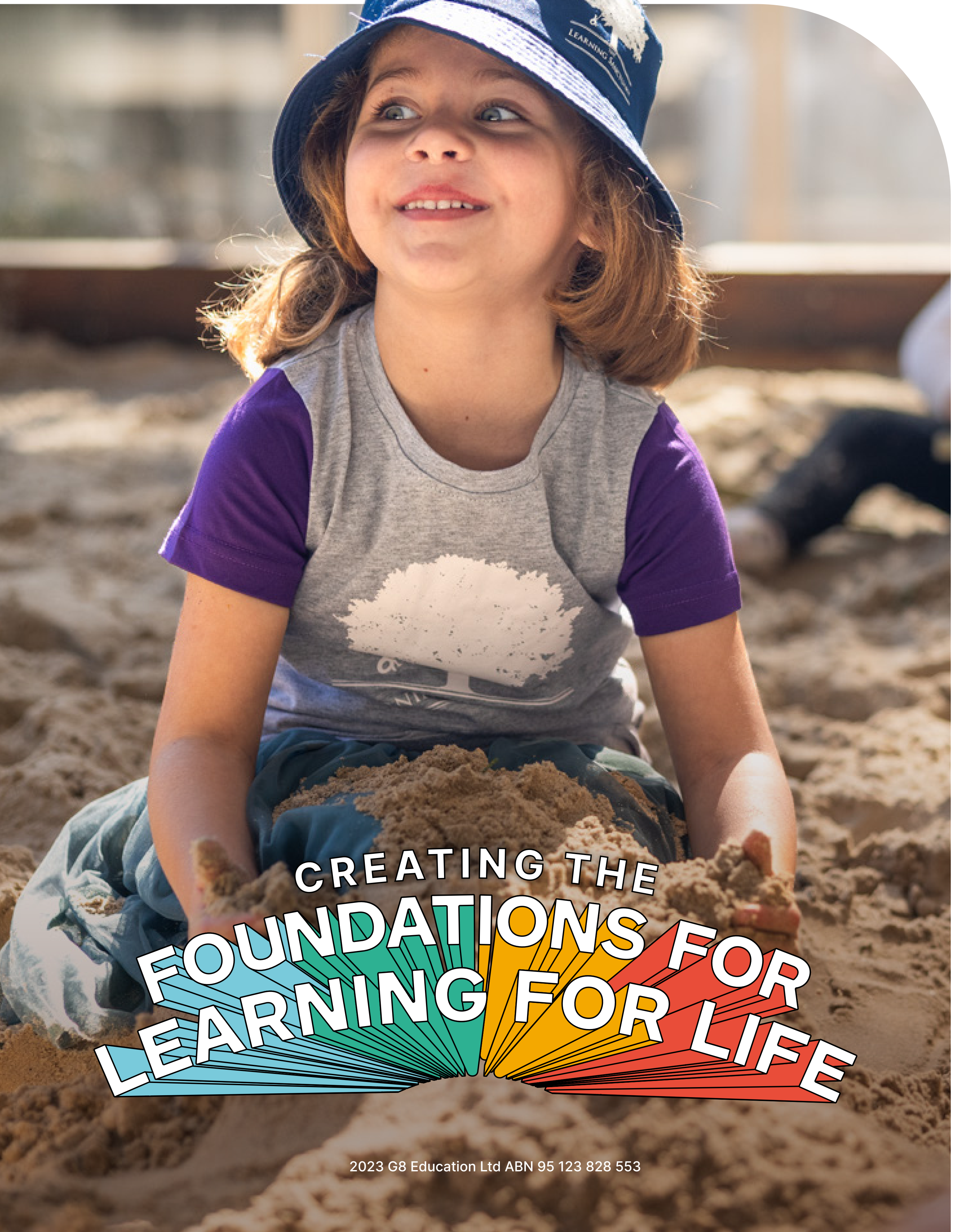
2023
Annual Report

G8 Education ltd



2023 G8 Education Ltd ABN 95 123 828 553

Artist: Elaine Chambers-Hegarty, Cultural Edge Designs

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 Vision for Reconciliation

G8 Education’s vision for reconciliation is an Australia where Aboriginal and Torres Strait Islander cultures and knowledge’s are valued and our true, shared history is known and sincerely acknowledged.

We strive to walk together with Aboriginal and Torres Strait Islander peoples towards reconciliation; actively listening, learning and collaborating with our communities to build genuine unity.

As educators of Australia’s children of today and tomorrow, we believe we have a responsibility to educate our next generations on our true history and build an understanding of Aboriginal and Torres Strait Islander cultures and perspectives through authentic community relationships.

Walking together. Learning together. Growing Together.

About this report

This 2023 Annual Report provides a consolidated summary of G8 Education's operating and financial performance for the 12 months ended 31 December 2023. It is designed to be read in its entirety, including:

- The Operating and Financial Review contained on pages 2 to 23 which have been verified through G8's internal verification process
- The Remuneration Report on pages 33 to 53 and Financial Statements on pages 56 to 107 which have been audited by, Ernst & Young.

In this report, G8 Education Limited will be referred to as "G8 Education", "G8", "the Company", "we", "our" and "us".

Any reference to the financial year (FY) relates to the period 1 January to 31 December unless otherwise stated.

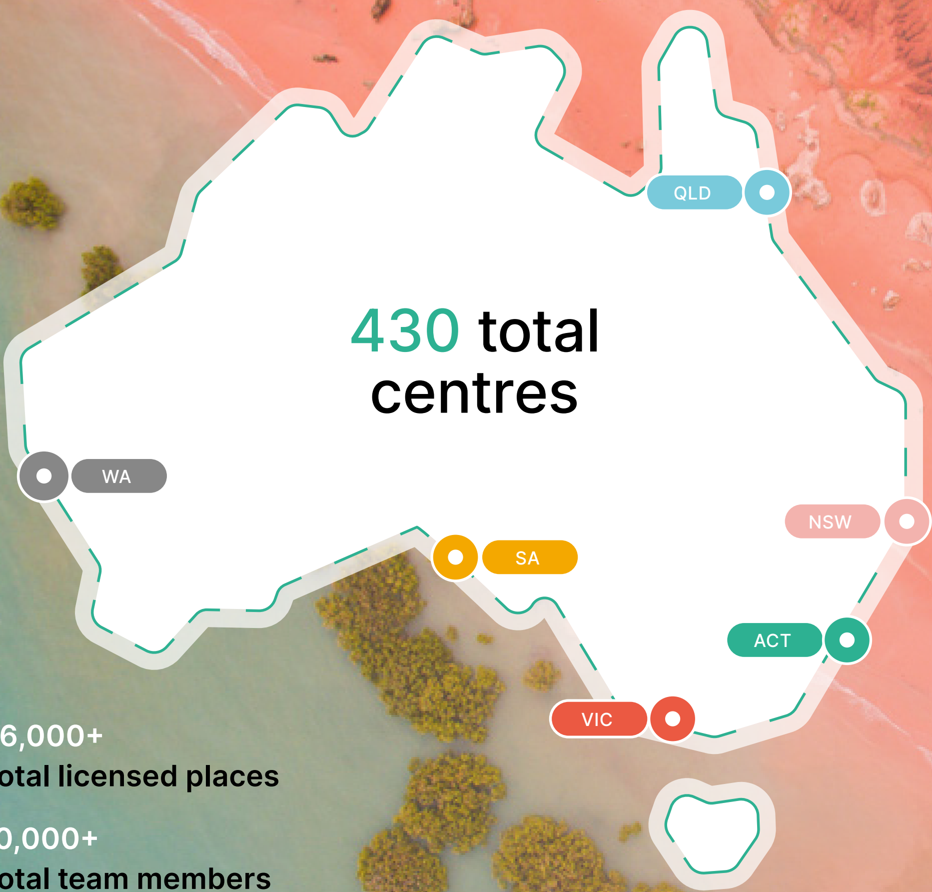
This report should be read in conjunction with our Corporate Governance Statement, available on our website: www.g8education.com.au.

About G8 Education

G8 Education is Australia's largest ASX listed provider of quality early learning education and care, operating under a range of trusted brands with more than 430 centres across Australia.

At G8 Education, we are driven to achieve our purpose, creating the foundations for learning for life. We are proud to help shape the lives and minds of tens of thousands of children attending our network of early learning centres every day.

Our Education Strategy supports children's lifelong learning and development through innovative and evidence-based teaching methods while our learning environments are designed to engage and support children to discover, grow and learn. Our passionate and dedicated team members support and celebrate each child's individual talents and strengths through meaningful interactions, experiences, and relationships, creating life-long positive impacts.



Queensland
64 centres
1,895 team members

New South Wales
150 centres
3,184 team members

ACT
7 centres
151 team members

Victoria
138 centres
3,538 team members

South Australia
26 centres
562 team members

Western Australia
45 centres
1,118 team members

36,000+
Total licensed places

10,000+
Total team members

45,000+
Children per week

44m+
Care hours

Total centres by brand

Bambino's	9	Kinder Haven	12
buggles early learning and kindy	11	Kindy Patch Kids	29
Casa Bambini Early Education Centre	5	Kool Kids early learning centres	9
Creative Garden Early Learning Centre	18	NurtureOne "Nurturing Enquiring Minds"	22
Community Kids	73	Pelicans Learning for Life	9
Early Learning Services Committed to Child Care	35	Pelican Childcare Early Learning Centre	3
FirstGrammar Early Education Centre	22	Penguin Childcare Early Learning Centres	5
Great Beginnings Early Education for Life	50	Sandcastles	2
Greenwood Early Education Centres	21	The Learning Sanctuary	20
headstart early learning centre	15	World of Learning	50
jellybeans Child Care & Kindy	10		

Chair and CEO's Message

"I am delighted to present my first Annual Report as Chair of G8 Education. Since joining G8 in November 2021, it has been a privilege to be part of a team that is dedicated to making a positive impact by providing quality early education and care to children and families attending our centres.

I would like to thank the outgoing Chair David Foster for all his efforts and his legacy at G8 Education. David's knowledge and support over the past few months has been invaluable and on behalf of the entire G8 team I wish him all the best in his future endeavours when his tenure finishes at our upcoming Annual General Meeting.

As you will see throughout this report it is an exciting and busy time within the sector, and I look forward to what the next twelve months will bring." — *Debra Singh*

At G8 Education, we are purpose led, guided by our values and proud to help shape the lives and minds of thousands of children attending our services every day while creating a fun and inspiring place where all children thrive.

Our journey this year is indicative of a transformational period for the G8 group. During 2023 we established a clear strategic direction for the future and set about building on our strong foundations and strengthening capabilities. It has been a privilege to see the passion of all teams across G8 Education as they set the foundations for lifelong learning. With around 45,000 children attending our services each week, our more than 10,000 strong team members were focused on delivering high quality education and care, ensuring our children receive the best experience possible. This is a great privilege and a great responsibility too.

Throughout 2023, between us we had the privilege of visiting more than 110 G8 centres across our network. Our centres span cities, regional and rural areas, and the children in them represent the future of Australia: diverse in culture and background and filled with bright potential. It's heartwarming to see the work that goes on each day, keeping children at the centre of all we do, and we sincerely thank all our team members for their hard work and commitment to the families and children in our care.

Navigating a dynamic macro environment

This year, inflation, interest rates and cost-of-living pressures for families dominated national discussion, while workforce shortages continue to challenge our sector.

It has also been a year of intensified regulatory focus for the early childhood education and care sector, which has brought with it both challenges and opportunities. Early Childhood Education and Care is central to the agenda at all levels of government, including changes to the Child Care Subsidy (CCS) that benefitted families, with many receiving more subsidy and others who were previously not eligible becoming eligible. This is great news for the sector, making early childhood education more accessible for families. The renewed focus on the importance of preschool and kindergarten programs has been positive.

Throughout 2023, we utilised our experience and access to data to provide constructive and purposeful submissions to a range of inquiries at a national level. This includes the ACCC Child Care Inquiry, Productivity Commission ECEC Inquiry, New South Wales IPART ECEC Review, and the South Australian Royal Commission into ECEC. G8 Education, alongside 63 other ECEC Employers and unions, has commenced a multi-employer-bargaining process advocating for a much-needed government funded wage subsidy for the ECEC sector. G8 Education invested significant time and resources in being a leading voice in these discussions ensuring we can continue to advocate for better – for our centre team members as well as for the children and families in our care. The findings and recommendations from these inquiries will continue to be further developed in 2024 and we look forward to working alongside all key government and sector stakeholders for a better future.

Education and learning

G8 Education continues to invest in supporting our educators and teachers to provide innovative, relevant and evidence-based educational programs for our children's development.

Amongst some of the great work our team delivered was the evidence-based Rhythm and Movement for Self-Regulation Program (RAMSR), developed by the Queensland University of Technology. RAMSR supports educators working with children aged 3 – 5 years (and families at home) to have the confidence, skills, and resources to use rhythm and movement activities for self-regulation to support children. This program develops children's attentional and emotional regulation skills, as well as mental flexibility, inhibition, and working memory.

G8 Education expanded the innovative digital literacies@ play offering in 2023 across 20 Kindergarten programs in Victoria. This program is supported and informed by Apple Professional Learning Specialists and has also been evaluated by the University of Wollongong. The program is especially for children in the year prior to school and builds on digital citizenship including online safety as well as enhancing critical thinking and creativity. The program promotes collaboration and problem solving and has received positive feedback from children, families and team. This program will be further expanded across Victoria and New South Wales in 2024.

The G8 education team

Team attraction, retention and engagement was a key focus for G8 Education in 2023.

We continued our focus on flexible working arrangements for team in centres and support office. We recognise the key role flexibility plays in increasing participation and supporting wellbeing. More than 15% of our team members have formal flexibility arrangements in place, in addition to our hybrid working policy for our around-centre support team. We continue to review our remuneration policy against the market to remain competitive.

Professional development is a key part of working at G8 Education. We invest in our team, so that they can continue to progress within G8 Education. Through our Study Pathways program, our team members have the opportunity to gain Certificate III, Diploma and Bachelor qualifications in early childhood education, paid for by G8 Education, while working and being supported.

Listening to our team is essential to improving their work experience at G8 Education. To support this, we have implemented a more frequent Team Experience survey, providing ongoing "Pulse" feedback. It's encouraging to see our Q4 pulse result indicated engagement across G8 Education reflecting the positive work we have done throughout the year.

Our National G8 Conference theme for 2023 was "Belong, Inspire, Transform". This event allowed the team to connect and upskill, hearing from world-class keynote speakers and sharing information and advice with each other, as well as celebrating the G8 Education award winners.

As always, safety is the highest priority for our team, and I'm pleased that our work in this space has seen an incident rate reduction of circa 10% in key child safety categories and a reduction in Lost Time Injury Frequency Rate. Our progress demonstrates our commitment to and focus on ensuring the highest safety standards across all our areas of operation.

Operations

Our business operations are centred on the experience of our families and children. To improve this in 2023 we established an "always on" Net Promoter Score (NPS); a feedback loop providing families attending our centres with a voice. The feedback loop offers valuable insights at centre level and is an important tool which assists us to continually improve our offerings and stay attuned to family expectations. Coupled with this we moved our Family Support Team in-house. This provides a higher level of care and more seamless connectivity between our families and centres. Since this transition in June 2023, our NPS has improved by 12%.

Improved monthly and weekly performance monitoring has led to continued improvement of our operations metrics throughout the year. Implementing process simplification and introducing improved digital tools and reporting has assisted our centre management teams to focus on the right priorities and subsequently, allow them to invest more time with our families and children.

Our efforts in reducing team vacancies saw a significant drop year-on-year, circa 29%, and assisted our centre teams to have no occupancy capped centres due to workforce constraints by Q4.

Total Revenue

$987.0m

Statutory EPS

6.92c

Chair and CEO's Message

Community and sustainability

One of our goals this year was the development of our inaugural Reconciliation Action Plan (RAP). We collaborated extensively across our organisation and consulted with a range of recognised stakeholders to develop our first RAP, which was endorsed and published by Reconciliation Australia in December 2023. We are immensely proud of this achievement. We are eager to share and embed our Reflective RAP with our wider community across 2024 and beyond as we realise our vision for Reconciliation – Walking together. Learning together. Growing together.

In 2023 our team raised more than $200k in 42K Your Way – a truly incredible effort for our fundraising partner, the Children's Hospital Foundation. The money raised by G8 Education goes to funding research projects that will accelerate breakthroughs and champion the delivery of world-class paediatric care across Australia.

G8 Education is dedicated to minimising our direct environmental impact by promoting various initiatives and nurturing sustainable business practices for the long term. We launched our solar power initiatives and are piloting a nappy recycling program These initiatives highlight our commitment to taking proactive measures to reduce our environmental impact.

We continue to recognise the importance of collaboration within the sector. We are a member of Early Learning and Care Council of Australia (ELACCA), and we took a front row seat at the 2023 ECA (Early Childhood Australia) National Conference as a Gold Sponsor of the event.

Statutory NPAT
$56.1m

Statutory EBIT
$133.1m

Delivering results

Despite workforce shortages and centre capacity challenges at the start of the year, our occupancy improved each quarter as we narrowed the gap to 2022. Closing occupancy at the end of December 2023 was 70.4%.

Against a backdrop of high inflation across all our operational costs and record wage increases, we maintained a diligent focus on cost management and negated the impact of shortfall in occupancy and revenue.

We continued to assess our capital expenditure throughout the year as we built better capability in delivering major capital works, resulting in lower-than-expected capex, assisting in continued positive cashflow and building a solid balance sheet.

Our efforts resulted in delivering statutory[1] Earnings Before Interest and Tax (EBIT) of $133.1m (26.0% increase), Net Profit After Tax (NPAT) of $56.1m (53.1% increase). Our operating cash flow is $131m with cash conversion of 108%.

We are pleased to announce the final dividend of 3.0 cents per share which combined with the interim dividend of 1.5 cents per share brings the full year 2023 dividend to 4.5 cents per share.

Outlook for 2024

Our renewed strategic focus for 2024 – 2026 will centre around developing a "fit core" through our 6 focus areas:

1. Team
2. Quality
3. Education and inclusion
4. Family and branding
5. Operating model
6. Financial sustainability

This is designed to translate into consistent operational execution, improving efficiency of processes and systems, management of costs and assets, and building capabilities. The expected result is a stable and capable team, delivering high quality service every day, better educational programs for children, and an improved experience for families, children and our stakeholders.

1. Reported in accordance with IFRS.

Board update

In October 2023 David Foster retired as Chair of G8 Education and was succeeded by Debra Singh as Chair of the Board. David will continue as a Non-Executive Director until the close of G8 Education's 2024 Annual General Meeting, scheduled for 7 May 2024, to facilitate a smooth transition. David has been a critical member of the Board since February 2016 and the Chair since 2021. We want to thank David for his leadership of the Board and the Group and wish him every success for his future endeavours.

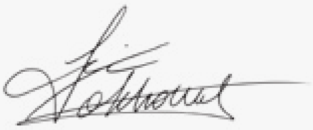
A search for a new Non-Executive Director is currently underway and we look forward to updating our stakeholders in the coming months.

G8 Education will hold its Annual General Meeting (AGM) at 11:00am (AEST) on Tuesday, 7 May 2024 in Brisbane.

Thank you

We would like to sincerely thank our incredible G8 Education team across Australia for their commitment, enthusiasm, compassion, and talent this past year. Their dedication to the profession and the sector makes a lasting and positive impact on our children and families. We also thank all our stakeholders, our Federal and State based authorities, our sector partners and our supplier partners for your support in 2023. Finally, thank you to our shareholders for your trust and ongoing support.

Debra Singh
Chair of the Board



Pejman Okhovat
Managing Director & CEO

2023 Highlights

90%

of long day care centres **"Meeting" or "Exceeding" the National Quality Standards**

74%

Team retention increased 4% pts on FY22

10.2%

Operating EBIT margin adjusted for leases increased 1.3% pts on FY22

70.4%

Group Occupancy decreased 0.2% pts on FY22

$987.0m

Total Revenue increased 9.0%

$100.6m

Operating EBIT adjusted for leases increased 25.2%

7.83c

Operating EPS increased 37.6%

$56.1m

Statutory NPAT increased 53.1%

10%

reduction in Scope 1 and Scope 2 emissions[1]

Reflect Reconciliation Action Plan

endorsed & published by Reconciliation Australia

More than

1,500

team members studying through G8 Study Pathways

Raised over

$200k

in 42K Your Way for the Children's Hospital Foundation

1. Refer to page 23 for more more information and measurement methodology.

Strategy

Refreshed strategy

In 2023 G8 took the opportunity to refresh its strategy. Our purpose of creating the foundations for learning for life, remains the same, along with our vision, values and strong ESG commitment.

Our assessment of performance highlighted that improvements are being made with focus required to improve core business operations. As a result, a set of key initiatives have been identified across each strategic focus area to realise the improvement required over the near term. Aligned to this focus, a group balanced scorecard has been developed to allow performance and progress to be monitored towards achieving our aspirational goals.

