned[6]
G Carroll	840,027	229,017	129,017	577,200	840,000	2,615,261
S Williams	515,027	115,469	15,469	210,900	—	856,865
M Ashcroft	600,027	126,274	26,274	—	—	752,575

1. Base salary, superannuation and non-monetary benefits such as motor vehicle, travel and any associated FBT.
2. STI relating to the 2022 Performance Period and payable in cash following announcement of full-year 2022 results.
3. Deferred STI relating to the 2022 Performance Period to be awarded in cash, subject to continued employment by the Executive KMP at March 2024. The Board has exercised discretion to waive the continued service condition for G Carroll, who ceased employment on 31 December 2022.
4. Intrinsic value (based on G8 Education's share price as at 31 December 2022 of $1.11, multiplied by the number of rights vesting) of the 2020 LTI grant due to vest in March 2023.
5. Relates to payment in lieu of 12 months' notice for G Carroll.
6. Does not include for G Carroll the value of the 2021 and 2022 LTI Plans which remain on foot on a pro-rata basis for service provided to 31 December 2022.

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.

	2018[2] $'000	2019 $'000	Restated 2020[3] $'000	2021 $'000	2022 $'000
Total revenue	858,173	922,202	788,358	878,733	905,224
EBIT	132,184	146,379	(141,141)	118,720	105,635
Net Profit After Tax	71,831	52,019	(188,970)	45,681	36,606
Underlying NPAT (unaudited, Non IFRS)[1]	79,417	67,673	62,658	39,499	47,487
Underlying EPS (cents)[1]	17.54	13.02	7.39	4.66	5.69
Annual dividend per share (cents)	14.0	12.75	—	—	4.0
Share price as at 31 December ($)	2.83	1.90	1.18	1.11	1.11
Total Fixed Remuneration Executive KMP[4]	**1,631**	**1,745**	**1,577**	**1,900**	**1,955**
Total Variable Remuneration Executive KMP[5]	**82**	**—**	**—**	**836**	**1,430**
Total Fees Non-Executive Directors[4,6]	**1,060**	**1,060**	**959**	**1,018**	**1,082**

1. As defined on page 40.
2. Prior year numbers have not been restated for AASB 16 *Leases* 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 STI and LTI earned in year (i.e., 2022 includes 2022 STIP over the January – December 2022 performance period; and 2020 LTIP over the January 2020 – December 2022 performance period).
6. NED fees are inclusive of superannuation.

REMUNERATION REPORT (AUDITED) continued

5. REMUNERATION DETAILS FOR EXECUTIVE KMP continued

STATUTORY REMUNERATION TABLE

		Short-term benefits			Post-employment benefits	Termination benefits[1]	Long-term benefits/ Share-based payments		Total Remuneration	Performance related	Share Plan related
AMOUNT $	YEAR	Base Salary	Non-monetary benefits	Cash STI	Superannuation benefits	Cash	Performance Rights[2]	Cash[3]		% of Total Remuneration	% of Total Remuneration
G Carroll	2022	815,596	—	229,017	24,430	840,000	238,609	129,017	2,276,669	26%	10%
	2021	817,715	—	294,125	22,631	—	339,551	—	1,474,022	43%	23%
S Williams	2022	490,596	—	115,469	24,430	—	66,925	7,734	705,155	27%	9%
	2021	470,306	—	136,260	22,631	—	106,507	—	735,704	33%	14%
M Ashcroft	2022	575,597	—	126,274	24,430	—	19,298	13,137	758,736	21%	3%
	2021	477,278	—	137,500	20,377	—	57,909	—	693,064	28%	8%
Totals	**2022**	**1,881,790**	**—**	**470,760**	**73,291**	**840,000**	**324,832**	**149,888**	**3,740,560**	**25%**	**9%**
	2021	**1,765,299**	**—**	**567,885**	**65,639**	**—**	**503,967**	**—**	**2,902,790**	**37%**	**17%**

1. Termination payment for G Carroll relates to payment in lieu of 12 months' notice.
2. Long-term performance rights figures include expenses recognised in relation to the 2020 LTI, 2021 LTI, 2022 LTI and 2021 STI plans. As the Board exercised their discretion in regard to some of G Carroll's rights remaining on foot, the changes were accounted for as a modification under AASB 2 Share Based Payments with the accounting expense accelerated in the year ended 31 December 2022 for all rights which are currently expected to vest that remain on foot as at 31 December 2022.
3. Long-term cash figures relate solely to the 2022 deferred STI awards. For G Carroll, who ceased employment on 31 December 2022, the 2022 deferred STI award has been fully expensed in 2022.

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	78,763	18,937	97,700
G Carroll (CEO)[1]	Directly	174,547	—	174,547
J Cogin	Indirectly	45,000	—	45,000
D Singh	Indirectly	50,000	—	50,000
A Thornton	Directly	23,150	—	23,150
P Trimble	Indirectly	100,000	—	100,000
M Zabel	Indirectly	40,000	10,000	50,000
Other Executive KMP of G8 Education Limited				
ORDINARY SHARES				
S Williams	Indirectly	65,455	—	65,455
M Ashcroft	Directly	100,000	—	100,000

1. G Carroll ceased employment as Managing and CEO effective 31 December 2022.

REMUNERATION REPORT (AUDITED) *continued*

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 ($)[1]			
PLAN	**GRANT DATE**	Fair Value at Grant Date[2]	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
G Carroll[3]											
2022 LTI	19 May 22	$1.01	—	490,886	—	381,426	109,460	495,795	—	385,240	2025
2021 STI	14 Apr 22	$1.03	—	151,259	—	—	151,259	155,797	—	—	2023
2021 LTI	28 June 21	$0.89	583,406	—	—	254,122	329,284	—	—	226,169	2024
2020 LTI	30 June 20	$0.74	520,000	—	—	—	520,000	—	—	—	2023
2019 LTI[4]	10 May 19	$2.42	198,119	—	—	198,119	—	—	—	479,448	2022
Total			**1,301,525**	**642,145**	**—**	**833,667**	**1,110,003**	**651,592**	**—**	**1,090,857**	
S Williams											
2022 LTI	19 May 22	$1.01	—	194,795	—	—	194,795	196,743	—	—	2025
2021 STI	14 Apr 22	$1.03	—	28,253	—	—	28,253	29,101	—	—	2023
2021 LTI	28 June 21	$0.89	211,833	—	—	—	211,833	—	—	—	2024
2020 LTI	30 June 20	$0.74	190,000	—	—	—	190,000	—	—	—	2023
2019 LTI[4]	10 May 19	$2.42	72,020	—	—	72,020	—	—	—	174,288	2022
Total			**473,853**	**223,048**	**—**	**72,020**	**624,881**	**225,844**	**—**	**174,288**	
M Ashcroft											
2022 LTI	19 May 22	$1.01	—	233,755	—	—	233,755	236,093	—	—	2025
2021 STI	14 Apr 22	$1.03	—	28,899	—	—	28,899	29,766	—	—	2023
2021 LTI	28 June 21	$0.89	232,906	—	—	—	232,906	—	—	—	2024
2020 LTI	30 June 20	$0.74	—	—	—	—	—	—	—	—	2023
2019 LTI	10 May 19	$2.42	—	—	—	—	—	—	—	—	2022
Total			**232,906**	**262,654**	**—**	**—**	**495,560**	**265,859**	**—**	**—**	
Grand Total			**2,008,284**	**1,127,847**	**—**	**905,687**	**2,230,444**	**1,143,294**	**—**	**1,265,145**	

1. Performance Rights are expensed in line with the vesting conditions of the Performance Rights (refer Note 31).
2. Fair value at grant date is calculated independently based on the Black-Scholes-Merton pricing model and using a risk-neutral assumption.
3. The Board exercised their discretion in regard to some of G Carroll's rights. The balance of rights at the end of the year represents the pro-rata awards that remain on foot for G Carroll based on his service to 31 December 2022. These will be tested against the relevant performance conditions in the ordinary course under each plan.
4. Performance rights under the 2019 LTI lapsed in full following testing on 31 December 2021 as the performance hurdles were not met.

REMUNERATION REPORT (AUDITED) continued

7. EMPLOYMENT AGREEMENTS

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, as it pertains to those employed as at 31 December 2022.

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	Unless otherwise agreed, in order to terminate the employment arrangements, the CEO is required to provide G8 Education with twelve months' written notice. Other Executive KMP are required to provide G8 Education six months' written notice.
Resignation	On resignation, unless the Board determines otherwise: • all unvested STI or LTI benefits are forfeited.
Termination on notice by G8 Education	Unless otherwise agreed, 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	Unless otherwise agreed, 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. On termination without notice by G8 Education in the event of serious misconduct: • all unvested STI or LTI benefits will be forfeited; and • any employee share scheme instruments provided to the employee on vesting of STI or LTI awards that are held in trust will be forfeited.
Statutory entitlements	Payment of statutory entitlements of long service leave and annual leave applies in all events of separation.
Post-employment restraints	The CEO is subject to post-employment restraints of up to 24 months. All other Executive KMP are subject to post-employment restraints for up to 6 months.

REMUNERATION REPORT (AUDITED) continued

8. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

NED REMUNERATION

PRINCIPLE	COMMENT
Fees are set by reference to key considerations	Fees for NEDs are based on the nature of the NEDs' work and their responsibilities. The remuneration rates reflect the complexity of G8 Education's business and the extent of the number of geographical locations in which G8 Education operates. In determining the level of fees, survey data on comparable companies is considered. NEDs' fees are recommended by the PCEC and determined by the Board. Shareholders approve the aggregate amount available for the remuneration of NEDs. No increase in NED remuneration is proposed for 2023. 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. 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 2022 is within the aggregate amount approved by shareholders at the AGM in May 2017 of $1,100,000 per annum including superannuation.

NED FEES AND OTHER BENEFITS EXPLAINED

ELEMENTS	DETAILS	2022[1] $	2021[1] $
Board base fees per annum	Board Chair	285,000	285,000
	Board NED	140,000	140,000
Committee fees per annum	Audit & Risk Chair	25,000	25,000
	Nomination Chair	25,000	25,000
	People, Culture & Education Chair	25,000	25,000
	Property Chair	25,000	25,000
	Audit & Risk Member	No fee	No fee
	Nomination Member	No fee	No fee
	People, Culture & Education Member	No fee	No fee
	Property Member	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 10.5% from 1 July 2022 (and 10.0% for the 2021 financial year and up to 30 June 2022). 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. No payments were made to NEDs during 2022 for travel allowances, extra services or special exertions.

