For personal use only

G8 Education ltd

ANNUAL **REPORT**



www.g8education.edu.au

2017

CONTENTS

OUR MISSION	5
OUR VISION	6
OUR PURPOSE	7
AT A GLANCE	8
OUR PORTFOLIO	12
CHAIRMAN'S REPORT	14
CEO REPORT	16
SUSTAINABILITY	18
PEOPLE	19
DIRECTORS' REPORT	22
REMUNERATION REPORT	28

SECTION TWO

FINANCIAL REPORT	47
SHAREHOLDER INFORMATION	109
CORPORATE DIRECTORY	111

For personal use only

OUR MISSION

TO PROVIDE EARLY EDUCATION & CARE SERVICES TO CHILDREN UNDER 12 YEARS OLD, WITH A DIFFERENTIATED & LEADING SERVICE OFFERING, UNDERPINNED BY OPERATIONAL EXCELLENCE

OUR VISION

G8 WILL BE KNOWN AS THE PEOPLE THAT PARENTS & POLICY MAKERS PREFER TO PARTNER IN NURTURING & INSPIRING THE NEXT GENERATION

OUR PURPOSE

WE CREATE SPACES THAT SHAPE GENERATIONS NOW & NEXT

For personal use only

AT A GLANCE 2017

For personal use only

UNDERLYING EPS
21.8
CENTS/SHARE

NUMBER OF
516
CENTRES
OWNED

UNDERLYING EBIT
$156.0
MILLION

TOTAL NUMBER OF
9,927
EMPLOYEES

UNDERLYING NPAT
$92.9
MILLION

TOTAL
REVENUE
$796.8
MILLION



For personal use only

AT A GLANCE

	2012	2013	2014	2015	2016	2017
REVENUE	$179.9M	$275.2M	$497.3M	$706.2M	$778.5M	$796.8M
UNDERLYING EBIT	$30.0M	$50.5M	$101.4M	$146.4M	$160.6M	$156.0M
UNDERLYING NPAT	$19.7M	$32.2M	$60.6M	$87.1M	$93.3M	$92.9M
UNDERLYING EPS	9.2CENTS	11.72CENTS	18.57CENTS	23.87CENTS	24.68CENTS	21.8CENTS

For personal use only

Bambino's Kindergarten

Casa Bambini Early Education Centre

Bluebird Early Education Centres

Community KIDS

Creative Garden Early Learning Centre

Early Learning Services Committed to Child Care

buggles early learning and kindy

Eclipse early education group

FirstGrammar Early Education Centre

GREENWOOD Early Education Centres

Kinder Haven Committed to growing the whole child

headstart Early Learning Centres

GREAT BEGINNINGS EARLY EDUCATION FOR LIFE

NurtureOne Nurturing Beginning Minds

jellybeans Child Care & Kindy

Kindy Patch Kids

Penguin Childcare Early Learning Centres

koolkids early learning centres

Pelican Childcare Early Learning Centres CHILDCARE WITH A CONSCIENCE™

PELICANS LEARNING FOR LIFE

Sandcastles

THE LEARNING SANCTUARY

World of Learning

OUR PORTFOLIO



TOTAL
516
CENTRES

WESTERN AUSTRALIA
66
CENTRES

SOUTH AUSTRALIA
28
CENTRES

SINGAPORE
21
CENTRES



QUEENSLAND
72
CENTRES

NSW
187
CENTRES

ACT
10
CENTRES

VICTORIA
132
CENTRES

CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board, I am pleased to present the G8 Education Limited 2017 Annual Report.

We are privileged to be operating in a sector that has the potential to have a profound impact on Australia's future, with all the research highlighting the enormous benefits of quality early education on a child's social, cognitive and educational development.

During 2017, the Group made significant progress in building solid foundations across its people, asset and capital bases to ensure sustained growth well into the future, while continuing to grow and optimise its network of child care centres.

In 2017 we acquired a total of 37 early education centres and disposed of 22 centres in Australia. This brought our total number of centres as at 31 December 2017 to 495 in Australia and 21 in Singapore. These centres provide a total combined licenced capacity of 40,561 places.

The Group's Vision is for G8 to be the people that parents and policy makers prefer to partner in nurturing and inspiring the next generation.

To deliver against this vision, we need to ensure that our centres are of high quality and that our centre-based teams are appropriately resourced, trained and supported to meet the needs of children and parents.

In that regard I am pleased to report capital investment in our centres was very strong in 2017 with 130 refurbishment or improvement activities being completed across the network during the year. We also continued to invest significantly in our professional and leadership development programs across both centre and support office teams.

As a result of this activity, the Group improved its overall quality during the year. With 32% of centres being assessed as exceeding National Quality Standards, our average portfolio quality continues to improve.

From a financial perspective, 2017 was a challenging year with record levels of supply negatively impacting on occupancy levels across the market. This impacted the Group's Revenues, which were $797 million, an increase of $18 million. Despite the challenging market conditions, the Group's reported NPAT was in line with PCP at $81 million, while generating $92 million of cash from operations and returning $77 million in dividends to shareholders.

The Group significantly strengthened its Balance Sheet during 2017. As well as raising approximately $200 million in additional equity, we finalised a $200 million club bank facility during the year. These funds will be used to repay higher-cost bond financing as well as assisting in funding the Group's pipeline of committed future acquisitions, which are forecast to contribute strongly to profit growth in the future.

There were a number of changes to the Group's Board during 2017. After assisting Gary Carroll to transition to the CEO in early 2017, Chris Scott retired as a Director in May 2017. As the founding Managing Director, Chris's vision and energy to build a business from scratch to be the leading for profit provider in the sector was outstanding and I would like to join all team members and shareholders in thanking Chris for his outstanding contribution. The Board underwent further change with Matthew Reynolds retiring as a Director in August 2017 and Julie Cogin and Margaret Zabel joining the Board in September 2017. I thank Matt for his fantastic contribution as a director and look forward to Julie and Margaret adding their skills and experience to the Board as we continue to support management in delivering against the Group's strategic goals.

As we look forward to 2018, we expect the market environment to be challenging for a number of months yet, as the impact of recent supply increases continues to be felt. The new Government funding package is expected to drive demand in the sector from July 2018. With the investments that have been made over the last 2 years, we feel strongly that we are positioned well to take advantage of any opportunities that may arise whilst maintaining our high levels of service provision to Australia's communities.

On behalf of the Board, I would like to take this opportunity to thank all of our shareholders, employees and customers for their ongoing support in 2018.

Yours sincerely,

Mark Johnson
Chairman



For personal use only

CEO REPORT



For personal use only

Dear Shareholders,

2017 was a year in which G8 Education endured challenging market conditions to deliver good levels of underlying profit growth while making solid progress on transforming the Group to enable sustainable growth in future years.

G8 Education is the leading for profit early education provider in Australia, with around 65,000 children attending our services in any given week and 10,000 employees educating and caring for those children. This scale is broadly three times greater than our nearest for profit competitors. We believe that we have a real opportunity to use our scale advantage to provide a differentiated market leading offer to our families, centred on the quality of education and care, breadth of offer and through the provision of a highly engaging experience for our families. We also believe that our scale affords us the opportunity to provide a market-leading employment offer, with our engaged and capable team members reinforcing the quality and experience for our families.

The key to our success as an organisation is the quality, skill and commitment of our team members. 2017 saw significant activities in three key cultural areas. Firstly, there was the embedding of our core values – Passion, Integrity, Compassion, Innovation and Dedication – across the Group. We also conducted a formal engagement survey and implemented engagement actions plans to drive engagement across all teams. Finally, we recruited some outstanding executive leaders and established senior leadership development programs to build leadership capability throughout the Group.

As well as building on our cultural foundation, 2017 was a year in which the Group increased its investment in training its team, from both a professional and leadership perspective. We are confident that building the professional skill of our teams will improve the quality of services offered to our families every day, while the development of a deep pool of quality leadership talent will assist in maintaining and building our existing leading position in the market.

From an operational perspective, the Group acquired a further 37 early education centres (36 Australia and 1 in Singapore) in 2017. It is pleasing to report that the acquisitions completed in 2017 are performing in line with expectations.

2017 was a challenging year from a market perspective, where increases in supply over the last 2 years had a negative impact on the market. The Group managed to generate a 2.2% ($3.5m) increase in underlying EBIT further adjusted for the one-off impact of Long Day Care Professional Development Funding Program costs. This was a creditable result in a challenging environment. The Group's ability to convert earnings before interest, tax, depreciation and amortisation ("EBITDA") to cash remained strong with 96% underlying cash conversion in 2017, generating operating cash flows of $92 million.

OUTLOOK FOR 2018

We expect the operating environment to be challenging during the first half of 2018, driven by the current supply overhang in many areas throughout Australia. We will be responding to such an environment by driving occupancy focus throughout the network, assisted by the customer relationship management system that was implemented during the second half of 2017. This system is expected to improve our conversion of inquiries due to enhanced visibility and automation of key steps in the process. We will also be piloting a centralised contact centre during the first half of the year to further drive customer conversion.

In July 2018, the Federal Government will be rolling out an enhanced funding package to the sector, focused on increasing affordability of early education, particularly for low- to middle-income families. This package is expected to be positive for the vast majority of the Group's existing families, although the timing and quantum of the resulting impact on occupancy is unknown.

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

- Driving occupancy in existing centres through development of a differentiated offer focused on quality and education, value, as well as customer experience. To facilitate this, the Group will continue to invest in improving asset and curriculum quality, while also developing new revenue streams for existing and new centres that deliver enhanced value to our families and better utilise our existing assets;
- Being the employer of choice by engaging and developing our team through a series of initiatives such as enhanced professional and leadership training and re-engineering our incentive framework.
- Continuing to grow our network of child care centres through acquisition and greenfield development, working with our established providers who continue to produce quality assets at reasonable prices.

We continue to believe this strategy, supported by a passionate and capable team, will leave us well placed to deliver sustainable value to children, families and our shareholders in the years ahead.

Yours sincerely,

Gary Carroll

CEO and Managing Director

SUSTAINABILITY

At G8 Education, we recognise the importance of Corporate Social Responsibility and are working on a range of engagement programs and partnerships.

ENVIRONMENT

With a clear purpose of shaping generations now and next, G8 Education takes the responsibility and importance of supporting children to 'become environmentally responsible and show respect for the environment' (Element 3.3.2) of the National Quality Framework (NQF) very seriously.

G8 Education believes sustainability is not just about conservation but also about the related issues of fairness and equity and the importance of taking action on these issues that will impact the lives of our future generations. This responsibility is reflected in the NQF, which asks that each service take 'an active role in caring for its environment and contributing to a sustainable future' (NQS Standard 3.3). More specifically, services are asked to embed sustainable practices into their operations (Element 3.3.1)

G8 Education's environmental approach toward operations includes: minimising consumption of materials, recycling and re-using consumables, and supporting the awareness of environmental issues.

OUR CHILDCARE CENTRES

With 516 Centres in our portfolio, G8 Education is continually looking at ways to educate and action the reduction of our environmental impacts using initiatives such as:

CENTRE SUSTAINABILITY

- Participating in recycling, use of recycled and reclaimed materials, energy saving initiatives, gardening
- Teaching sustainability as part of the Early Years Learning Framework

CENTRE COMMUNITY

- Visits to senior citizens / aged care, special services
- Community gardens
- Numerous fundraising activities

OUR SUPPORT OFFICE

As our organisation has grown rapidly, so has our Support Office and so this year, the G8 Education Support Office enthusiastically implemented the following initiatives:

- upgraded communication equipment to enable virtual meetings and reduce business travel between G8 Education offices
- upgraded intranet and file sharing technology to enhance the ability to store and present documents electronically

For personal use only

PEOPLE

G8 Education has continued to see its people as the most valued asset within the organisation. 2017 saw a year of incredible work in the Learning and Development space, with a commitment to investing further into the development and capability of our valued team members. With an investment of around $6.5million, the team enjoyed a significant variety of comprehensive learning opportunities including a range of programs that catered for every level, from Educator to Executive.