Excitingly, a fit core creates the opportunity for enhancement through introducing new innovative education and inclusion offerings and the opportunity to develop targeted propositions for families through a narrower set of brands. Extending beyond, a well performing core business provides a number of attractive growth opportunities to both expand the core business and to enter attractive adjacencies.

All proposed activities are aligned to our purpose of creating the foundations for learning for life, while placing the child at the heart of everything we do.

A key change made has been to identify six strategic focus areas that span the organisation and are designed to appropriately focus our activity as follows:

1 Team

Best Centre Managers leading highly-capable and engaged teams focused on providing excellent customer service

2 Quality

Delivering every day high-quality education and care outcomes for children

3 Education & Inclusion

Sector leading educational programs that develop children academically, emotionally & socially

4 Customer & Branding

Leads to great experiences for families

5 Operating model

When delivered through an efficient and scalable operating model

6 Financial sustainability

Delivers sustainable financial margins

Our Purpose

Creating the foundations for learning for life

Our Values

Dedication	Compassion	Passion	Integrity	Innovation

Our Vision elements

Positive outcomes for children and families	Great place to work	Renowned for delivering innovative childhood programs

Our ESG commitment

Committed to a robust, equitable and sustainable future for stakeholders

Our Strategic Focus Areas

Team	Quality	Education & Inclusion	Customer & Branding	Operating model	Financial sustainability

Executing the vision

Reconciliation Action Plan

Team members from across the network contributed to the Reconciliation Action Plan development culminating in our vision for Reconciliation – Walking together * Learning together * Growing Together. G8 Education partnered with Cultural Grounding and Reconciliation Australia to progress this work and look forward to delivering on our RAP actions.

The specially designed artwork for G8 Education was developed by Elaine Chambers-Hegarty and is titled – "Growing together, connecting knowledge". The artwork was informed by input from G8 team across the network and from support office.

A point of difference

Delivering differentiated educational programs

Digital Literacies@Play

Our Digital Literacies@Play program supports early childhood teachers (ECTs) to use digital literacies in open-ended and play-based ways to elevate children's voices and make their learning visible.

Digital Literacies@Play expanded to Victoria in late 2023 in an additional phase of the program. This phase of the project included expansion of the resources for team and families to further support broader implementation in 2024 as well as a program evaluation by the University of Wollongong.

Rhythm and Movement for Self Regulation (RAMSR)

Professional Development in the evidence-based RAMSR Program (Rhythm and Movement for Self-Regulation), developed by Queensland University of Technology was implemented across the network to support teachers and educators working with children aged 3-5 years. This is an important initiative to support children post pandemic with concentration, physical activity, self regulation and language skills.

93%

centres meeting or exceeding Quality Area 1 of the National Quality Standard

Executing the vision

Great place to work

Leading capability development

G8 Education offers a diverse array of professional learning opportunities to educators nationally both in person and online. The launch of the Teach@ G8 program provided comprehensive support to teachers and aspiring educators, highlighted by a well-attended national roadshow facilitating connections among attendees, offering insights into upcoming curriculum changes, and fostering professional networking. Additionally, our commitment to nurturing talent was evident through initiatives such as the Study Pathways program, which supported over 1,500 team members with new qualifications, welcomed 65 school-based trainees, celebrated 202 nationally recognized qualifications, and graduated 13 Bachelor Scholarship recipients.

30%

increase in Study Pathways participation

Voice for constructive change

G8 Education is taking a leadership role in the Early Childhood sector to advocate for the federal government to fund higher wages for all centre team members through voluntarily joining the new multi-employer bargaining process.

This initiative entails collaboration among various providers, unions, and government entities to negotiate a multi-enterprise agreement aimed at securing wage increases.

G8 Education has voluntarily joined the process so that we can better work with the sector – including providers, unions and workers – to deliver an outcome that recognises the value and significant work of those working on the frontline in our sector. Our aim is to attract and retain excellent team members to support delivery of the best outcomes for the children in our care. We look forward to advocating, along with others, for government funding to support higher wages and for greater recognition of the important role our sector plays in social and economic outcomes.

74%

4% pts improvement in team retention

Teacher retention

12% pts

Centre Manager retention

3% pts

Team engagement

76%

1% pt improvement and 6% pts above sector average

Raising money for child causes

Making a difference, one step, run (or roll) at a time – G8 Education clocked up some serious impact for children with cancer across the month of August.

Team BBQs, dress up days and walk-a-thons were just some of the creative ways that we rallied our community to get behind the Children's Hospital Foundation 42k Your Way virtual marathon fundraising challenge.

As the inaugural Presenting Partner, we set off with an ambitious target in 2023 – to beat last year's enormous fundraising efforts and reach $200,000 in fundraising for childhood cancer research.

G8 Education's national network rose to the challenge, raising an incredible $200,890, inclusive of a generous $40,000 corporate donation from G8 Education, for world-leading research at the Ian Frazer Centre for Children's Immunotherapy Research and the Children's Brain Cancer Centre.

Positive outcomes for children and families

Bringing family support team in-house

In 2023 we moved the role of our family support team to an in-house function. Making this move allows us to further improve first impressions and our relationships with new families.

The new Family Support Team comprises three regionally focused teams who work closely with their respective centres to ensure our new families receive an exceptional experience during their enrolment journey. The early results are promising showing improved conversion year-on-year.

Always on family sentiment measure

Since June 2023, G8 Education has implemented an "Always on NPS" approach, aiming to continually gauge family sentiment and enhance service delivery. Through this initiative, we have established a dynamic feedback loop, enabling real-time assessment of our Net Promoter Score (NPS) across various touchpoints. By leveraging technology and automation, we are seeking to ensure timely collection and analysis of feedback, and identification of areas for improvement and prompt response to family needs. This proactive approach is yielding promising results. Moving forward, we anticipate further benefits, including the ability to swiftly adapt to evolving market dynamics by staying attuned to family preferences and expectations.

90%

1% pt increase
Long day care (LDC) centres "meeting" or "exceeding" the National Quality Standards against a national LDC average of 89%

44%

12%[1] increase
in Net Promoter Score (NPS)

1. New "always on" NPS measure. Increase is from inception in June 2023, prior year comparison is June 23 result.

Our ESG Commitment

Our commitment to environment, social and governance (ESG) naturally aligns with and is shaped by our purpose to create the foundations for learning for life.

Our ESG commitment reflects our dedication to fostering positive change and contributing meaningfully to a sustainable and inclusive future. Our sustainability initiatives are informed by our 2020 materiality assessment which identified and prioritised 20 key topics aligned within our four sustainability pillars: Governance, Service Quality, Our People and Our Environment. We intend to refresh our materiality assessment in 2024 and look forward to engaging with and updating our stakeholders throughout the year.

We are committed to progressing the United Nations Sustainable Development Goals (SDGs) and we have mapped our priority goals to our Sustainability Pillars.

We acknowledge the unprecedented warming of the climate system and its widespread impacts on human and natural systems. G8 Education recognises that greenhouse gases emitted by human activities are the main contributors to climate change. We are committed to responsibly managing the environmental impact of our business activities and operations.

Throughout 2023 we reviewed and updated our disclosures related to climate risks and opportunities. We continued our Task Force on Climate-related Financial Disclosures (TCFD) pathway in anticipation of mandatory climate-related financial disclosures in Australia, particularly having regard to the new climate disclosure standards issued by the International Sustainability Standards Board.

More information about our ESG commitments and initiatives can be found on our website: www.g8education.edu.au/about-us/sustainability

GOVERNANCE

Pillar: Governance

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our stakeholders have increasingly high expectations in relation to financial performance, governance issues and risk management, as well as ethical practices and reporting and want to ensure that management is kept accountable for improving sustainability performance through transparent disclosures.

Through the oversight of the Board, G8 Education believes that good corporate governance and sound risk management practices are integral to our operational and strategic objectives. We comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition) and are committed to continuous improvement of our governance and risk management practices. For more detailed information, refer to our 2023 Corporate Governance Statement on our website.

Spotlight on

Risk Management

We completed a comprehensive review of enterprise risk profiles, key risk indicators and redefined our Risk Appetite Statement.

Mandatory Training

Renewed approach to child safety training and updated information security training.

Sustainable earnings

Our new capital allocation framework directs free cash flow based on return hurdles and prioritises investment growth, returning excess capital or reducing debt.

Advocacy

Our Managing Director & CEO, Pejman Okhovat, was appointed Chair of the Early Learning and Care Council of Australia (ELACCA) in 2023. We also continued our proud membership of Early Childhood Australia (ECA) and Australian Childcare Alliance (ACA). Our voice was heard in the ACCC Childcare Inquiry and Productivity Commission (ECEC Inquiry), NSW IPART (ECEC Review) and South Australian Royal Commission into ECEC. We also voluntarily joined a Multi Employer Bargaining process to advocate for improved working conditions in the sector.

Supply Chain

We added a supplier portal and implemented new procure to pay (P2P) software to improve transparency and control over our supply chain. Our suppliers are required to comply with G8 Education policies and legal regulations. They are also expected to incorporate effective environmental, health, and safety management practices into their operations. Compliance is monitored through our updated delegations and contract sign-off process.

Human Rights

G8's commitment to upholding human rights for all is reinforced by our Code of Conduct. We vehemently oppose modern slavery and it is strictly prohibited within our operations and supply chain.

Privacy and Cyber Security

Privacy and cyber security remain a high-risk area. In 2023 we appointed a new Head of Cyber Security, strengthened our mandatory annual training for all team members and invested in cyber security tools, including single sign-on technology. Whistleblower and privacy training was provided to key stakeholders including our new in-house Family Support Team.

Our ESG Commitment

Pillar: Service Quality

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

We are dedicated to offering high-quality and inclusive early childhood education and care for children and families. Our play-based, child-led pedagogy aligns with the National Quality Framework (NQF) principles. These guiding principles include respecting and positioning the rights of every child as paramount to everything we do as an organisation, viewing all children as competent and capable learners, a continued commitment to equity and inclusion, valuing Australia's Aboriginal and Torres Strait cultures, recognising families as children's first teachers, and ensuring centres are embedding quality everyday.

Spotlight on

Child Protection Culture
Extensive training on Child Protection and Mandatory Reporting to promote a strong child protection culture.

Educational Program
93% of centres assessed in 2023 are "meeting" or "exceeding" NQS Quality Area 1 – Educational program and practice.

Remunerating for Quality
Compliance with the NQS is a non-financial key performance indicator that impacts remuneration under the group's short term incentive plans.

Service Quality Targets
We continued our investment in a range of educations programming and practice support, recruitment and retention of team members, resources and physical environment and technology to support our target of 95% of our centres meeting or exceeding the NQF in 2024.

How performance is measured
% of centres that are meeting or exceeding NQF

Performance

FY24 Target	FY23	FY22
95%	90%	89%

% of centres that were assessed during the reporting period as "meeting" or "exceeding" NQF

FY23	FY22
89%	87%

RAMSR
Professional Development in the evidence-based RAMSR Program (Rhythm and Movement for Self-Regulation), developed by Queensland University of Technology was implemented across the network to support teachers and educators working with children aged 3-5 years. This is an important initiative to support children post pandemic with concentration, physical activity, self regulation and language skills.

Family Support Team
We heard our stakeholder's feedback and took steps improve first impressions and the relationship between families and our centres by moving our Family Support Team to an in-house function.

Reconciliation Action Plan
We collaborated extensively to develop our first enterprise Reflect Reconciliation Action Plan which was endorsed and published by Reconciliation Australia in December 2023.

Innovation
Our innovative Digital Literacies@Play program expanded to Victoria supporting broader implementation in 2024 as well as a program evaluation by the University of Wollongong.

Educational Advisory Committee
In 2023 G8 Education established an Education Advisory Committee with the purpose of providing thought leadership to the organisation in supporting the Education strategy. The Committee includes thought leaders from the early childhood education and care profession together with members from the Board, the executive leadership team, senior leaders and other invited guests. The external thought leaders include Professor Sue Grieshaber from La Trobe University, Associate Professor Sonia White from the Queensland University of Technology and Catharine Hydon, Director of Hydon Consulting. In 2023 the group focussed on the Education strategy, the topic of educator and child wellbeing following the pandemic and a session on technology which was hosted at the Australian Research Council Centre of Excellence for the Digital Child at the Queensland University of Technology.

Our targets
- 95% of our centres "meeting" or "exceeding" NQF by 31 December 2024
- Implement Internal Quality Measure to bring timely views on quality and enabling targeted support
- Expand "Always on" Net Promoter Score keeping a real time pulse on our family satisfaction and providing targeted support in response to any issues
- Complete at least 80% of Deliverables in Reflect Reconciliation Action Plan by 2024.

Our ESG Commitment

Pillar: Our People

Our people and the culture of our teams are what create and maintain our reputation. As a people-focused business, our success is driven by a focus on employee health and safety, talent management, development, and retention. It is imperative that we retain and invest in team members who align with our values and are dedicated to the well-being of the children under our care.

Team member recruitment and retention remains one of the biggest challenges for G8 Education and improving our employee value proposition and offer is one of our key strategic priorities. As a result of the sector wide workforce shortage, some early childhood providers including G8 Education have been forced to partially close centres, reduce operating hours and cease new enrolments where there is insufficient team available to comply with supervision ratio requirements. We are pleased to report that through our team focussed initiatives there were no capped centres due to workforce constraints by the end of Q4 in 2023.

We will continue to invest in our people in 2024. By voluntarily joining the new multi employer bargaining process we are working with the sector with an aim to increase government funding in a way that delivers an outcome that recognises the value and significant work of those working in the frontline of our sector.

Spotlight on

Study Pathways
Study Pathways participation has increased by 30% from FY22, with over 1,500 team members currently enrolled. Through Study Pathways we celebrated:

- 65 school based trainees
- Over 730 active Certificate III students
- Over 530 active Diploma students
- Over 200 Bachelor Scholarship students
- Over 200 nationally recognised qualifications awarded
- Over 3,500 units of competency completed.

We are immensely proud of and extend our heartfelt congratulations to the 13 recipients of our Bachelor Scholarship who graduated in 2023.

Awards
- Victorian Training Awards Large Employer of the Year Finalist
- Queensland Training Awards Large Employer of the Year South East Region Finalist.

Gold Sponsor at the National Early Childhood Australia conference.

Raised over
$200k in 42K Your Way for the Children's Hospital Foundation.

National ECT Roadshow
Attended by over 500 of our teachers connecting them to upcoming curriculum changes and providing time to network, share information and meet other colleagues.

New Zealand Study Tour
G8 Annual Conference award winners attended a study tour of New Zealand facilitated in partnership with Childspace Early Learning.

Maintained strong leadership diversity

Board gender diversity

FY23 Target	31/12/23	31/12/22
At least 50% female	57% female	57% female

Executive Leadership Team gender diversity

FY23 Target	31/12/23	31/12/22
At least 50% female	57% female	62.5% female

- Female Chair appointed to the Board

Flexible working agreements
More than 15% of our team have flexible working arrangements to support wellbeing and life balance for team.

Contributing to...

	Improved retention[1]	Improved Employee Engagement Score	Reduction in use of workforce	Reduction in gender pay gap[2]	Reduction in LTIFR[3]
Voluntary turnover FY23	26.4%	76%	1.8%	1.8%	3.63%
Voluntary turnover FY22	30.5%	75%	4.6%	3.9%	5.54%
Involuntary turnover FY23	3.1%				
Involuntary turnover FY22	2.4%				

1. In centre team turnover as at 31 December.
2. As at 18 August.
3. As at 31 December.

Our ESG Commitment

Pillar: Our Environment

Climate change is one of the defining issues of our time and escalating natural disasters have highlighted the ongoing risk and importance of responding to climate change in Australia and around the world. We play an important role in educating our children on the impacts of climate change and the importance of reducing our environmental footprint.

G8 Education supports the goal of the Paris Agreement to limit global warming to well below 2 degrees Celsius compared to pre-industrial levels, and has set reduction in scope 1 and scope 2 emissions targets with a 1.5 degrees scenario. G8 Education also supports the goals of the Task force for Climate-related Financial Disclosures (TCFD).

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.

It is the responsibility of G8 Education's Senior Leadership team to assess and manage climate-related risks and opportunities. A working group has been established to report to the Audit & Risk Management Committee on the progress the Company is making against its sustainability targets and initiatives, including those that are climate-related.

Climate Strategy and Risk Management

The group has identified the following climate related risks may impact its operations:

- physical risks as a result of extreme weather events such as flooding or bush fires that cause disruptions to centre operations, damage to or destruction of centres and increased energy usage to keep centres cool during hotter weather
- transition risks associated with increased expenditures from more expensive grid energy and compliance, and negative reputational and/or financial impacts from not reducing emissions.

We also identified and have made progress on key opportunities, being a material reduction in energy costs and emissions through the implementation of a solar solution. As a result of our efforts we installed over 950kW of solar energy which is generating renewable energy to power over 45 of our centres, with an estimated savings of approximately $330k in energy costs per year.

We have also identified that many of our teams and families are passionate about sustainability and care about environmental, social and governance matters. Our refreshed strategy recognises the importance of our ESG commitments.

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. In addition to the implementation of our solar rollout project, we are also focussing on our fleet emissions through a reduction in buses and progressively switching fleet vehicles from petrol to hybrid.

Other initiatives that may be considered in the future include integrating sustainable building design principles for new builds.

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. We are pleased to report that we have appointed an external waste manager in 2023 and we look forward to providing improved disclosure on waste production moving forward. We are also continuing to pilot our nappy recycling project.

We have enhanced our investor outreach by implementing hybrid Annual General Meetings, accommodating both virtual and in-person attendance, and increasing e-communications recipients from 23.9% to 71.07% since 2018. We have also reduced the number of Annual Reports that are printed by over 90% in the same period, demonstrating our proactive approach to modernising communications and fostering sustainable investor relations.

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.

Climate Metrics and Targets

In line with our support of the Paris Agreement, our targets to reduce our scope 1 and 2 emissions align with a 1.5-degree Celsius scenario. This requires us to achieve a 4.2% reduction in our emissions year-on-year over the next five years, from our 2021 base line. Holding global warming to 1.5 degrees above pre-industrial levels could limit the most dangerous and irreversible effects of climate change, and we have a number of initiatives underway to meet this target.

The methodology utilised to estimate electricity and gas emissions aligns with the guidelines outlined in the Greenhouse Gas Protocol (GHG Protocol). The process involves utilizing state-based National Greenhouse and Energy Reporting (NGER) Emission Factors, which are updated and published annually, for both electricity and gas. Consumption data for each site is segmented into the first and second halves of the relevant reporting year, allowing for the application of the corresponding NGER factors. In cases where site periods span the beginning or end of the reporting year, consumption figures are prorated to ensure accuracy within the designated timeframe. Additionally, for sites with periods overlapping the middle of the year, consumption is similarly prorated into each half of the year. Finally, emission factors are applied at the state level for each half of the year, resulting in the calculation of total emissions.

G8 Education currently has limited visibility on its scope 3 emissions. We are developing our capacity in this regard with an intention to commence reporting on scope 3 emissions from 2025.

Our performance

	FY23	FY22	FY21	FY20
Scope 1 emissions (kg C02-e)	756,899[1]	306,960[2]	351,762[2]	358,559[2]
Scope 2 emissions[3] (kg C02-e)	10,132,459	11,761,701	12,026,123	ND[4]
Total Scope 1 and Scope 2 emissions[3] (kg Co2-e)	**10,889,358**	**12,068,661**	**12,377,885**	

How performance is measured

	% centres assessed in FY23 as 'meeting' or 'exceeding'	% centres assessed in FY22 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)	89	90

1. Fleet and grid (gas) emissions.
2. Fleet only emissions.
3. Does not include any bottled LPG or consumption met by on-site solar generation.
4. No data.

10% reduction in Total Scope 1 and Scope 2 emissions

71% electronic communications with shareholders

90% reduction in printed Annual Reports distributed since 2018

Material Risks

G8 Education aligns to ISO 31000:2018 Risk Management Guidelines to identify and manage its risks. The Board oversees this process, reviewing monthly reports and conducting annual reviews of enterprise risk management, including to set the risk appetite of the group to achieve its strategic goals. The leadership team plays a key role in promoting a culture of risk awareness, fostering open communication, and taking proactive measures to manage risks.

In 2023, we conducted a comprehensive review of our Risk Management Framework and Policy. This involved workshops with stakeholders to identify and evaluate enterprise risks, establish key risk indicators, and assess the effectiveness of controls. As a result, there are changes to the material risks reported as compared to our 2022 Annual Report.

Our material risks and mitigating activities are outlined as follows

1. Child Protection

Risk

Child safety is paramount and ensuring all children in our care are protected from harm is essential. A failure to safeguard may result in child harm, reputational damage, financial liabilities, and team member challenges.

Mitigating Activities

- Probity checks, mandatory "Working with Children Check", inductions and mandatory annual training
- Protocols for visitor and contractor access
- Adherence to National Principles for Child Safe Organisations
- Comprehensive policies and procedures, readily available and translated
- Incident management and regulatory reporting
- Monthly Board reporting on child protection.