1. NED fees include superannuation.

REMUNERATION REPORT (AUDITED) continued

8. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION continued

NED TOTAL REMUNERATION PAID

	YEAR	Fees $	Superannuation benefits $	Total $
D Foster (Chair)	2022	260,596	24,430	285,027
	2021	159,204	15,544	174,748
M Zabel	2022	149,671	15,329	165,000
	2021	150,342	14,658	165,000
J Cogin	2022	149,671	15,329	165,000
	2021	142,000	13,865	155,865
P Trimble	2022	149,671	15,329	165,000
	2021	150,342	14,658	165,000
T Thornton	2022	126,985	9,833	136,818
	2021	9,790	979	10,769
D Singh	2022	149,671	15,326	165,000
	2021	11,538	1,154	12,692
Totals	**2022**	**986,265**	**95,579**	**1,081,845**
	2021[1]	**623,216**	**60,858**	**684,074**

1. Total remuneration paid to NEDs during 2021 has been restated to correct an administrative error caused by the 0.5% increase in superannuation on 1 July 2021.

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.

END OF REMUNERATION REPORT

DIRECTORS' REPORT *continued*

DIRECTORS' 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 2022, 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 61.

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.

Pejman Okhovat
Managing Director
21 February 2023

AUDITORS INDEPENDENCE DECLARATION

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 2022, 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

K McKenzie

Kellie McKenzie
Partner
21 February 2023

FINANCIAL REPORT

Contents

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Consolidated 2022 $'000	Consolidated 2021 $'000
Continuing operations			
Revenue	3	901,286	866,336
Other income	4	3,938	12,397
Total		**905,224**	**878,733**
Expenses			
Employment costs	5	(561,466)	(537,629)
Properties, utilities and maintenance costs		(51,225)	(48,214)
Direct costs		(35,148)	(33,692)
Software development expenses		(7,280)	(6,901)
Depreciation and amortisation	5	(95,286)	(88,674)
Other expenses		(48,772)	(44,819)
Finance costs	5	(52,357)	(53,259)
Total expenses		**(851,534)**	**(813,188)**
Profit before income tax		**53,690**	**65,545**
Income tax expense	6	(17,084)	(19,864)
Profit for the year attributable to members of the parent entity		**36,606**	**45,681**

		Cents	Cents
Basic earnings per share	8	4.39	5.39
Diluted earnings per share	8	4.37	5.37

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Consolidated 2022 $'000	Consolidated 2021 $'000
Profit for the year	**36,606**	**45,681**
Total comprehensive income for the year	**36,606**	**45,681**

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	Consolidated 2022 $'000	Consolidated 2021 $'000
Assets			
CURRENT ASSETS			
Cash and cash equivalents	18	37,826	74,131
Trade and other receivables	9	22,530	19,604
Other current assets	10	12,710	12,299
Current tax asset	6	11,294	17,582
Total current assets		**84,360**	**123,616**
NON-CURRENT ASSETS			
Property, plant and equipment	11	136,250	107,458
Right of use assets	20	401,834	441,161
Deferred tax assets	6	102,385	108,089
Intangible assets	16	1,051,614	1,057,494
Investment in an associate	24(b)	932	1,000
Other non-current assets	10	6,196	7,211
Total non-current assets		**1,699,211**	**1,722,413**
Total assets		**1,783,571**	**1,846,029**
Liabilities			
CURRENT LIABILITIES			
Trade and other payables	12	73,421	78,265
Contract liabilities	3(i)	11,234	12,343
Borrowings	19	920	—
Lease liabilities	20	81,168	73,207
Provisions	13	85,832	90,098
Total current liabilities		**252,575**	**253,913**
NON-CURRENT LIABILITIES			
Other payables	12	378	6,867
Borrowings	19	127,935	96,055
Lease liabilities	20	503,532	559,651
Provisions	13	15,788	14,832
Total non-current liabilities		**647,633**	**677,405**
Total liabilities		**900,208**	**931,318**
Net assets		**883,363**	**914,711**
Equity			
Contributed equity	21	1,174,419	1,209,227
Reserves		73,297	65,316
Retained earnings		(364,353)	(359,832)
Total equity		**883,363**	**914,711**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED	Notes	Contributed Equity $'000	Share Based Payment Reserve $'000	Profits Reserve $'000	Retained Earnings $'000	Total $'000
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
Balance 1 January 2022		**1,209,227**	**675**	**64,641**	**(359,832)**	**914,711**
Profit / (loss) for the year		—	—	41,127	(4,521)	36,606
Total comprehensive income / (loss) for the year		**—**	**—**	**41,127**	**(4,521)**	**36,606**
Transactions with owners in their capacity as owners						
Buy back of equity, including transaction costs	21	(34,808)	—	—	—	(34,808)
Share based payment expense	31	—	543	—	—	543
Dividends provided for or paid	22(a)	—	—	(33,689)	—	(33,689)
Total		**(34,808)**	**543**	**(33,689)**	**—**	**(67,954)**
Balance 31 December 2022		**1,174,419**	**1,218**	**72,079**	**(364,353)**	**883,363**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Consolidated 2022 $'000	Consolidated 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		897,675	868,519
Payments to suppliers and employees (inclusive of GST)		(707,799)	(704,854)
Interest received		410	81
Interest paid (non-leases)		(10,021)	(11,233)
Interest paid (leases)		(38,409)	(39,599)
Income taxes paid (net of refunds)		(5,092)	(28,647)
Net cash inflows from operating activities	23	**136,764**	**84,267**
Cash flows from investing activities			
Payments for purchase of businesses (net of cash acquired)		(75)	(2,630)
Payments for purchase of intangible assets		(1,125)	(1,290)
Net proceeds / (payments) for divestments		168	(6,980)
Proceeds from the sale of property, plant and equipment		217	—
Payments for property, plant and equipment		(58,482)	(41,384)
Acquisition of investment in associate	24(b)	—	(1,000)
Net cash outflows from investing activities		**(59,297)**	**(53,284)**
Cash flows from financing activities			
Dividends paid	22	(33,689)	—
Principal elements of lease payments		(73,194)	(72,297)
Buy back of equity (including transaction costs)	21	(34,808)	—
Proceeds / (repayments) from borrowings		30,000	(200,000)
Borrowing costs paid		(2,081)	(1,544)
Net cash outflows from financing activities		**(113,772)**	**(273,841)**
Net decrease in cash and cash equivalents		(36,305)	(242,858)
Cash and cash equivalents at the beginning of the financial year		74,131	316,989
Cash and cash equivalents at the end of the financial year	18	**37,826**	**74,131**

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

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3. CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

4. GROUP STRUCTURE

5. UNRECOGNISED ITEMS

6. OTHER

1. FINANCIAL OVERVIEW

NOTE 1: MATERIAL EVENTS DURING THE REPORTING PERIOD

(a) COVID-19 pandemic, flood events and labour shortages

The Group continued to play a key role in supporting the broader community and economic recovery during the COVID-19 pandemic, providing continuity of care with protocols in place to ensure the safety of our families and team members. The Group also provided support to families and team members impacted by the Eastern Australia flood events during February to April 2022, through waiving of fees, disaster relief payments and participating in local community support initiatives.

The Group reported a statutory net profit after tax of $36.6 million for the year ended 31 December 2022, 19.9% lower than the prior year (2021: $45.7 million). Revenue of $901.3 million for the year ended 31 December 2022 was up 4.0% on the prior year (2021: $866.3 million) driven predominantly by higher average fees. Occupancy levels in the quarter ended 31 March 2022 were impacted by the COVID-19 pandemic (increased Omicron case numbers and isolation requirements) and flood-related centre closures but occupancy levels increased after the first quarter and progressively improved over the remainder of the year, exceeding the prior year in the second half of the year, as COVID-19 restrictions reduced and the economic recovery continued.

The Group reported total expenses of $851.5 million for the year ended 31 December 2022, 4.7% higher than the prior year (2021: $813.2 million). Employment costs for the year ended 31 December 2022 of $561.5 million were 4.4% higher than the prior year (2021: $537.6 million), driven by increased wages rates and ongoing sector workforce challenges, including labour shortages and sick leave as a result of COVID-19 and flood-related team member shortages, resulting in additional agency usage throughout the year.

During the year, to respond to the challenging environment, the Group successfully implemented a $14 million cost reduction program for the year ended 31 December 2022. Restructuring costs of $2.8 million are included in the year ended 31 December 2022 result (refer note 7).

Government assistance in the current year was provided through claiming child care subsidy for COVID-19 and flood related absences. Child care subsidies are recorded as revenue from child care centres. In the prior period, the Group recognised the following one-off government assistance, specific to COVID-19, which was reflected as a separate revenue category in note 3:

	Consolidated	
	2022 $'000	2021 $'000
Revenue		
Business Continuity Payments	—	15,960
Child Care Relief Package, Transition and Recovery Payments	—	5,303
Total	**—**	**21,263**

(b) Share buy-back program and dividends

The share buy-back program announced in February 2022 commenced during the period, with 33.6 million shares repurchased for a cost, including transaction costs, of $34.8 million to 31 December 2022. Refer to note 21.

The Group completed the share buy-back program in January 2023. Over the period of the share buy-back program between April 2022 and January 2023 there were a total of 37.9 million shares repurchased for $40.0 million (including transaction costs).

Dividends amounting to $33.7 million (2021: nil) were distributed from the profits reserve during the year. Refer to note 22.

(c) Refinance of debt facilities

As part of the Group's capital management strategy, the $100.0 million junior debt facility (subordinated debt) was repaid in full and cancelled in June 2022, by utilising senior syndicated debt, to reduce the overall cost of debt, including the cost of unused capacity.