In addition to G8 team members being supported in sector specific pedagogy and practice courses as well as training across areas such as First Aid and Safety, 2017 saw the entire organisation go through its first ever structured Development Planning process. Each and every team member was afforded an individual development plan that was designed to both identify and address skill gaps as well as to recognise areas for growth and progression. These Development plans were supported by G8's internal Learning and Development offerings, which included almost 300 face to face workshops across a range of topics and the delivery of online learning modules via the 'Learning Lounge' – our new and innovative Learning Management System. Included on the Learning Lounge are courses developed and delivered by some of our strategic learning partners, whose expertise lies in teachings on current and emerging practices and theories. The strategic learning partnership group was expanded in 2017 to include a national partnership with Swinburne Online (a part of Swinburne University of Technology), in which an Early Childhood Teacher placement program and graduate program exists. This partnership, which is on a national scope, will provide an exclusive pipeline of candidates to G8 centres across the country and is the start of an exciting strategic journey to attract and retain the highest calibre of Early Childhood Teachers.

Leadership maintained a strong focus in the Learning & Development space in 2017, as our Leaders embarked on a journey into their respective versions of G8's Leadership programs. Assistant Centre Managers, Centre Managers and Area Managers worked towards nationally accredited qualifications in Leadership and Management, while other Leaders participated in tailored leadership sessions and both the Executive and Senior Leadership teams commenced their first leadership and coaching programs.

A robust Competency Framework has been developed to connect every level of leadership with the core behavioural elements that will drive organisational success. Connected to our organisational values, the framework lays the foundation for our organisational success, and works to drive us to achieve our vision and mission. The Framework will become embedded into the organisation's daily behaviour and language throughout 2018 and will become a fundamental pillar on which the organisation will rely, to achieve its vision and mission.



For personal use only

KEY OPERATIONAL INFORMATION

	Consolidated Group
Number of owned centres at year end	516
Licence capacity of owned centres at year end	40,561
Total Number of employees at year end	9,927
Total number of full time equivalent employees at year end	**7,730**

Underlying Net Profit After Tax Reconciliation (Unaudited, Non IFRS)			
Consolidated Year end 31 December	2017 $'000	2016 $'000	Variance
Revenue#	795,759	777,470	2%
Expenses	(644,881)	(616,779)	5%
Net Financing Cost	(33,097)	(46,022)	(28%)
Net Profit Before Tax	**117,781**	**114,669**	**3%**
Net Profit After Tax	**80,581**	**80,265**	**0%**
Add/(Less) non-operating transactions:			
Contingent consideration not paid*	(243)	(2,500)	
Acquisition related expenses	3,965	2,574	
Share based payment expense *	(108)	(105)	
Write off of borrowing costs*^	5,201	7,474	
(Gain)/loss on disposal of assets/centres	1,542	-	
Foreign currency translation loss*^	1,936	5,634	
Underlying Net Profit After Tax	**92,874**	**93,342**	**(1%)**
Underlying EPS (cents per share)^^	**21.80**	**24.68**	**(12%)**
Earnings Before Interest and Tax	150,878	160,691	
Add/(Less) non-operating transactions:			
Contingent consideration not paid*	(243)	(2,500)	
Acquisition related expenses	3,965	2,574	
Share based payment expense	(108)	(105)	
(Gain)/loss on disposal of assets/centres	1,542	-	
Underlying Earnings Before Interest and Tax^^^	**156,034**	**160,660**	**(3%)**

#Adjustment for interest income of $1.0m excluded from revenue and included in financing costs (2016 $1.0m).

*Non-Cash adjustments.

^Tax adjusted

^^Underlying EPS equals Underlying NPAT divided by weighted average number of shares

^^^Underlying EBIT equals NPAT plus income tax expense plus net finance costs plus non-operating transactions

DIRECTOR'S 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 2017.

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



Mark Johnson
B. Comm, FCA, CPA, FAICD

Chairman

Independent
Non-Executive Director
since 1 January 2016



Gary Carroll
B.Comm (Hons), B.Law (Hons), CPA

Managing Director/CEO
since 1 January 2017



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

Independent
Non-Executive Director
Audit Committee Chair since 25 March 2010



Susan Forrester
BA, LLB (Hons) EMBA, FAICD

Independent
Non-Executive Director since
1 November 2011

David Foster
B.App.Sci, MBA, GAICD, SFFin

Independent
Non-Executive Director since
1 February 2016





Professor Julie Cogin
PhD, M.Ed., BBus, FAICD,

Independent
Non-Executive Director since
1 September 2017

Margaret Zabel
BMath, MBA, GAICD

Independent
Non-Executive Director since
1 September 2017



For personal use only

DIRECTORS' REPORT

Mark Johnson is an experienced chairman and company director with a diverse portfolio, including Director of Westfield Corporation, Director of Aurecon Group Pty Limited, Director of Coca-Cola Amatil Limited, Director of The Hospitals Contribution Fund of Australia Limited (HCF) and Councillor – St Aloysius' College Council Inc.; the Smith Family and the Advisory Council to the UNSW Australia School of Business.

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

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

Other current listed public Company Directorships: Westfield Corporation Limited (appointed 30 June 2014) and Coca-Cola Amatil Limited (appointed 06 December 2016)

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

---

Gary Carroll was appointed as Managing Director and CEO on 1 January 2017, having previously served as Chief Financial Officer for the Group from 25 July 2016. Prior to joining G8, Gary has over 15 years' experience in senior leadership roles across multiple industries, including being Chief Financial Officer and Chief Supply Chain Officer at Super Retail Group Limited. Mr Carroll holds Bachelor of Commerce (Hons) and Bachelor of Law (Honours) degrees from the University of Queensland, and is a Fellow of CPA Australia.

Special responsibilities: Nil

Other current listed public Company Directorships: Nil

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

---

Brian Bailison has over 20 years experience in finance, corporate finance and operations from senior roles in listed and unlisted businesses in South Africa and Australia, including Rand-Merchant Bank Limited (investment banking), the Ivany Investment Group (diversified investment group) and PAYCE Consolidated Limited (diversified property development group).

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

Other current listed public Company Directorships: Nil

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

---

Susan Forrester is an experienced Chair and Company Director with a diverse portfolio career. She has a valuable blend of commercial, legal and executive management experience gained across public and private organisations. She is currently chair for National Veterinary Care Ltd and is a non-executive director of Over the Wire Group Ltd, Xenith IP Ltd and Uniting Care Qld and South Bank Corporation.

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

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

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

David Foster enjoyed a successful career in financial services spanning over 25 years. His last executive role was as Chief Executive Officer of Suncorp Bank, Australia's 5th largest bank. Since leaving Suncorp, Mr Foster has further developed his career as an experienced Non-Executive Director with a portfolio of Board roles across a diverse range of industries including financial services, retailing, local government, education and professional services. He currently serves as Chairman of Motor Cycle Holdings Limited and Thorn Group Limited, Director of Genworth Mortgage Insurance Australia Limited and Director of Kina Securities Limited.

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

Other current listed public Company Directorships: Motor Cycle Holdings Limited (appointed 08 March 2015), Thorn Group Limited (appointed 1 December 2014), Kina Securities Limited (appointed 1 May 2015) and Genworth Mortgage Insurance Australia Limited (appointed 30 May 2016)

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

---

Julie Cogin was appointed as Non-Executive Director on 1 September 2017. Julie is the Dean & Head of UQ Business School, University of Queensland. Prior to this position, Julie held numerous senior leadership roles at the University of New South Wales. Julie is a recognised thought leader in high performing workplaces, leadership and corporate culture, having authored several books and published in the world's top academic journals. As an educator she has received national and international teaching awards and spoken extensively about disruption in education. Julie has over 25 years' experience leading education and consulting engagements for many leading companies throughout Australia, Asia and in the USA. In 2016 Julie was named as one of Australia's 100 women of influence for her work to address the gender leadership imbalance.

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

Other current listed public Company Directorships: Nil

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

---

Margaret Zabel was appointed as Non-Executive Director on 1 September 2017. Margaret is a specialist in customer centred business transformation, brand strategy, innovation, digital communications, customer experience and change leadership. She has 20 years senior executive experience working across major companies and brands in FMCG, food, technology and communications industries including multinationals, ASX 100 and not-for-profits. Her previous roles include National Marketing Director Lion Nathan, VP Marketing for McDonald's Australia and CEO and Board Director of The Communications Council. Margaret has also served as a non-executive board director for the mental health charity R U OK? for 5 years.

Special responsibilities: Member of the Nomination Committee

Other current listed public Company Directorships: Nil

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

---

Christopher Scott

Chris Scott was Managing Director from 25 March 2010 to 31 December 2016 when he became an Executive Director. Chris resigned as an Executive Director on 29 May 2017.

Special responsibilities: Member Nomination Committee

Matthew Reynolds

Matthew Reynolds was an Independent Non-Executive Director from 17 March 2015 to 31 August 2017.

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

---

Lendlease Group Annual Report 2017

Chief Executive Officer

Gary Carroll was appointed as Managing Director and Chief Executive Officer on 1 January 2017. He is responsible for managing the external and internal operations of the Group and providing consistent high level advice to the Board on operations, policy and planning. Gary has over 15 years' experience in senior leadership roles covering a number of industries.

Company Secretary

Sarah Zeljko was appointed as Company Secretary and General Counsel on 16 January 2017. She is responsible for the Legal, Compliance, Safety, Facilities Management, Risk Management, Insurance and Company Secretarial functions for the Group.

Principal activities

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

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

There has been no significant change to the Group's activities during the financial year ended 31 December 2017.

Review of operations

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

Significant changes in the state of affairs

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

- Acquired 37 additional child care centres in Australia and Singapore.
- In May 2017, $195 million of equity raised through a domestic institutional placement ($100 million) and share placement to CFCG Investment Partners International (Australia) Pty Ltd ($95 million).
- On 7 August 2017 $70 million of 7.65% fixed unsecured notes due to for redemption in August 2019 were redeemed using funds from equity raised. An early repayment fee of $1.4 million was incurred upon repayment.
- In August 2017 a $200 million three year club bank facility and $45 million bank guarantee facility were entered into on commercial terms.
- A Dividend Policy to payout 70 to 80% of underlying NPAT to commence in 2019 was announced.
- Shareholders approved the new G8 Education Executive Incentive Plan (GEIP) at the 2016 AGM.

Matters subsequent to the end of the financial year

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

- 50,359 performance rights were issued to J Ball under the Employee Incentive Plan (GEIP) on the 4 January 2018.
- The Board has declared on 23 February 2018 that a 10 cent fully franked interim dividend for the FY18 year would be paid on 23 March 2018.
- The Group completed the acquisition of 2 centres for $2.6 million and divested 1 centre post 31 December 2017. The initial accounting has not yet been completed as completion accounts have yet to be finalised.
- All remaining shares sold under the prior employee share plan leaving a nil balance.

Likely developments and expected results of operations

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

Rounding Amounts

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

Dividends

Dividends declared or paid during the financial year were as follows:	2017	2016
	$'000	$'000
Dividend for the quarter ended 31 March 2017 of 6.0 cents per share (2016: 6.0 cents per share) paid on 7 April 2017 (2016: Paid on 8 April 2016)	24,117	22,481
Dividend for the quarter ended 30 June 2017 of 6.0 cents per share (2016: 6.0 cents per share) paid on 7 July 2017 (2016: Paid on 8 July 2016)	26,599	22,616
Dividend for the quarter ended 30 September 2017 of 6.0 cents per share (2016: 6.0 cents per share) paid on 6 October 2017 (2016: Paid on 7 October 2016)	26,741	22,772
No dividend declared for the quarter ended 31 December 2017 (2016: 6.0 cents per share paid 6 January 2017)	-	22,950
	77,457	**90,819**

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 2017, and the number of meetings attended by each Director were:

	Full meetings of Directors		Audit and Risk Management Committee		Nomination Committee		People and Culture Committee	
	A	B	A	B	A	B	A	B
M Johnson	9	9	4	4	3	3	4	4
G Carroll	8	9	-	-	-	-	-	-
B Bailison	9	9	4	4	2	3	-	-
S Forrester	9	9	-	-	3	3	4	4
D Foster	9	9	4	4	3	3	-	-
J Cogin	3	3	-	-	1	1	2	2
M Zabel	3	3	-	-	1	1	-	-
C Scott	4	4	-	-	-	1	-	-
M Reynolds	6	6	-	-	1	2	2	2

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

ENVIRONMENTAL REGULATION

The Group is subject to and complies with environmental regulations under State Legislation in the management of its operations. The Group does not engage in activities that have particular potential for environmental harm.
No incidents have been recorded and the Directors are not aware of any environmental issues which have had, or are likely to have, a material impact on the Group's business.