2. Heath, safety and well-being

Risk

It is imperative that G8 upholds safe business practices and work environments. We aim to protect our team members by prioritising both physical and psychological safety. Safety issues could harm our reputation and lead to injuries, regulatory action, penalties, and recruitment challenges.

Mitigating Activities

- Board reporting
- Compliance checks
- Comprehensive policies and procedures
- Injury management procedures and early intervention programs are in place, overseen by Health & Safety Champions and a dedicated advisory team
- Ongoing investment in safety programs to promote a culture of safety and quality improvement across our business.

3. Liquidity and funding management

Risk

Managing cash flow, payments, capital, and funding is vital for our business sustainability and growth. Mismanagement could result in financial liability and hinder our ability to fund our strategy.

Mitigating Activities

- Monthly monitoring of Board approved budget, liquidity and financing policies
- Board approved capital management framework and Treasury Policy, managing liquidity, funding, interest rates, the use of derivatives and counterparty risk
- Bank funding facilities in place to meet forecasted liquidity and capital requirements.

4. Attraction, retention and capability of team

Risk

Our success hinges on our team. We need skilled, motivated team members who meet education and care needs, ensure compliance, and drive growth. Inefficient structures, capability misalignment, and cultural issues may negatively impact team attraction and retention and hinder strategy execution.

Mitigating Activities

- Enhanced network workforce planning for flexibility and mobility
- Dedicated in-house team for talent acquisition and retention
- Education Strategy
- Study pathways program, Teach@ G8 and extensive suite of learning and development options
- Regular engagement surveys
- Investment in employee value proposition and remuneration
- Participation in multi-employer bargaining for sector recognition.

5. Cyber, confidential data and IP

Risk

The risk to digital security and personal information remains high in the everchanging threat environment. Unauthorised access, disclosure or misuse could lead to reputational harm, financial losses and legal consequences.

Mitigating Activities

- Head of Cyber Security appointed to oversee information security management system
- Mandatory annual cyber security awareness training
- Policies and procedures for technology asset management, identity/access, and cyber protection
- Continuous investment in technology infrastructure and cyber incident response.

6. System failure and business disruption

Risk

G8 faces risks from business disruptions, such as natural disasters, cyber incidents, and supply chain issues. Long-term effects of climate change, such as extreme weather and policy shifts, may raise operating costs and result in missed opportunities in transitioning to a low-carbon economy. Additionally, digital disruptions pose challenges to established strategies and operations.

Mitigating Activities

- Ongoing development of business resilience planning
- Established significant incident response team
- Mitigation of insurable risks through insurance program
- Development of business impact assessment and disaster recovery plans
- Awareness of and preparation for mandatory climate-related financial reporting.

7. Strategy and competitive pressures

Risk

Underperformance may occur if we do not effectively execute our strategy. Changes in market dynamics and competitor actions could impact our market share and strategic goals, leading to diminished performance and market relevance.

Mitigating Activities

- Refreshed strategic framework with clear initiatives
- Monthly meetings and Board updates for strategic oversight
- Family attraction and retention program.
- Ongoing external environment monitoring
- Development of metrics and guidelines for growth
- Portfolio optimization for underperforming centers
- Defined education and inclusion strategy for quality and innovation.

8. Regulatory and legislative obligations, and legal action

Risk

We operate in a complex regulatory and legislative landscape. Noncompliance could lead to penalties, fines, or jeopardise our provider and/or service approvals. Legal actions arise from time to time and can create reputational risk and potential liabilities.

Mitigating Activities

- Comprehensive suite of policies and procedures for legal and regulatory compliance
- In-house legal and subject matter experts advising on compliance, legislative and regulatory risk obligations and litigation matters
- Engagement of external experts
- Incident notification and escalation processes
- Internal audit function ensures governance effectiveness and compliance.

9. Government and policy reform

Risk

Failure to anticipate and adapt to early childhood education policy changes or government reforms could harm G8's financial performance and future prospects.

Mitigating Activities

- Strong bipartisan Government support demonstrated by increased childcare subsidy levels in 2023
- Engagement of external advocate to improve relationships with Federal and State Governments
- Membership in sector leading bodies.

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 2023.

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.

Debra Singh

MAICD

CHAIR SINCE 25 OCTOBER 2023

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 Nomination Committee until 24 October 2023
- Member of Nomination Committee since 25 October 2023
- Member of Audit and Risk Management Committee since 25 October 2023
- Member of the People & Culture 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

Pejman Okhovat

B.Business Studies (Hons)

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER SINCE 3 JANUARY 2023

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

Prior to joining the Group, Pejman 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. Pejman has experience with charitable organisation as director of Variety NZ and chair of The Warehouse Trust in New Zealand. 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 the AMP course at INSEAD (Singapore).

Special responsibilities: Nil

Other current listed public Company Directorships: Nil

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

Professor Julie Cogin

PhD, M. Law, M. Ed / 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 Provost at Australian Catholic University (ACU), which is rated in the world top 2% of universities. Prior to this, she was Deputy Vice Chancellor and Vice-President at RMIT University, Australia's largest multisector university and accountable for financial, people, legal and student experience outcomes in Australian, Vietnam, Singapore and China. Professor Cogin 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. She has also Chaired the Board of two large charities and university subsidiary organisations.

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 and Culture Committee
- Chair Education Advisory Committee
- Member of the Nomination Committee

Other current listed public Company Directorships: Nil

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

Directors' Report

David Foster

B.App.Sci, MBA, GAICD, SFFin

CHAIR UNTIL 24 OCTOBER 2023

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, and holds the position of Chair, for Bendigo and Adelaide Bank Limited, Star Entertainment Group Limited and Youi Insurance Pty Ltd.

Special responsibilities:

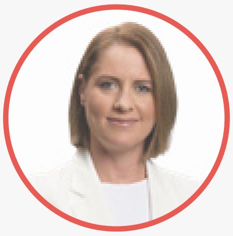
- Member of Audit and Risk Management Committee
- Member of the People, Culture & Education Committee
- Member of the Nomination Committee
- Member of the Property Committee until 31 March 2023

Other current listed public Company Directorships:

Bendigo and Adelaide Bank Limited (appointed 4 September 2019, appointed as Chair from 24 October 2023), Star Entertainment Group Limited (appointed 15 December 2022, appointed as Chair from 31 March 2023).

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)



Toni[1] Thornton

B.A PolSCi Ec, GradCert AppFin, ADA1, 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.

Toni has more than 10 years' experience in audit at board level and holds a Master of Law in Enterprise Governance through Bond University. 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.

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 until 31 March 2023

Other current listed public Company Directorships: Star Entertainment Group Limited (appointed 17 October 2023)

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

1. Full name Antonia Thornton.

Peter Trimble

B.Com FCPA GAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR SINCE 13 MAY 2020

Peter Trimble is an experienced senior management and finance executive of publicly listed companies having held roles at CSR Limited, Rinker Limited, ABC Learning Limited and Sugar Terminals Limited. These roles have crossed a diverse range of industries comprising education, construction materials, manufacturing, infrastructure and agriculture and includes 12 years of experience in the USA. He is also an experienced Non Executive Director of a number of private companies. Peter has an extensive background in childcare operations, having joined ABC Learning (now Goodstart Early 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 Audit and Risk Management Committee
- Member of Nomination Committee
- Member of Property Committee until 31 March 2023

Other current listed public Company Directorships: Nil

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

Margaret Zabel

MBA, BMath, GAICD

INDEPENDENT NON-EXECUTIVE DIRECTOR SINCE 1 SEPTEMBER 2017

Margaret Zabel is a specialist in customer centred business transformation, brand strategy, innovation, digital communications, customer experience and change leadership. She has 20 years senior executive experience working across major companies and brands in FMCG, food, technology and communications industries including multinationals, ASX 100 and not-for-profits. Her previous roles include National Marketing Director for Lion, VP Marketing for McDonald's Australia and CEO and Board Director of The Advertising Council of Australia

Margaret has also served as a Non-Executive Board Director for the mental health charity R U OK? 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 Nomination Committee since 25 October 2023
- Member of Nomination Committee until 24 October 2023
- Member of People, Culture & Education Committee
- Chair of the Property Committee until 31 March 2023

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

Directors' Report

Key Operational Information	Consolidated Group
Number of owned centre at year end	430
Licence capacity of owned centres at year end	36,713
Total number of employees at year end	10,448
Total number of full time equivalent employees at year end	7,731

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 also a Graduate of the Australian Institute of Company Directors (GAICD). Tracey 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 2023.

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 23 inclusive of this Annual Report.

Significant changes in the state of affairs

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

- Appointment of Pejman Okhovat as Managing Director & CEO on 3 January 2023.

Matters subsequent to the end of the financial year

The following matters have taken place subsequent to year end:

- Subsequent to year end, the Group has completed the sale of 8 of the targeted 31 child care centre divestments to TAK Operations Pty Ltd. The divestments are part of a program of network optimisation, as announced on 26 October 2023, to improve group performance. At the date of this report there is a further tranche of 8 child care centres with in-principal agreements to divest to TAK Operations Pty Ltd. The child care centre divestments do not meet the definition of a discontinued operation under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* and were not considered to be held for sale as at 31 December 2023 as the transaction remained subject to conditions, including landlord consent, transfer of the service approval (i.e. licence to operate) and the concurrent completion of certain bundles of centres.
- Subsequent to year end, the Group has surrendered one lease.
- On 20 February 2024 it was decided that the Group would end the offering of Leor as a provider of in-home care and clinical allied health services and focus the Group's efforts on building skills for inclusive education and care programs across the organisation.
- On 27 February 2024 the Board declared a 3.0 cent fully franked dividend in relation to the 2023 financial year to be paid on 4 April 2024.

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 a disciplined capital allocation framework, focus of optimisation of the existing network and implementation of cost management principles.

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

Dividends

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

	2023 $'000	2022 $'000
Dividend for the full financial year ended 31 December 2022 of 2.0 cents per share paid on 6 April 2023 (2022: Dividend for the full financial year ended 31 December 2021 of 3.0 cents per share paid on 1 April 2022)	16,190	25,422
Dividend for the half year ended 30 June 2023 of 1.5 cents per share paid on 6 October 2023 (2022: Dividend for the half year ended 30 June 2022 of 1.0 cents per share paid on 7 October 2022)	12,143	8,267
Total	**28,333**	**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 2023, and the number of meetings attended by each Director were:

	Full meetings of Directors		Audit and Risk Management Committee		Nomination Committee		People, Culture & Education Committee		Property Committee [1]	
	A	B	A	B	A	B	A	B	A	B
D Singh	12	12	1	1	3	3	5	5	—	—
P Okhovat	12	12	—	—	—	—	—	—	—	—
J Cogin	12	12	—	—	3	3	5	5	—	—
D Foster	12	12	4	4	3	3	5	5	1	1
T Thornton	12	12	4	4	3	3	—	—	1	1
P Trimble	12	12	4	4	3	3	—	—	1	1
M Zabel	12	12	—	—	3	3	5	5	1	1

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

1. Property Committee was disbanded as a Committee of the Board - "Property Committee" on 31 March 2023.

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

Environmental and social risk and regulations

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 material environmental harm. No environmental incidents have been recorded.

Whilst the Directors are not aware of any current environmental issues which have had, or are likely to have, a material impact on the Group's business, the long term effects of climate change have the potential to impact the Group's operations and business. The Group's approach with respect to climate governance, strategy and risk management is set out on pages 22 and 23.

Other risks that could have a material impact on the Company are set out on pages 24 and 25 (Material Risks).

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

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 Audit and Risk Management 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) 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
28 June 2021	1 March 2024	0.89	773,627	31 May 2024
2 September 2021	1 March 2024	0.89	78,713	31 May 2024
19 May 2022	1 March 2025	1.01	634,815	31 May 2025
20 February 2023	1 March 2025	0.67	633,870	31 May 2025
20 February 2023	1 March 2025	1.22	633,870	31 May 2025
13 June 2023	1 March 2026	0.49	703,415	31 May 2026
13 June 2023	1 March 2026	0.92	703,415	31 May 2026
13 November 2023	1 March 2026	0.46	46,453	31 May 2026
13 November 2023	1 March 2026	0.93	46,452	31 May 2026
Total			**4,254,630**	

Non-IFRS financial information

The 2023 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.

Operating Net Profit After Tax (NPAT) is considered a non-IFRS measure. 2023 Operating NPAT is calculated as the reported NPAT and adding back post-tax non-trading net expense items totalling $7.4 million. Non-trading items include net restructuring, regulatory and legal costs, loss on surrender/termination of leases, loss on disposal of assets/centres, and software development expenses offset in part by net impairment reversals. Refer to note 6 of the Financial Report section of this Annual Report for a breakdown of the non-trading items. Operating Net Profit Before Tax (NPBT) is considered a non-IFRS measure. 2023 Operating NPBT is calculated as the reported NPBT and adding back pre-tax non-trading net expense items totalling $9.5 million. The Board exercises its discretion in determining whether non-trading items or other significant items are adjusted for when determining remuneration outcomes.

Operating Earnings Per Share (EPS) is considered a non-IFRS measure. 2023 Operating EPS is calculated by dividing 2023 Operating 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.

Directors' Report

Remuneration Report (Audited)

Professor Julie Cogin
Chair, People, Culture & Education Committee

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**) of G8 Education Limited (**G8 Education**) during 2023.

Contents

1. Introduction from the People Culture and Education Committee (PCEC) Chair

On behalf of the Board of Directors, I am pleased to present the Remuneration Report for the year ended 31 December 2023.

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

Education Advisory Board

In 2023 the PCEC (**People, Culture and Education Committee**) 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 Education's Strategy.

Developing a new Strategic Remuneration Framework

In 2023 G8 Education's shareholders approved the updated Remuneration Framework which will apply over a three-year period. Details of the new framework, including the elements and delivery of remuneration, and incentive plan design principles are outlined in Section 4 of this Report.

The new framework was developed following a comprehensive review and acknowledging feedback from proxy advisors and shareholders. 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 improvements 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.

2023 Reward Outcomes

Fixed Remuneration

There were no increases in 2023 to Fixed Remuneration for the Managing Director & CEO (who commenced in January 2023), the Chief Financial Officer, or the Chief Operating Officer (who commenced in September 2023).

2023 Short-Term Incentive Plan (STIP)

Operating Net Profit Before Tax (NPBT) was set as a gate for any payment under the 2023 STIP. As the Operating NPBT gate (set at 90% budget) was achieved, Executive KMP were eligible to receive STI awards. Whilst Operating NPBT performance was below budget, all but one of the non-financial Key Performance Indicator (KPI) targets were achieved to some degree. Section 5 of this Report provides further details of KPI achievement and corresponding STI outcomes for Executive KMP.

Directors' Report

Remuneration Report (Audited)

Long-Term Incentive Plan (LTIP)

As disclosed in the 2022 Remuneration Report, the Earnings Per Share (EPS) growth performance conditions under the 2020 LTIP (vesting on 1 March 2023) were met in full. Consequently, all rights granted under the 2020 LTIP vested for Executive KMP (including the outgoing Managing Director & CEO, Mr G. Carroll).

Regarding the 2021 LTIP (due to vest on 1 March 2024), the EPS growth performance conditions were not met and accordingly all rights under the plan will lapse for Executive KMP.

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

Board Remuneration and Gender Balance

Director fees remained unchanged for the 2023 year, with the last increase in Director fees occurring in January 2018. Our Board composition continues to reflect a healthy gender balance, including the recent appointment of a female chair, with women representing 67% of our independent Non-Executive Directors.

Transition of Chair and Appointment of Chief Operating Officer

In October 2023, David Foster concluded his role as Chair of G8 Education. On behalf of the Board, I wish to extend our gratitude to David for his exceptional dedication and valuable contributions to G8 Education over the last 7 years. David has led the Company through a period of significant change in a challenging operating environment. We also welcome Shane Dann as the Chief Operating Officer and look forward to his valued contributions in the years ahead.

2023 Key Achievements

We have continued to invest in succession planning and talent management initiatives (attraction, engagement and retention), with our sector-leading Study Pathways Program resulting in 1467 students engaged in Certificate III, Diploma and Bachelor programs with 307 of these completing their studies in 2023. Partial cost offset for the delivery of this program has been supported through various government subsidies and incentives.

During 2023 we continued the positive trend of significantly reducing turnover in our Centre Managers and Early Childhood Teachers. Further enhancements to our team member value proposition centered on our Centre Managers, Early Childhood Teachers and Educators, will continue to drive stability in our teams across a challenging talent landscape. This has been complemented by a 17% reduction in the time to fill vacant network roles and an 29% reduction in vacant network roles.

In 2023 G8 Education commenced engagement in Multi-Employer Bargaining, a first for our nation, so that we can work with the sector (including providers, unions and workers) to deliver an outcome that recognises the value and significant contribution of educators working in our centres.

Employee Payments Remediation Program

Following a proactive review of its award and legislative requirements in December 2020, G8 Education 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 affected team members are paid in full. Payments have been made to current and former team members that have responded to our outreach, amounting to $38.7 million in payments made to 31 December 2023. As at 27 February 2024 over 92% of the impacted employees have been remediated. The Company continues to engage with the Fair Work Ombudsman on the Employee Payments Remediation Program.

Looking Forward

The Strategic Remuneration Framework commenced in 2023 and the Board continues to focus on ensuring the Framework remains fit for purpose and supports the strategic direction of the business. 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 of transformative leadership change, our primary focus has been on building a high performance, dynamic workforce whilst remaining steadfastly committed to achieving sector leadership in early education and operational excellence. The Board hopes you find this Report informative and thanks you for your ongoing support.

Professor Julie Cogin

Chair, People, Culture & Education Committee

27 February 2024

Directors' Report

Remuneration Report (Audited)

2. Who is covered by the Report

Key Management Personnel

KMP have authority and responsibility for directly or indirectly planning, directing and controlling the activities of G8 Education. Details of the KMP of G8 Education during the year are set out in the table below:

Non-Executive Directors	Title/Committees	Change In 2023
Debra Singh	**Chair**	**From 25 October 2023**
	Chair Nomination	Until 24 October 2023
	Member, People, Culture & Education	No Change
	Member, Nomination	From 25 October 2023
	Member, Audit & Risk Management	From 25 October 2023
David Foster	**Chair**	**Until 24 October 2023**
	Director	From 25 October 2023
	Member, Nomination	No Change
	Member, Audit & Risk Management	No Change
	Member, People, Culture & Education	No change
	Member, Property [1]	Until 31 March 2023
Julie Cogin	**Director**	**No Change**
	Chair, People, Culture & Education	No Change
	Member, Nomination	No Change
Peter Trimble	**Director**	**No Change**
	Chair, Audit & Risk Management	No Change
	Member, Nomination	No Change
	Member, Property [1]	Until 31 March 2023
Antonia Thornton	**Director**	**No Change**
	Member, Nomination	No Change
	Member, Audit & Risk Management	No Change
	Member, Property [1]	Until 31 March 2023
Margaret Zabel	**Director**	**No Change**
	Chair, Property [1]	Until 31 March 2023
	Member, Nomination	Until 24 October 2023
	Chair, Nomination	From 25 October 2023
	Member, People, Culture & Education	No Change
Executive Directors		
Pejman Okhovat	Managing Director & CEO	From 3 January 2023
Other Executive KMP		
Sharyn Williams	Chief Financial Officer	No Change
Malcolm Ashcroft	Chief Operating Officer	Until 28 April 2023
Shane Dann	Chief Operating Officer	From 6 September 2023

1. Property Working Group was disbanded as a Committee of the Board – "Property Committee" on 31 March 2023.

Directors' Report

Remuneration Report (Audited)

3. Remuneration Governance

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.