The Group refinanced its senior syndicated debt in December 2022, reducing the facility limits from $350.0 million to $306.0 million. The refinanced syndicated debt facility has $270.0 million in revolving facilities ($192.3 million with an expiry date in December 2025 and $77.7 million with an expiry date in December 2026). The Group had $130.0 million drawn from the $270.0 million syndicated debt facilities as at 31 December 2022. The facility incurs interest at a rate of BBSY plus a margin based on the Group's leverage ratio. Borrowing costs, relating to the refinancing, of $2.1 million were capitalised to the loan and will be expensed on a straight line basis over the life of the facility.

The refinanced syndicated debt facility also has a $36.0 million bank guarantee facility of which $33.6 million was in use as at 31 December 2022.

Refer to note 19.

1. FINANCIAL OVERVIEW

NOTE 1: MATERIAL EVENTS DURING THE REPORTING PERIOD continued

(d) Going concern

The Group recognised a net profit after tax of $36.6 million for the year (2021: $45.7 million); current liabilities exceeded current assets by $168.2 million as at 31 December 2022 (2021: $130.3 million). The Directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate. Management expects the cash reserves and undrawn debt facilities, together with the forecast cash flow generation from operations will allow the Group to fulfil the Group's remediation program obligations and meet its debts for the 12 months from the date of this report. On this basis, the Directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate.

The assets are likely to be realised, and liabilities are likely to be discharged at the amounts recognised in the financial statements in the ordinary course of business. As a result, the financial statements have been prepared on a going concern basis.

NOTE 2: SEGMENT INFORMATION

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 in Australia and the segment disclosure has not altered from the last Annual Report.

	Consolidated	
	2022 $'000	2021 $'000
Revenue from external customers continuing operations	901,286	866,336
Profit before tax from continuing operations	53,690	65,545
Non-current assets[1] at 31 December	1,596,826	1,614,324

1. Non-current assets exclude deferred tax assets.

TIMING OF REVENUE RECOGNITION	Consolidated 2022 $'000	Consolidated 2021 $'000
Revenue recognised at a point in time	883,509	849,596
Total revenue from contracts with customers	**883,509**	**849,596**
Other revenue recognised over time	17,777	16,740
Total revenue	**901,286**	**866,336**

1. FINANCIAL OVERVIEW

NOTE 3: REVENUE

Disaggregation of revenue

	Consolidated	
	2022 $'000	2021 $'000
From continuing operations		
Sales revenue		
Revenue from child care centres[1]	883,509	829,201
Government assistance (refer to note 1(a))[2]	—	21,263
Funding relating to child care operations	17,777	15,872
Total revenue continuing operations	**901,286**	**866,336**

1. Government assistance in the current period was provided through claiming child care subsidy for COVID-19 and flood related absences. Child care subsidies are recorded as revenue from child care centres.
2. In the prior period, the Group recognised one-off government assistance, specific to COVID-19, relating to Business Continuity Payments, Child Care Relief Package and Transition and Recovery Payments.

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 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).

In the prior year due to the COVID-19 outbreak, specific one-off government assistance was received (refer to note 1(a)).

Revenue received in advance from parents, guardians and the 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 2022: $11.2 million (2021: $12.3 million).

(ii) Funding related to child care operations

Training incentives and additional funding receipts are recognised in revenue 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*. Subsidies to support businesses to take on new apprentices and trainees are recognised as a credit to employment costs (refer note 5).

NOTE 4: OTHER INCOME

	Consolidated	
	2022 $'000	2021 $'000
Interest	412	83
Gain on sale of centres	266	6,590
Gain on lease modifications[1]	1,022	3,970
Gain on surrender / termination of leases[2]	—	1,754
Deferred contingent consideration not payable (note 15(iii))[3]	6,393	—
Goodwill impairment (note 15(iii) and note 16)[3]	(6,393)	—
Insurance proceeds	1,132	—
Vendor rebates	1,106	—
Total other income	**3,938**	**12,397**

1. The gain on lease modifications is primarily resulting from the reduction in lease option renewals recognised.
2. 2022 Loss on surrender / termination of leases totalling $1.3 million has been included in 'other expenses' in the consolidated income statement.
3. An impairment expense relating to Leor goodwill has been booked and has been taken to the consolidated income statement as a $6.4 million expense in other income (refer note 15(iii) and note 16), but there also was an offsetting fair value adjustment to contingent consideration which has been taken to the consolidated income statement as a $6.4 million credit in other income (refer note 15(iii)).

1. FINANCIAL OVERVIEW

NOTE 4: OTHER INCOME *continued*

Accounting policies

(i) Interest income

Interest income is recognised using the effective interest method.

(ii) Gain on sale of centres

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

(iii) Gains on lease modifications, surrenders and 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 and changes in the lease term, following a change in the assessment of whether the Group is reasonably certain or not to exercise an extension option.

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.

NOTE 5: EXPENSES

	Consolidated	
	2022 $'000	2021 $'000
Profit before income tax includes the following specific expenses:		
DEPRECIATION AND AMORTISATION		
Depreciation expense of property, plant and equipment (note 11)	25,742	20,965
Amortisation of intangibles (note 16)	412	140
Depreciation expense of right-of-use assets (note 20)	69,132	67,569
	95,286	**88,674**
EMPLOYMENT COSTS		
Wages and salaries	514,836	494,738
Boosting Apprenticeship Commencement (BAC) subsidy[1]	(7,359)	(5,179)
Training and professional development	8,811	5,128
Post-employment benefits expense	44,635	42,441
Share-based payment expense	543	501
	561,466	**537,629**
FINANCE COSTS		
Interest expense	9,854	11,205
Borrowing costs expense	3,990	2,455
Interest expense on lease liabilities and make good provision (notes 20(c) and 13(a))	38,513	39,599
	52,357	**53,259**

1. This subsidy was a time limited intervention to support businesses to take on new apprentices and trainees during the economic recovery from the impacts of COVID-19. From 30 June 2022 this program closed to new entrants.

1. FINANCIAL OVERVIEW

NOTE 6: INCOME TAX AND DEFERRED TAX ASSETS

	Consolidated	
	2022 $'000	2021 $'000
(a) Income tax expense		
Current tax	10,693	8,399
Deferred tax	5,704	11,679
Under / (over) provision current tax prior year	687	(108)
Under / (over) provision deferred tax prior year	—	(106)
Income tax expense	**17,084**	**19,864**
INCOME TAX EXPENSE IS ATTRIBUTABLE TO:		
Results from continuing operations	17,084	19,864
	17,084	**19,864**
DEFERRED INCOME TAX EXPENSE INCLUDED IN INCOME TAX EXPENSE COMPRISES:		
Decrease in deferred tax assets	5,704	11,573
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	53,690	65,545
Tax on operations at the Australian tax rate of 30% (2021: 30%)	16,107	19,664
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Adjustments relating to prior year	687	(214)
Entertainment	75	66
Acquisition and divestment related costs - not deductible	—	336
Deferred contingent consideration not payable	(1,918)	—
Goodwill impairment	1,918	—
Other non-allowable items	215	12
Income tax expense	**17,084**	**19,864**
Weighted average tax rate	31.8%	30.3%
(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	—	—

The Group has a current tax asset of $11.3 million as at 31 December 2022 (2021: $17.6 million) which includes approximately $8 million relating to refunds arising in relation to prior years' adjustments for the Employee Payments Remediation Program (refer to 13(c)).

1. FINANCIAL OVERVIEW

NOTE 6: INCOME TAX AND DEFERRED TAX ASSETS *continued*

	Consolidated	
	2022 $'000	2021 $'000
Deferred tax asset		
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
Employee benefits provisions[1]	25,398	26,538
Share issue transaction costs	1,339	1,980
Total temporary differences	**26,737**	**28,518**
OTHER		
Business-related costs	814	255
Provision for expected credit loss	1,555	1,612
Accrued expenses	3,027	4,204
Property, plant and equipment	8,445	9,077
Intangibles	1,496	1,700
Lease liabilities	175,410	189,857
Provisions	6,895	6,973
Total other	**197,642**	**213,678**
Total deferred tax assets	**224,379**	**242,196**
Deferred tax liability		
Buildings	(536)	(567)
Right of use / make good assets	(120,516)	(132,624)
Prepayments	(942)	(916)
Total deferred tax liability	**(121,994)**	**(134,107)**
Net deferred tax asset	**102,385**	**108,089**

1. Employee Benefits include the tax benefit of $11.1 million (2021: $12.5 million) arising from the remediation program, refer to note 13(c).

1. FINANCIAL OVERVIEW

NOTE 6: INCOME TAX AND DEFERRED TAX ASSETS continued

DEFERRED TAX	Consolidated CBS[1] 2020 $'000	CIS[2] 2021 $'000	CBS[1] 2021 $'000	CIS[2] 2022 $'000	CBS[1] 2022 $'000
Deferred tax relates to the following:					
Employee benefits provisions	34,433	(7,895)	26,538	(1,140)	25,398
Share issue transaction costs	3,240	(1,260)	1,980	(641)	1,339
Business-related costs	474	(219)	255	559	814
Allowance for expected credit losses	1,559	53	1,612	(57)	1,555
Accrued expenses	3,034	1,170	4,204	(1,177)	3,027
Property, plant and equipment	6,832	2,245	9,077	(632)	8,445
Intangibles	1,794	(94)	1,700	(204)	1,496
Lease liabilities	204,375	(14,518)	189,857	(14,447)	175,410
Provisions	6,892	81	6,973	(78)	6,895
Buildings	(567)	—	(567)	31	(536)
Right of use / make good assets	(140,896)	8,272	(132,624)	12,108	(120,516)
Prepayments	(1,508)	592	(916)	(26)	(942)
Net deferred tax expense / (benefit)		**(11,573)**		**(5,704)**	
Net deferred tax asset / (liability)	**119,662**		**108,089**		**102,385**

1. Consolidated Balance Sheet
2. Consolidated Income Statement

Tax consolidation

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

G8 Education Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 3 December 2007. G8 Education Limited 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.

1. FINANCIAL OVERVIEW

NOTE 6: INCOME TAX AND DEFERRED TAX ASSETS *continued*

AASB Interpretation 23 *Uncertainty over Income Tax Treatments*

The Group applies judgement in identifying uncertainties over income tax treatments and considers whether it has any uncertain tax positions. The Group determines, based on its tax compliance and 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 2022 there are no tax related contingencies (2021: nil).