INSURANCE OF OFFICERS AND AUDITORS

During the year, the Group paid a premium to insure the Directors and Officers (Managers) of the Company and its controlled entities. Under the terms of the policy the amount of the premium and the nature of the liability cannot be disclosed.
The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Managers in their capacity as Managers of entities in the Group alleging a wrongful act, and other payments arising from liabilities incurred by the Managers in connection with such proceedings.
This does not include such liabilities that arise from conduct involving willful breach of duty of the Managers or the improper use by the Managers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.
It is not possible to apportion the premium between the amounts relating to the insurance against legal costs and those relating to other liabilities. No insurance premiums or indemnities have been paid for or agreed by the Group for the current or former auditors.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year. Ernst & Young provide an annual declaration of their independence to the ARM Committee in accordance with the requirements of the Corporations Act 2001.

For personal use only

REMUNERATION REPORT AUDITED

TITLE	SECTION	DESCRIPTION
Introduction from the People & Culture Chair	1	Describes the scope of the Remuneration Report and the individuals whose remuneration details are disclosed together with a summary of the key changes during the year.
Who is covered	2	KMP consist of senior executives and Non executive Directors.
Remuneration Governance	3	Describes the role of the Board and the People and Culture Committee, and the use of remuneration consultants when making remuneration decisions.
KMP Executive reward	4	Our Strategy, Vision and Values and link to KMP Executive reward.
Remuneration details for 2017	5	Outlines the principles and strategy applied to executive remuneration decisions and the framework used to deliver rewards including the performance and remuneration linkages.
KMP Equity Interests	6	Provides details regarding shareholdings in G8 Education Limited of KMP.
Employment agreements	7	Provides details regarding the contractual arrangements between the G8 Education and the executives whose remuneration details are disclosed.
Non-executive director remuneration	8	Provide details regarding the fees paid to Non executive Directors.

SCOPE

This Remuneration Report sets out, in accordance with the relevant Corporations Act 2001 (Corporations Act) and accounting standard requirements, the remuneration arrangements in place for the key management personnel (KMP) during 2017.

For personal use only

1.INTRODUCTION FROM THE PEOPLE & CULTURE CHAIR

Dear Shareholders

2017 saw the comprehensive implementation of the Strategic Remuneration Framework and Policies that were introduced for the first time to G8 Education in 2016. We made a strategic decision to make no changes to our approach to executive remuneration, as we were mindful of the benefit to our executives of consistency and of allowing our new scheme to run its course for the first year.

G8 Education has a firm belief that increasing the focus on our people will provide a sustainable advantage over the long term. Our refresh of the Strategic Plan in September 2017 brought with it a greater recognition of our values and the embedding of the four core pillars comprising of our families, our people, quality (including safety) and performance. In terms of our increased commitment to our people, we focused our energies on attraction, learning and development, engagement, workplace health and safety, talent and succession management, and remuneration and benefits.

The following key initiatives were implemented in 2017:

- Year one of our new short-term Incentive (STI) and long-term incentive (LTI) scheme for the CEO and other executive KMP which includes a claw back policy and potential STI deferral for selected executives.
- Underpinning the STI scheme was the introduction of a new Key Performance Indicator ("KPI") framework, combined with a performance gate whereby STI is capped at 10% if the Board approved financial budget is not met. However there is some discretion of the Board to award higher amounts in some circumstances (as outlined below).
- The creation of a separate Nominations Committee and the appointment of David Foster as Chairman of that Committee.
- The review and alignment of our Board Skills Matrix, resulting in a national search for two Non- Executive Directors to fulfil our skills and competencies requirements with the appointment of Margaret Zabel and Julie Cogin in September 2017.
- The achievement of a significantly improved gender balance on our board (women now represent 50% of our independent non-executive directors and 42% of the full Board including the Managing Director).
- A Remuneration benchmarking exercise was completed for all KMP and senior management roles.
- The discontinuation of our former Executive Share Plan with all outstanding shares sold.
- A minimum shareholding requirement for our Non-Executive Directors was introduced. It is our view that this new governance policy will ensure greater alignment with the interests of our shareholders.

You will find more details of our achievements, ongoing initiatives and expectations for 2018 in these areas comprehensively explained in the following Remuneration Report.

In 2017 we have laid the foundations to deliver to our shareholder value proposition via the significant strengthening of our balance sheet and the substantial improvements in the quality of our early education centre network as well as team engagement and retention. This is in line with our strategy to provide both a market-leading customer and employment offer to drive occupancy and profitability of the Group, which in turn provides sustainable growth for shareholders.

The Board and the People Committee believe the annual incentive outcomes for each of our disclosed executives reflects our performance in 2017. The minimum financial performance requirements of the Short-Term Incentive Plan were not met as we fell short of the target of 8% growth in Reported NPAT from the prior year. However, in light of the disclosed executives' achievements of their non-financial performance requirements, the Board decided to exercise its discretion and award an amount equivalent to 20% of their base salary.

The Board did not increase Directors' fees in 2017.

In 2018, we will continue to monitor the effectiveness of our reward approach and we will refine and improve over the coming years as needed.

The Board and the People and Culture Committee hope you find this report informative.



Susan Forrester
People and Culture Committee Chair
Brisbane
24 February 2018

2. WHO IS COVERED BY THE REPORT

KEY MANAGEMENT PERSONNEL

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

	Title (at year end)/Committees	Change in 2017
Non-executive directors		
Mark Johnson	**Chairman** Member, Audit & Risk Management Member, Nomination Member, People & Culture	No Change. Full Year
Brian Bailison	**Director** Chairman, Audit & Risk Management Member, Nomination	No Change. Full Year
Susan Forrester	**Director** Member, Nomination Chairman, People & Culture	No Change. Full Year
David Foster	**Director** Chairman, Nomination Member, Audit & Risk Management	No Change. Full Year
Julie Cogin	**Director** Member, Nomination Member, People & Culture	Commenced with Group as a Non-Executive Director on 1 September 2017
Margaret Zabel	**Director** Member, Nomination	Commenced with Group as a Non-Executive Director on 1 September 2017
Matthew Reynolds	**Director** Member, Nomination Member, People & Culture	Resigned as a Non-Executive Director on 31 August 2017
Executive directors		
Gary Carroll	**CEO and Managing Director**	Appointed CEO and MD on 1 January 2017, commenced with Group as KMP 25 July 2016
Christopher Scott	**Executive Director,** Member, Nomination	Resigned as Managing Director 1 January 2017 and as Executive Director 29 May 2017
Other executive KMP		
Sharyn Williams	**Chief Financial Officer**	Commenced with Group and as KMP on 6 February 2017
Jason Ball	**General Manager Operations**	Commenced with Group and KMP on 26 June 2017
Jason Roberts	**General Manager Development**	Ceased as KMP on 1 January 2017 and resigned from Group effective 18 January 2018
Terry King	**General Manager Operations**	Ceased as KMP and resigned 12 April 2017
Ann Perriam	**Executive Officer**	Ceased as KMP on 1 January 2017 and resigned from Group effective 10 April2017

For personal use only

3. REMUNERATION GOVERNANCE AT G8 EDUCATION

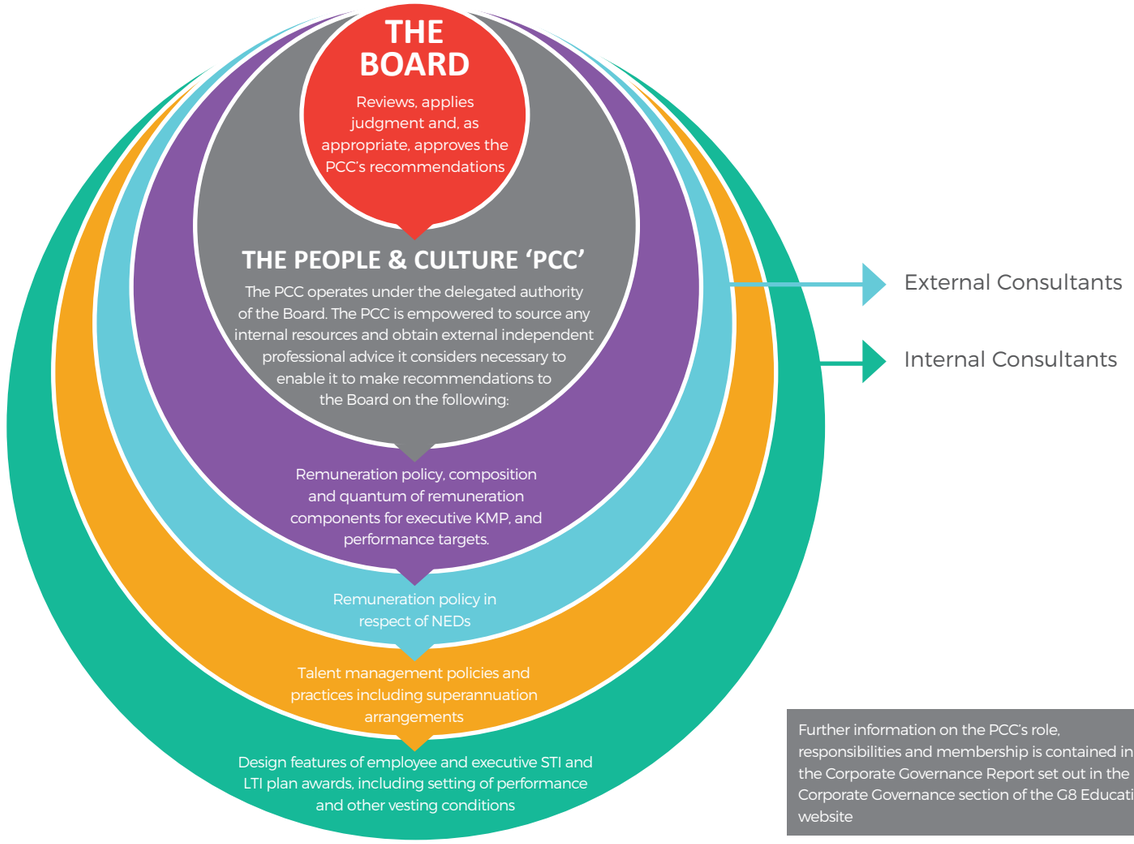
This section of the Remuneration Report describes the role of the Board and the People and Culture Committee, and the use of remuneration consultants when making remuneration decisions affecting KMP.

ROLE OF THE BOARD AND THE PEOPLE AND CULTURE COMMITTEE

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

The role of the PCC is set out in its Charter, which is reviewed annually and was last revised and approved by the Board in September 2017. In summary, the PCC's role is to:

- Ensure that the appropriate procedures exist to assess the remuneration levels of the Chairman, other NEDs, executive directors, direct reports to the CEO, Board Committees and the Board as a whole;
- Ensure that G8 Education meets the requirements of Australian Securities Exchange (ASX) diversity and 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 senior management; and develop, maintain and monitor appropriate superannuation arrangements for G8 Education.
- The PCC's role and interaction with Board, internal and external advisors, are further illustrated below:



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

USE OF REMUNERATION CONSULTANTS

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

The Board directly engages external advisors to provide input to the process of reviewing executive KMP and Non-executive Director remuneration. A Use of Remuneration Consultants Policy was approved by the Board on 21 August 2017.

During the 2017 financial year, Crichton and Associates Pty Limited (Crichton and Associates) were engaged by the Board to provide a remuneration benchmark assessment, including recommendations in relation to the Board and selected executive KMP. Crichton and Associates were paid $11,660 for these services.