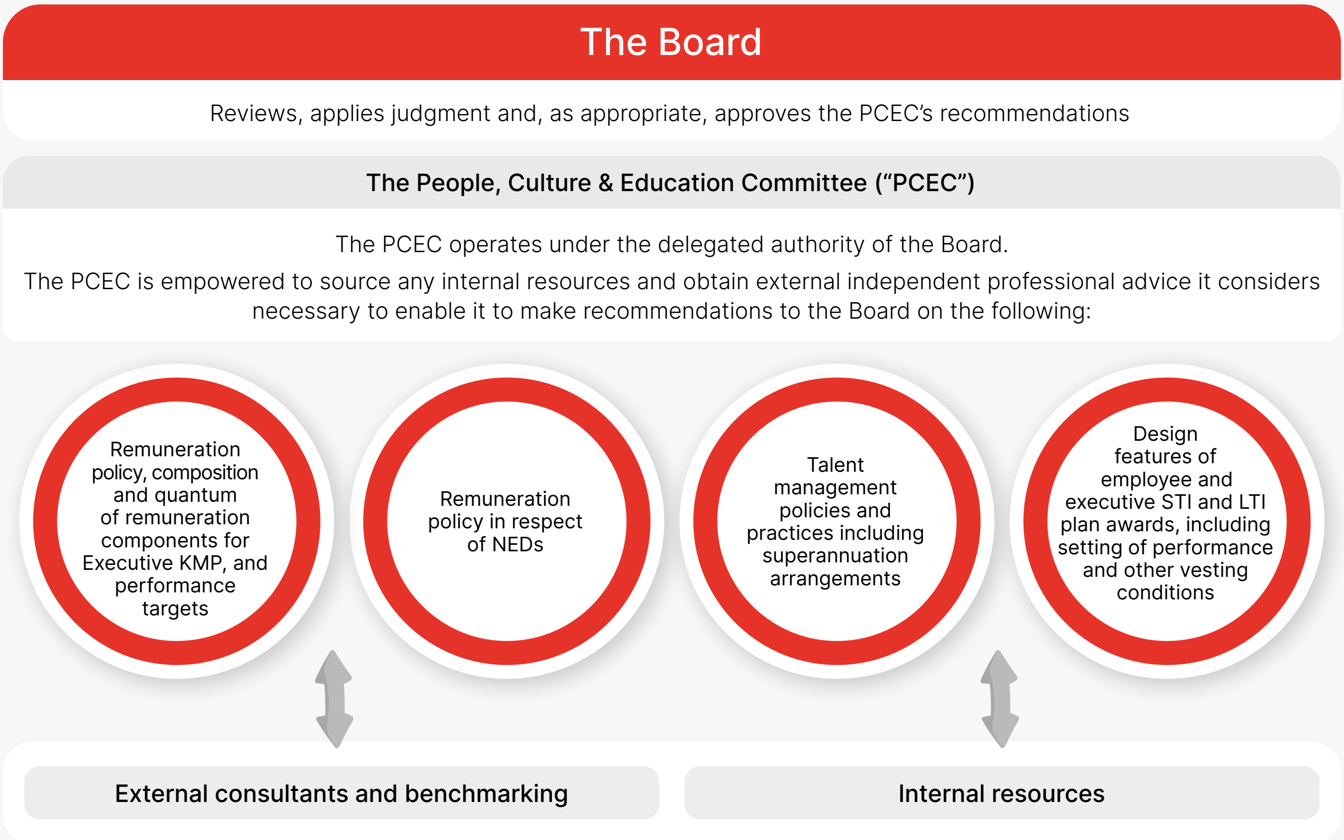
Role of the Board and the People, Culture and Education Committee

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 2023. 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 Managing Director & 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 Committee.

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.

Directors' Report

Remuneration Report (Audited)

3. Remuneration Governance *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 2023, no external advisors were engaged, due to being in the first year of a newly implemented 3-year Remuneration Framework.

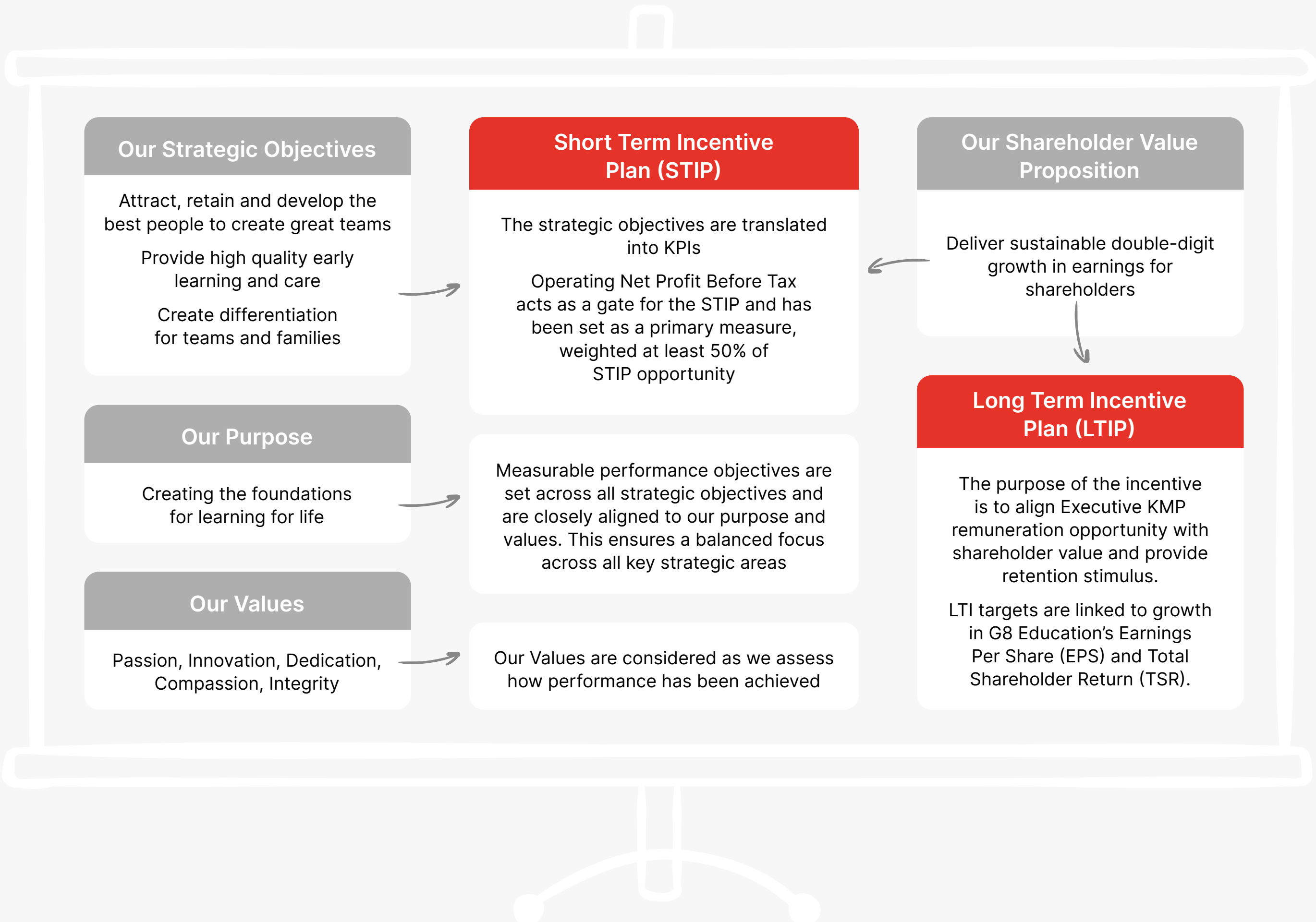
The Board was satisfied that the previous limited remuneration recommendations provided were made free from undue influence from any member of the Executive KMP. That view was formed due to the Board's direct relationship with the remuneration consultants, the professional nature of their business and 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.

To support the building of a high-performance culture and in line with the 2023 Board and Executive Remuneration Policy, the Short-Term Incentive Plan (STIP) has been updated to include threshold and stretch components, to support a focus on driving incremental improvements in performance and includes linear vesting between target and stretch.

A second performance measure of growth in Total Shareholder Return (TSR) has been added to the Long-Term Incentive Plan (LTIP), focused on strengthening the alignment of executive and shareholder interests and positions G8 Education's Remuneration Framework more closely in line with general market practice. The Strategic Remuneration Framework which applies to Executive KMP operates over a three (3) year cycle, with 2023 being the first year of the new cycle.



Directors' Report

Remuneration Report (Audited)

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

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) and Total Shareholder Return (TSR).
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 deferred 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 at 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.

Directors' Report

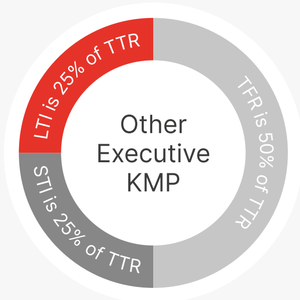
Remuneration Report (Audited)

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 Managing Director & CEO and Other Executive KMP for 2023 (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 Total Remuneration tied to variable remuneration components. With the commencement of the Managing Director & CEO, the target remuneration mix has been adjusted to place more weighting on LTI to align more closely with sustainable financial performance and shareholder interests and returns.

Below demonstrates the split of Managing Director & CEO/KMP remuneration which is performance based and delivered in equity.

Managing Director & CEO Remuneration Mix

	Performance Based		
Fixed Remuneration	**STI Target**		**LTI Target**
38.5%	23% [2]		38.5%
	(60% of Fixed remuneration)		(100% of Fixed remuneration)
	17.325%	4.225%	Performance Rights
	Cash [2]	Deferred [2]	
		Equity	

KMP Remuneration Mix

	Performance Based		
Fixed Remuneration	**STI Target**		**LTI Target**
50%	25% [2]		25%
	(50% of Fixed remuneration)		(50% of Fixed remuneration)
	18.75%	6.25%	Performance Rights
	Cash	Deferred [2]	
		Equity	

1. Managing Director & CEO target remuneration mix rounded for diagram purposes
2. At the discretion of the Board, deferral of one half of any STIP award above $100,000 can be delivered in cash or rights deferred for one-year.

Directors' Report

Remuneration Report (Audited)

4. Our Strategy, Vision and Values and link to Executive KMP Reward *Continued*

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
FY22	TFR	TFR				
	STI	Cash	X[2]			
	Deferred STI[1]	Cash or Rights	Deferral Period	X[2]		
	LTI	Performance Rights	Performance Rights	Performance Rights	X[2]	
FY23	TFR		TFR			
	STI		Cash	X[2]		
	Deferred STI[1]		Cash or Rights	Deferral Period	X[2]	
	LTI		Performance Rights	Performance Rights	Performance Rights	X[2]

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

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 Managing Director & CEO recommendations (where appropriate).

Directors' Report

Remuneration Report (Audited)

4. Our Strategy, Vision and Values and link to Executive KMP Reward Continued

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 motivate and recognise 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. Operating Net Profit Before Tax (Operating NPBT) 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 Operating NPBT (as approved by the Board) has been met. Operating NPBT is subject to adjustment for significant items as determined by the Board in its discretion. As a key indicator of G8 Education's performance, Operating NPBT is also a primary measure under the STI Plan, comprising at least 50% of the overall STI opportunity available to Executive KMP. In 2023 there were three non-financial KPIs across Occupancy, Team and Quality focus areas. These KPIs were set based on annual targets linked to G8 Education's strategic priorities. 2023 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 2023 Scorecard are set out in Section 5 below. To support the building of a high-performance culture and in line with the 2023 Board and Executive Remuneration Policy, the Short-Term Incentive Plan (STIP) has been updated to include threshold and stretch components, to support a focus on driving incremental improvements in performance. KPI achievement pays out at 125% at and above Stretch, 100% at and above Target and 75% at or above Threshold. The Board approves the gate, performance measures and hurdles, and retains absolute discretion in determining the achievement of STI.
Performance Period	The STI Plan measures performance over a time horizon of one year, commencing 1 January and ending 31 December. For the 2023 year, the relevant Performance Period is 1 January 2023 to 31 December 2023. Any awards under the Plan are made at the completion of the Performance Period and following the announcement of full-year results.
Delivery	Award under the STI Plan is 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, however, the award is subject to the plan rules and G8 Education's Clawback Policy. 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.

Directors' Report

Remuneration Report (Audited)

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). The GEIP underwent formal review in 2022 and was approved by Shareholders at the 2023 Annual General Meeting, with an intended operating cycle of three years. 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 2023 LTI grant was determined by dividing the executive's LTI target opportunity by the notional value of a Performance Right. The notional value of a Performance Right was calculated using the 5-day Volume Weighted Average Price (VWAP) of one G8 Education Limited share up to and including 28 February 2023 being the period immediately following the release of G8 Education's Annual Report and full year results.
Performance Period	The LTI Plan measures performance over a time horizon of three years, commencing 1 January in the year of grant and ending 31 December three years later. For the 2023 LTI grant, the Performance Period is 1 January 2023 to 31 December 2025. 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 2023 LTI grant is subject to the Vesting Conditions being met. These comprise a service condition and two performance hurdles. The service condition is continuous employment with G8 Education Limited from the date performance rights are granted until the Vesting Date. Compound Annual Growth Rate (CAGR) of Reported (audited) Earnings Per Share (EPS) is used as a measure to align Executive outcomes as a sound indicator of performance over the medium to long term and is a key indicator of the value of a company's stock. CAGR of EPS is measured over the Performance Period and is 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 2025	% of Performance Rights that vest
< 10%	0%
10% – 15%	25% to 50% (pro-rata)
> 15%	50%

Absolute Total Shareholder Return (TSR) is used as a measure to align Executive outcomes with the long-term shareholder value creation and is calculated as:

$$\frac{\textit{(share price at end of the period – share price at the beginning of period)} + \textit{dividends during the period}}{\textit{share price at beginning of period}} \times 100$$

Directors' Report

Remuneration Report (Audited)

4. Our Strategy, Vision and Values and link to Executive KMP Reward *Continued*

Long-Term Incentives (LTI)

Vesting Conditions *Continued*

The percentage of performance rights that vest is set out in the following table:

Absolute TSR over the three financial years ending 31 December 2025	% of Performance Rights that vest
< 12%	0%
12% – 15%	25% to 50% (pro-rata)
> 15%	50%

In respect of the 2022 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 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%

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 was 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%

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, death or disability, 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 at the Board discretion.

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.

Directors' Report

Remuneration Report (Audited)

4. Our Strategy, Vision and Values and link to Executive KMP Reward Continued

Other Remuneration elements and disclosures relevant to Executive KMP

One-off Outperformance Cash Bonus

In addition to the above, the Managing Director & CEO and Executive KMP participate in a one-off Outperformance Cash Bonus to the value of 40% of Fixed Remuneration for the Managing Director & CEO and 25% of Fixed Remuneration for the Executive KMP, payable in March 2026 following the announcement of 2025 full-year results and upon the achievement of the following hurdles:

- CAGR EPS (Compound Annual Growth Rate (CAGR) Earning per Share) subject to adjustment of significant items as determine by the Board in its discretion – CAGR EPS over the three financial years ending 31 December 2025 – 17.5% or above equates to 50% payable
- Absolute TSR (Absolute Total Shareholder Return) – Absolute TSR over the three financial years ending 31 December 2025 – 16.5% or above equates to 50% payable. (TSR) is calculated as:

$$\frac{\textit{(share price at end of the period – share price at the beginning of period)} + \textit{dividends during the period}}{\textit{share price at beginning of period}} \times 100$$

Managing Director & CEO Special Equity Award and Sign-On Equity Grants and Bonus

In addition to the above the Managing Director & CEO also includes:

- a **Special Equity Award** comprising 1,267,740 Performance Rights. The Special Equity Award Performance Rights will vest in March 2025, subject to satisfaction of performance hurdles, with any shares required to meet the grant to be acquired by the G8 Education Limited on-market by the G8 Education Employee Share Scheme Trust. Vesting of the Special Equity Award is subject to the vesting conditions being met. These comprise a service condition and two performance hurdles.

  The service condition is continuous employment with G8 Education Limited from the date performance rights are granted until the vesting date.

  Compound Annual Growth Rate (CAGR) of Reported (audited) Earnings Per Share (EPS) is used as a measure to align Executive outcomes as a sound indicator of performance over the medium to long term and is a key indicator of the value of a company's stock.

  CAGR of EPS is measured over the Performance Period and is 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 two financial years ending 31 December 2024	% of Performance Rights that vest
< 10%	0%
10% – 15%	25% to 50% (pro-rata)
> 15%	50%

Absolute Total Shareholder Return (TSR) is used as a measure to align Executive outcomes with the long-term shareholder value creation and is calculated as:

$$\frac{\textit{(share price at end of the period – share price at the beginning of period)} + \textit{dividends during the period}}{\textit{share price at beginning of period}} \times 100$$

The percentage of performance rights that vest is set out in the following table:

Absolute TSR over the two financial years ending 31 December 2024	% of Performance Rights that vest
< 12%	0%
12% – 15%	25% to 50% (pro-rata)
> 15%	50%

Directors' Report

Remuneration Report (Audited)

4. Our Strategy, Vision and Values and link to Executive KMP Reward *Continued*

- **Managing Director & CEO Sign-On Equity Grants** – Mr P Okhovat's remuneration package includes two equity grants (one in 2023 and one in 2024) of G8 Education Limited shares equivalent to forfeited long-term incentives, to be purchased and issued at the applicable time of vesting and following notification of the relevant vesting outcomes from Mr P Okhovat's prior employer (Woolworths Group Limited).

  The number of G8 Education Limited shares is calculated as the amount that would have been received (if applicable) at the time of vesting at Woolworths Group Limited and will be paid in equivalent value ($) in G8 Education Limited shares based on a 5-day volume weighted average price (VWAP) following notification of Woolworths Group Limited's vesting outcomes.

  The 2023 Sign-On Equity Grant shares (637,207 G8 Education Limited shares) were purchased on-market by the G8 Education Employee Share Scheme Trust on behalf of G8 Education Limited around November 2023 and issued to Mr P Okhovat. The 2023 Sign-On Equity Grant was dependent on Woolworths Group Limited achieving a certain percentage of Relative Total Shareholder Return (TSR) (Relative TSR is the ranking of a company's absolute TSR in comparison to a group of companies) and certain other non-market performance conditions (sales per trading square metre and return on funds employed) over the three year period to 1 July 2023. These vesting conditions were considered to be non-vesting conditions from G8 Education Limited's perspective.

  Mr P Okhovat will receive one further Sign-On Equity Grant in 2024 – up to an equivalent maximum of 38,514 Woolworths Group Limited shares, with the number of G8 Education Limited shares to be issued not able to be calculated at the time of this report. The 2024 Sign-On Equity Grant shares will be purchased on-market by the G8 Education Employee Share Scheme Trust on behalf of G8 Education Limited. The 2024 Sign-On Equity Grant is dependent on Woolworths Group Limited achieving a certain percentage of Relative Total Shareholder Return (TSR) (Relative TSR is the ranking of a company's absolute TSR in comparison to a group of companies) and certain other non-market performance conditions (reputation, using the RepTrak measure, and return on funds employed) over the three year period to 1 July 2024. These vesting conditions are considered to be non-vesting conditions from G8 Education Limited's perspective.

  Any shares received by Mr P Okhovat as part of the Managing Director & CEO 2023 and 2024 Sign-On Equity Grants must be repaid to the G8 Education Limited in cash, and any unexercised equity grants will lapse, if Mr P Okhovat leaves his employment with G8 Education Limited prior to 31 December 2024.
- A **Sign-on Bonus** of $150,000 was paid upon commencement.

Malus and Clawback

The Executive KMP STI and LTI arrangements are subject to malus and clawback provisions that enable the Board to adjust unpaid and/or unvested awards (including cancellation of all outstanding incentives) where it is appropriate to do so. The Board may determine that any unpaid cash STI or cash deferred STI, or unvested deferred STI or LTI awards will be forfeited in the event of fraudulent, dishonest, gross misconduct or breach of G8's Code of Conduct by the Executive KMP. The Board may also adjust these incentives where the Executive KMP acts in a manner that brings G8 into disrepute or contributes to material reputational damage to the Group, where there have been material misstatements of the financial results as a result of errors, omissions, misrepresentation, fraud or dishonesty, or the Board determines the Executive KMP would otherwise obtain an unfair benefit from the incentive.

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 Managing Director & 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 Investors, Corporate Governance.

Directors' Report

Remuneration Report (Audited)

5. Remuneration Details for Executive KMP

2023 Short-Term Incentive Plan outcomes

The Operating NPBT financial target in the 2023 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, Operating NPBT was set as a gate for any payment under the 2023 STIP. The Operating NPBT KPI comprised 60% of the 2023 STI opportunity for the Managing Director & CEO and 50% for the other Executive KMP. While the Operating NPBT gate (set at 90% of the Board-approved Operating NPBT budget) was met, the Operating NPBT budget/target was not achieved. This resulted in a partial payment (75%) under the Operating NPBT KPI for Executive KMP.

The remaining 40% of STI awards for the Managing Director & CEO and 50% 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 2023 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 table below summarises the results for Executive KMP against the 2023 G8 Scorecard.

Category	Measure	Descriptor	Target	Achieved
Financial (Deliver sustainable double-digit earnings growth for shareholders)	**GATE – Operating Net Profit Before Tax (NPBT)**	**Operating Net Profit Before Tax has been set as a gate before any STI can be paid**	**≥ 90% Operating NPBT budget**	**Achieved**
	Operating Net Profit Before Tax (NPBT)	Operating Net Profit Before Tax is the sole financial KPI	$91.6 million Operating NPBT budget	Achieved Threshold – with a result of ~99% of Operating NPBT
Team (Attract, retain, and develop the best people to create great teams)	Team Voluntary Turnover	Team members who voluntarily resign from their employment	Team Voluntary Turnover ≤ 31%	Achieved Stretch – with Team Voluntary Turnover at 26.4%
Quality (Provide high quality early learning and care)	NQS Assessment & Rating (A&R)	Assessment & Rating results of centres assessed in 2023 in relation to the National Quality Standards	≥ 90% of Centres assessed as 'meeting' or 'exceeding' NQS	Achieved Threshold – with 88.7% of centres assessed in 2023 as 'meeting' or 'exceeding' NQS
Occupancy (Calculated as total bookings divided by total licensed places)	Occupancy	Group occupancy levels	74.2% Full Year Group occupancy	Not Achieved – with a result of 70.4.%

Based on the outcomes detailed above and the Board's overall adjustment to reflect a holistic view of performance, the Managing Director & CEO was awarded 70% of his total 2023 STIP opportunity, with other Executive KMP awarded 67.5% of their total STIP opportunity.