Accounting policy

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

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

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

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

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

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

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

1. FINANCIAL OVERVIEW

NOTE 7: PROFIT FOR THE YEAR

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

	Consolidated	
	2022 $'000	2021 $'000
(a) Non-trading items		
NON-TRADING INCOME		
Gain on lease modifications	1,022	3,970
Gain on sale of centres	266	6,590
Gain on surrender / termination of leases	—	1,754
Impairment reversal[1]	77	—
Total non-trading income	**1,365**	**12,314**
NON-TRADING EXPENSES		
Loss on surrender / termination of leases	(1,334)	—
Divestment / acquisition related expenses	(30)	(618)
Abandoned acquisition expenses	—	(489)
Redundancy costs	(2,839)	—
Loss on disposal of assets / centres	(2,859)	(5,165)
Software development expenses	(7,280)	(6,901)
Total non-trading expenses	**(14,342)**	**(13,173)**
Non-trading items	**(12,977)**	**(859)**
Income tax benefit	3,893	258
Net non-trading items	**(9,084)**	**(601)**
(b) Government assistance and rent concessions		
COVID-19 RELATED INCOME		
Child care relief package (refer to note 1(a))	—	21,263
Total non-trading income	**—**	**21,263**

1. 2022 Net impairment reversal of $0.1 million has been included in 'other expenses' in the consolidated income statement. This amount includes $1.2 million of impairment reversal for Right of use assets (note 20(c)) and is offset in part by $1.1 million of impairment expense relating to Plant and Equipment (note 11).

1. FINANCIAL OVERVIEW

NOTE 8: EARNINGS PER SHARE

	Consolidated	
	2022 Cents	2021 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company	4.39	5.39
(b) Diluted earnings per share		
Profit from continuing operation attributable to the ordinary equity holders of the Company	4.37	5.37
	$'000	$'000
(c) Reconciliation of earnings used in calculating earnings per share		
BASIC EARNINGS PER SHARE		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	36,606	45,681
DILUTED EARNINGS PER SHARE		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	36,606	45,681
	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	834,742,833	847,390,315
ADJUSTMENTS FOR CALCULATION OF DILUTED EARNINGS PER SHARE:		
Performance rights	2,820,936	2,568,212
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	837,563,769	849,958,527

Accounting policy

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

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

1. FINANCIAL OVERVIEW

NOTE 9: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated 2022 $'000	Consolidated 2021 $'000
Trade receivables		
Trade receivables	17,989	16,231
Allowance for expected credit losses (refer to note (a) below)	(2,247)	(2,244)
Total	**15,742**	**13,987**
Other receivables		
GST receivable	2,817	3,177
Other debtors	3,971	2,440
Total trade and other receivables	**22,530**	**19,604**

(a) Allowance for expected credit losses

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of revenue over the year ended 31 December 2022 and the corresponding historical credit losses experienced within this period and also in the year ended 31 December 2019 (which was not impacted by the COVID-19 pandemic). The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of families to settle the receivables. The Group has identified the current cost of living and broader community and economic recovery from the COVID-19 pandemic, natural disasters and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the allowance for expected credit losses of receivables as at 31 December 2022 was determined as follows:

	Current and up to 30 days past due $'000	More than 30 days past due $'000	More than 60 days past due $'000	Total $'000
31 December 2022				
Expected loss rate	2%	43%	97%	12%
Gross carrying amount – trade receivables	15,741	381	1,867	17,989
Allowance for expected credit losses	**263**	**164**	**1,820**	**2,247**

Movements in the allowance for expected credit losses of receivables are as follows:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Opening balance	2,244	1,918
Allowance for impairment recognised during the year net of collections	1,452	1,415
Receivables written off during the year as uncollectable	(1,449)	(1,089)
Closing balance	**2,247**	**2,244**

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.

1. FINANCIAL OVERVIEW

NOTE 9: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES *continued*

(b) 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. Any parent fees receivable relate to child care fees not paid in advance and are therefore all considered to be past due.

The Group applied the expected credit loss (ECL) model. For trade receivables 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	
	2022 $'000	2021 $'000
Current		
Prepayments	11,262	10,842
Inventory	1,429	1,438
Deposits	19	19
Total other current assets	**12,710**	**12,299**
Non-current		
Deposits on acquisitions	224	43
Prepayments	4,997	5,948
Deposits	975	1,220
Total other non-current assets	**6,196**	**7,211**
Total other current and non-current assets	**18,906**	**19,510**

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 or 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.

Non-current prepayments relate to payments made, more than one year in advance.

1. FINANCIAL OVERVIEW

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

	Buildings $'000	Furniture, fittings and equipment[2] $'000	Total $'000
Consolidated			
YEAR ENDED 31 DECEMBER 2022			
Opening net book amount	2,676	104,782	107,458
Additions	—	58,475	58,475
Disposals	—	(2,823)	(2,823)
Impairment expense	—	(1,118)	(1,118)
Depreciation charge	(128)	(25,614)	(25,742)
Closing net book amount	**2,548**	**133,702**	**136,250**
AT 31 DECEMBER 2022			
Cost[1]	3,690	236,746	240,436
Accumulated depreciation and impairment[1]	(1,142)	(103,044)	(104,186)
Net book amount	**2,548**	**133,702**	**136,250**

1. At the beginning of the period, assets with a net book value of nil that were no longer in use were disposed of. This reduced the total cost and accumulated depreciation and impairment by $56 million.
2. Furniture, fittings and equipment includes vehicles (net book amount at 31 December 2022 is $17k) which were previously reported separately in this note but due to immateriality have been combined in the table. The prior year (net book amount at 31 December 2021 was $84k) has been presented in the same format as the current year.

	Buildings $'000	Furniture, fittings and equipment $'000	Total $'000
Consolidated			
YEAR ENDED 31 DECEMBER 2021			
Opening net book amount	3,815	81,060	84,875
Additions	—	46,467	46,467
Disposals	(992)	(1,927)	(2,919)
Depreciation charge	(147)	(20,818)	(20,965)
Closing net book amount	**2,676**	**104,782**	**107,458**
AT 31 DECEMBER 2021			
Cost	3,690	240,971	244,661
Accumulated depreciation and impairment	(1,014)	(136,189)	(137,203)
Net book amount	**2,676**	**104,782**	**107,458**

(a) Leasehold Improvements

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

	Consolidated	
	2022 $'000	2021 $'000
Cost	145,765	133,067
Accumulated depreciation and impairment	(52,387)	(65,562)
Net book amount	**93,378**	**67,505**

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.

(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. 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. In addition, management tested the carrying values of CGUs that had been impaired in prior periods for indicators that the impairment may be reversed.

A property, plant and equipment impairment expense of $1.1 million was recognised in 2022 (2021: nil).

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 disposed. All other repairs and maintenance are charged to the consolidated income statement during the reporting year in which they are incurred.

Depreciation for all assets is 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(d) for accounting policy on make good.

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

		Consolidated	
	Notes	2022 $'000	2021 $'000
Trade payables[1]		9,647	13,284
Contingent consideration	15	75	75
Centre enrolment advances		240	295
Other payables and accruals[1]		63,459	64,611
Total current		**73,421**	**78,265**
Contingent consideration[2]	15	378	6,867
Total non-current		**378**	**6,867**

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. Refer to note 15(iii) for further information in relation to the fair value movement.

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	
	2022 $'000	2021 $'000
Current provisions		
Employee benefits (note (b))	42,495	41,613
Remediation program (note (c))	37,163	41,819
Other provisions	6,174	6,666
Total current provisions	**85,832**	**90,098**
Non-current provisions		
Employee benefits	5,001	5,027
Make good (note (d))	10,787	9,805
Total non-current provisions	**15,788**	**14,832**

(a) Movements in provisions

Movements in each class of current provision during the financial year are set out below:

	Employee benefits $'000	Remediation program $'000	Other provisions $'000	Total $'000
Current				
Opening balance at 1 January 2022	41,613	41,819	6,666	90,098
Additional provisions recognised	40,720	—	—	40,720
Amounts used during the year	(39,864)	(4,656)	(492)	(45,012)
Reclassification from non-current to current	26	—	—	26
Closing balance at 31 December 2022	**42,495**	**37,163**	**6,174**	**85,832**

Movements in each class of non-current provision during the financial year are set out below:

	Employee benefits $'000	Make Good $'000	Total $'000
Non-current			
Opening balance at 1 January 2022	5,027	9,805	14,832
Change in estimate	—	1,646	1,646
Interest expense: unwind of discount	—	104	104
Amounts used during the year	—	(768)	(768)
Reclassification from non-current to current	(26)	—	(26)
Closing balance at 31 December 2022	**5,001**	**10,787**	**15,788**

1. FINANCIAL OVERVIEW

NOTE 13: CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS continued

(b) 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 recorded as a current employee benefits provision, that is not expected to be taken or paid within the next 12 months:

	Consolidated	
	2022 $'000	2021 $'000
Leave obligations expected to be settled after 12 months	4,990	6,139

(c) Employee Payments Remediation Program

During 2020, 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 seven financial years, was estimated to be a one-off cost before tax of $80 million and after tax of $57 million. Payments have been made to current and former team members amounting to approximately $37.8 million to date (2021: $34.2 million to date). The total remediation program cost estimate remains $80 million, with those costs fully provided for in prior reporting periods.

(d) 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.

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

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

(vi) Leases - Estimating the incremental borrowing rate

If the Group cannot readily determine the interest rate implicit in the lease 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 purchase 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) Provisions

Employee remediation
During a 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 note 13(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.

Other provisions
Critical accounting estimates and judgements have been made in recognising other provisions. There is judgement in determining whether a present obligation as a result of past events existed at balance date, whether it is probable a future outflow will be required to settle those obligations; and whether a reliable estimate can be made of the obligation.

2. BUSINESS COMBINATIONS, GOODWILL & IMPAIRMENT

NOTE 15: BUSINESS COMBINATIONS

(i) Current year business combinations

During the year ended 31 December 2022, the Group did not purchase any centres via a business combination.

(ii) Adjustments to provisional accounting

There were no adjustments to provisional accounting during the year ended 31 December 2022.