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

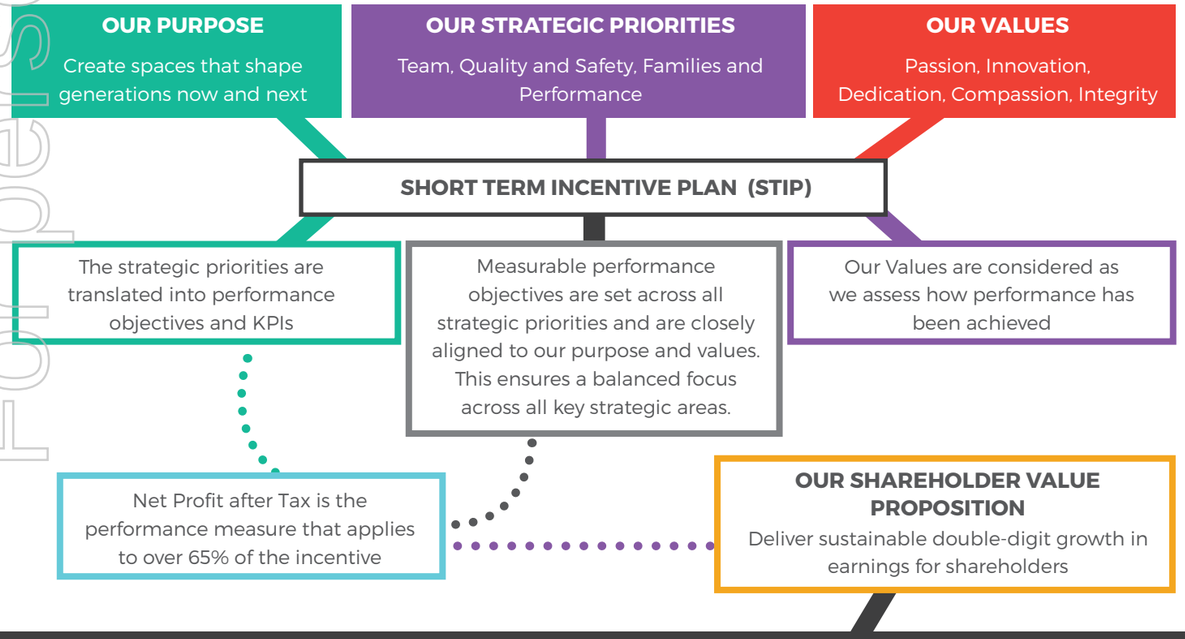
- Crichton and Associates received written instructions from an independent Non-executive Director on behalf the PCC and were accountable to the Board;
- During the course of this assignment, Crichton and Associates received limited input from management. Crichton and Associates reported its findings, in writing, to the independent Non-executive Director and the Board; and
- A fixed fee arrangement was agreed in advance directly with the independent Non-executive Director on behalf of the PCC.

The Board was satisfied that the limited remuneration recommendations provided were made free from undue influence from any member of the KMP.

In addition to providing remuneration consulting services, Crichton and Associates also provided services relating to other aspects of remuneration of the Group's employees, including ad hoc advice in respect of various policies and the provision of ESS documentation and related services. For these services Crichton and Associates was paid $26,201 during 2017.

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

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



LONG TERM INCENTIVE PLAN (LTIP)

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

THE COMPONENTS OF KMP SENIOR EXECUTIVE LEADERSHIP REMUNERATION AT G8 EDUCATION

Overview of components

EXECUTIVE KMP REMUNERATION

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

Fixed remuneration components are determined having regard to the specific skills and competencies of the executive KMP with reference to both internal and external relativities, particularly local market and industry conditions.

The **'at risk'** components of remuneration are strategically directed to encourage management to strive for superior (risk balanced) performance by rewarding the achievement of targets that are challenging, clearly defined, understood and communicated within the ambit of accountability of the relevant executive KMP.

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

EXECUTIVE KMP REMUNERATION OBJECTIVES

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

TOTAL TARGET REMUNERATION (TTR) IS SET BY REFERENCE TO THE RELEVANT GEOGRAPHIC MARKET

	Fixed	At risk	
	Total fixed remuneration (TFR)	Short-term incentives (STI)	Long-term incentives (LTI)
	TFR is set based on relevant market relativities, reflecting responsibilities, performance, qualifications, experience and geographic location	STI performance criteria are set by reference to G8 Education group earnings and individual performance targets relevant to the specific KMP	LTI targets are linked to G8 Education group EPS growth
Remuneration will be delivered as:			
	Base salary plus any fixed elements related to local markets, including superannuation or equivalents	Part cash and part equity (performance rights). The equity component will be subject to service and deferred for 1 year.	Equity in performance rights. All equity is held subject to service and performance for 3 years from grant date. The equity is at risk until vesting. Performance is tested once at the vesting date
Strategic intent and market positioning			
	TFR will generally be positioned at the median compared to relevant market based data considering expertise and performance in the role	Performance incentive is directed to achieving Board approved targets, reflective of market circumstances. TFR + STI is intended to be positioned in the 3rd quartile of the relevant benchmark comparisons	LTI is intended to reward executives KMP for sustainable long-term growth aligned to shareholders' interests. LTI allocation values are intended to be positioned in the 3rd quartile of the relevant benchmark comparisons

Total targeted remuneration (TTR)

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

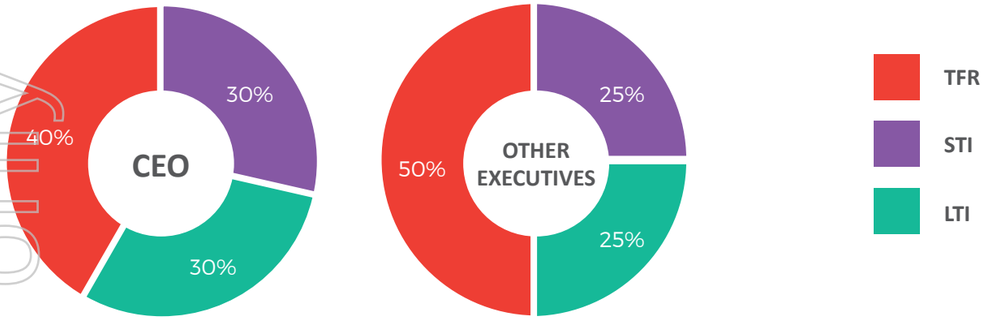
For personal use only

REMUNERATION COMPOSITION MIX

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

REMUNERATION MIX 2017

The intended mix of remuneration for the CEO and executive KMP for 2017 resulted in the following remuneration mix:



The "at risk" component of the (STI) and (LTI) of this mix represents the intended remuneration opportunity for these executives assuming the performance requirements set for each component is satisfied. The change in mix compared to 2016 allows the remuneration to be linked more to the performance and at risk.

TOTAL TARGET REMUNERATION (TTR)

In the opinion of the Board, the TTR under the remuneration mix adopted by G8 education delivers on overall risk adjusted reward opportunity which is intended to ensure both fair and market competitive remuneration is awarded.

TOTAL FIXED REMUNERATION (TFR)

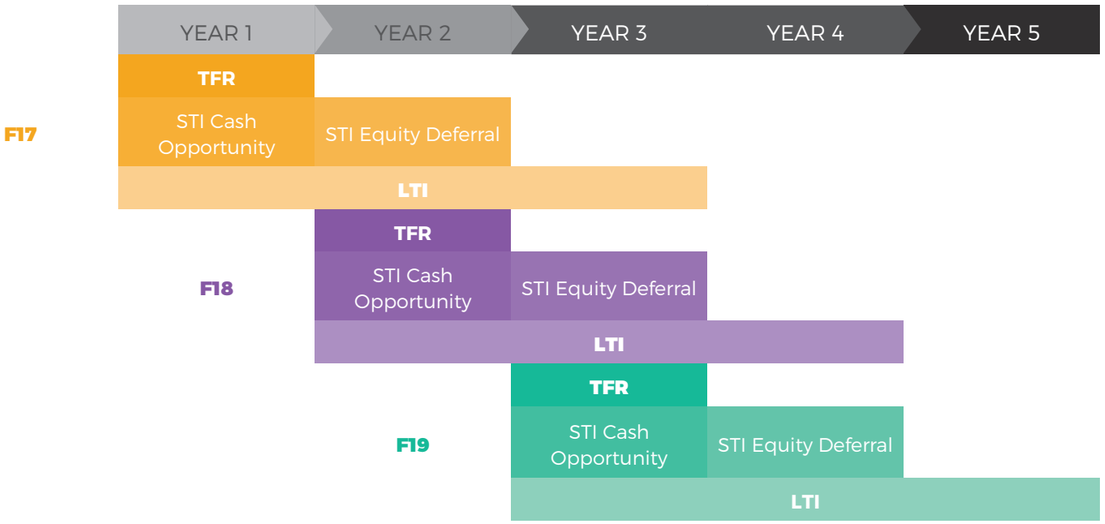
G8 Education's approach continues to position all executives at between the median and 62.5th percentile of the market. This positioning is confirmed regularly by reference to remuneration surveys and independent benchmark assessments from time to time. The comparator group used to benchmark executive KMP remuneration is ASX listed companies of a similar size.

A description of the 2017 short-term and long-term incentive schemes are set out below

REMUNERATION – "AT RISK"

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

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



TOTAL FIXED REMUNERATION EXPLAINED

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

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

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

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

VARIABLE (AT RISK) REMUNERATION EXPLAINED

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

The key aspects are summarised below:

Short-term incentives (STI)	
Purpose	The STI arrangements at G8 Education are designed to reward executives for the achievement against annual performance targets set by the Board at the beginning of the performance period. The STI program is reviewed annually by the PCC and approved by the Board. All STI awards to the CEO and other executive KMP are approved by the PCC and Board.
Performance targets	The key performance objectives of G8 Education are currently directed to achieving Board approved earnings targets, and by the achievement of individual performance KPIs. The intention is that not more than 10% is awarded if the Board approved Budget is not reached. There are eight individual KPIs that are split into four areas – Team (2), Quality (2), Performance (2) and Customer (2). These KPIs are yet to be finalised for 2018. Any anomalies or discretionary elements are approved and validated by the Board. An Individual's STI cannot be higher than 10% if the Group financial target is not met.
Rewarding performance	The STI performance ratings are determined under a predetermined matrix with the Board determination final.
Deferral of STI	Effective from 1 January 2017 a deferral of a portion of STI was introduced to reinforce alignment with shareholder interests. Where the Board determines a portion will be deferred, grants will be determined at the end of each year and then held for one year until vesting. This achieves additional retention and alignment of executives with shareholder interests. For the 2017 awarded STI's the Board has elected to not defer amounts. The deferred STI component for 2018 will be calculated based on up to 50% of the STI amount, above a minimum threshold, depending on the position. The equity component will be independently determined based on the gross contract value using G8 Education's five-day volume weighted average price (VWAP) following the announcement of year end results in February 2018. The deferred component is granted as service rights. Once the STI awarded as service rights has been granted, there are no further performance measures attached to the rights other than continued tenure for the vesting period (one year).
Long-term incentives (LTI)	
The LTI provides an annual opportunity for executive KMP and other selected executives (based on their ability to influence and execute strategy) to receive an equity award deferred for three years, that is intended to align a significant portion of executives' overall remuneration to shareholder value over the longer term. All LTI awards remain at risk and subject to 'claw back' (forfeiture or lapse) until vesting and must meet or exceed EPS growth rates over the vesting period.	
Purpose	To align executive KMP remuneration opportunity with shareholder value and provide retention stimulus.

For personal use only

Types of equity awarded	LTI is provided under the G8 Education Employee Incentive Plan. See section 5 for further details. Under the G8 Education Employee Incentive Plan, selected senior executives are offered performance rights (being a nil exercise price right to fully paid ordinary shares of G8 Education Limited), subject to satisfying the relevant requirements.
Time of grant	All equity grants will be made after the AGM each year but based on values determined in February.
Time restrictions	Equity grants awarded to the executive KMP and other executives are tested against the performance hurdles set, at the end of three years. If the performance hurdles are not met at the vesting date, performance rights lapse.
Performance hurdles and vesting schedule	Equity grants to executive KMP and other executives are subject to one performance condition, as follows. The hurdles are set based on relevant market benchmarks.