Directors' Report

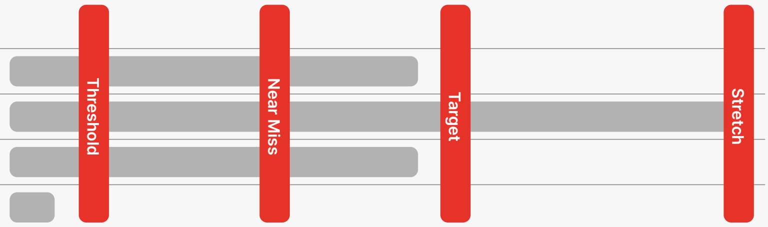
Remuneration Report (Audited)

5. Remuneration Details for Executive KMP *Continued*

2023 performance against the STI measures was 67.5% of Target (54% of Maximum)

KPI Measure	Outcome
Gate: Operating Net Profit Before Tax (NPBT) > 90%	**Achieved**
Operating Net Profit Before Tax (NPBT)	75%
Team Voluntary Turnover	125%
NQS Assessment & Rating (A&R)	75%
Occupancy	0%

2023 STI measure outcome (% of target)



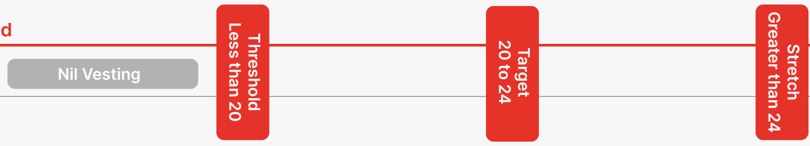
In accordance with the STIP framework, 50% of STI awards above $100,000 have been deferred until March 2025 for payment. The Board has decided to award the deferred portion of STI in cash.

2021 Long-Term Incentive Plan outcomes

The 2021 LTI Plan was tested on 31 December 2023. The Board determined in their assessment that the EPS growth performance conditions were not met and no rights under the Plan will vest on 1 March 2024 for eligible Executive KMP.

2021 LTI Outcomes – Nil vesting

KPI Measure	Achieved
Cumulative Earnings Per Share (cents)	18.18



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 2023. 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 2023 financial year.

The table below shows:

- Total Fixed Remuneration including non-monetary benefits and sign-on bonus
- Short-Term Incentives
- Tested Long-Term Incentives
- Termination Payments

Directors' Report

Remuneration Report (Audited)

5. Remuneration Details for Executive KMP *Continued*

	Fixed Remuneration [1]							
Executive KMP	Base Salary and Superannuation benefits	Non-monetary benefits	Sign-On Bonus	2023 STI – Cash [2]	2023 STI Deferred – Cash [3]	2020 LTI [4]	Sign-On Equity Grant [5]	Total actual remuneration earned
P Okhovat	930,770	127,061	150,000	249,500	149,500	—	688,184	**2,295,015**
S Williams	600,000	—	—	151,250	51,250	210,900	—	**1,013,400**
S Dann [6]	135,954	—	—	48,515	—	—	—	**184,469**
M Ashcroft [7]	243,027	—	—	—	—	—	—	**243,027**

1. Fixed remuneration includes base salaries received, payments made to superannuation funds, non-monetary benefits received and any once-off payments such as sign-on bonuses.
2. STI relating to the 2023 Performance Period and payable in cash following the announcement of full-year 2023 results.
3. Deferred STI relating to the 2023 Performance Period to be awarded in cash, subject to continued employment by the Executive KMP at March 2025.
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 that vested in 2023.
5. Intrinsic value (based on G8 Education's share price as at 3 January 2023 of $1.08, multiplied by the number of shares issued) relating to the 2023 Managing Director & CEO Sign-On Equity Grant.
6. From 6 September 2023.
7. Until 28 April 2023.

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.

	2023 $'000	2022 $'000	2021 $'000	Restated 2020 [1] $'000	2019 $'000
Total revenue	**987,001**	905,224	878,733	788,358	922,202
EBIT	**133,079**	105,635	118,720	(141,141)	146,379
Net Profit After Tax	**56,056**	36,606	45,681	(188,970)	52,019
Operating NPBT (unaudited, Non IFRS) [2]	**90,588**	66,667	66,404	79,300	76,500
Operating NPAT (unaudited, Non IFRS) [2]	**63,412**	47,487	39,499	62,658	67,673
Operating EPS (cents) [2]	**7.83**	5.69	4.66	7.39	13.02
Annual dividend per share (cents)	**3.5**	4.0	—	—	12.75
Share price as at 31 December ($)	**1.18**	1.11	1.11	1.18	1.90
Total Fixed Remuneration Executive KMP [3]	**2,187**	1,955	1,900	1,577	1,745
Total Variable Remuneration Executive KMP [4]	**1,549**	1,430	836	—	—
Total Fees Non-Executive Directors [3, 5]	**1,068**	1,082	1,018	959	1,060

1. The year ended 31 December 2020 was restated in the 2021 Annual Report for a change in the Group's accounting policy for Software as a Service (SaaS) arrangements.
2. As defined on page 32.
3. TFR for Executive KMP and NED fees in 2020 reflected a 20% reduction for 6 months, due to COVID-19. 2023 includes once off sign-on bonus relating to P Okhovat.
4. Includes STI and LTI earned in year as per the above Remuneration earned by Executive KMP table (i.e., 2023 includes 2023 STIP over the January – December 2023 performance period; 2023 includes the 2023 Managing Director & CEO Sign-On Equity Grant; 2023 includes the 2020 LTI Grant which vested in 2023).
5. NED fees are inclusive of superannuation.

Directors' Report

Remuneration Report (Audited)

5. Remuneration Details for Executive KMP *Continued*

Statutory Remuneration Table

		Short-term benefits				Post-employment benefits	Termination benefits	Long-term benefits/ Share-based payments		Total Remuneration	Performance Related	Share Plan related
	Year	Base Salary	Non-monetary benefits [1]	Sign on bonus	Cash STI	Superannuation benefits	Cash	Performance Rights and Shares [2]	Cash [3]		% of Total Remuneration	% of Total Remuneration
P Okhovat	**2023**	**904,424**	**127,061**	**150,000**	**249,500**	**26,346**	**—**	**1,389,012**	**201,417**	**3,047,760**	**60%**	**46%**
S Williams	**2023**	**573,654**	**—**	**—**	**151,250**	**26,346**	**—**	**118,850**	**131,594**	**1,001,694**	**40%**	**12%**
	2022	490,596	—	—	115,469	24,430	—	66,925	7,734	705,154	27%	9%
S Dann [4]	**2023**	**126,780**	**—**	**—**	**48,515**	**9,174**	**—**	**2,329**	**30,533**	**217,331**	**37%**	**1%**
M Ashcroft [5]	**2023**	**230,902**	**—**	**—**	**—**	**12,125**	**—**	**(47,441)**	**13,137**	**208,723**	**(16%)**	**(23%)**
	2022	575,597	—	—	126,274	24,430	—	19,298	13,137	758,736	21%	3%
G Carroll	2022	815,596	—	—	229,017	24,430	840,000	238,609	129,017	2,276,669	26%	10%
Totals	**2023**	**1,835,760**	**127,061**	**150,000**	**449,265**	**73,991**	**—**	**1,462,750**	**376,681**	**4,475,508**	**51%**	**33%**
	2022	1,881,790	—	—	470,760	73,291	840,000	324,832	149,888	3,740,560	25%	9%

1. Non-monetary benefits include tax advisory services, airfares and is inclusive of fringe benefits tax.
2. Long-term performance rights and shares figures include expenses recognised in relation to the 2020 LTI, 2022 LTI, 2023 LTI, 2021 STI Deferred and Managing Director & CEO Sign-On Equity Grants plans. 2023 LTI includes the Special Equity Award issued to P Okhovat in February 2023. The figures do not include an expense in relation to the 2021 LTI Grant as the performance conditions of the 2021 LTI Grant have not been met and these rights will lapse during 2024. Negative amounts relate to rights forfeited during the year.
3. Long-term cash figures relate to the 2022 and 2023 deferred STI awards and a portion of a potential one-off cash incentive following the end of 2025 measured against a stretch target of the LTI performance hurdles. Refer to section 4 for further information.
4. From 6 September 2023.
5. Until 28 April 2023.

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 Singh (Chair)	Indirectly	50,000	75,000	125,000
D Foster	Indirectly	97,700	32,347	130,047
P Okhovat (Managing Director & CEO)	Directly	—	737,207 [1]	737,207
J Cogin	Indirectly	45,000	15,000	60,000
A Thornton	Directly	23,150	65,000	88,150
P Trimble	Indirectly	100,000	50,000	150,000
M Zabel	Indirectly	50,000	32,000	82,000
Other Executive KMP of G8 Education Limited				
Ordinary Shares				
S Williams	Indirectly	65,455	218,253	283,708
M Ashcroft	Directly	100,000	28,899	128,899

1. Includes 637,207 shares relating to the Managing Director & CEO Sign-On Equity Grants. Refer to section 4 for further information.

Directors' Report

Remuneration Report (Audited)

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 table 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 Granted**	**Balance at the end of the year**	**Granted in year**	**Vested in year** [3]	**Lapsed/ forfeited in year** [3]	**Year in which grant vests**
P Okhovat											
2023 LTI EPS	13 Jun 23	0.92	—	387,060	—	—	387,060	356,095	—	—	2026
2023 LTI TSR	13 Jun 23	0.49	—	387,060	—	—	387,060	189,659	—	—	2026
2023 Special Equity Grant EPS	20 Feb 23	1.22	—	633,870	—	—	633,870	773,321	—	—	2025
2023 Special Equity Grant TSR	20 Feb 23	0.67	—	633,870	—	—	633,870	424,693	—	—	2025
			—	**2,041,860**	**—**	**—**	**2,041,860**	**1,743,768**	**—**	**—**	
S Williams											
2023 LTI EPS	13 Jun 23	0.92	—	122,229	—	—	122,229	112,451	—	—	2026
2023 LTI TSR	13 Jun 23	0.49	—	122,229	—	—	122,229	59,892	—	—	2026
2022 LTI	19 May 22	1.01	194,795	—	—	—	194,795	—	—	—	2025
2021 STI	14 Apr 22	1.03	28,253	—	28,253	—	—	—	29,101	—	2023
2021 LTI	28 Jun 21	0.89	211,833	—	—	—	211,833	—	—	—	2024
2020 LTI	30 Jun 20	0.74	190,000	—	190,000	—	—	—	140,600	—	2023
			624,881	**244,458**	**218,253**	**—**	**651,086**	**172,343**	**169,701**	**—**	
S Dann											
2023 LTI EPS	13 Nov 23	0.93	—	29,284	—	—	29,284	27,234	—	—	2026
2023 LTI TSR	13 Nov 23	0.46	—	29,284	—	—	29,284	13,471	—	—	2026
			—	**58,568**	**—**	**—**	**58,568**	**40,705**	**—**	**—**	
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 Jun 21	0.89	232,906	—	—	232,906	—	—	—	207,286	2024
			495,560	**—**	**28,899**	**466,661**	**—**	**—**	**29,766**	**443,379**	
Total			**1,120,441**	**2,344,886**	**247,152**	**466,661**	**2,751,514**	**1,956,816**	**199,467**	**443,379**	

1. Performance Rights are expensed in line with the vesting conditions of the Performance Rights (refer Note 30).
2. Fair value at grant date is calculated independently based on either a Monte Carlo or Black Scholes pricing model and using a risk-neutral assumption (refer Note 30).
3. Amount provided is the initial dollar value at fair value grant date, not amount actually received/forfeited.

Directors' Report

Remuneration Report (Audited)

7. Employment Agreements

The Managing Director & CEO and other Executive KMP operate under employment agreements.

The following sets out details of the employment agreements relating to the Managing Director & CEO and other Executive KMP, as it pertains to those employed as at 31 December 2023.

Length of contract	The Managing Director & 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, all Executive KMP (including the Managing Director & CEO) are required to provide G8 Education with 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 Managing Director & CEO or any other Executive KMP by providing six months' written notice. The Company may make payment, based on total fixed remuneration, in lieu of the notice period. For termination without cause, the number of unvested STI or LTI benefits which will vest will be determined by the Board in its sole discretion.
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 Managing Director & CEO and all other Executive KMP are subject to post-employment restraints for up to 6 months.

Directors' Report

Remuneration Report (Audited)

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. There was no increase in NED remuneration for 2023, and 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 2023 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	2023[1] $	2022[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[2]	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

1. NED fees include superannuation.
2. Property Committee was disbanded 31 March 2023.

Directors' Report

Remuneration Report (Audited)

8. Non-Executive Director (NED) Remuneration *Continued*

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 11.0% from 1 July 2023 (and 10.5% for the 2022 financial year and up to 30 June 2023). 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 2023 for travel allowances, extra services or special exertions.

NED Total Remuneration Paid

	Year	Fees $	Superannuation benefits $	Total $
D Singh (Chair)	**2023**	**167,004**	**17,997**	**185,001**
	2022	149,671	15,326	165,000
D Foster	**2023**	**236,911**	**24,188**	**261,099**
	2022	260,596	24,430	285,027
M Zabel	**2023**	**136,227**	**14,638**	**150,865**
	2022	149,671	15,329	165,000
J Cogin	**2023**	**148,985**	**16,015**	**165,000**
	2022	149,671	15,329	165,000
P Trimble	**2023**	**148,985**	**16,015**	**165,000**
	2022	149,671	15,329	165,000
T Thornton [1]	**2023**	**132,818**	**7,965**	**140,783**
	2022	126,985	9,833	136,818
Totals	**2023**	**970,930**	**96,818**	**1,067,748**
	2022	986,265	95,579	1,081,845

1. T Thornton applied for and received approval for superannuation shortfall exemption for 1 January 2023 – 30 June 2023.

Minimum Shareholding Guidelines

The Board has approved minimum shareholding guidelines for NEDs, the Managing Director & CEO and Executive KMP. Under these guidelines, all NEDs are expected 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 expected to accumulate the recommended holding over the first five years or from appointment.

Directors' Report

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 2023, 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 31, 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.

Auditor's Independence Declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 55.

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 & CEO
27 February 2024

Auditors Independence Declaration

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

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

Building a better working world

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 2023, 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

McKenzie

Kellie D Mckenzie
Partner
27 February 2024

Financial Statements

Consolidated Income Statement

For the year ended 31 December 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000
Continuing operations			
Revenue	2	983,438	901,286
Other income	3	3,563	3,938
Total revenue		**987,001**	**905,224**
Expenses			
Employment costs	4	(603,005)	(561,466)
Properties, utilities and maintenance costs		(50,470)	(51,225)
Direct costs		(36,278)	(35,148)
Software development expenses		(7,004)	(7,280)
Depreciation and amortisation	4	(102,986)	(95,286)
Net impairment reversal	6	13,645	—
Other expenses		(66,083)	(48,772)
Finance costs	4	(53,704)	(52,357)
Total expenses		**(905,885)**	**(851,534)**
Profit before income tax		**81,116**	**53,690**
Income tax expense	5	(25,060)	(17,084)
Profit for the year attributable to members of the parent entity		**56,056**	**36,606**
		Cents	Cents
Basic earnings per share	7	6.92	4.39
Diluted earnings per share	7	6.89	4.37

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 2023

	Consolidated 2023 $'000	Consolidated 2022 $'000
Profit for the year	56,056	36,606
Total comprehensive income for the year	**56,056**	**36,606**

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

Consolidated Balance Sheet

As at 31 December 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000
Assets			
Current assets			
Cash and cash equivalents	17	40,253	37,826
Trade and other receivables	8	23,754	22,530
Other current assets	9	14,401	12,710
Current tax asset		—	11,294
Total current assets		**78,408**	**84,360**
Non-current assets			
Property, plant and equipment	10	138,781	136,250
Right of use assets	19	527,965	401,834
Deferred tax assets	5	101,566	102,385
Intangible assets	15	1,049,342	1,051,614
Investment in an associate	23(b)	812	932
Other non-current assets	9	5,920	6,196
Total non-current assets		**1,824,386**	**1,699,211**
Total assets		**1,902,794**	**1,783,571**
Liabilities			
Current liabilities			
Trade and other payables	11	72,207	73,421
Contract liabilities	2(i)	11,400	11,234
Current tax liability		13,022	—
Borrowings	18	1,311	920
Lease liabilities	19	81,278	81,168
Provisions	12	106,115	85,832
Total current liabilities		**285,333**	**252,575**
Non-current liabilities			
Other payables	11	—	378
Borrowings	18	99,000	127,935
Lease liabilities	19	596,546	503,532
Provisions	12	16,412	15,788
Total non-current liabilities		**711,958**	**647,633**
Total liabilities		**997,291**	**900,208**
Net assets		**905,503**	**883,363**
Equity			
Contributed equity	20	897,761	1,174,419
Reserves		108,489	73,297
Retained earnings		(100,747)	(364,353)
Total equity		**905,503**	**883,363**

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 2023

Consolidated	Notes	Contributed Equity $'000	Share Based Payment Reserve $'000	Profits Reserve $'000	Retained Earnings $'000	Total $'000
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 and net of tax	20	(34,808)	—	—	—	(34,808)
Share based payment expense	30	—	543	—	—	543
Dividends provided for or paid	21(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**
Balance 1 January 2023		**1,174,419**	**1,218**	**72,079**	**(364,353)**	**883,363**
Profit / (loss) for the year		—	—	63,950	(7,894)	56,056
Total comprehensive income / (loss) for the year		**—**	**—**	**63,950**	**(7,894)**	**56,056**
Transactions with owners in their capacity as owners						
Buy back of equity, including transaction costs and net of tax	20	(5,152)	—	—	—	(5,152)
Purchase of treasury shares	20	(2,070)	—	—	—	(2,070)
Issue of treasury shares to employees	20	2,064	(2,064)	—	—	—
Share based payment expense	30	—	1,639	—	—	1,639
Dividends provided for or paid	21(a)	—	—	(28,333)	—	(28,333)
Share capital reduction	20	(271,500)	—	—	271,500	—
Total		**(276,658)**	**(425)**	**(28,333)**	**271,500**	**(33,916)**
Balance 31 December 2023		**897,761**	**793**	**107,696**	**(100,747)**	**905,503**

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 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		989,926	897,675
Payments to suppliers and employees (inclusive of GST)		(740,461)	(707,799)
Interest received		1,741	410
Interest paid (non-leases)		(11,168)	(10,021)
Interest paid (leases)		(38,601)	(38,409)
Income taxes received / (paid)		75	(5,092)
Net cash inflows from operating activities	22	**201,512**	**136,764**
Cash flows from investing activities			
Payments for contingent consideration	14(c)	(600)	(75)
Payments for purchase of intangible assets		(864)	(1,125)
Net proceeds / (payments) for divestments		(11,700)	168
Proceeds from the sale of property, plant and equipment		75	217
Payments for property, plant and equipment		(43,660)	(58,482)
Net cash outflows from investing activities		**(56,749)**	**(59,297)**
Cash flows from financing activities			
Dividends paid	21	(28,333)	(33,689)
Principal elements of lease payments		(77,001)	(73,194)
Buy back of equity (including transaction costs)	20	(5,152)	(34,808)
Payments for purchase of treasury shares	20	(2,070)	—
Proceeds / (repayments) from borrowings		(29,689)	30,000
Borrowing costs paid		(91)	(2,081)
Net cash outflows from financing activities		**(142,336)**	**(113,772)**
Net increase / (decrease) in cash and cash equivalents		**2,427**	**(36,305)**
Cash and cash equivalents at the beginning of the financial year		37,826	74,131
Cash and cash equivalents at the end of the financial year	17	**40,253**	**37,826**

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

Notes to the Financial Statements

1. Financial Overview

Note 1: 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 operation 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	
	2023 $'000	2022 $'000
Revenue from external customers continuing operations	983,438	901,286
Profit before tax from continuing operations	81,116	53,690
Non-current assets [1] at 31 December	1,722,820	1,596,826

1. Non-current assets exclude deferred tax assets.

	Consolidated	
Timing of revenue recognition	2023 $'000	2022 $'000
Revenue recognised at a point in time	953,498	883,509
Total revenue from contracts with customers	**953,498**	**883,509**
Other revenue recognised over time	29,940	17,777
Total revenue	**983,438**	**901,286**

Note 2: Revenue

Disaggregation of revenue

	Consolidated	
	2023 $'000	2022 $'000
From continuing operations		
Sales revenue		
Revenue from child care centres [1]	953,498	883,509
Funding relating to child care operations	29,940	17,777
Total revenue continuing operations	**983,438**	**901,286**

1. In the prior period, government assistance 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.

Notes to the Financial Statements

1. Financial Overview

Note 2: Revenue *Continued*

Accounting policy

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

Revenue is recognised for the major business activities as follows:

i) Revenue from child care centres

Fees paid by families and/or the Australian Government (Child Care Subsidy) are recognised as and when a child is booked to attend 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).