(iii) Contingent Consideration

As part of the 2021 Leor Pty Ltd purchase agreement with the previous owner, a portion of the consideration was determined to be contingent, based on the performance of the acquired business. As part of the acquisition accounting in 2021 the Group discounted the maximum earnout per the contract for the time value of money, using a risk adjusted discount rate, which contemplated potential risks in meeting earnout targets.

As at 31 December 2022 the current expectation is that the Leor earn out targets will not be met (primarily due to shortages in the labour market). No deferred contingent consideration will be payable and therefore the deferred contingent consideration liability of $6.4 million has been reduced to nil (refer note 4). Further a $6.4 million impairment expense of the Leor goodwill has been recognised as an expense in other income (refer note 4 and note 16).

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.

	Total potential contingent consideration payable $'000	Carrying value $'000	Conditions
At 31 December 2022			
Acquisition of 1 centre[1]	675	453	19 years occupancy hurdle based on licence capacity
Acquisition of Leor Pty Ltd	7,500	—	3 year hurdle based on EBITDA

1. The Group has assessed that $0.1 million (2021: $0.1 million) 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	
	2022 $'000	2021 $'000
Opening balance	6,942	732
Interest expense: unwind of discount	(21)	(108)
Contingent consideration paid	(75)	(75)
Contingent consideration fair value adjustment for Leor Pty Ltd (note 4)	(6,393)	—
Contingent consideration recognition for Leor Pty Ltd	—	6,393
Total contingent consideration payable as at 31 December	**453**	**6,942**

2. BUSINESS COMBINATIONS, GOODWILL & IMPAIRMENT

NOTE 15: BUSINESS COMBINATIONS *continued*

Set out below are the carrying amounts of contingent consideration split between current and non-current included in Trade and Other Payables:

	Consolidated	
	2022 $'000	2021 $'000
Current	75	75
Non-current	378	6,867
Total contingent consideration payable as at 31 December	**453**	**6,942**

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 derived from the Group's weighted average cost of capital (WACC).

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 2022		
	Goodwill $'000	Software $'000	Total $'000
Opening net book amount	1,054,851	2,643	1,057,494
Additions	—	1,125	1,125
Impairment expense[1]	(6,393)	—	(6,393)
Disposal of centres[2]	(200)	—	(200)
Amortisation	—	(412)	(412)
Closing net book amount	**1,048,258**	**3,356**	**1,051,614**
Cost[3]	1,190,293	3,838	1,194,131
Accumulated amortisation and impairment[3]	(142,035)	(482)	(142,517)
Net book amount	**1,048,258**	**3,356**	**1,051,614**

1. Refer below and to note 15(iii).
2. The Group divested or closed 16 centres during the year ended 31 December 2022 (2021: 25). One centre was divested during the year, $0.2 million goodwill balance was attributed to the transaction based on an allocation relative to sale price. No goodwill was attributed to the closed centres.
3. At the beginning of the period, a review of the split between cost / accumulated amortisation and impairment figures was undertaken and this review resulted in a reduction to the cost and accumulated amortisation and impairment figures by $11 million (no change to the net book amount).

	Consolidated 2021		
	Goodwill $'000	Software $'000	Total $'000
Opening net book amount	1,047,227	2,034	1,049,261
Additions	8,462	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**

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 and software are monitored and tested for impairment on an operating segment level. The recoverable amount of the assets is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets for 2023 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, 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

Group excluding Leor value-in-use calculation

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.

Occupancy has been impacted by COVID-19 and the Group has made assumptions about long term recovery from COVID-19 and broader economic conditions (e.g. unemployment rates). 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 property 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 Group has considered the impact of inflation and cost of living pressures.

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 11% (2021: 10%);
- Full support office costs allocation; and
- Forecast period of 5 years plus a terminal growth calculation with a growth rate of 2% (2021: 2%).

The assessment of the discount rate calculation is based on the specific circumstances of the Group and is derived from its 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.

Leor value-in-use calculation

The value-in-use calculation is based on cashflow projections with the key assumption being revenue growth determined by factors such as the availability of labour, industry sector growth and around market share in early intervention and National Disability Insurance Scheme services. The Group has made assumptions about long term recovery from COVID-19 and broader economic conditions.

The impairment model has a discount rate which reflects the specific risks relating to the Leor business.

The impairment model has a forecast period of 3 years plus a terminal growth calculation.

(c) Impairment charge

The Group completed an assessment of asset carrying values at year end and management have determined that a $6.4 million impairment expense of the Leor goodwill was required which has been recognised as an expense in other income (refer note 4 and note 15(iii)).

Sensitivity

The Group has completed a sensitivity analysis on its Group excluding Leor 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 3.0% in the pre-tax discount rate; or
- A decrease of approximately 30% in forecast EBITDA 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 and liquidity risk.

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

The Group uses 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 and investment of excess liquidity.

The Group holds the following financial instruments:

	Financial assets at amortised cost	
	2022 $'000	2021 $'000
Financial assets		
Cash and cash equivalents (note 18)	37,826	74,131
Trade receivables (note 9) and deposits (note 10)	16,736	15,226
	54,562	**89,357**

	Liabilities at fair value $'000	Liabilities at amortised cost $'000	Total $'000
2022			
FINANCIAL LIABILITIES			
Trade and other payables[1]	—	57,919	57,919
Borrowings (note 19)	—	128,855	128,855
Contingent consideration (note 15)	453	—	453
	453	**186,774**	**187,227**
2021			
FINANCIAL LIABILITIES			
Trade and other payables[1]	—	60,799	60,799
Borrowings (note 19)	—	96,055	96,055
Contingent consideration (note 15)	6,942	—	6,942
	6,942	**156,854**	**163,796**

1. Excludes employee related payables

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 drawn at variable rates expose the Group to cash flow interest rate risk. G8 Education Limited's fixed and floating borrowing mix is monitored by management and reported to the Board on a regular basis (at least quarterly). The Group had no fixed rate non-current borrowings as at 31 December 2022 (2021: $52.8 million).

Derivative products may be used to manage G8 Education Limited'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 2022 (2021: Nil).

The Group's 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 2022		31 December 2021	
	Balance $'000	Total Loans[1] %	Balance $'000	Total Loans %
Syndicated debt facilities	130,000	100%	47,200	47%
Net exposure to cash flow interest rate risk	**130,000**	**100%**	**47,200**	**47%**

1. Excludes 'Other unsecured borrowings' which relates to annual insurance premium funding

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

Sensitivity

At 31 December 2022, if interest rates had changed by -1.0%/+1.0% absolute from the year end rates with all other variables held constant, post-tax result for the year would have been $910,000 higher or $910,000 lower respectively (post-tax profit for the year for 2021: if interest rates had changed by -0.25%/+0.25% absolute from the year end rates with all other variables held constant $82,600 higher or $82,600 lower respectively).

The Group, as part of the senior syndicated debt facility, has a sustainability linked loan agreement with the Group's lending partners which has a slight interest rate discount if the Group meets certain sustainability related targets.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to trade receivables. 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.

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.

3. CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

NOTE 17: FINANCIAL RISK MANAGEMENT *continued*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash 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.

Contractual maturities of financial liabilities

	0 to 6 months $'000	6 to 12 months $'000	1 to 2 years $'000	2 to 5 years $'000	>5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Consolidated 2022							
NON DERIVATIVE							
Syndicated debt facilities	3,669	3,689	7,257	137,257	—	151,872	130,000
Other unsecured borrowings	920	—	—	—	—	920	920
Contingent consideration	—	75	75	225	300	675	453
Trade and other payables[1]	57,919	—	—	—	—	57,919	57,919
Lease liabilities	56,817	56,013	105,058	252,403	286,247	756,538	584,700
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[1]	60,799	—	—	—	—	60,799	60,799
Lease liabilities	54,798	54,204	108,090	274,198	335,107	826,397	632,858

1. Excludes employee related payables

(d) 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).

3. CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

NOTE 17: FINANCIAL RISK MANAGEMENT continued

The following table present the Group's liabilities measured and recognised at fair value on a recurring basis at 31 December 2022 and 31 December 2021:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2022				
LIABILITIES				
Contingent consideration (refer to note 15)	—	—	453	453
At 31 December 2021				
LIABILITIES				
Contingent consideration (refer to note 15)	—	—	6,942	6,942

NOTE 18: CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2022 $'000	2021 $'000
Cash at bank and in hand	37,826	74,131
Total cash and cash equivalents	**37,826**	**74,131**

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 – BORROWINGS

	Consolidated	
	2022 $'000	2021 $'000
Current borrowings		
Other unsecured borrowings[1]	920	—
Total current borrowings	**920**	**—**
Non-current borrowings		
Syndicated debt facilities	130,000	100,000
Borrowing costs	(2,065)	(3,945)
Total non-current borrowings	**127,935**	**96,055**
Total borrowings	**128,855**	**96,055**

1. Current 'Other unsecured borrowings' relates to annual insurance premium funding

3. CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

NOTE 19: CURRENT AND NON-CURRENT LIABILITIES – BORROWINGS *continued*

(a) Syndicated debt facilities

As part of the Group's capital management strategy, the $100.0 million junior debt facility (subordinated debt) was repaid in full and cancelled in June 2022, by utilising senior syndicated debt, to reduce the overall cost of debt, including the cost of unused capacity.

The Group refinanced its senior syndicated debt in December 2022, reducing the facility limits from $350.0 million to $306.0 million. The refinanced syndicated debt facility has $270.0 million in revolving facilities ($192.3 million with an expiry date in December 2025 and $77.7 million with an expiry date in December 2026). The Group had $130.0 million drawn from the $270.0 million syndicated debt facilities as at 31 December 2022. The facility incurs interest at a rate of BBSY plus a margin based on the Group's leverage ratio. Borrowing costs, relating to the refinancing, of $2.1 million were capitalised to the loan and will be expensed on a straight lined basis over the life of the facility.

The refinanced syndicated debt facility also has a $36.0 million bank guarantee facility of which $33.6 million was used as at 31 December 2022.