Compound annual growth in Underlying EPS (3 years)	
Performance p.a.	**% of equity to vest**
< 10%	0%
10% to 15%	50% to 100% pro-rata
> 15%	100%

	Performance rights vest if the time restrictions and relevant performance hurdles are met. The Board must approve any special provisions, in accordance with Company policies, in the event of termination of employment or a change of control.
Dividends	No dividends are attached to performance rights
Voting rights	There are no voting rights attached to performance rights
Retesting	There is no retesting of performance hurdles under G8 Education LTI.
LTI allocation	The size of individual LTI grants for the executive KMP and other executives is determined in accordance with the Board approved remuneration strategy mix. The allocation methodology for performance rights is to determine the target LTI dollar value for each executive and divide it by the gross contract value based on a 5-day VWAP calculation.

G8 EDUCATION EXECUTIVE INCENTIVE PLAN (GEIP)

Equity granted under the short term and long term incentive schemes is granted by way of performance or service rights issued in accordance with the GEIP. Shareholders approved the GEIP at the Annual General Meeting (AGM) in May 2017. The Company has established the GEIP to assist the retention and motivation of executives of G8 Education (Participants). It is intended that the Performance Rights Plan, will enable the Company to retain and attract the skilled and experienced executives and provide them with the motivation to enhance the success of the Company.

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

EXECUTIVE SHARE PLAN – DISCONTINUED WITH EFFECT 31 DECEMBER 2016

The Group's previous Executive Share Plan, whereby selected KMP were granted the right to acquire shares at a nominated exercise price subject to agreed service and performance criteria (i.e. vesting conditions) was discontinued with effect on 31 December 2016.

There are no shares on issue under this plan at the date of this report.

OTHER REMUNERATION ELEMENTS AND DISCLOSURES RELEVANT TO EXECUTIVE KMP

CLAW BACK

The Board has discretion to claw back incentive payments where material misconduct is evident. This policy was implemented in May 2017 and is on the G8 Education website.

HEDGING AND MARGIN LENDING PROHIBITION

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

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

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

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

5. REMUNERATION DETAILS FOR 2017

ACTUAL REMUNERATION RECEIVED IN 2017

2017 SHORT TERM INCENTIVE PLAN OUTCOMES - PROFIT

The profit targets in the 2017 Short Term Incentive Plan were aligned to our shareholder value proposition providing sustainable double-digit earnings growth for shareholders.

These profit targets form 90% of the total STI for 2017.

The minimum financial performance requirements of the Short-Term Incentive Plan were not met as we fell short of the target 8% of growth of our reported NPAT from the prior year. Accordingly, the profit component of the STI was not awarded to any Executive KMP.

2017 SHORT TERM INCENTIVE PLAN OUTCOMES – INDIVIDUAL OBJECTIVES

The remaining 10% was determined based on the achievement of agreed annual objectives, which as described earlier are a mix of quantitative and qualitative objectives. These annual objectives for KMP Senior Executives are intended to ensure continued focus on strategic priorities and to raise the bar on performance year on year.

At the outset of 2017, clear performance objectives were set for the KMP Senior Executives that were critical to the delivery of the 2017 plan and fundamental to the success of the long-term strategy while addressing the ongoing challenges of our competitive operating environment.

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

Detailed assessments were prepared by the Managing Director and discussed with the People and Culture Committee. The Board and the People and Culture Committee believe that the performance in 2017 has been appropriately reflected in the Short Term Incentive Plan outcomes.

The diagram below summarises the performance and resulting Short Term Incentive Plan outcomes. There were differentiated outcomes both in terms of the profit component and the achievement of individual business objectives.

The table below summarises the 2017 results for the Managing Director.

For personal use only

MANAGING DIRECTOR

KPIs	Area of Focus	Achievements consistent with shareholder value proposition
Team	**Engagement Development Plans**	Engagement survey and listening groups rolled out and engagement action plan milestones achieved by 31/12/17 Development plans in place for all eligible team members and all development plan milestones completed by 31/12/17
Safety	**Safety Result** **Safety Process**	20% reduction in Group LTIFR by 31/12/17 – not achieved – 10% reduction All Safety action plan milestones completed by 31/12/17
Performance	**Governance Strategic Plan**	Re-engineered Board reporting framework, covering both operations and strategy, to be in place by 31/5/17
	Establishment of KPI Framework	85% of Group Strategic Plan milestones to be achieved, both in terms of timing and benefits – achieved, with projects being implemented on schedule and project-related benefits being achieved KPI framework rolled out in line with the project timetable and 90% of KPI's achieved by 31/12/17
Customer	**Improvement in customer service** **Relationship management**	Customer NPS to increase from 50% to 55% by 31/12/17 – partially achieved with the NPS result for October 2017 of 51% being an 11% improvement from January 2017 baseline of 46%, in line with KPI target Conduct visits to 80 centres during the year to 31/12/17, with agreed actions from the visits being completed on time – achieved – 89 visits and all actions completed

The Board decided to award the full 10% available to the Managing Director for successful achievement of the KPIs set out above.

OTHER KMP

The Chief Financial Officer's 2017 focus was aligned to most of the Managing Director's focus areas, but with a greater emphasis on the financial elements. In addition, there was a significant focus on strengthening the finance function across G8 Education during her first full year in the role. The Board awarded the full 10% available with the STI being pro-rated for eligibility.

Similarly, in the part of the year he was employed in the role, the GM Operation's focus was to drive performance in the Group's centre network, with particular emphasis on improving occupancy, wage control, customer service and asset quality. The Board awarded the full 10% available with the STI being pro-rated for eligibility.

The Board decided to exercise its discretion and award an additional 10% as a Short Term Incentive taking into account the Managing Director, Chief Financial Officer's and GM of Operations concerted efforts and successful outcomes in:

- Establishing the foundations for success and growth. G8 Education has now assembled an executive team with substantial levels of experience from both a functional and leadership perspective. The recruitment of the leadership team, coupled with the strengthening of the balance sheet (both equity and debt) and good progress made in delivering our strategic plan has us very well placed to deliver against our goals for families, team members and shareholders in coming years
- Acquisition of the Oxanda portfolio 19 existing early education and childcare centres from a single vendor. The acquisition represents a positive opportunity for the Group to grow its portfolio by acquiring high quality operating centres in complementary locations at an attractive multiple.
- Completion of a comprehensive review of the Group's capital management strategy which will ensure the Group has access to committed debt and equity funding to enable it to implement its strategy and growth activities, while ensuring the right balance between financial flexibility and providing good levels of ongoing earnings for shareholders. The key outcomes of the capital management strategy review were a reduction in current and targeted gearing levels, implementation of a new club bank facility and a transition to a proportionate dividend policy.
- Reduction in Gearing Levels during the half, the Group raised $195m via a $100m domestic institutional placement (at $3.20 per share) and a $95m private placement to CFCG Investment Partners International (Australia) Pty Ltd (at $3.88 per share). This decreased the Group's Net Leverage from 2.2x at 31 December 2016 to 1.64x at 31 December 2017. The Group's target Net Leverage level has been reset from 2.0x to 1.5-1.7x, ensuring the Group has sufficient financial flexibility to execute its strategy.
- Execution of a $200m 3-year club bank debt facility which will increase the Group's committed debt facilities by $150m, has market standard financial ratios covering Fixed Charges Cover, Net Leverage and Gearing.

For personal use only

REMUNERATION RECEIVED BY KMP SENIOR EXECUTIVES

The following table sets out the value of the remuneration received by KMP Senior Executives during the year. The figures in this table differ from those shown in the statutory table later in Section 5 mainly because the statutory table includes an apportioned accounting value for all unvested Long Term Incentive Plan grants (which remain subject to the satisfaction of performance and service conditions and may not ultimately vest).

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

The table below shows:

Fixed remuneration **Short Term Incentive**

Any vesting of Long Term Incentive Plan awards **Termination Payments**

	Fixed Remuneration (1)	STI (2)	LTI vested (3)	Termination payments (4)	Total actual remuneration earned
G Carroll	743,188	50,000	-	-	**793,188**
S Williams	388,280	-	-	-	**388,280**
J Ball	209,928	-	-	-	**209,928**
C Scott resigned 29 May 2017	371,031	157,926	-	282,934	**811,891**
T King resigned 12 April 2017	95,462	-	-	149,428	**244,890**

1) Base Salary, superannuation and non-monetary benefits such as motor vehicle and travel
2) STI paid during the financial year for discretionary bonus awarded on the prior year
3) Intrinsic value of LTI that vested during the financial year
4) Termination payments paid during the financial year

RELATIONSHIP BETWEEN G8 EDUCATION PERFORMANCE AND EXECUTIVE KMP REMUNERATION

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

	2013	2014	2015	2016	2017
	$'000	$'000	$'000	$'000	$'000
Total revenue	275,165	491,288	706,164	778,513	795,759
EBIT	47,350	105,965	160,423	160,691	150,878
Net Profit After Tax	31,072	52,731	88,581	80,265	80,581
Underlying EBIT (unaudited, Non IFRS) ●	50,593	100,248	145,438	160,660	156,034
Underlying NPAT (unaudited, Non IFRS) ●	32,276	60,613	87,131	93,342	92,874
Underlying EPS (cents)	11.72	18.57	23.87	24.68	21.80
Average annual dividend per share (cents)	12.0	19.0	24.0	24.0	18.0
Share price as at 31 December ($)	3.16	4.17	3.57	3.59	3.45
Total Remuneration Executive KMP	1,489	1,999	2,968	3,031	2,558

Since 2013 underlying EPS has increased by 88%, dividends per share have increased by 50% and the share price has increased by 9% demonstrating a balance between strategic growth and shareholder value.
During the same period, total remuneration paid to KMP has increased by 71%. Total remuneration paid to KMP as a proportion of underlying Net profit After Tax was 4.6% in 2013 and has decreased to 2.7% in 2017.

● Underlying EBIT equals NPBT plus finance costs plus non-operating costs as per page 21
● Underlying NPAT equals NPAT plus non-operating costs as per page 21

	YEAR	Fixed Remuneration								Proportion of total remuneration	
		Short-term			POST EMPLOYMENT COSTS			Performance Rights	Total	Performance related	Share Plan related
Amount $		Salary	STI	Dividends from Share Plan	Superannuation benefits	Termination payment	Total	Share based payment		%	%
G Carroll	2017	725,000	145,000	-	18,188	-	888,188	77,611	965,799	23%	8%
	2016	199,110	50,000	-	11,452	-	260,562	-	260,562	19%	-
S Williams	2017	368,448	54,666	-	19,832	-	442,946	19,426	462,372	16%	4%
	2016	-	-	-	-	-	-	-	-	-	-
J Ball	2017	199,904	19,250	-	10,024	-	229,178	-	229,178	8%	-
	2016	-	-	-	-	-	-	-	-	-	-
C Scott^	2017	364,207	-	80,000	6,824	282,934	733,965	(85,889)	648,076	(13%)	(13%)
	2016	889,218	168,750	90,000	7,564	-	1,155,532	-	1,155,532	15%	-
T King^^	2017	95,462	-	-	8,675	149,428	253,565	-	253,565	-	-
	2016	290,385	70,000	-	19,681	-	380,066	-	380,066	18%	-
Former KMP											
J Roberts^^^	2016	546,834	108,750	90,000	19,864	-	765,448	-	765,448	14%	-
A Perriam*	2016	243,923	30,625	10,998	19646	-	305,192	-	305,192	10%	-
C Sacre**	2016	141,814	-	100,000	12,876	14,870	269,560	(105,284)	164,276	(64%)	(64%)
Total	2017	1,753,021	218,916	80,000	63,543	432,362	2,547,842	11,148	2,558,990		
Total	2016	2,311,284	428,125	290,998	91,083	14,870	3,136,360	(105,284)	3,031,076		