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 2023: $11.4 million (2022: $11.2 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 4).

Note 3: Other Income

	Consolidated	
	2023 $'000	2022 $'000
Interest	1,741	412
Gain on sale of centres [1]	—	266
Gain on lease modifications	—	1,022
Deferred contingent consideration not payable (note 14(iii)) [2]	—	6,393
Goodwill impairment (note 15) [2]	—	(6,393)
Insurance proceeds	691	1,132
Vendor rebates	1,131	1,106
Total other income	**3,563**	**3,938**

1. 2023 Loss on sale of centres totalling $0.2 million was included in 'other expenses' in the consolidated income statement. Included within 'Loss on disposal of assets / centres and sale of centres' in note 6.
2. During 2022 an impairment expense relating to Leor goodwill was booked and was taken to the consolidated income statement as a $6.4 million expense in other income (refer note 15), but there also was an offsetting fair value adjustment to contingent consideration which was taken to the consolidated income statement as a $6.4 million credit in other income (refer note 14(iii)).

Notes to the Financial Statements

1. Financial Overview

Note 3: 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 including changes in the lease term.

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 (refer note 6).

Note 4: Expenses

	Consolidated	
	2023 $'000	2022 $'000
Profit before income tax includes the following specific expenses:		
Employment costs		
Wages and salaries	545,727	514,836
Boosting Apprenticeship Commencement (BAC) [1] and Priority Wages (PWS) subsidies [2]	(3,937)	(7,359)
Training and professional development	8,109	8,811
Superannuation	51,467	44,635
Share-based payment expense	1,639	543
	603,005	**561,466**
Depreciation and amortisation		
Depreciation expense of property, plant and equipment (note 10)	30,207	25,742
Amortisation of intangibles (note 15)	860	412
Depreciation expense of right-of-use assets (note 19)	71,919	69,132
	102,986	**95,286**
Finance costs		
Interest expense	10,807	9,854
Borrowing costs expense	657	3,990
Interest expense on lease liabilities and make good provision (notes 19(c) and 12(a))	42,240	38,513
	53,704	**52,357**

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.
2. This subsidy commenced for all apprenticeship registration from 1 July 2022 (in conjunction with the end of BAC) and will extend to all registrations to 30 June 2024. It is unclear what program, if any, will be in place from 30 June 2024.

Notes to the Financial Statements

1. Financial Overview

Note 5: Income Tax and Deferred Tax Assets

	Consolidated 2023 $'000	Consolidated 2022 $'000
a) Income tax expense		
Current tax	25,360	10,693
Deferred tax	(215)	5,704
(Over) / under provision current tax prior year	(1,119)	687
Under provision deferred tax prior year	1,034	—
Income tax expense	**25,060**	**17,084**
Income tax expense is attributable to:		
Results from continuing operations	25,060	17,084
	25,060	**17,084**
Deferred income tax expense included in income tax expense comprises		
Decrease in deferred tax assets	819	5,704

	Consolidated 2023 $'000	Consolidated 2022 $'000
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	81,116	53,690
Tax on operations at the Australian tax rate of 30% (2022: 30%)	24,335	16,107
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Adjustments relating to prior year	(85)	687
Entertainment	103	75
Acquisition and divestment related costs – not deductible	150	—
Deferred contingent consideration not payable	—	(1,918)
Goodwill impairment	621	1,918
Other non-allowable items	(64)	215
Income tax expense	**25,060**	**17,084**
Weighted average tax rate	30.9%	31.8%

	Consolidated 2023 $'000	Consolidated 2022 $'000
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	—	—

Notes to the Financial Statements

1. Financial Overview

Note 5: Income Tax and Deferred Tax Assets *Continued*

	Consolidated	
	2023 $'000	2022 $'000
Deferred tax asset		
The balance comprises temporary differences attributable to:		
Employee benefits provisions	28,266	25,398
Share issue transaction costs	668	1,339
Total temporary differences	**28,934**	**26,737**
Other		
Business-related costs	3,534	814
Provision for expected credit loss	704	1,555
Accrued expenses	1,393	3,027
Property, plant and equipment	9,597	8,445
Intangibles	1,496	1,496
Lease liabilities	197,446	175,410
Provisions	12,660	6,895
Total other	**226,830**	**197,642**
Total deferred tax assets	**255,764**	**224,379**
Deferred tax liability		
Buildings	(532)	(536)
Right of use / make good assets	(151,920)	(120,516)
Prepayments	(1,746)	(942)
Total deferred tax liability	**(154,198)**	**(121,994)**
Net deferred tax asset	**101,566**	**102,385**

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.

Notes to the Financial Statements

1. Financial Overview

Note 5: Income Tax and Deferred Tax Assets *Continued*

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.

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.

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.

Tax related contingencies

At 31 December 2023 there are no tax related contingencies (2022: nil).

Notes to the Financial Statements

1. Financial Overview

Note 6: Profit for the Year

a) Non-trading items

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

	Consolidated	
	2023 $'000	2022 $'000
Non-trading income		
Gain on lease modifications	—	1,022
Gain on sale of centres	—	266
Net impairment reversal (refer to note (i) below)	13,645	77
Total non-trading income	**13,645**	**1,365**
Non-trading expenses		
Loss on surrender / termination of leases	(3,573)	(1,334)
Loss on disposal of assets / centres and sale of centres	(1,961)	(2,859)
Net restructuring, regulatory and legal costs	(10,579)	(2,869)
Software development expenses	(7,004)	(7,280)
Total non-trading expenses	**(23,117)**	**(14,342)**
Non-trading items	**(9,472)**	**(12,977)**
Income tax benefit	2,116	3,893
Net non-trading items	**(7,356)**	**(9,084)**

i) Net impairment reversal

2023 Net impairment reversal of $13.6 million includes $18.1 million of impairment reversal for Right of use assets (note 19(c)) and was offset in part by $2.4 million of impairment expense relating to Plant and Equipment (note 10) and $2.1 million of impairment expense relating to Goodwill (note 15).

2022 Net impairment reversal of $0.1 million was included in 'other expenses' in the consolidated income statement. This amount included $1.2 million of impairment reversal for Right of use assets (note 19(c)) and was offset in part by $1.1 million of impairment expense relating to Plant and Equipment (note 10).

b) Going concern

The Group recognised a net profit after tax of $56.1 million for the year ended 31 December 2023 (2022: $36.6 million) while current liabilities exceed current assets by $206.9 million as at 31 December 2023 (2022: $168.2 million). Cashflows from operating activities were $201.5 million for the year ended 31 December 2023 (2022: $136.8 million).

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 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.

Further, the Group expects to realise its assets, and extinguish its liabilities in the ordinary course of business. As a result, the financial statements have been prepared on a going concern basis.

Notes to the Financial Statements

1. Financial Overview

Note 7: Earnings per Share

	Consolidated	
	2023 Cents	2022 Cents
a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company	6.92	4.39
b) Diluted earnings per share		
Profit from continuing operation attributable to the ordinary equity holders of the Company	6.89	4.37
	$'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	56,056	36,606
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	56,056	36,606
	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	809,677,944	834,742,833
Adjustments for calculation of diluted earnings per share		
Performance rights	3,364,696	2,820,936
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	813,042,640	837,563,769

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.

Notes to the Financial Statements

1. Financial Overview

Note 8: Current Assets – Trade and Other Receivables

	Consolidated 2023 $'000	Consolidated 2022 $'000
Trade receivables		
Trade receivables	18,895	17,989
Allowance for expected credit losses (refer to note (a) below)	(2,200)	(2,247)
Total	**16,695**	**15,742**
Other receivables		
GST receivable	3,873	2,817
Other debtors	3,186	3,971
Total trade and other receivables	**23,754**	**22,530**

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 2023 and the corresponding historical credit losses experienced within this period, in the year ended 31 December 2022 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 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 2023 was determined as follows:

31 December 2023	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
Expected loss rate	1%	50%	98%	12%
Gross carrying amount – trade receivables	16,694	265	1,936	18,895
Allowance for expected credit losses	**176**	**132**	**1,892**	**2,200**

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

	Consolidated 2023 $'000	Consolidated 2022 $'000
Opening balance	2,247	2,244
Allowance for impairment recognised during the year net of collections	1,184	1,452
Receivables written off during the year as uncollectable	(1,231)	(1,449)
Closing balance	**2,200**	**2,247**

The creation and release of the provision for expected credit losses has been included in 'other expenses' in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

b) 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 16.

Notes to the Financial Statements

1. Financial Overview

Note 8: Current Assets – Trade and Other Receivables *Continued*

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.

Note 9: Current and Non-Current Assets – Other

	Consolidated	
	2023 $'000	2022 $'000
Current		
Prepayments	12,163	11,262
Prepaid borrowing costs [1]	776	—
Inventory	1,416	1,429
Deposits	46	19
Total other current assets	**14,401**	**12,710**
Non-current		
Prepayments	3,760	4,997
Prepaid borrowing costs [1]	657	—
Deposits	1,503	1,199
Total other non-current assets	**5,920**	**6,196**
Total other current and non-current assets	**20,321**	**18,906**

1. In 2022 prepaid borrowing costs were offset against non-current borrowings. Refer note 18.

Accounting policy

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.

Notes to the Financial Statements

1. Financial Overview

Note 10: Non-Current Assets – Property, Plant and Equipment

Consolidated	Land and buildings $'000	Leasehold improvements $'000	Furniture, fittings and equipment $'000	Total $'000
Year ended 31 December 2023				
Opening net book amount	2,548	93,378	40,324	136,250
Additions	1,335	30,474	5,521	37,330
Disposals [1]	—	(1,628)	(555)	(2,183)
Impairment expense	—	(2,228)	(181)	(2,409)
Depreciation charge	(133)	(16,555)	(13,519)	(30,207)
Closing net book amount	**3,750**	**103,441**	**31,590**	**138,781**
At 31 December 2023				
Cost	5,024	172,750	94,146	271,920
Accumulated depreciation and impairment	(1,274)	(69,309)	(62,556)	(133,139)
Net book amount	**3,750**	**103,441**	**31,590**	**138,781**

1. During the year, the Group disposed of property, plant and equipment of $2.2 million which had a cost of $5.9 million and accumulated depreciation and impairment of $3.7 million.

Consolidated	Land and buildings $'000	Leasehold improvements $'000	Furniture, fittings and equipment $'000	Total $'000
Year ended 31 December 2022				
Opening net book amount	2,676	67,502	37,280	107,458
Additions	—	42,330	16,145	58,475
Disposals	—	(2,132)	(691)	(2,823)
Impairment expense	—	(1,044)	(74)	(1,118)
Depreciation charge	(128)	(13,278)	(12,336)	(25,742)
Closing net book amount	**2,548**	**93,378**	**40,324**	**136,250**
At 31 December 2022				
Cost	3,690	145,765	90,981	240,436
Accumulated depreciation and impairment	(1,142)	(52,387)	(50,657)	(104,186)
Net book amount	**2,548**	**93,378**	**40,324**	**136,250**

a) Non-current assets pledged as security

Refer to note 18 for information on the non-current assets pledged as security by the Company and its controlled entities.

b) 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 $2.4 million was recognised in 2023 (2022: $1.1 million).

Notes to the Financial Statements

1. Financial Overview

Note 10: Non-Current Assets – Property, Plant and Equipment *Continued*

Accounting policy

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

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

Depreciation is calculated using the straight-line method (except in the case of assets allocated to a low-value pool) to allocate the 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 12(d) for accounting policy on make good.

Note 11: Current and Non-Current Liabilities – Trade and Other Payables

		Consolidated	
	Notes	2023 $'000	2022 $'000
Trade payables [1]		6,787	9,647
Contingent consideration	14	—	75
Centre enrolment advances		234	240
Other payables and accruals [1]		65,186	63,459
Total current		**72,207**	**73,421**
Contingent consideration	14	—	378
Total non-current		**—**	**378**

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

Accounting policy

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

Notes to the Financial Statements

1. Financial Overview

Note 12: Current and Non-Current Liabilities – Provisions

	Consolidated	
	2023 $'000	2022 $'000
Current provisions		
Employee benefits (note (b))	46,615	42,495
Make good (note (d))	4,500	—
Regulatory, legal and other provisions (note (c))	55,000	43,337
Total current provisions	**106,115**	**85,832**
Non-current provisions		
Employee benefits[1]	5,142	5,001
Make good (note (d))	11,270	10,787
Total non-current provisions	**16,412**	**15,788**

1. Relates to long service leave

a) Movements in provisions

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

Current	Employee benefits $'000	Make good $'000	Regulatory, legal and other $'000	Total $'000
Opening balance at 1 January 2023	42,495	—	43,337	85,832
Net additional provisions recognised	46,452	2,673	19,741	68,866
Amounts used during the year	(42,191)	—	(8,078)	(50,269)
Reclassification between non-current to current	(141)	1,827	—	1,686
Closing balance at 31 December 2023	**46,615**	**4,500**	**55,000**	**106,115**

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

Non-current	Employee benefits $'000	Make good $'000	Total $'000
Opening balance at 1 January 2023	5,001	10,787	15,788
Change in estimate	(1,421)	1,938	517
Additional provisions recognised	1,230	874	2,104
Interest expense: unwind of discount	191	348	539
Amounts used during the year	—	(850)	(850)
Reclassification between non-current to current	141	(1,827)	(1,686)
Closing balance at 31 December 2023	**5,142**	**11,270**	**16,412**

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 amounts to which employees are unconditionally entitled to. 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.

Notes to the Financial Statements

1. Financial Overview

Note 12: Current and Non-Current Liabilities – Provisions *Continued*

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	
	2023 $'000	2022 $'000
Leave obligations expected to be settled after 12 months	5,325	4,990

c) Regulatory, legal and other provisions

There are outstanding regulatory issues and legal actions between the Company and other parties relating to a number of historical issues including a class action and litigation in the normal course of business.

Employee Payments Remediation Program

Regulatory, legal and other provisions includes the Employee Payments Remediation Program. During 2020, as part of implementing a new Human Resources Information System ("HRIS") and rostering system, the Group conducted a review of award and legislative requirements. This review identified inadvertent non-compliance with some requirements of the Children's Services Award and the Educational Services (Teachers) Award for a number of the Group's team members in Australia.

Payments have been made to current and former team members amounting to $38.7 million to date (2022: $37.8 million to date). Payments have also been made in regards to payroll tax and legal fees.

There remained at reporting date approximately $5.0 million of wages, super and interest payable to former G8 employees who have been unable to be located. The Company continues to engage with the Fair Work Ombudsman on the Employee Payments Remediation Program and the final outcome remains uncertain.

Legal matters

Regulatory, legal and other provisions also includes legal claims. Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

There are outstanding legal actions between the Company and third parties as at 31 December 2023.

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 matter has been set down for trial commencing 15 April 2024. The Group is defending the proceedings, and on this basis no further information is disclosed.

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, 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 current 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

Refer to note 30 for more information.

Notes to the Financial Statements

1. Financial Overview

Note 13: 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 15. The recoverable amounts of goodwill have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 15 for details of these assumptions and the potential impact of changes to these assumptions.

ii) Estimated impairment of right of use assets

The Group reviews at each reporting date whether the triggers indicating a risk of impairment exist, in accordance with the accounting policy stated in note 19. The recoverable amounts of right of use assets have been determined based on the higher of value-in-use or fair value less costs of disposal calculations. These calculations require the use of assumptions. Refer to note 19 further information.

iii) 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.

iv) 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).

v) Provisions

Employee Payments Remediation Program

During a prior reporting period, as part of implementing a new Human Resources Information System ("HRIS") and rostering system, the Group conducted a review of award and legislative requirements. This review identified inadvertent non-compliance with some requirements of the Children's Services Award and the Educational Services (Teachers) Award for a number of the Group's team members in Australia, refer note 12(c).

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.

Legal matters

Critical accounting estimates and judgements have been made in recognising provisions for legal claims. 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.

Notes to the Financial Statements

2. Business Combinations, Goodwill & Impairment

Note 14: Business Combinations

i) Current year business combinations

During the year ended 31 December 2023, 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 2023.

iii) Contingent Consideration

There are no potential contingent consideration arrangements to previous owners, based upon meeting specified performance conditions, as at 31 December 2023.

Movement in Contingent Consideration

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

	Consolidated	
	2023 $'000	2022 $'000
Opening balance	453	6,942
Interest expense: unwind of discount [1]	147	(21)
Contingent consideration paid	(600)	(75)
Contingent consideration fair value adjustment for Leor Pty Ltd (note 3)	—	(6,393)
Total contingent consideration payable as at 31 December	**—**	**453**

1. 2023 includes the acceleration of the unwind of discount to bring forward settlement of contingent consideration in relation to a historical purchase of one centre.

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.

Notes to the Financial Statements

2. Business Combinations, Goodwill & Impairment

Note 15: Non-Current Assets – Intangible assets

	Consolidated 2023		
	Goodwill $'000	Software $'000	Total $'000
Opening net book amount	1,048,258	3,356	1,051,614
Additions	—	865	865
Impairment expense [1]	(2,069)	—	(2,069)
Disposals [2]	—	(208)	(208)
Amortisation	—	(860)	(860)
Closing net book amount	**1,046,189**	**3,153**	**1,049,342**
Cost	1,196,686	4,495	1,201,181
Accumulated amortisation and impairment	(150,497)	(1,342)	(151,839)
Net book amount	**1,046,189**	**3,153**	**1,049,342**

1. Refer below (c).
2. During the year the Group disposed of intangible assets of $0.2 million which had a cost of $0.2 million and nil accumulated amortisation and impairment.

	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	(200)	—	(200)
Amortisation	—	(412)	(412)
Closing net book amount	**1,048,258**	**3,356**	**1,051,614**
Cost	1,196,686	3,838	1,200,524
Accumulated amortisation and impairment	(148,428)	(482)	(148,910)
Net book amount	**1,048,258**	**3,356**	**1,051,614**

1. Refer below (c).

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.

Notes to the Financial Statements

2. Business Combinations, Goodwill & Impairment

Note 15: Non-Current Assets – Intangible assets *Continued*

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 in the first instance. These calculations use cash flow projections based on budgets for 2024 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. If a value-in-use calculation results in a suggested impairment, a fair value less costs of disposal calculation is also performed to assess which approach has the higher recoverable amount.

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.

The Group has made assumptions about broader economic conditions (e.g. the current cost of living, inflation and the unemployment rate). 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% (2022: 11%);
- Full support office costs allocation; and
- Forecast period of 5 years plus a terminal growth calculation with a growth rate of 2% (2022: 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.

Notes to the Financial Statements

2. Business Combinations, Goodwill & Impairment

Note 15: Non-Current Assets – Intangible assets *Continued*

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 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.

The Leor value-in-use calculation resulted in an impairment expense of all of Leor's remaining goodwill totalling $2.1 million. A fair value less costs of disposal calculation was also performed which also confirmed that all of Leor's remaining goodwill of $2.1 million should be impaired.

c) Impairment charge

The Group completed an assessment of asset carrying values at year end and management have determined that as the recoverable amount of Leor was determined to be nil, a $2.1 million impairment expense of the Leor goodwill was required which has been recognised as an expense within net impairment reversal (refer note 6). There is no remaining Leor goodwill as at 31 December 2023.

In the prior year a $6.4 million impairment expense of Leor goodwill was required which was recognised as an expense in other income (refer note 3) but there also was an offsetting fair value adjustment to contingent consideration which was taken to the consolidated income statement as a $6.4 million credit in other income (refer note 14(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
- Annual fee increase %

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

- An increase of approximately 3.3% in the pre-tax discount rate; or
- A decrease of approximately 25% 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%.

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 16: 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	
	2023 $'000	2022 $'000
Financial assets		
Cash and cash equivalents (note 17)	40,253	37,826
Trade receivables and other debtors (note 8) and deposits (note 9)	21,430	20,931
	61,683	**58,757**

	Liabilities at fair value $'000	Liabilities at amortised cost $'000	Total $'000
2023			
Financial liabilities			
Trade and other payables [1]	—	54,456	54,456
Borrowings (note 18)	—	100,311	100,311
	—	**154,767**	**154,767**
2022			
Financial liabilities			
Trade and other payables [1]	—	57,919	57,919
Borrowings (note 18)	—	128,855	128,855
Contingent consideration (note 14)	453	—	453
	453	**186,774**	**187,227**

1. This figure excludes employee related payables whereas note 11 includes employee related payables.

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 2023 (2022: Nil).

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 2023 (2022: 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.

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 16: Financial Risk Management *Continued*

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

	31 December 2023		31 December 2022	
	Balance $'000	Total Loans[1] %	Balance $'000	Total Loans[1] %
Syndicated debt facilities	99,000	100%	130,000	100%
Net exposure to cash flow interest rate risk	**99,000**	**100%**	**130,000**	**100%**

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

An analysis by maturities is provided. Refer to note 16(c).