(b) Fair value

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

(c) Assets pledged as security

The carrying amounts of assets pledged as security for the syndicated debt facilities are:

		Consolidated	
	Notes	2022 $'000	2021 $'000
Current			
FLOATING CHARGE			
Cash and cash equivalents	18	37,826	74,131
Trade and other receivables	9	22,530	19,604
Other current assets	10	12,710	12,299
Total current assets pledged as security		**73,066**	**106,034**
Non-current			
FIRST MORTGAGE			
Buildings	11	2,548	2,676
Leased property[1]		195,868	202,943
FLOATING CHARGE			
Other non-current assets	10	6,196	7,211
Furniture, fittings and equipment	11	133,702	104,782
Total non-current assets pledged as security		**338,314**	**317,612**
Total assets pledged as security		**411,380**	**423,646**

1. The Group has certain centres which are secured by a mortgage over lease and right of entry deed. The mortgage over lease and right of entry deed is signed by the landlord and gives the Group's lenders, amongst other things, a step in right to use the asset in the event of the Group's default.

3. CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

NOTE 19: CURRENT AND NON-CURRENT LIABILITIES – BORROWINGS *continued*

(d) Financing arrangements

As at 31 December 2022 the following lines of credit were in place:

	Consolidated	
	2022 $'000	2021 $'000
Credit standby arrangements[1]		
Total facilities	2,500	1,000
Used at balance date	(2)	(585)
Unused at balance date	**2,498**	**415**
Syndicated debt facilities		
Total facilities	270,000	400,000
Used at balance date	(130,000)	(100,000)
Unused at balance date	**140,000**	**300,000**
Other unsecured borrowing facilities[2]		
Total facilities	920	—
Used at balance date	(920)	—
Unused at balance date	**—**	**—**
Bank guarantee facilities		
Total facilities	36,000	50,000
Used at balance date	(33,610)	(34,162)
Unused at balance date	**2,390**	**15,838**

1. Corporate and virtual credit card facilities.
2. Annual insurance premium funding – As at 31 December 2022 $0.9 million remains outstanding. During 2022 there was a draw down of $6.7 million relating to annual insurance premium funding which is being repaid in instalments.

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

Accounting policy

Measurement

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

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid 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:

	Leased property $'000	Leased Vehicle $'000	Total $'000
At 31 December 2021			
Cost	748,021	3,451	751,472
Accumulated depreciation and impairment	(307,401)	(2,910)	(310,311)
Net book amount	**440,620**	**541**	**441,161**
Additions	13,568	140	13,708
Remeasurement of make-good provision	106	—	106
Disposals	(2,104)	—	(2,104)
Depreciation charge	(68,271)	(861)	(69,132)
Modification to lease terms	3,203	709	3,912
Variable lease payments reassessment	13,196	(208)	12,988
Impairment reversal	1,195	—	1,195
Closing net book amount as at 31 December 2022	**401,513**	**321**	**401,834**
Cost	758,533	3,286	761,819
Accumulated depreciation and impairment	(357,020)	(2,965)	(359,985)
As at 31 December 2022	**401,513**	**321**	**401,834**

	Leased property $'000	Leased Vehicle $'000	Total $'000
At 31 December 2020			
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**

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	
	2022 $'000	2021 $'000
Current lease liabilities	81,168	73,207
Non-current lease liabilities	503,532	559,651
Total lease liabilities	**584,700**	**632,858**

	Consolidated	
	2022 $'000	2021 $'000
Opening balance	632,858	681,250
Additions	12,132	10,593
Disposals	(2,716)	(17,947)
Interest expense: accretion of interest	38,409	39,599
Payments	(111,603)	(111,859)
Modification to lease terms	1,369	17,044
Variable lease payments reassessment	14,251	14,178
Closing balance	**584,700**	**632,858**

The maturity analysis of lease liabilities are disclosed. Refer to note 17(c).

(c) Amounts recognised in profit and loss

The following are the amounts recognised in profit and loss:

	Consolidated	
	2022 $'000	2021 $'000
Depreciation expense of right-of-use assets	69,132	67,569
Interest expense on lease liabilities	38,409	39,599
Expense relating to short-term leases (included in properties, utilities and maintenance costs)	220	256
Expense relating to leases of low-value assets (included in direct costs)	1,456	1,810
Variable lease (receipts) / payments (included in properties, utilities and maintenance costs and other expenses)	266	344
Other property outgoing expenses (included in properties, utilities and maintenance costs)	11,933	11,045
Impairment reversal on right of use assets	(1,195)	—
Loss / (gain) on surrender / termination of leases	1,334	(1,754)
Gain on lease modification	(1,022)	(3,970)
Gain on sale of assets	(266)	(7,927)
Total amounts recognised in profit and loss	**120,267**	**106,972**

The Group had cash outflows for the principal portion of lease payments totalling $73.2 million (2021: $72.3 million) and interest payments totalling $38.4 million (2021: $39.6 million). Payments relating to short-term leases, low-value assets and net variable lease payments totalled approximately $1.9 million (2021: $2.4 million) (included in payments to suppliers and employees).

3. CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

NOTE 20: RIGHT OF USE ASSETS AND LEASE LIABILITIES *continued*

(d) Impairment of right of use assets

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

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 based upon forecast cashflows, to measure recoverable value in use. The value-in-use calculations are based on cashflow projections which are a function of each of the following key assumptions: occupancy, wages and other centre expenses. Right of use assets impairment losses of $3.7 million were recognised in 2022 (2021: nil 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 resulted in the reversal of right of use assets impairment losses during the current period totalling $4.9 million (2021: nil impairment reversal).

Net impairment reversal for right of use assets totalled $1.2 million (2021: nil).

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	
	2022 No. of Shares	2021 No. of Shares	2022 $'000	2021 $'000
Ordinary shares fully paid	813,837,307	847,390,315	1,174,419	1,209,227

(b) Movements in ordinary share capital

DETAILS	No. of Shares '000	$'000
31 December 2020 balance	**847,390**	**1,209,227**
31 December 2021 balance	**847,390**	**1,209,227**
Share buy-back, including transaction costs net of tax	(33,553)	(34,808)
31 December 2022 balance	**813,837**	**1,174,419**

The share buy-back program announced in February 2022 commenced during the period, with 33.6 million shares repurchased for a cost, including transaction costs, of $34.8 million to 31 December 2022.

The Group completed the share buy-back program in January 2023. Over the period of the share buy-back program between April 2022 and January 2023 there were a total of 37.9 million shares repurchased for $40.0 million (including transaction costs).

(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, when the plan is not suspended, 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. The dividend reinvestment plan has been temporarily suspended.

3. CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

NOTE 21: CONTRIBUTED EQUITY continued

(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, buy-back shares off market 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.

The gearing ratios at 31 December were as follows:

		Consolidated	
	Notes	2022 $'000	2021 $'000
Borrowings	19	128,855	96,055
Less: cash and cash equivalents	18	(37,826)	(74,131)
Net debt		91,029	21,924
Total equity		883,363	914,711
Total capital		**974,392**	**936,635**
Gearing ratio		**9%**	**2%**

Accounting policy

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Costs directly attributable to the buy-back of shares are shown in equity as a deduction, net of tax, along with the payments for the shares.

3. CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

NOTE 22: DIVIDENDS

(a) Ordinary shares

On 22 February 2022 the Board declared a 3.0 cent fully franked dividend in relation to the 2021 financial year which was paid on 1 April 2022.

On 24 August 2022 the Board declared a 1.0 cent fully franked dividend in relation to the half-year ended 30 June 2022 which was paid on 7 October 2022.

On 21 February 2023 the Board declared a 2.0 cent fully franked dividend in relation to the 2022 financial year to be paid on 6 April 2023. Refer to note 29.

Dividends paid during the reporting period were as follows:

DIVIDENDS	CPS	Total dividend $'000
Financial year 2022		
2021 final franked dividend (paid in cash on 1 April 2022)	3.0	25,422
2022 interim franked dividend (paid in cash on 7 October 2022)	1.0	8,267
Franked dividends paid during the year ended 31 December 2022		**33,689**

(b) Franking credits

	Consolidated		Parent Entity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2021: 30%)	29,470	32,427	29,470	32,427

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 2022 $'000	Consolidated 2021 $'000
Profit for the year	36,606	45,681
Depreciation and amortisation	95,286	88,674
Non-cash loss / (gain) on surrender / termination of leases	(296)	(1,754)
Non-cash net loss / (gain) on sale of centres / assets	2,425	(1,425)
Borrowing costs expense	3,990	2,455
Non-cash gain on lease modifications	(1,022)	(3,970)
Non-cash employee benefits expense - share based payments	543	501
(Increase)/decrease in deferred tax asset	5,704	11,573
(Increase)/decrease in trade and other debtors	(2,926)	(2,221)
(Increase)/decrease in other current assets	(411)	(2,031)
(Increase)/decrease in current tax assets	6,288	—
(Increase)/decrease in non-current assets	1,015	(6,224)
Increase/(decrease) in trade and other creditors	(5,189)	1,929
Increase/(decrease) in contract liabilities	(1,109)	3,238
Increase/(decrease) in provisions	(5,060)	(31,804)
Increase/(decrease) in insurance borrowings	920	—
Increase/(decrease) in provision for income taxes payable	—	(20,355)
Net cash inflows from operating activities	**136,764**	**84,267**

Changes in liabilities arising from financing activities

	Opening balance 1 Jan 2022 $'000	Cash flows $'000	Movement to current liability $'000	Considered interest in operating cash flows $'000	New leases $'000	Other $'000	Closing balance 31 Dec 2022 $'000
Current lease liabilities	73,207	(111,603)	81,168	38,409	595	(608)	81,168
Non-current lease liabilities	559,651	—	(81,168)	—	11,537	13,512	503,532
Current and non-current interest bearing loans and borrowings	96,055	27,918	—	—	—	4,882	128,855

	Opening balance 1 Jan 2021 $'000	Cash flows $'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
Current and non-current interest bearing loans and borrowings	295,139	(201,544)	—	—	—	2,460	96,055

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	2022 %	2021 %
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

4. GROUP STRUCTURE

NOTE 24: INTERESTS IN OTHER ENTITIES continued

NAME OF ENTITY	Country of incorporation	Class of Shares/Units	2022 %	2021 %
Subsidiaries of Company (continued)				
ES5 Pty Ltd[1]	Australia	Ordinary	100	100
Kindy Patch Unit Trust	Australia	Ordinary	100	100
Sydney Cove Children's Centre Unit Trust	Australia	Ordinary	100	100
Sydney Cove Children's Centre Unit Trust B	Australia	Ordinary	100	100
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	100
Leor Pty Ltd	Australia	Ordinary	100	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.