● C Scott resigned 29 May 2017
● T King resigned 12 April 2017
● C Sacre resigned 27 May 2016
● J Roberts resigned 18 January 2018 and ceased as KMP 1 January 2017
● A Perriam resigned 10 April 2017 and ceased as KMP 1 January 2017

6. KMP EQUITY INTERESTS

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

SHARES		Balance at the start of the year	Shares cancelled under limited recourse loans disclosed as share options	Other changes during the year	Balance at the end of the year
Directors of G8 Education Limited					
Ordinary Shares					
M Johnson	Directly	25,000	-	5,000	**30,000**
B Bailison	Directly	-	-	13,000	**13,000**
S Forrester	Directly	15,423	-	24,105	**39,528**
D Foster	Directly	14,587	-	-	**14,587**
G Carroll	Directly	-	-	100,000	**100,000**
M Zabel	Directly	-	-	-	-
J Cogin	Directly	-	-	-	-
C Scott ●	Beneficially	333,333	(333,333)	-	-
M Reynolds ●	Directly	24,195	-	(24,195)	-
KMP of G8 Education Limited					
Ordinary Shares					
S Williams	Directly	-	-	12,500	**12,500**
J Ball	Directly	-	-	-	-
T King ●	Indirectly	631,329	-	(631,329)	-

● C Scott resigned 29 May 2017
● T King resigned 12 April 2017
● M Reynolds resigned 31 August 2017

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

	Tranche	Grant Date 2017	Fair Value at Grant Date	Balance at the start of the year	Granted during the year	Balance at the end of the year	Value of Performance Rights granted in year ●	Financial year in which grant vests
			$	Number	Number	Number	$	Year
G Carroll	**Tranche 1**	**20-July**	3.19	-	142,249	142,249	453,774	2020
S Williams	**Tranche 2**	**6-Oct**	3.70	-	53,629	53,629	198,427	2020
TOTAL				-	195,878	195,878	652,202	

● Determined at the time of the grant per AASB 2. For details on the valuation of performance rights, including model and assumption used, please refer to note 30.

The Performance rights are expensed over the vesting conditions which are measured from grant date. Plan participants may not enter into any transaction designed to remove the at risk aspect of the Performance Rights before they vest. The value at the exercise date for Performance Rights is the Group share price.

For personal use only

7. EMPLOYMENT AGREEMENTS (AUDITED)

The CEO and other executive KMP operate under employment agreements.

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

Length of contract	The CEO and other executive KMP are on permanent contracts, which is an ongoing employment contract until notice is given by either party.
Notice periods	In order to terminate the employment arrangements, the CEO is required to provide G8 Education with six months' written notice. Other executive KMP are required to provide G8 Education six months' written notice.
Resignation	On resignation, unless the Board determines otherwise: All unvested STI or LTI benefits are forfeited.
Termination on notice by G8 Education	G8 Education may terminate employment of the CEO by providing six months' written notice. For other executive KMP, the notice period varies from three to six months' written notice. The Company may make payment in lieu of the notice period based on TFR. On termination on notice by G8 Education, unless the Board determines otherwise:
Death or total and permanent disability	On death or total and permanent disability, the Board has discretion to allow all unvested STI and LTI benefits to vest.
Termination for serious misconduct	G8 Education may immediately terminate employment at any time in the case of serious misconduct, 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 ESS instruments provided to the employee on vesting of STI or LTI awards that are held in trust, will be forfeited.
Statutory entitlements	Payment of statutory entitlements of long service leave and annual leave applies in all events of separation.
Post-employment restraints	The CEO is subject to post-employment restraints of up to 24 months. All other executive KMP are subject to post-employment restraints for up to 12 months.

For personal use only

8. NON-EXECUTIVE DIRECTOR (NED) REMUNERATION (AUDITED)

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 is structured to preserve independence whilst creating alignment. Remuneration rates reflect the complexity of G8 Education's business and the extent of the number of geographical locations in which G8 Education operates. In determining the level of fees, survey data on comparable companies is considered. NEDs' fees are recommended by the PCC and determined by the Board. Shareholders approve the aggregate amount available for the remuneration of NEDs. There was no change to the NED remuneration in 2017.
Remuneration is structured to preserve independence whilst creating alignment	To preserve independence and impartiality, NEDs are not entitled to any form of incentive payments including options and the level of their fees is not set with reference to any measure of G8 Education performance. However, to create alignment between directors and shareholders, the Board has adopted guidelines that request NEDs to hold (or have a benefit in) shares in G8 Education.
Aggregate Board and committee fees are approved by shareholders	The total amount of fees paid to NEDs in 2017 is within the aggregate amount approved by shareholders at the AGM in May 2017 of $1,1 million per annum including superannuation. At the AGM on 29 May 2017, the Chairman confirmed that it was not intended to exceed $1 million in non-executive director payments in the next two years.

NED FEES AND OTHER BENEFITS EXPLAINED

Elements	Details	2017	2016
Board fee per annum	Board Chairman Fee	225,000	225,000
	Board NED Base fee	110,000	95,000

Committee fees 2017	Committee Fees	Committee Chair	Committee member
	Audit	25,000	10,000
	Nomination	17,000*	No Fee
	People and Culture	17,000	9,000

*Reflects the creation of a formal Nomination Committee in 2017

Post-employment benefits

Superannuation	Superannuation contributions have been made at a rate of 9.5% of the board fee except in cases where the Australian Government's prescribed maximum contributions limit has been applied. The limit will apply to all Directors and KMP from 1 January 2018. The contribution rate will increase in future years in line with mandated legislative increases. Contributions are not included in the base fee.
Retirement schemes	There are no retirement schemes in place for NED other than Statutory Superannuation.

Other benefits

Equity instruments	NEDs do not receive any performance related remuneration, options, performance rights or shares.
Other fees/benefits	NEDs receive reimbursement for costs directly related to G8 Education business. No payments were made to NEDs during 2017 for travel allowances, extra services or special exertions.

NED TOTAL REMUNERATION PAID (AUDITED)

		Short-term Benefits	Post-employment Benefits	
	YEAR	FEES	SUPERANNUATION BENEFITS	TOTAL
M Johnson (Chairman)	2017	225,000	21,375	246,375
	2016	225,865	21,457	247,322
B Bailison	2017	135,000	12,825	147,825
	2016	121,923	11,583	133,506
S Forrester	2017	127,000	12,065	139,065
	2016	116,539	11,071	127,610
D Foster	2017	129,423	12,295	141,718
	2016	104,519	9,929	114,448
M Zabel (appointed 1 September 2017)	2017	36,385	3,457	39,842
	2016	-	-	-
J Cogin (appointed 1 September 2017)	2017	39,362	3,739	43,101
	2016	-	-	-
M Reynolds (resigned 31 August 2017)	2017	79,638	7,827	87,465
	2016	111,153	10,560	121,713
Total	**2017**	**771,808**	**73,583**	**845,391**
Total	**2016**	**679,999**	**64,600**	**744,599**

MINIMUM SHAREHOLDING GUIDELINES

The Board has approved minimum shareholding guidelines for NEDs, the CEO and those executives who report directly to the CEO. Under these guidelines, all NEDs are requested to accumulate a minimum shareholding in G8 Education shares equivalent in value to one year's base fees and all relevant executives are requested to accumulate a minimum shareholding in G8 Education shares equivalent to one year's fixed remuneration. The Board believes that this requirement will ensure alignment with shareholders interests.

The guidelines were implemented in January 2017, with NEDs and relevant executives required to accumulate the required holding over the next 5 years or from appointment.

DIRECTORS TENURE

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

For personal use only

CORPORATE GOVERNANCE

G8 Education Limited is strongly committed to good corporate governance practices and substantially complies with the ASX Corporate Governance Council's (CGC) Corporate Governance Principles and Recommendations (Third Edition). The board of directors guides and monitors the business and affairs of G8 Education Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. G8 Educations Limited 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 2017, G8 Education engaged Ernst & Young to perform non-audit services relating to other audit advice. The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied the provision of non-audit services by the auditor, as set out in note 31, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 46.

AUDITOR

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

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



Gary Carroll
Managing Director

24 February 2018



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

For personal use only

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

As lead auditor for the audit of G8 Education Limited for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ric Roach
Partner

24 February 2018

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

SECTION TWO

FINANCIAL REPORT

Consolidated Income Statement	48
Consolidated Statement of Comprehensive Income	48
Consolidated Balance Sheet	49
Consolidated Statement of Changes in Equity	50
Consolidated Statement of Cash Flows	51
Notes to the Financial Statements	52
Directors' Declaration	102
Independent Auditor's Report	103

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

	Notes	2017	2016
Revenue		$'000	$'000
Revenue from continuing operations	2	789,043	771,715
Other income	3	7,763	6,798
Total revenue		**796,806**	**778,513**
Expenses			
Employee benefits	4	(445,841)	(432,126)
Occupancy		(97,846)	(88,396)
Direct costs of providing services		(58,568)	(59,348)
Depreciation	4	(13,959)	(11,707)
Other expenses		(28,667)	(25,202)
Finance costs	4	(34,144)	(47,065)
Total expenses		**(679,025)**	**(663,844)**
Profit before income tax		**117,781**	**114,669**
Income tax expense	5	(37,200)	(34,404)
Profit for the year attributable to members of the parent entity		**80,581**	**80,265**
		Cents	Cents
Basic earnings per share	6	18.92	21.22
Diluted earnings per share	6	18.91	21.22

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 2017

	2017	2016
	$'000	$'000
Profit for the year	**80,581**	**80,265**
Other comprehensive income, net of income tax		
Items that are or may be reclassified to the income statement:		
Exchange differences on translation of foreign operations	(23)	(455)
Reclassify to income statement for prior period hedges	-	(3,559)
Effective portion of changes in fair value of cash flow hedges	1,921	(1,042)
Total other comprehensive income	**1,898**	**(5,056)**
Total comprehensive income for the year	**82,479**	**75,209**

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2017

	Notes	2017	2016
ASSETS		$'000	$'000
Current assets			
Cash and cash equivalents	16	49,209	26,467
Trade and other receivables	7	30,366	22,948
Other current assets	8	12,361	9,234
Current tax asset		250	2,923
Total current assets		**92,186**	**61,572**
Non-current assets			
Property plant and equipment	9	63,906	54,845
Deferred tax assets	5	16,220	15,415
Goodwill	14	1,087,969	1,015,002
Other non-current assets	8	32,273	23,022
Derivative Financial Instruments	18	622	3,359
Total non-current assets		**1,200,990**	**1,111,643**
Total assets		**1,293,176**	**1,173,215**
LIABILITIES			
Current liabilities			
Trade and other payables	10	75,057	88,847
Borrowings	17	49,905	-
Provisions	28	26,096	25,956
Total current liabilities		**151,058**	**114,803**
Non-current liabilities			
Other payables	10	1,067	754
Borrowings	17	253,589	410,649
Provisions	11	8,321	4,783
Derivative financial instruments	18	13,806	16,351
Total non-current liabilities		**276,783**	**432,537**
Total liabilities		**427,841**	**547,340**
Net assets		**865,335**	**625,875**
EQUITY			
Contributed equity	19	876,394	641,848
Reserves		44,552	35,649
Retained earnings		(55,611)	(51,622)
Total equity		**865,335**	**625,875**