Sensitivity

At 31 December 2023, 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 $0.7 million higher or $0.7 million lower respectively (post-tax profit for the year for 2022: if interest rates had changed by -1.0%/+1.0% absolute from the year end rates with all other variables held constant $0.9 million higher or $0.9 million 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 8.

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 18.

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 16: Financial Risk Management *Continued*

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

	$'000						
	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	>5years	Total contractual cash flows	Carrying amount
Consolidated 2023							
Non derivative							
Syndicated debt facilities	3,378	3,402	106,015	—	—	112,795	99,000
Other unsecured borrowings	1,338	—	—	—	—	1,338	1,311
Trade and other payables [1]	54,456	—	—	—	—	54,456	54,456
Lease liabilities	58,492	57,274	111,796	299,009	329,077	855,648	677,824
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

1. This figure excludes employee related payables whereas note 11 includes 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).

There were no liabilities measured and recognised at fair value on a recurring basis at 31 December 2023. The following table present the Group's liabilities measured and recognised at fair value on a recurring basis at 31 December 2022:

	$'000			
At 31 December 2022	Level 1	Level 2	Level 3	Total
Liabilities				
Contingent consideration (refer to note 14)	—	—	453	453

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 17: Current Assets – Cash and Cash Equivalents

	Consolidated	
	2023 $'000	2022 $'000
Cash at bank and in hand	40,253	37,826
Total cash and cash equivalents	**40,253**	**37,826**

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 18: Current and Non-Current Liabilities – Borrowings

	Consolidated	
	2023 $'000	2022 $'000
Current borrowings		
Other unsecured borrowings [1]	1,311	920
Total current borrowings	**1,311**	**920**
Non-current borrowings		
Syndicated debt facilities	99,000	130,000
Borrowing costs [2]	—	(2,065)
Total non-current borrowings	**99,000**	**127,935**
Total borrowings	**100,311**	**128,855**

1. Current 'Other unsecured borrowings' relates to annual insurance premium funding.
2. Reclassified to 'Current and Non-Current Assets – Other' in 2023 – refer note 9: prepaid borrowing costs.

a) Syndicated debt facilities

The Group's 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) as at 31 December 2023. The Group had $99.0 million drawn from the $270.0 million syndicated debt facilities as at 31 December 2023 (31 December 2022: $130.0 million). 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 in December 2022, of $2.1 million were capitalised to the loan as at 31 December 2022 and are being expensed on a straight line basis over the life of the facility. As at 31 December 2023 there are $1.4 million of capitalised prepaid borrowing costs remaining on the balance sheet and these have been reflected in Current and Non-Current Assets – Other (refer note 9) as at 31 December 2023.

The syndicated debt facility also has a $36.0 million bank guarantee facility of which $33.5 million was in use as at 31 December 2023 (31 December 2022: $33.6 million).

b) Fair value

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

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 18: Current and Non-Current Liabilities – Borrowings *Continued*

c) Assets pledged as security

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

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000
Current			
Floating charge			
Cash and cash equivalents	17	40,253	37,826
Trade and other receivables	8	23,754	22,530
Other current assets	9	14,401	12,710
Total current assets pledged as security		**78,408**	**73,066**
Non-current			
First mortgage			
Land and buildings	10	3,750	2,548
Leased property [1]		225,726	195,868
Floating charge			
Other non-current assets	9	5,920	6,196
Leasehold improvements and furniture, fittings and equipment	10	135,031	133,702
Total non-current assets pledged as security		**370,427**	**338,314**
Total assets pledged as security		**448,835**	**411,380**

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.

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 18: Current and Non-Current Liabilities – Borrowings *Continued*

d) Financing arrangements

As at 31 December 2023 the following lines of credit were in place:

	Consolidated 2023 $'000	Consolidated 2022 $'000
Credit standby arrangements [1]		
Total facilities	3,000	2,500
Used at balance date	(58)	(2)
Unused at balance date	**2,942**	**2,498**
Syndicated debt facilities		
Total facilities	270,000	270,000
Used at balance date	(99,000)	(130,000)
Unused at balance date	**171,000**	**140,000**
Other unsecured borrowing facilities [2]		
Total facilities	1,311	920
Used at balance date	(1,311)	(920)
Unused at balance date	**—**	**—**
Bank guarantee facilities		
Total facilities	36,000	36,000
Used at balance date	(33,450)	(33,610)
Unused at balance date	**2,550**	**2,390**

1. Corporate and virtual credit card facilities.
2. Annual insurance premium funding – As at 31 December 2023 $1.3 million remains outstanding (31 December 2022: $0.9 million). During 2023 there was a draw down of $5.9 million (2022: $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 as a prepayment 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.

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 19: 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 2022			
Cost	758,533	3,286	761,819
Accumulated depreciation and impairment	(357,020)	(2,965)	(359,985)
Net book amount	**401,513**	**321**	**401,834**
Additions	18,649	27	18,676
Remeasurement of make-good provision	1,800	—	1,800
Disposals [1]	(4,073)	(86)	(4,159)
Depreciation charge	(71,447)	(472)	(71,919)
Modification to lease terms	142,557	296	142,853
Variable lease payments reassessment	20,576	181	20,757
Net impairment reversal	18,123	—	18,123
Closing net book amount as at 31 December 2023	**527,698**	**267**	**527,965**
Cost	915,736	1,803	917,539
Accumulated depreciation and impairment	(388,038)	(1,536)	(389,574)
As at 31 December 2023	**527,698**	**267**	**527,965**

1. During the year, the Group disposed of right of use assets of $4.2 million which had a cost of $28.4 million and accumulated depreciation and impairment of $24.2 million.

	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
Net 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**

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 19: 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	
	2023 $'000	2022 $'000
Current lease liabilities	81,278	81,168
Non-current lease liabilities	596,546	503,532
Total lease liabilities	**677,824**	**584,700**

	Consolidated	
	2023 $'000	2022 $'000
Opening balance	584,700	632,858
Additions	17,733	12,132
Disposals	(14,389)	(2,716)
Interest expense: accretion of interest	41,892	38,409
Payments	(115,602)	(111,603)
Modification to lease terms	143,526	1,369
Variable lease payments reassessment	19,964	14,251
Closing balance	**677,824**	**584,700**

The maturity analysis of lease liabilities are disclosed. Refer to note 16(c).

c) Amounts recognised in profit and loss relating to leases

The following are the amounts recognised in profit and loss relating to leases:

	Consolidated	
	2023 $'000	2022 $'000
Depreciation expense of right-of-use assets	71,919	69,132
Interest expense on lease liabilities	41,892	38,409
Expense relating to short-term leases (included in properties, utilities and maintenance costs)	288	220
Expense relating to leases of low-value assets (included in direct costs)	1,879	1,456
Variable lease (receipts) / payments (included in properties, utilities and maintenance costs and other expenses)	149	266
Other property outgoing expenses (included in properties, utilities and maintenance costs)	11,330	11,933
Net impairment reversal on right of use assets	(18,123)	(1,195)
Loss on surrender / termination of leases	3,573	1,334
Gain on lease modifications	—	(1,022)
Loss / (Gain) on sale of centres	233	(266)
Total amounts recognised in profit and loss	**113,140**	**120,267**

The Group had cash outflows for the principal portion of lease payments totalling $77.0 million (2022: $73.2 million) and interest payments totalling $38.6 million (2022: $38.4 million). Payments relating to short-term leases, low-value assets and net variable lease payments totalled approximately $2.3 million (2022: $1.9 million) (included in payments to suppliers and employees).

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 19: 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. Net impairment reversal for right of use assets totalled $18.1 million during the year ended 31 December 2023 (2022: $1.2 million).

Right of use assets impairment losses

The Group reviews at each reporting date 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. If a value-in-use calculation for a particular CGU results in a suggested impairment, a fair value less costs of disposal calculation is also performed to assess which approach has the higher recoverable amount. Right of use assets impairment losses of $6.1 million were recognised in 2023 (2022: $3.7 million impairment loss).

Reversal of right of use assets impairment losses

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 (higher of value-in-use or fair value less costs of disposal).

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. During the year ended 31 December 2023, the Group had the following change in assumptions for certain CGUs: indications that the performance of certain CGUs is, or will be, better than expected.

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 recognised in 2023 totalling $24.2 million (2022: $4.9 million impairment reversal).

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 assumptions made on lease options, 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 practical expedient 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.

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 20: Contributed Equity

a) Share capital

	Consolidated		Consolidated	
	2023 No. of Shares	2022 No. of Shares	2023 $'000	2022 $'000
Ordinary shares fully paid	809,506,134	813,837,307	897,761	1,174,419

b) Movements in ordinary share capital

Details	Number of Shares '000	$'000
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**
Share buy-back, including transaction costs net of tax [1]	(4,331)	(5,152)
Share capital reduction [2]	—	(271,500)
Purchase of treasury shares (note (c))	(1,818)	(2,070)
Issue of treasury shares to employees (note (c))	1,818	2,064
31 December 2023 balance	**809,506**	**897,761**

1. 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).
2. 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 reduction was wholly contained within equity and simplified the balance sheet presentation relating to retained earnings and capital contributions to reflect the net equity of the Group more closely.

c) Treasury shares

Treasury shares are shares in G8 Education Limited that G8 Education Limited has acquired on-market by the G8 Education Employee Share Scheme Trust prior to issuing shares under the G8 Education Executive Incentive Plan and for the Managing Director & CEO Sign-On Equity Grants (see note 30 for further information). There are no shares held by the G8 Education Employee Share Scheme Trust as at 31 December 2023 (31 December 2022: Nil).

d) Ordinary shares

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

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

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

e) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which, 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.

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 20: Contributed Equity *Continued*

f) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, 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	2023 $'000	2022 $'000
Borrowings	18	100,311	128,855
Less: cash and cash equivalents	17	(40,253)	(37,826)
Net debt		60,058	91,029
Total equity		905,503	883,363
Total capital		**965,561**	**974,392**
Gearing ratio		**6%**	**9%**

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.

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 21: Dividends

a) Ordinary shares

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

On 22 August 2023 the Board declared a 1.5 cent fully franked dividend in relation to the half-year ended 30 June 2023 which was paid on 6 October 2023.

On 27 February 2024 the Board declared a 3.0 cent fully franked dividend in relation to the 2023 financial year to be paid on 4 April 2024. Refer to note 28.

Dividends paid during the reporting period were as follows:

Dividends	CPS	Total dividend $'000
Financial year 2023		
2022 final franked dividend (paid in cash on 6 April 2023)	2.0	16,190
2023 interim franked dividend (paid in cash on 6 October 2023)	1.5	12,143
Franked dividends paid during the year ended 31 December 2023		**28,333**

Dividends paid during the prior year were as follows:

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2022: 30%)	41,508	29,470	41,508	29,470

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.

Notes to the Financial Statements

3. Capital Structure & Financial Risk Management

Note 22: Reconciliation of Cash Flows

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

	Consolidated 2023 $'000	Consolidated 2022 $'000
Profit for the year	56,056	36,606
Depreciation and amortisation	102,986	95,286
Net impairment reversal	(13,645)	—
Non-cash loss / (gain) on surrender / termination of leases	3,573	(296)
Non-cash net loss / (gain) on sale of centres / assets	2,938	2,425
Borrowing costs expense and non-cash interest	3,846	3,990
Non-cash gain on lease modifications	—	(1,022)
Non-cash employee benefits expense – share based payments	1,639	543
(Increase)/decrease in deferred tax asset	819	5,704
(Increase)/decrease in trade and other debtors	(199)	(2,926)
(Increase)/decrease in other current assets	(357)	(411)
(Increase)/decrease in current tax assets	11,294	6,288
(Increase)/decrease in non-current assets	276	1,015
Increase/(decrease) in trade and other creditors	(461)	(5,189)
Increase/(decrease) in contract liabilities	166	(1,109)
Increase/(decrease) in provisions	18,248	(5,060)
Increase/(decrease) in insurance borrowings	1,311	920
Increase/(decrease) in current tax liability	13,022	—
Net cash inflows from operating activities	**201,512**	**136,764**

Changes in liabilities arising from financing activities

	Opening balance 1 Jan 2023 $'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 2023 $'000
Current lease liabilities	81,168	(115,602)	81,278	41,892	558	(8,016)	81,278
Non-current lease liabilities	503,532	—	(81,278)	—	17,175	157,117 [1]	596,546
Current and non-current interest bearing loans and borrowings	128,855	(29,780)	—	—	—	1,236	100,311

1. More than 130 centre leases had their lease terms extended during the year ended 31 December 2023.

	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

Notes to the Financial Statements

4. Group Structure

Note 23: 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 33(b).

Name of Entity	Country of incorporation	Class of Shares/Units	2023 %	2022 %
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
Yellow Door Group Pty Limited	Australia	Ordinary	100	100
World Of Learning Acquisitions Pty Ltd	Australia	Ordinary	100	100
Yellow Door Education Pty Ltd	Australia	Ordinary	100	100
G8 KP Pty Ltd	Australia	Ordinary	100	100
Sterling Early Education Finance Pty Ltd [1]	Australia	Ordinary	100	100
Sterling Early Education Holdings Pty Ltd [1]	Australia	Ordinary	100	100
Woodland Education Operations Pty Ltd [1]	Australia	Ordinary	100	100
Kindy Kids Operations Pty Ltd [1]	Australia	Ordinary	100	100
CG Operations Pty Ltd [1]	Australia	Ordinary	100	100
Kool Kids Operations Pty Ltd [1]	Australia	Ordinary	100	100
North Shore Childcare Pty Ltd [1]	Australia	Ordinary	100	100
Ooorama Operations Pty Ltd [1]	Australia	Ordinary	100	100
Jacaranda Operations Pty Ltd [1]	Australia	Ordinary	100	100
Huggy Bear Operations Pty Ltd [1]	Australia	Ordinary	100	100
Jellybeans Operations Pty Ltd [1]	Australia	Ordinary	100	100
Jellybeans Attadale (Pty Ltd) [1]	Australia	Ordinary	100	100
Jane's Place Operations Pty Ltd [1]	Australia	Ordinary	100	100
Jolimont Private Education Pty Ltd [1]	Australia	Ordinary	100	100
WTTS Operations Pty Ltd [1]	Australia	Ordinary	100	100
BUI Investments Pty Ltd [1]	Australia	Ordinary	100	100
Derafi Pty Ltd [1]	Australia	Ordinary	100	100
Alfoom Investments Pty Ltd [1]	Australia	Ordinary	100	100
Shemlex Pty Ltd [1]	Australia	Ordinary	100	100
Kindy Kids Village Pty Ltd [1]	Australia	Ordinary	100	100
Kindy Kids Long DayCare and Preschool Pty Ltd [1]	Australia	Ordinary	100	100
Three Little Pigs Pty Ltd [1]	Australia	Ordinary	100	100
A.C.N. 078 042 378 Pty Ltd [1]	Australia	Ordinary	100	100
ES5 Pty Ltd [1]	Australia	Ordinary	100	100
Kindy Patch Unit Trust	Australia	Ordinary	100	100
Sydney Cove Children's Centre Unit Trust	Australia	Ordinary	100	100

Notes to the Financial Statements

4. Group Structure

Note 23: Interests in Other Entities *Continued*

Name of Entity	Country of incorporation	Class of Shares/Units	2023 %	2022 %
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
ECEC Property Pty Ltd [2]	Australia	Ordinary	100	—
ECEC Property Holdings Pty Ltd [2]	Australia	Ordinary	100	—
ECEC Property Real Estate Investment Trust 1 [2]	Australia	Ordinary	100	—

1. These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Legislative Instrument 2016/785 issued by the Australian Securities and Investment Commission. Refer to note 25.
2. These subsidiaries were incorporated during 2023 and were involved in the purchase of land and buildings. Refer note 10.

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 2023 (2022: $0.1 million share of loss). 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 2023 of $0.8 million (2022: $0.9 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.

Notes to the Financial Statements

4. Group Structure

Note 24: Parent Entity Disclosures

As at, and throughout the financial year ended 31 December 2023, the parent entity of the Group was G8 Education Limited.

	2023 $'000	2022 $'000
Result of parent entity		
Profit for the year after tax	63,950	41,127
Other comprehensive income	—	—
Total comprehensive income for the year	**63,950**	**41,127**
Financial position of parent entity at year end		
Current assets	72,187	80,546
Non-current assets	1,691,177	1,596,005
Total assets	**1,763,364**	**1,676,551**
Current liabilities	268,040	239,888
Non-current liabilities	562,564	533,937
Total liabilities	**830,604**	**773,825**
Total equity of parent entity comprising of:		
Contributed equity	897,761	1,174,419
Reserves	108,489	73,297
Accumulated losses	(73,490)	(344,990)
Total equity	**932,760**	**902,726**

Parent entity contingencies

Refer to note 27 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 25.

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 5.

Notes to the Financial Statements

4. Group Structure

Note 25: Deed of Cross Guarantee

All subsidiaries identified, refer to note 23 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 2023 and 31 December 2022 of the closed group:

a) Consolidated statement of comprehensive income

	2023 $'000	2022 $'000
Continuing operations		
Revenue	983,438	901,286
Other income	3,563	3,938
Total revenue	**987,001**	**905,224**
Expenses		
Employment costs	(603,005)	(561,466)
Properties, utilities and maintenance costs	(50,470)	(51,225)
Direct costs	(36,278)	(35,148)
Software development expenses	(7,004)	(7,280)
Depreciation and amortisation	(102,986)	(95,286)
Net impairment reversal	13,645	—
Other expenses	(66,083)	(48,772)
Finance costs	(53,704)	(52,357)
Total expenses	**(905,885)**	**(851,534)**
Profit before income tax	**81,116**	**53,690**
Income tax expense	(25,060)	(17,084)
Profit for the year	**56,056**	**36,606**
Total comprehensive income for the year	**56,056**	**36,606**

Notes to the Financial Statements

4. Group Structure

Note 25: Deed of Cross Guarantee *Continued*

b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 31 December 2023 of the closed group.

	2023 $'000	2022 $'000
Current assets		
Cash and cash equivalents	40,253	37,826
Trade and other receivables	23,754	22,530
Other current assets	14,401	12,710
Current tax asset	—	11,294
Total current assets	**78,408**	**84,360**
Non-current assets		
Property, plant and equipment	138,781	136,250
Right of use assets	527,965	401,834
Deferred tax assets	101,566	102,385
Intangible assets	1,049,342	1,051,614
Investment in an associate	812	932
Other non-current assets	5,920	6,196
Total non-current assets	**1,824,386**	**1,699,211**
Total assets	**1,902,794**	**1,783,571**
Current liabilities		
Trade and other payables	72,207	73,421
Contract liabilities	11,400	11,234
Current tax liability	13,022	—
Borrowings	1,311	920
Lease liabilities	81,278	81,168
Provisions	106,115	85,832
Total current liabilities	**285,333**	**252,575**
Non-current liabilities		
Other payables	—	378
Borrowings	99,000	127,935
Lease liabilities	596,546	503,532
Provisions	16,412	15,788
Total non-current liabilities	**711,958**	**647,633**
Total liabilities	**997,291**	**900,208**
Net assets	**905,503**	**883,363**
Equity		
Contributed equity	897,761	1,174,419
Reserves	108,489	73,297
Retained earnings	(100,747)	(364,353)
Total equity	**905,503**	**883,363**

Notes to the Financial Statements

5. Unrecognised Items

Note 26: Commitments

Capital commitments

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

Note 27: 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 matter has been set down for trial commencing 15 April 2024. The Group is defending the proceedings, and on this basis no further information is disclosed. Refer to note 12(c).

Note 28: Events Occurring After the Balance Sheet Date

The following matters have taken place subsequent to year end:

- Subsequent to year end, the Group has completed the sale of 8 of the targeted 31 child care centre divestments to TAK Operations Pty Ltd. The divestments are part of a program of network optimisation, as announced on 26 October 2023, to improve group performance. At the date of this report there is a further tranche of 8 child care centres with in-principal agreements to divest to TAK Operations Pty Ltd. The child care centre divestments do not meet the definition of a discontinued operation under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* and were not considered to be held for sale as at 31 December 2023 as the transaction remained subject to conditions, including landlord consent, transfer of the service approval (i.e. licence to operate) and the concurrent completion of certain bundles of centres.
- Subsequent to year end, the Group has surrendered one lease.
- On 20 February 2024 it was decided that the Group would end the offering of Leor as a provider of in-home care and clinical allied health services and focus the Group's efforts on building skills for inclusive education and care programs across the organisation.
- On 27 February 2024 the Board declared a 3.0 cent fully franked dividend in relation to the 2023 financial year to be paid on 4 April 2024.

Notes to the Financial Statements

6. Other

Note 29: Key Management Personnel Disclosures

a) Directors

Effective from 24 October 2023, Mr David Foster retired as the Chair of G8 Education Limited. Ms Debra Singh succeeded Mr Foster as the Chair of the Board on 25 October 2023. Ms Singh has been a Non-Executive Director and Chair of the Nominations Committee with G8 Education Limited since November 2021.