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 $1.0 million.

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.

The Group recognised a $0.1 million share of loss of an associate in relation to the year ended 31 December 2022. This amount has been included in ‘other expenses’ in the consolidated income statement.

The Group has an ‘Investment in an associate’ as at 31 December 2022 of $0.9 million (2021: $1.0 million).

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 2022, the parent entity of the Group was G8 Education Limited.

	2022 $'000	2021 $'000
Result of parent entity		
Profit for the year after tax	41,127	47,878
Other comprehensive income	—	—
Total comprehensive income for the year	**41,127**	**47,878**
Financial position of parent entity at year end		
Current assets	80,546	115,928
Non-current assets	1,596,005	1,624,021
Total assets	**1,676,551**	**1,739,949**
Current liabilities	239,888	248,455
Non-current liabilities	533,937	561,941
Total liabilities	**773,825**	**810,396**
Total equity of parent entity comprising of:		
Contributed equity	1,174,419	1,209,227
Reserves	73,297	65,316
Accumulated losses	(344,990)	(344,990)
Total equity	**902,726**	**929,553**

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 Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation - 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 years ended 31 December 2022 and 31 December 2021 of the closed group:

(a) Consolidated statement of comprehensive income

	2022 $'000	2021 $'000
Continuing operations		
Revenue	901,286	866,336
Other income	3,938	12,397
Total	**905,224**	**878,733**
Expenses		
Employment costs	(561,466)	(537,629)
Properties, utilities and maintenance costs	(51,225)	(48,214)
Direct costs	(35,148)	(33,692)
Software development expenses	(7,280)	(6,901)
Depreciation and amortisation	(95,286)	(88,674)
Other expenses	(48,772)	(44,819)
Finance costs	(52,357)	(53,259)
Total expenses	**(851,534)**	**(813,188)**
Profit before income tax	**53,690**	**65,545**
Income tax expense	(17,084)	(19,864)
Profit for the year	**36,606**	**45,681**
Total comprehensive income for the year	**36,606**	**45,681**

4. GROUP STRUCTURE

NOTE 26: DEED OF CROSS GUARANTEE *continued*

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 31 December 2022 of the closed group.

	2022 $'000	2021 $'000
Current assets		
Cash and cash equivalents	37,826	74,131
Trade and other receivables	22,530	19,604
Other current assets	12,710	12,299
Current tax asset	11,294	17,582
Total current assets	**84,360**	**123,616**
Non-current assets		
Property, plant and equipment	136,250	107,458
Right of use assets	401,834	441,161
Deferred tax assets	102,385	108,089
Intangible assets	1,051,614	1,057,494
Investment in an associate	932	1,000
Other non-current assets	6,196	7,211
Total non-current assets	**1,699,211**	**1,722,413**
Total assets	**1,783,571**	**1,846,029**
Current liabilities		
Trade and other payables	73,421	78,265
Contract liabilities	11,234	12,343
Borrowings	920	—
Lease liabilities	81,168	73,207
Provisions	85,832	90,098
Total current liabilities	**252,575**	**253,913**
Non-current liabilities		
Other payables	378	6,867
Borrowings	127,935	96,055
Lease liabilities	503,532	559,651
Provisions	15,788	14,832
Total non-current liabilities	**647,633**	**677,405**
Total liabilities	**900,208**	**931,318**
Net assets	**883,363**	**914,711**
Equity		
Contributed equity	1,174,419	1,209,227
Reserves	73,297	65,316
Retained earnings	(364,353)	(359,832)
Total equity	**883,363**	**914,711**

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

In 2020, G8 Education Limited was 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, and on this basis no further information is disclosed.

NOTE 29: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

- Effective 3 January 2023, Pejman Okhovat was appointed Managing Director and CEO.
- The Group completed the share buy-back program in January 2023. Over the period of the share buy-back program between April 2022 and January 2023 there were a total of 37.9 million shares repurchased for $40.0 million (including transaction costs).
- 1,267,740 performance rights were issued to Pejman Okhovat under the Employee Incentive Plan (GEIP) on 20 February 2023.
- On 21 February 2023 the Board declared a 2.0 cent fully franked dividend in relation to the 2022 financial year to be paid on 6 April 2023.
- A non-cash share capital reduction totalling $271.5 million was resolved by the Board on 21 February 2023 in accordance with section 258F of the *Corporations Act 2001*. The transaction is wholly contained within equity and involves no reduction to net assets or the number of shares on issue. The purpose and effect of this transaction is to improve balance sheet presentation through the offset of historical losses with recorded capital contributions in order to more closely reflect the net equity of the Group.

6. OTHER

NOTE 30: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

(i) **Chair –Independent Non-Executive**

- D Foster

(ii) **CEO and Managing Director**

- G Carroll (until 31 December 2022)

(iii) **Independent Non-Executive Directors**

- J Cogin
- D Singh
- T Thornton
- 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
M Ashcroft	Chief Operating Officer
S Williams	Chief Financial Officer

(c) Key Management Personnel compensation

	Consolidated	
	2022 $'000	2021 $'000
Short term employee benefits[1]	3,339	3,330
Post employment benefits	169	156
Termination benefits	840	284
Long-term benefits - cash	150	—
Share based payments[2]	325	477
	4,823	**4,247**

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 52 to 58.

(d) Equity instrument disclosures relating to Key Management Personnel

Refer to note 31 for details of rights 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	
	2022 $'000	2021 $'000
Share-based payment expense	543	501

G8 Education Executive Incentive Plan (GEIP)

Long Term Incentive Plan (LTIP)

Shareholders approved the GEIP at the Annual General Meeting (AGM) in May 2020. The Company has established the GEIP to assist the retention and motivation of executives of G8 Education Limited (Participants). It is intended that the Performance Rights will enable the Company to retain and attract 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 2022 Grant 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)[1]	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.

EPS CAGR	Percentage of Performance Rights that vest
Less than 10%	0%
10% to 15%	50% - 100% (pro-rata)
> 15%	100%

1. Subject to adjustment for significant items as determined by the Board in its discretion

6. OTHER

NOTE 31: SHARE-BASED PAYMENTS continued

The vesting conditions for the 2020 and 2021 Grants comprised a cumulative EPS measure rather than a CAGR measure as used for the 2022 Grant (and as used for Grants in 2019 and earlier). The Performance Rights of these 2020 and 2021 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[1]	The percentage of Performance Rights that vest for each cent of Cumulative EPS is illustrated in the following table:
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.

Cumulative EPS

2020 Grant	2021 Grant	Percentage of Performance Rights that vest
Less than 14 cents	Less than 20 cents	0%
14 cents to 17 cents	20 cents to 24 cents	50% - 100% (pro-rata)
> 17 cents	> 24 cents	100%

1. Subject to adjustment for significant items as determined by the Board in its discretion

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

GRANT DATE	Balance at the start of the year (Number)	Granted during the year (Number)	Exercised during the year (Number)	Forfeited or lapsed during the year (Number)	Balance at the end of the year (Number)	Unvested at the end of the year (Number)
10 May 2019	340,235	—	—	(340,235)	—	—
30 June 2020	990,000	—	—	(67,467)	922,533	922,533
28 June 2021	1,499,499	—	—	(433,694)	1,065,805	1,065,805
2 September 2021	78,713	—	—	—	78,713	78,713
19 May 2022	—	1,360,113	—	(440,410)	919,703	919,703
Total	**2,908,447**	**1,360,113**	**—**	**(1,281,806)**	**2,986,754**	**2,986,754**

Performance conditions of the 2019 Grant were not met and the rights were forfeited during the year. Certain other performance rights lapsed due to cessation of employment.

Mr G Carroll, CEO and Managing Director until 31 December 2022, participated in the 2020 Grant which was tested at the end of 2022. 100% of rights will vest under the 2020 Grant in March 2023, which will result in the issue of 520,000 shares to Mr G Carroll. In recognition of Mr G Carroll's 6 years' service to the Group as CEO and Managing Director, the Board exercised its discretion with respect of the 2021 and 2022 Grants (the vesting is to be tested at the end of 2023 and 2024 respectively).

Accordingly, Mr G Carroll's 2021 and 2022 Grants have been left on foot on a pro-rata basis for service provided to 31 December 2022:

- 2021 Grant: 329,284 rights remain on foot for service received up to 31 December 2022 and 254,122 rights lapsed as at 31 December 2022
- 2022 Grant: 109,460 rights remain on foot for service received up to 31 December 2022 and 381,426 rights lapsed as at 31 December 2022

As the Directors exercised their discretion in regard to some of Mr G Carroll's rights remaining on foot, the changes were accounted for as a modification under AASB 2 *Share Based Payments* with the accounting expense accelerated in the year ended 31 December 2022 for all rights which are currently expected to vest that remain on foot as at 31 December 2022. These rights will be tested against the relevant performance conditions in the ordinary course under each grant.

6. OTHER

NOTE 31: SHARE–BASED PAYMENTS *continued*

Short Term Incentive Deferral (STID)

The deferred equity short term incentive (or STID) relates to the 2021 Performance Period short term incentive which was partially awarded in rights rather than all in cash, subject to continued employment until February 2023, except in the case of Mr G Carroll (CEO and Managing Director until 31 December 2022). Unvested awards are forfeited if the employee voluntarily ceases employment or is dismissed due to poor performance. Holders of Performance Rights are not entitled to receive dividends prior to vesting. Unless otherwise determined by the Board, no payment is required for the grant of rights relating to the STID. 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 issued under the plan may not be transferred unless approved by the Board. The table below summarises rights granted under the STID.