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

For personal use only

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Notes	Contributed Equity	Hedging Reserve	Translation Reserve	Share Based Payment Reserve	Profits Reserve	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance 1 January 2016		**603,043**	**3,559**	**6,026**	**344**	**33,706**	**(43,893)**	**602,785**
Profit for the year		-	-	-	-	87,994	(7,729)	80,265
Other comprehensive income		-	(4,601)	(455)	-	-	-	(5,056)
Total comprehensive income for the year		**-**	**(4,601)**	**(455)**	**-**	**87,994**	**(7,729)**	**75,209**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction cost	19	38,805	-	-	-	-	-	38,805
Share based payment expense		-	-	-	(105)	-	-	(105)
Dividends provided for or paid	20	-	-	-	-	(90,819)	-	(90,819)
Total		**38,805**	**-**	**-**	**(105)**	**(90,819)**	**-**	**(52,119)**
Balance 31 December 2016		**641,848**	**(1,042)**	**5,571**	**239**	**30,881**	**(51,622)**	**625,875**
Balance 1 January 2017		**641,848**	**(1,042)**	**5,571**	**239**	**30,881**	**(51,622)**	**625,875**
Profit for the year		-	-	-	-	84,570	(3,989)	80,581
Other comprehensive income (net of tax)		-	1,921	(23)	-	-	-	1,898
Total comprehensive income for the year		**-**	**1,921**	**(23)**	**-**	**84,570**	**(3,989)**	**82,479**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction cost	19	234,546	-	-	-	-	-	234,546
Share based payment expense	30	-	-	-	(108)	-	-	(108)
Dividends provided for or paid	20	-	-	-	-	(77,457)	-	(77,457)
Total		**234,546**	**-**	**-**	**(108)**	**(77,457)**	**-**	**156,981**
Balance 31 December 2017		**876,394**	**879**	**5,548**	**131**	**37,994**	**(55,611)**	**865,335**

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 2017

	Notes	2017	2016
		$'000	$'000
Cash flows from Operating Activities			
Receipts from customers (inclusive of GST)		777,833	769,277
Payments to suppliers and employees (inclusive of GST)		(626,525)	(601,491)
Interest received		1,004	1,198
Interest paid		(26,199)	(25,431)
Income taxes paid		(34,102)	(34,970)
Net cash inflows from operating activities	**21**	**92,011**	**108,583**
Cash flows from Investing Activities			
Payments for purchase of businesses (net of cash acquired)		(67,422)	(82,140)
Payments for divestments		(358)	-
Payments for property plant and equipment		(18,432)	(25,009)
Net cash outflows from investing activities		**(86,212)**	**(107,149)**
Cash flows from Financing Activities			
Share issue costs		(5,357)	(57)
Debt issue costs		(4,357)	(12,747)
Dividends paid	20	(62,787)	(57,964)
Proceeds from issue of corporate note		-	269,281
Repayment of corporate note		(70,000)	(411,208)
Proceeds from issue of shares		200,675	6,537
Inflows from Borrowings		10,000	40,000
Outflows of Borrowings		(51,204)	-
Premium paid on FX option		-	(11,028)
Proceeds from sale of FX option		-	8,281
Net cash inflows (cash outflows) from financing activities		**16,970**	**(168,905)**
Net increase/ (decrease) in cash and cash equivalents		22,769	(167,471)
Cash and cash equivalents at the beginning of the financial year		26,453	193,826
Effects of exchange rate changes on cash		(27)	98
Cash and cash equivalents at the end of the financial year	**16**	**49,195**	**26,453**

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

For personal use only

For personal use only

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

1. Financial Overview

NOTE 1: SEGMENT INFORMATION 53
NOTE 2: REVENUE 53
NOTE 3: OTHER INCOME 54
NOTE 4: EXPENSES 54
NOTE 5: INCOME TAX AND DEFERRED TAX ASSETS 55
NOTE 6: EARNINGS PER SHARE 58
NOTE 7: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES 58
NOTE 8: CURRENT ASSETS – OTHER 60
NOTE 9: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT 61
NOTE 10: CURRENT AND NON-CURRENT LIABILITIES – TRADE AND OTHER PAYABLES 63
NOTE 11: NON-CURRENT LIABILITIES – PROVISIONS 63

2. Business Combinations, Goodwill & Impairment

NOTE 12: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 64
NOTE 13: BUSINESS COMBINATIONS 65
NOTE 14: NON-CURRENT ASSETS – GOODWILL 68

3. Capital Structure & Financial Risk Management

NOTE 15: FINANCIAL RISK MANAGEMENT 69
NOTE 16: CURRENT ASSETS – CASH AND CASH EQUIVALENTS 76
NOTE 17: CURRENT AND NON – CURRENT LIABILITIES - BORROWINGS 77
NOTE 18: DERIVATIVE FINANCIAL INSTRUMENTS 79
NOTE 19: CONTRIBUTED EQUITY 80
NOTE 20: DIVIDENDS 82
NOTE 21: RECONCILIATION OF NET CASH FLOWS FROM OPERATING AND FINANCING ACTIVITIES 83

4. Group Structure

NOTE 22: SUBSIDIARIES 84
NOTE 23: PARENT ENTITY DISCLOSURES 86
NOTE 24: DEED OF CROSS GUARANTEE 87

5. Unrecognised Items

NOTE 25: COMMITMENTS 89
NOTE 26: CONTINGENCIES 89
NOTE 27: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE 89

6. Other

NOTE 28: EMPLOYEE ENTITLEMENTS 90
NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES 91
NOTE 30: SHARE-BASED PAYMENTS 94
NOTE 31: REMUNERATION OF AUDITORS 96
NOTE 32: RELATED PARTY TRANSACTIONS 96
NOTE 33: OTHER SIGNIFICANT ACCOUNTING POLICIES 96

1. FINANCIAL OVERVIEW

Note 1: Segment Information

(a) Description of segments

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

	Australia	Foreign Country	Total
2017	$'000	$'000	$'000
Revenue from external customers	772,537	16,506	**789,043**
Non-current assets*	1,152,506	31,643	**1,184,148**
2016			
Revenue from external customers	756,948	14,767	**771,715**
Non-current assets*	1,061,052	31,817	**1,092,869**

*Non-current assets exclude deferred tax assets and derivative financial instruments

Note 2: Revenue

	CONSOLIDATED	
	2017	2016
	$'000	$'000
From continuing operations		
Sales revenue		
Revenue from child care centres	773,516	751,502
Funding relating to child care operations	13,269	18,203
	786,785	769,705
Other revenue		
Management fee Income	2,258	2,010
Total revenue continuing operations	**789,043**	**771,715**

Accounting Policy

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

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

Revenue is recognised for the major business activities as follows:

(i) Child care fees

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

Revenue received in advance from parents and guardians and government is recognised as deferred income and classified as a current liability (see note 10).

(ii) Government Funding/Grants

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

(iii) Management fee Income

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

Note 3: Other Income

	CONSOLIDATED 2017 $'000	2016 $'000
Deferred consideration not payable	243	2,500
Licence and other fees	6,473	3,255
Interest	1,047	1,043
	7,763	**6,798**

Accounting Policy

(i) Deferred consideration

Refer note 13.

(ii) Licence and other fees

Licence fees are recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured over the term of the licence period.

(iii) Interest income

Interest income is recognised using the effective interest method

Note 4: Expenses

	CONSOLIDATED 2017 $'000	2016 $'000
Profit before income tax includes the following specific expenses:		
Depreciation	**13,959**	**11,707**
Employment Costs		
Wages and salaries	410,807	397,898
Post-employment benefits	35,142	34,333
Share-based payment expense	(108)	(105)
	445,841	**432,126**
Finance Costs		
Interest and finance charges	31,379	39,017
Foreign Exchange Loss (refer note 15)	2,765	8,048
	34,144	**47,065**
Property rental expenses relating to operating leases Minimum lease payments	88,300	79,876
Bad & doubtful debts	727	671

For personal use only

Note 5: Income Tax - Expense

	CONSOLIDATED 2017 $'000	2016 $'000
(a) Income tax expense		
Current Tax	36,708	27,349
Deferred Tax	425	6,840
Prior Period Adjustment	67	215
Income tax expense is attributable to profit from continuing operations	**37,200**	**34,404**
Deferred income tax expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	425	6,840

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	CONSOLIDATED 2017 $'000	2016 $'000
Profit from continuing operations before income tax expense	117,781	114,669
Tax on operations at the Australian tax rate of 30% (2016: 30%)	35,334	34,401
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Adjustment relating to prior year	67	215
Entertainment	140	139
Deferred consideration not payable	(73)	(750)
Acquisition related costs - not deductible	1,336	622
Other non-allowable items	218	37
Difference in overseas tax rates	178	(260)
Income tax expense	**37,200**	**34,404**
Weighted average tax rate	31.6%	30.0%

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting year and not recognised in profit or loss but directly debited or credited to equity		
Net deferred tax - debited (credited) directly to equity	1,230	577

Note 5: Income Tax - Non-Current Assets – Deferred Tax Assets	CONSOLIDATED	
	2017	2016
Deferred tax asset	**$'000**	**$'000**
The balance comprises temporary differences attributable to:		
Employee benefits	8,764	8,510
Cash Flow Hedging	838	-
Share issue transaction costs	1,861	1,295
	11,463	**9,805**
Other		
s40-880 Deductions	194	402
Doubtful debts	282	185
Accrued expenses	3,038	2,396
Foreign Exchange Loss (derivatives)	1,670	2,050
Provision	298	1,199
Sub total other	**5,482**	**6,232**
Total deferred tax assets	**16,945**	**16,037**
Deferred Tax Liability		
Buildings	(217)	(216)
Prepayments	(508)	(406)
Total deferred tax liability	**(725)**	**(622)**
Net deferred tax asset	**16,220**	**15,415**

	Employee Benefits	Share Issue Transaction Costs	OTHER	TOTAL
	$'000	$'000	$'000	$'000
At 1 January 2016	7,143	2,132	12,403	21,678
Charged to the consolidated income statement	1,367	(855)	(7,352)	(6,840)
Charged directly to equity	-	18	559	577
At 31 December 2016	**8,510**	**1,295**	**5,610**	**15,415**
Charged to the consolidated income statement	254	(1,041)	363	(425)
Charged directly to equity	-	1,607	(377)	1,230
At 31 December 2017	**8,764**	**1,861**	**5,595**	**16,220**



For personal use only

Note 5: Income Tax - Non-Current Assets – Deferred Tax Assets (continued)

Tax consolidation

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

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

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

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

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

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

Nature of the tax funding agreement

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

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

(iii) Tax related contingencies

At 31 December 2017 there are no tax related contingencies (2016; Nil).

Accounting Policy

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

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

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

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

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

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

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

Note 6: Earnings per Share

	CONSOLIDATED 2017	2016
	CPS	CPS
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the company	18.92	21.22
(b) Diluted earnings per share		
Profit from continuing operation attributable to the ordinary equity holders of the Company	18.91	21.22
	$'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	80,581	80,265
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	80,581	80,265
	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	425,942,976	378,206,976
Adjustments for calculation of diluted earnings per share:		
Performance Rights	141,348	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**426,084,323**	**378,206,976**

Accounting Policy

(i) Basic Earnings Per Share

Basic Earnings Per Share is calculated by dividing:

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

(ii) Diluted Earnings Per Share

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

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

Note 7: Current Assets - Trade and Other Receivables	CONSOLIDATED 2017	2016
	$'000	$'000
Trade receivables	26,884	20,113
Allowance for impairment of receivables (note (a) below)	(1,013)	(718)
	25,871	**19,395**
GST receivable	1,007	1,237
Other debtors	3,488	2,316
Total trade and other receivables	**30,366**	**22,948**

For personal use only

Note 7: Current Assets - Trade and Other Receivables (continued)

(a) Impaired trade receivables

As at 31 December 2017 current trade receivables of the Group with a nominal value of $2,026,155 (2016: $1,435,288) were assessed for impairment. The amount of the allowance for impairment was $1,013,345 (2016: $718,486).

The ageing of these receivables is as follows:

	CONSOLIDATED 2017	2016
	$'000	$'000
31-60 days	408	247
61+ days	1,618	1,188
Total	**2,026**	**1,435**

Movements in the allowance for impairment of receivables are as follows:	CONSOLIDATED 2017	2016
	$'000	$'000
Opening balance	718	618
Allowance for impairment recognised during the year	727	671
Receivables written off during the year as uncollectable	(432)	(571)
Exchange differences	-	-
Closing balance	**1,013**	**718**

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

(b) Past due but not impaired

As at 31 December 2017, trade receivables of $6,241,527 (2016: $6,294,399) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default and for which full payment is expected.

The ageing analysis of these trade receivables is as follows:

	CONSOLIDATED 2017	2016
	$'000	$'000
Up to 3 months	6,064	5,827
3 to 6 months	14	47
Over 6 months	164	420
	6,242	**6,294**

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is considered to approximate their fair value. Information concerning the credit risk of receivables is set out in note 15.