To assist in the transition, Mr Foster will remain on the Board as a Non-Executive Director until, at the latest, the close of G8 Education Limited's 2024 Annual General Meeting (scheduled for May 2024).

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

i) Chair –Independent Non-Executive
- D Foster (Chair until 24 October 2023)
- D Singh (Chair from 25 October 2023)

ii) Managing Director & CEO
- P Okhovat (from 3 January 2023)

iii) Independent Non-Executive Directors
- J Cogin
- D Foster (Chair until 24 October 2023)
- D Singh (Chair from 25 October 2023)
- 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 (until 28 April 2023)
S Dann	Chief Operating Officer (from 6 September 2023)
S Williams	Chief Financial Officer

c) Key Management Personnel compensation

	Consolidated	
	2023 $'000	2022 $'000
Short term employee benefits [1]	3,533	3,339
Post employment benefits	171	169
Termination benefits	—	840
Long-term benefits – cash	377	150
Share based payments	1,463	325
	5,544	**4,823**

1. Includes Non-Executive Directors' fees.

The relevant information on detailed remuneration disclosures can be found in the Remuneration Report on pages 33 to 53.

d) Equity instrument disclosures relating to Key Management Personnel

Refer to note 30 for details of rights issued to Key Management Personnel.

Notes to the Financial Statements

6. Other

Note 30: 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 2023 $'000	Consolidated 2022 $'000
Share-based payment expense	1,639	543

G8 Education Executive Incentive Plan (GEIP)

Long Term Incentive Plan (LTIP)

Shareholders approved the GEIP at the Annual General Meeting (AGM) in April 2023. The Company has established the GEIP to assist in retaining and motivating 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.

The employee share scheme is also administered by the G8 Education Employee Share Scheme Trust (Trust). This Trust is consolidated in accordance with note 33(b). Shares issued by the Trust to the employees are either acquired on-market or new shares are issued prior to vesting.

Performance Rights for the 2023 Grant vest on achievement of the following performance (with two equally weighted performance hurdles for the Performance Rights) and service conditions by the vesting date:

Performance Conditions (50% of performance hurdle) – Earnings per Share (EPS) Compound Annual Growth Rate (CAGR) [1]	The percentage of Performance Rights that vest for each % EPS CAGR (over the three financial years ended 31 December 2025) is based on the vesting schedule below:	
	EPS CAGR	Percentage of Performance Rights that vest
	Less than 10%	0%
	10% to 15%	25% – 50% (pro-rata)
	> 15%	50%
Performance Conditions (50% of performance hurdle) – Absolute Total Shareholder Return (TSR) [1, 2]	The percentage of Performance Rights that vest for Absolute TSR (over the three financial years ended 31 December 2025) is based on the vesting schedule below:	
	Absolute TSR	Percentage of Performance Rights that vest
	Less than 12%	0%
	12% to 15%	25% - 50% (pro-rata)
	> 15%	50%
Service Condition	Holders of Performance Rights must be continuously employed by the Company from the Grant Date to the Vesting Date, subject to Board discretion for termination without cause and pro-rata vesting in the event of redundancy.	
Retesting	Awards are not retested	
Dividend Policy	Holders of Performance Rights are not entitled to receive dividends prior to vesting	

1. Subject to adjustment for significant items as determined by the Board in its discretion.
2. TSR is calculated as:

$$\frac{\textit{(share price at end of period - share price at beginning of period) + dividends during the period}}{\textit{share price at beginning of period}} \times 100$$

Notes to the Financial Statements

6. Other

Note 30: Share-Based Payments *Continued*

The Special Equity Award issued to Mr P Okhovat in February 2023 vest on achievement of the following performance (with two equally weighted performance hurdles for the Performance Rights) and service conditions by the vesting date:

Performance Conditions (50% of performance hurdle) – Earnings per Share (EPS) Compound Annual Growth Rate (CAGR) [1]

The percentage of Performance Rights that vest for each % EPS CAGR (over the two financial years ended 31 December 2024) is based on the vesting schedule below:

EPS CAGR	Percentage of Performance Rights that vest
Less than 10%	0%
10% to 15%	25% – 50% (pro-rata)
> 15%	50%

Performance Conditions (50% of performance hurdle) – Absolute Total Shareholder Return (TSR) [1, 2]

The percentage of Performance Rights that vest for Absolute TSR (over the two financial years ended 31 December 2024) is based on the vesting schedule below:

Absolute TSR	Percentage of Performance Rights that vest
Less than 12%	0%
12% to 15%	25% - 50% (pro-rata)
> 15%	50%

Service Condition	Holders of Performance Rights must be continuously employed by the Company from the Grant Date to the Vesting Date, subject to Board discretion for termination without cause and pro-rata vesting in the event of redundancy.
Retesting	Awards are not retested
Dividend Policy	Holders of Performance Rights are not entitled to receive dividends prior to vesting

1. Subject to adjustment for significant items as determined by the Board in its discretion.
2. TSR is calculated as:

$$\frac{\textit{(share price at end of period - share price at beginning of period) + dividends during the period}}{\textit{share price at beginning of period}} \times 100$$

Performance Rights 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 (over the three financial years ended 31 December 2024) 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, subject to Board discretion for termination without cause and pro-rata vesting in the event of redundancy.
Retesting	Awards are not retested
Dividend Policy	Holders of Performance Rights are not entitled to receive dividends prior to vesting

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

Notes to the Financial Statements

6. Other

Note 30: Share-Based Payments *Continued*

The Performance Rights of the 2021 Grant 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 (over the three financial years ended 31 December 2023) 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, subject to Board discretion for termination without cause and pro-rata vesting in the event of redundancy.
Retesting	Awards are not retested
Dividend Policy	Holders of Performance Rights are not entitled to receive dividends prior to vesting

Cumulative EPS	Percentage of Performance Rights that vest
Less than 20 cents	0%
20 cents to 24 cents	50% - 100% (pro-rata)
> 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 (including a Special Equity Award issued to Mr P Okhovat in February 2023):

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)
30 June 2020	922,533	—	(922,533)	—	—	—
28 June 2021	1,065,805	—	—	(292,178)	773,627	773,627
2 September 2021	78,713	—	—	—	78,713	78,713
19 May 2022	919,703	—	—	(284,888)	634,815	634,815
20 February 2023	—	1,267,740	—	—	1,267,740	1,267,740
13 June 2023	—	1,406,830	—	—	1,406,830	1,406,830
13 November 2023	—	92,905	—	—	92,905	92,905
Total	**2,986,754**	**2,767,475**	**(922,533)**	**(577,066)**	**4,254,630**	**4,254,630**

Performance conditions of the 2020 Grant were met and 100% of rights were exercised during the year. Certain other performance rights lapsed due to cessation of employment. Performance conditions of the 2021 Grant have not been met and these rights will lapse during 2024.

Mr G Carroll, Managing Director & CEO until 31 December 2022, participated in the 2020 Grant which was tested at the end of 2022. 100% of rights vested under the 2020 Grant in March 2023, which (following the exercise of Board discretion) resulted 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 Managing Director & CEO, the Board exercised its discretion with respect of the 2021 and 2022 Grants.

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. Performance conditions of the 2021 Grant have not been met and these rights will lapse during 2024.
- 2022 Grant: 109,460 rights remain on foot for service received up to 31 December 2022. The vesting is to be tested at the end of 2024.

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 expected to vest that remained on foot as at 31 December 2022.

Notes to the Financial Statements

6. Other

Note 30: Share-Based Payments *Continued*

Valuation of instruments issued

Value of the financial benefit

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

Grant	Grant date	Share price on grant date	Share price volatility [1]	Risk free rate	Time to maturity	Annual dividend yield	Model used
2021 Grant	28 June 2021	$1.00	56%	0.16%	2.68 years	4.66%	Black Scholes
2021 Grant	2 September 2021	$1.01	48%	0.09%	2.49 years	4.89%	Black Scholes
2022 Grant	19 May 2022	$1.13	46%	2.80%	2.79 years	4.38%	Black Scholes
2023 Grant [2]	20 February 2023	$1.29	28%	3.55%	2.03 years	2.78%	Monte Carlo [3]
2023 Grant	13 June 2023	$1.03	31%	3.87%	2.72 years	4.27%	Monte Carlo [3]
2023 Grant	13 November 2023	$1.01	28%	4.33%	2.30 years	3.62%	Monte Carlo [3]

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.
2. Special Equity Award issued to Mr P Okhovat in February 2023.
3. A Monte Carlo simulation approach is used to value the awards subject to the Absolute TSR performance condition. The fair value of the awards subject to CAGR of EPS performance condition is calculated using a risk-neutral assumption.

The fair value of the 2023 Grants were calculated to be:

	Grant date	Performance conditions	Value of Right at grant date ($)
2023 Grant	20 February 2023	Absolute TSR CAGR of EPS	$0.67 $1.22
2023 Grant	13 June 2023	Absolute TSR CAGR of EPS	$0.49 $0.92
2023 Grant	13 November 2023	Absolute TSR CAGR of EPS	$0.46 $0.93

Short Term Incentive Deferral (STID)

The deferred equity short term incentive (or STID) related 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 (Managing Director & CEO until 31 December 2022). Holders of Performance Rights were not entitled to receive dividends prior to vesting. No payment was required for the grant of rights relating to the STID. Each right was an option to subscribe for one Share. Upon the exercise of a right by a Participant, each Share issued ranks equally with other Shares of the Company.

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)	—	—	—
Total	**257,912**	**—**	**(257,912)**	**—**	**—**	**—**

Notes to the Financial Statements

6. Other

Note 30: Share-Based Payments *Continued*

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 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.

Non-market vesting conditions

The fair value of performance rights with non-market performance conditions (Earnings Per Share) excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. At each balance sheet date, the entity revises its estimate of the number of Performance Rights that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

Market vesting conditions

The fair value of performance rights with market-based performance conditions (Total Shareholder Return) is calculated at the date of grant using the Monte-Carlo simulation model. The probability of achieving market-based performance conditions is incorporated into the determination of the fair value per award. The expense is recognised in full if the awards do not vest due to a market condition not being met.

Upon exercise of the Performance Rights, the balance of the share-based payments reserve relating to those rights is reclassified to contributed equity.

Managing Director & CEO Sign-On Equity Grants

Mr P Okhovat's remuneration package includes two equity grants (one in 2023 and one in 2024) of G8 Education Limited shares equivalent to forfeited long-term incentives, to be purchased and issued at the applicable time of vesting and following notification of the relevant vesting outcomes from Mr P Okhovat's prior employer (Woolworths Group Limited).

The number of G8 Education Limited shares is calculated as the amount that would have been received (if applicable) at the time of vesting at Woolworths Group Limited and will be paid in equivalent value ($) in G8 Education Limited shares based on a 5-day volume weighted average price (VWAP) following notification of Woolworths Group Limited's vesting outcomes.

The 2023 Sign-On Equity Grant shares (637,207 G8 Education Limited shares) were purchased on-market by the Trust on behalf of G8 Education Limited around November 2023 and issued to Mr P Okhovat. The 2023 Sign-On Equity Grant was dependent on Woolworths Group Limited achieving a certain percentage of Relative Total Shareholder Return (TSR) (Relative TSR is the ranking of a company's absolute TSR in comparison to a group of companies) and certain other non-market performance conditions (sales per trading square metre and return on funds employed) over the three year period to 1 July 2023. These vesting conditions were considered to be non-vesting conditions from G8 Education Limited's perspective.

Mr P Okhovat will receive one further Sign-On Equity Grant in 2024 – up to an equivalent maximum of 38,514 Woolworths Group Limited shares, with the number of G8 Education Limited shares to be issued not able to be calculated at the time of this report. The 2024 Sign-On Equity Grant shares will be purchased on-market by the Trust on behalf of G8 Education Limited. The 2024 Sign-On Equity Grant is dependent on Woolworths Group Limited achieving a certain percentage of Relative Total Shareholder Return (TSR) (Relative TSR is the ranking of a company's absolute TSR in comparison to a group of companies) and certain other non-market performance conditions (reputation, using the RepTrak measure, and return on funds employed) over the three year period to 1 July 2024. These vesting conditions are considered to be non-vesting conditions from G8 Education Limited's perspective.

Any shares received by Mr P Okhovat as part of the Managing Director & CEO 2023 and 2024 Sign-On Equity Grants must be repaid to the G8 Education Limited in cash, and any unexercised equity grants will lapse, if Mr P Okhovat leaves his employment with G8 Education Limited prior to 31 December 2024.

Notes to the Financial Statements

6. Other

Note 30: Share-Based Payments *Continued*

Valuation of instruments issued

Value of the financial benefit

In terms of equity grants issued, the table below lists the inputs used in the model for the Managing Director & CEO Sign-On Equity Grants:

Grant	Grant date	Share price on grant date [1]	Share price volatility [1]	Risk free rate [1]	Time to maturity	Annual dividend yield [1]	Model used
2023 Issue	3 January 2023	$33.09	20%	3.23%	0.49 years	2.78%	Monte Carlo [2]
2024 Issue	3 January 2023	$33.09	20%	3.33%	1.49 years	2.98%	Monte Carlo [2]

1. Input relate to Mr P Okhovat's prior employer (Woolworths Group Limited).
2. A Monte Carlo simulation approach is used to value the awards subject to the Relative TSR performance condition. The fair value of the awards subject to a non-market condition is calculated using a risk-neutral assumption. The fair value takes into account the non-vesting conditions associated with the grants.

The fair value of the awards were calculated to be:

	Grant date	Performance conditions	Number of Woolworths Group Limited Shares	Value of Right at grant date ($)
2023 Issue	3 January 2023	Relative TSR Non-market	15,277 30,555	$4.98 $24.49
2024 Issue	3 January 2023	Relative TSR Non-market	15,406 23,108	$10.84 $23.75

Accounting policy

The fair value of Managing Director & CEO Sign-On Equity Grants that are granted 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 employee become unconditionally entitled to the shares (in this case up to 31 December 2024).

The fair value at grant date takes into account the non-vesting conditions associated with the grants, exercise price, the term of the equity grant, the vesting and performance criteria, the impact of dilution, 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 equity grant.

Note 31: Remuneration of Auditors

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

	Consolidated	
Fees to Ernst & Young (Australia)	**2023 $'000**	**2022 $'000**
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	528	525
Fees for other services		
‣ Transactional and other services	20	30
Total Auditor's remuneration	**548**	**555**

Notes to the Financial Statements

6. Other

Note 32: 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 23.

c) Key Management Personnel

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.

Note 33: Other Material 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 27 February 2024. 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).

Comparatives

In certain instances in the notes to the financial statements, the comparative information has been reclassified to allow for ease of comparison to the current year.

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 2023 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.

Notes to the Financial Statements

6. Other

Note 33: Other Material Accounting Policies *Continued*

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

The Group recognised a net profit after tax of $56.1 million for the year ended 31 December 2023 (2022: $36.6 million) while current liabilities exceed current assets by $206.9 million as at 31 December 2023 (2022: $168.2 million). Cashflows from operating activities were $201.5 million for the year ended 31 December 2023 (2022: $136.8 million).

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 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.

Further, the Group expects to realise its assets, and extinguish its liabilities in the ordinary course of business. As a result, the financial statements have been prepared on a going concern basis.

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. Upon exercise of the Performance Rights, the balance of the share-based payments reserve relating to those rights is reclassified to contributed equity.

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 $28.3 million (2022: $33.7 million) 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 2023

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

- AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112]*
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

h) New standards and interpretations not yet adopted

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 56 to 107 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 2023 and of its performance for the financial year ended on that date;

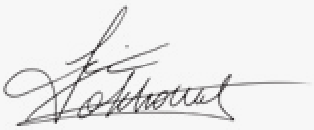
b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 23 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 25.

Note 33(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
27 February 2024

Independent Auditor's Report

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

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

Independent auditor's report to the members of G8 Education Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of G8 Education Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the 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 material accounting policy information 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 2023 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.

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.

Independent Auditor's Report

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Impairment and impairment of reversal of non-current assets and impairment of goodwill

Why significant	How our audit addressed the key audit matter
The Group test annually whether goodwill is impaired and review at each reporting date whether indicators of impairment or impairment reversal exist for its other non-current assets. Where indicators exist, impairment testing is performed. Impairment testing involves measuring the recoverable amount of a non-current asset or group of assets and comparing the recoverable amount to the assets carrying amount. The determination of the recoverable amounts of non-current assets including property, plant and equipment, right of use assets and goodwill require significant judgement and estimation by the Group. Impairment and impairment reversal 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 6, 10, 15, and 19 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 and impairment reversal assessments: ▸ 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 of management 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 management outside of the finance 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 2023. ▸ Performed independent sensitivity analysis of key impairment model assumptions including occupancy, growth rates, and discount rates. ▸ Considered the adequacy of disclosure in notes to the financial statements regarding the impairment testing approach, key assumptions and sensitivity analysis.

Independent Auditor's Report

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Provisions for regulatory, legal and other

Why significant	How our audit addressed the key audit matter
As detailed in Note 12, the Group recorded provisions at 31 December 2023 of $55.0 million for regulatory, legal 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. AASB 137 *Provision, Contingent Liabilities and Contingent Assets* ("Accounting Standards") provide criteria for the recognition of provisions, consideration of impact of insurance (if any) 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, legal 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. To understand and assess the relevant facts and circumstances, we read 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 provided a basis for the 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. We also discussed external legal counsel's opinion with external legal counsel directly. ▸ Where the Group determined a present obligation existed, we assessed the Group's basis for measurement of the provision in accordance with the Accounting Standards, including matters such as probability of economic outflows in differing scenarios, amounts payable in differing scenarios and the impact (if any) of insurance recoveries. 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.

Independent Auditor's Report

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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 $953.5 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 2 to the financial statements for disclosure relating to revenue.	Our audit evaluated revenue recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. To do this, we: ► Assessed the Group's identification of the performance obligations and timing of revenue recognition based on satisfying those performance obligations. ► 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 2023 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

Independent Auditor's Report

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Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

Independent Auditor's Report

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

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 33 to 53 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of G8 Education Limited for the year ended 31 December 2023, 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

DMcKenzie

Kellie D McKenzie
Partner
Brisbane
27 February 2024

Shareholder Information

The total issued capital of the Company as at 31 December 2023 and as at the date of this report is 809,506,134.

The Shareholder information set out below was applicable as at 13 February 2024.

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	693,062,771	158	85.62
10,001 to 100,000	77,054,273	2,918	9.52
5,001 - 10,000	19,577,026	2,544	2.42
1,001 - 5,000	17,370,853	6,323	2.15
1 - 1,000	2,441,211	4,994	0.30
Total	**809,506,134**	**16,937**	**100.00**

There were 2269 holders of less than a marketable parcel of ordinary shares.

b) Quoted equity security holders

Twenty largest quoted equity security holders.

Name	Quoted ordinary shares held	Percentage of issued shares
Citicorp Nominees Pty Limited	237,890,081	29.39%
HSBC Custody Nominees (Australia) Limited	193,175,075	23.86%
J P Morgan Nominees Australia Pty Limited	120,000,392	14.82%
National Nominees Limited	68,018,935	8.40%
BNP Paribas Nominees Pty Ltd	15,134,110	1.87%
BNP Paribas Noms Pty Ltd	14,065,987	1.74%
BNPP Noms Pty Ltd Hub24 Custodial Serv Ltd	2,762,238	0.34%
RAP Investments Pty Limited	2,600,000	0.32%
Citicorp Nominees Pty Limited	2,159,865	0.27%
HSBC Custody Nominees (Australia) Limited	1,722,610	0.21%
Est Mr Riccardo Pisaturo	1,400,000	0.17%
HSBC Custody Nominees (Australia) Limited	1,294,302	0.16%
BNP Paribas Nominees Pty Ltd	1,141,569	0.14%
Netwealth Investments Limited	896,719	0.11%
Mr Pejman Okhovat	737,207	0.09%
IOOF Investment Services Limited	698,309	0.09%
UBS Nominees Pty Ltd	694,353	0.09%
Mr Xiaochen Bi	653,847	0.08%
Nulis Nominees (Australia) Limited	644,267	0.08%
BNP Paribas Noms Pty Ltd	597,416	0.07%
	666,287,282	**82.31%**

Shareholder Information

c) Substantial holders

Substantial holders as at 13 February 2024 in the Company are set out below:

Ordinary Shares	Number held	Percentage
Allan Gray	133,034,439	16.43%
Tanarra Entities	99,612,242	11.76%
Host-Plus Pty Limited as trustee of the Hostplus Pooled Superannuation Trust	70,397,021	8.70%
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%
Dimensional Entities	50,975,912	6.01%

d) Voting rights

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

i) Ordinary shares

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

ii) Options

There are no voting rights attached to the options.

iii) Unquoted securities

There are no unquoted securities on issue.

Corporate Directory

Directors
D Singh, Chair
P Okhovat, Managing Director and Chief Executive Officer
Prof J Cogin, Non-Executive Director
D Foster, 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 ltd

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