GRANT DATE	Balance at the start of the year (Number)	Granted during the year (Number)	Exercised during the year (Number)	Forfeited or lapsed during the year (Number)	Balance at the end of the year (Number)	Unvested at the end of the year (Number)
14 April 2022	—	257,912	—	—	257,912	257,912
Total	**—**	**257,912**	**—**	**—**	**257,912**	**257,912**

Valuation of instruments issued

Value of the financial benefit

In terms of Performance Rights issued, the table below lists the inputs used in the Black Scholes model for the LTIP and STID:

		Grant date	Share price on grant date	Share price volatility[1]	Risk free rate	Time to maturity	Annual dividend yield
LTIP	Tranche 7	30 June 2020	$0.89	48%	0.26%	2.67 years	6.96%
LTIP	Tranche 8	28 June 2021	$1.00	56%	0.16%	2.68 years	4.66%
LTIP	Tranche 9	2 September 2021	$1.01	48%	0.09%	2.49 years	4.89%
STID	Tranche 10	14 April 2022	$1.07	37%	1.61%	0.9 years	3.83%
LTIP	Tranche 11	19 May 2022	$1.13	46%	2.80%	2.79 years	4.38%

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 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 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 right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the right, 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 right.

The fair value of the rights 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 rights that are expected to become exercisable. At each statement of financial position date, the entity revises its estimate of the number of 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 Performance Rights, the balance of the share-based payments reserve relating to those rights 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:

	Consolidated	
	2022 $'000	2021 $'000
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	525	500
Fees for other services • Transactional and other services	30	143
Total Auditor's remuneration	**555**	**643**

NOTE 33: RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity within the Group is G8 Education Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 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.

There were no other transactions with related parties during the financial year. There was nil outstanding at the reporting date in relation to other transactions with related parties.

6. OTHER

NOTE 34: OTHER SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

The financial statements were authorised for issue on 21 February 2023. 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 Limited and the Group complies with International Financial Reporting Standards (IFRS).

Historical cost convention

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

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of G8 Education Limited ("Company" or "parent entity") as at 31 December 2022 and the results of all subsidiaries for the year then ended.

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

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to 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 tenth of a million dollars.

(e) Going concern

Refer to note 1(d).

6. OTHER

NOTE 34: OTHER SIGNIFICANT ACCOUNTING POLICIES *continued*

(f) Reserves

(i) Share-based payments

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

(ii) 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 $33.7 million (2021: nil) 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) Accounting standards and interpretations applied from 1 January 2022

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 2021. Several amendments apply for the first time in 2022, but do not have a significant impact on the consolidated financial statements of the Group.

(h) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, that may be relevant to G8 Education Limited up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Accounting Policies

The AASB amended AASB 101 *Presentation of Financial Statements* to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the AASB also amended AASB Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendment to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The amendments to AASB 101 and AASB 108 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to AASB 112 *Income Taxes*, which narrow the scope of the initial recognition exception under AASB 112, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the Group's financial statements.

Classification of Liabilities as Current or Non-current

The narrow-scope amendments to AASB 101 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what AASB 101 means when it refers to the 'settlement' of a liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 63 to 115 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 2022 and of its performance for the financial year ended on that date;

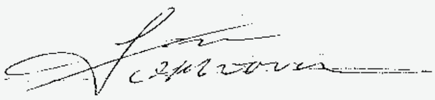
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(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.



Pejman Okhovat
Managing Director
21 February 2023

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 2022, 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 2022 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.

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

Impairment of non-current assets including goodwill

Why significant	How our audit addressed the key audit matter
The determination of the recoverable amounts of non-current assets including property, plant and equipment, right of use assets and goodwill required significant judgement and estimation by the Group. The Group's impairment assessments are complex and involve judgements and estimation relating to occupancy, future childcare rate increases and revenues, anticipated costs (including the impacts of wage inflation and labour availability), growth rates, forecast capital expenditure, centres to be exited, and the discount rate applied. As such, impairment testing of goodwill and other non-current assets was considered to be a key audit matter. The Group's disclosures are included in notes 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: ► Evaluated the Group's identification of cash generating units ("CGU") for non-current assets and CGUs for goodwill, including quantification of the carrying amount of the CGUs. ► Agreed the cash flow forecasts to Board-approved budgets. ► Assessed future cash flow assumptions through comparison with current trading performance, externally derived data (where applicable) and inquiry with the Group in respect of its basis for rate increases, key growth and trading assumptions. ► Assessed discount rate and long-term growth rate assumptions with involvement from EY valuation specialists. ► Assessed and performed independent sensitivity analysis on management's review of underperforming assets and held inquiries with the Group's property team. ► Tested the mathematical accuracy of the impairment models, including recalculating the recoverable amount. ► Considered the market capitalisation of the Group relative to the recorded net asset amount at 31 December 2022. ► Performed independent sensitivity analysis over the impairment model in relation to key assumptions including occupancy, growth rates, and discount rates. ► 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.

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Employee remediation and other provisions

Why significant	How our audit addressed the key audit matter
As detailed in Note 13 and 14 the Group has recorded provisions at 31 December 2022 for employee remediation and other matters. There is complexity in relation to the assessment of these matters and uncertainty as to the outcome and quantification of any future economic outflow. Australian Accounting Standards ("Accounting Standards") provide criteria for the recognition of provisions and disclosure of contingent liabilities. The application of Accounting Standards requires significant judgement as to: ▸ Whether present obligations as a result of past events existed at balance date; ▸ Whether it is probable a future outflow will be required to settle those obligations; and ▸ Whether a reliable estimate can be made of the obligation. In determining its estimate of its obligations for employee remediation and other matters the Group used internal and external legal counsel and accounting experts. Accordingly, we consider this to be a key audit matter.	In assessing the respective provisions, our procedures included the following: ▸ Evaluated the Group's assessment as to whether a present obligation exists arising from past events based on the available facts and circumstances. In order to assess the facts and circumstances, we considered the underlying documentation prepared by the Group's internal and external specialists and other relevant documents. ▸ Held discussions with management, reviewed Board of Directors and Board Committee minutes, reviewed correspondence with regulators and legal counsel (where applicable) and attended Audit Committee meetings to understand the status of key matters, the likelihood of payments being required and changes in these matters over the year. These matters providing a basis for Group's estimate of the provisions at balance date. ▸ Inspected legal correspondence and legal opinions and considered their content together with the information we obtained from our other procedures. Where required we held inquiries with the Group's internal and external legal counsel. ▸ Where the Group determined that a present obligation existed, we assessed the Group's basis for reliable measurement of the provision in accordance with the Accounting Standards, including matters such as probability of outflows in differing scenarios, and amounts payable in differing scenarios. We considered the reasonableness of the Group's provision estimates based on our understanding and information obtained from our audit procedures. ▸ Assessed the adequacy of the disclosures made in the financial statements including the significant judgements and estimates adopted by management.

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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, for the Group for the financial year was $883 million. 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. The Group focuses on revenue as a key performance measure for executives and it is also a key parameter by which the performance of the Group is measured. As a result, we consider revenue to be a key audit matter. Refer to note 3 to the financial statements for disclosure relating to revenue.	Our audit evaluated revenue recognised in accordance with AASB 15 *Revenue from contracts with customers* ("AASB 15"). To do this, we: ▸ Assessed the Group's identification of the performance obligations and revenue recognition under AASB 15. ▸ Assessed the Group's design effectiveness of key controls over the recognition of revenue. ▸ Correlated 100% of revenue to accounts receivable and cash, testing outliers. ▸ Tested a sample of daily revenue to source documentation. ▸ 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. ▸ Assessed journal entries relating to revenue, in particular those near the year end. ▸ 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 2022 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- 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.

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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 41 to 58 of the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of G8 Education Limited for the year ended 31 December 2022, 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

KMcKenzie

Kellie McKenzie
Partner
Brisbane
21 February 2023

SHAREHOLDER INFORMATION

The total issued capital of the Company as at 10 February 2023 is 809,506,134.

The Shareholder information set out below was applicable as at 10 February 2023.

(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	667,894,589	187	82.51
50,001 to 100,000	25,239,944	349	3.12
10,001 to 50,000	68,596,010	3,248	8.47
5,001 - 10,000	24,023,049	3,119	2.97
1,001 - 5,000	20,948,822	7,555	2.59
1 - 1,000	2,803,720	5,608	0.35
	809,506,134	**20,066**	**100.00**

As at 10 February 2023, the number of shareholders holding less than a marketable parcel of $500 worth of shares, based on the closing market price on that date of $1.235 per share, is 2,287.

(b) Quoted equity security holders

Twenty largest quoted equity security holders.

NAME	Quoted ordinary shares held	% Percentage of issued shares
Citicorp Nominees Pty Limited	201,619,815	24.91
HSBC Custody Nominees (Australia) Limited	190,823,953	23.57
J P Morgan Nominees Australia Pty Limited	96,270,407	11.89
National Nominees Limited	84,814,589	10.48
BNP Paribas Noms Pty Ltd	35,760,554	4.42
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	3,103,659	0.38
BNP Paribas Nominees Pty Ltd	2,661,630	0.33
RAP Investments Pty Limited	2,600,000	0.32
HSBC Custody Nominees (Australia) Limited	2,173,311	0.27
Citicorp Nominees Pty Limited	2,099,566	0.26
Triskelion Enterprises Pty Ltd	2,020,035	0.25
HSBC Custody Nominees (Australia) Limited	1,645,048	0.20
Est Mr Riccardo Pisaturo	1,400,000	0.17
Warbont Nominees Pty Ltd	1,215,490	0.15
Netwealth Investments Limited	1,193,680	0.15
IOOF Investment Services Limited	1,046,274	0.13
HSBC Custody Nominees (Australia) Limited	972,135	0.12
Shobra Pty Limited	933,788	0.12
Nulis Nominees (Australia) Limited	729,476	0.09
Netwealth Investments Limited	709,204	0.09

(c) Substantial holders

Substantial holders as at 10 February 2023 in the Company are set out below:

ORDINARY SHARES	Number held	Percentage[1]
Allan Gray	129,894,554	15.33%
Tanarra Entities	99,612,242	11.76%
Host-Plus Pty Limited as trustee of the Hostplus Pooled Superannuation Trust	64,378,330	7.60%
Australian Retirement Trust Pty Ltd as trustee for Australian Retirement Trust	60,638,884	7.16%
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%

(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.

1. Percentage disclosed by the substantial holder as at the date the substantial notice was given to the Company under the *Corporations Act 2001*.

CORPORATE DIRECTORY

DIRECTORS

D Foster, Chair

P Okhovat, 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.

G8 Education Limited (ABN 95 123 828 553)