Accounting Policy

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

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

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

Note 7: Current Assets - Trade and Other Receivables (continued)

Parent fees are required to be paid one week in advance. The parent fees receivable relates to parent fees where amounts are past due and not paid in advance.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

Note 8: Current and Non-Current Assets - Other

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Current		
Prepayments	5,500	2,352
Inventory	4,463	3,129
Deposits	2,398	3,753
Total other current assets	**12,361**	**9,234**
Non- Current		
Deposits on acquisitions	29,443	23,022
Prepayments	1,456	-
Deposits	1,374	-
Total other non-current assets	**32,273**	**23,022**
Total other current and non-current assets	**44,634**	**32,256**

Accounting Policy

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

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

Note 9: Non-Current Assets - Property, Plant and Equipment

	Buildings	Vehicles	Furniture, fittings & equipment	Make Good	Total
	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED					
Year ended 31 December 2017					
Opening net book amount	4,298	312	50,235	-	54,845
Additions through business combinations (refer note 13)	-	-	815	-	815
Initial Provision	-	-	-	5,080	5,080
Additions - other	-	-	18,187	-	18,187
Disposals	-	(5)	(1,050)	-	(1,055)
Depreciation charge	(152)	(56)	(13,751)	-	(13,959)
Effect of foreign exchange on depreciation	-	-	(7)	-	(7)
Closing net book amount	**4,146**	**251**	**54,429**	**5,080**	**63,906**
At 31 December 2017					
Cost	5,046	1,179	101,812	5,080	113,117
Accumulated depreciation	(900)	(928)	(47,383)	-	(49,211)
Net Book amount	**4,146**	**251**	**54,429**	**5,080**	**63,906**

	Buildings	Vehicles	Furniture, fittings & equipment	Make Good	Total
	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED					
Year ended 31 December 2016					
Opening net book amount	4,450	581	36,339	-	41,370
Additions through business combinations (refer note 13)	-	-	270	-	270
Additions - other	-	-	25,141	-	25,141
Disposals	-	(202)	(13)	-	(215)
Depreciation charge	(152)	(67)	(11,488)	-	(11,707)
Effect of foreign exchange on depreciation	-	-	(14)	-	(14)
Closing net book amount	**4,298**	**312**	**50,235**	**-**	**54,845**
At 31 December 2016					
Cost	5,046	1,184	83,867	-	90,097
Accumulated depreciation	(748)	(872)	(33,632)	-	(35,252)
Net Book amount	**4,298**	**312**	**50,235**	**-**	**54,845**

Lendlease Corporation

Note 9: Non-Current Assets - Property, Plant and Equipment (continued)

(a) Leasehold Improvements

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

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Cost	64,894	50,676
Accumulated depreciation	(21,448)	(14,361)
Net book amount	**43,446**	**36,315**

(b) Non-current assets pledged as security

Refer to note 17 for information on the non-current assets pledged as security by the Company and its controlled entities.

Accounting Policy

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

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

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

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

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

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

For personal use only

Note 10: Current and Non-Current Liabilities - Trade and Other Payables

	Notes	CONSOLIDATED 2017	2016
		$'000	$'000
Trade payables (i)		9,343	7,534
Deferred centre acquisitions	13	13,546	3,998
Dividends payable	20	-	22,950
Centre enrolment advances (i)		5,845	8,260
Other payables and accruals (i)		37,168	35,872
Deferred income		9,155	10,233
Total Current		**75,057**	**88,847**
Lease accounting liability		312	-
Deferred centre acquisitions	13	755	754
Total Non-Current		**1,067**	**754**

Accounting Policy

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

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

Note 11: Non-Current Liabilities - Provisions

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Employee benefits	3,241	4,783
Make good provision	5,080	-
Total	**8,321**	**4,783**

Employee benefits refer to note 28

Accounting Policy

Make good provision

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

Note 12: Critical Accounting Estimates and Judgements

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

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

(i) Estimated impairment of goodwill

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

(ii) Deferred contingent consideration on acquisition of businesses

The Group includes the fair value of deferred contingent consideration as a liability for the acquisition of a business where it expects the earn-out target to be met. This judgement is based on operational due diligence and knowledge of the business trading conditions including location, occupancy and profitability at the time of settlement. Where outside the measurement period under AASB 3 Business combinations, if the earn out target is not met then the amount not paid of the deferred contingent consideration is taken to the income statement as a credit and the corresponding entry against the liability.

(iii) Long service leave

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

For personal use only

Note 13: Business Combinations

The acquisitions below have increased the Group's market share and are expected to reduce costs per centre through economies of scale. The goodwill is attributable to the future profitability of the acquired businesses. During the year the Group purchased 37 centres from various vendors as outlined below:

Number of centres	**24**	**1**	**1**	**1**	**1**	**2**	**2**	**3**	**2**	**37**
State	NSW/VIC/ WA/QLD/ Singapore	VIC	SA	ACT	NSW	VIC	VIC	VIC	VIC	TOTAL
Purchase Consideration	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash consideration	24,245	3,175	954	900	1,096	6,913	5,683	10,554	5,664	59,184
Purchase price adjustments (to cash)	(318)	-	-	-	(20)	43	(21)	(30)	(329)	(675)
Contingent consideration	3,873	1,058	1,738	2,563	1,873	-	2,842	-	-	13,947
Total purchase consideration	**27,800**	**4,233**	**2,692**	**3,463**	**2,949**	**6,956**	**8,504**	**10,524**	**5,335**	**72,456**
Assets & Liabilities acquired at fair value										
Property, Plant & equipment	509	81	39	56	4	34	51	31	10	815
Lease Liability	(1,357)	-	-	-	-	-	-	-	-	(1,357)
Employee benefit liabilities	(483)	-	-	-	-	(40)	-	(81)	-	(604)
Net identifiable assets/ (liabilities) acquired	(1,331)	81	39	56	4	(6)	51	(50)	10	(1,146)
Goodwill	29,131	4,152	2,653	3,407	2,945	6,962	8,453	10,574	5,325	73,602
	27,800	**4,233**	**2,692**	**3,463**	**2,949**	**6,956**	**8,504**	**10,524**	**5,335**	**72,456**
Revenue & profit contribution from the date of acquisition to period end 31 December 2017										
Revenue	9,867	707	746	794	1,031	2,187	745	1,185	155	17,417
Profit/(Loss) before tax	**1,144**	**(380)**	**(111)**	**(108)**	**180**	**482**	**(117)**	**328**	**44**	**1,462**

FY revenue could not be reliably measured, however profit contribution from 1 January 2017 would be approximately $7.7 million.

Acquisition costs of $3,422,860 (2016: $2,574,323) are included in other expenses in the consolidated income statement. As at 31 December 2017 accounting for the 2017 acquisitions are provisional in nature due to final completion statements not being received at year end.

Note 13: Business Combinations (continued)

No goodwill deductible for tax purposes.
During the year accounting adjustments were made to provisional amounts recognised in 2016 as outlined below:

	2016 Provisional	2016 Adjustments	Final
	WA/NSW/QLD/VIC	WA/NSW/QLD/VIC	WA/NSW/QLD/VIC
	$'000	$'000	$'000
Purchase Consideration			
Cash consideration	62,874	-	62,874
Contingent consideration	3,998	76	4,074
Purchase price adjustments	(748)	284	(464)
Total purchase consideration	**66,124**	**360**	**66,484**
Assets & Liabilities acquired at fair value			
Property, Plant & equipment	270	125	395
Payables	(147)	-	(147)
Employee benefit liabilities	(376)	10	(366)
Net identifiable assets/(liabilities) acquired	(253)	135	(118)
Goodwill	66,377	225	66,602
Total asset and liabilities acquired	**66,124**	**360**	**66,484**

The above amounts relate to accounting adjustments for assets and liabilities taken on at acquisition date but not finalised at 31 December 2016

Contingent Consideration

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

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

At 31 December 2017	Total potential contingent consideration payable	Carrying value	Conditions
	$'000	$'000	
Acquisition of 7 centres*	7,961	7,961	24 month performance hurdle based on EBIT
Acquisition of 3 centres*	2,315	2,315	24 month performance hurdle based on EBIT
Acquisition of 2 centres*	3,270	3,270	24 month performance hurdle based on EBIT
Acquisition of 1 centre	1,125	755	19 years occupancy hurdle based on licence capacity
Total	**14,671**	**14,301**	

*The Group has assessed these hurdles will be reached within 12 months and accordingly have recorded these amounts as current.

Note 13: Business Combinations (continued)

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

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Financial liability for contingent consideration as at 31 December	4,752	4,367
Write back of contingent consideration to P&L performance condition not met - other income (note 3)	(243)	(2,500)
Fair value adjustments	76	42
Paid contingent consideration performance condition met	(4,231)	(1,155)
Contingent consideration for new acquisitions	13,947	3,998
Total contingent consideration payable as at 31 December	**14,301**	**4,752**

Accounting Policy

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

Acquisition costs paid by the Company are expensed.

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

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

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

For personal use only

2. BUSINESS COMBINATIONS, GOODWILL & IMPAIRMENT

Note 14: Non-Current Assets - Goodwill

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Opening net book amount	1,015,002	944,604
Additions	73,602	66,377
Adjustments in respect of prior year acquisitions	225	4,311
Disposal of centres	(851)	-
Exchange differences	(9)	(290)
Closing net book amount	**1,087,969**	**1,015,002**
Cost	1,099,021	1,026,054
Accumulated impairment	(11,052)	(11,052)
Net book amount	**1,087,969**	**1,015,002**

The Group divested 22 centres during 2017.

(a) Impairment tests for goodwill

Goodwill is monitored and tested for impairment on an operating segment level as outlined in the accounting policy below. The recoverable amount of the child care centre assets is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets for 2018 and then extrapolated using estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business. For the purposes of goodwill impairment testing, the recoverable amount is compared to the carrying amount of the assets of the Group, which aside from goodwill, also includes the fixed assets of the child care centres.

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

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

- Centre wages – based on industry award standards and forecast to increase by the historically established wage cost as a percentage of revenue which is driven by future growth in occupancy;
- Centre occupancy expenses – based on current operating leases and increased by a historically established occupancy cost a percentage of revenue which is driven by future growth in occupancy ; and
- Other child care expenses – driven by historical expenditure and future occupancy growth.

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

The impairment model has the following key attributes:

- Pre-tax discount rate of 13% (2016; 13%);
- Full support office costs allocation; and
- Forecast period of 3 years plus a terminal growth calculation with a growth rate of 0% (2016;0%).

(c) Impairment charge

No significant changes to the underlying assumptions from 31 December 2016. As a result, management have determined no impairment was required.

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

For personal use only

3. CAPITAL STRUCTURE & FINANCIAL RISK MANAGEMENT

Note 15: Financial Risk Management

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

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

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

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

The Group holds the following financial instruments:

	Financial assets at fair value	Financial assets at amortised cost	Total
	$'000	$'000	$'000
2017 Financial Assets			
Cash and Cash equivalents	-	49,209	49,209
Trade and other receivables	-	29,298	29,298
Deposits on acquisitions	-	29,443	29,443
Derivative Financial Instruments	622	-	622
	622	**107,950**	**108,572**
2016 Financial Assets			
Cash and Cash equivalents	-	26,467	26,467
Trade and other receivables	-	21,711	21,711
Deposits on acquisitions	-	23,022	23,022
Derivative Financial Instruments	3,359	-	3,359
	3,359	**71,200**	**74,559**

	Derivatives used for Cash Flow Hedges	Derivatives used for Fair Value Hedges	Liabilities at amortised cost	Total
	$'000	$'000	$'000	$'000
2017 Financial Liabilities				
Trade and other payables	-	-	35,030	35,030
Borrowings	-	-	303,494	303,494
Derivative financial instrument	2,793	11,013	-	13,806
	2,793	**11,013**	**338,524**	**352,330**
2016 Financial Liabilities				
Trade and other payables	-	-	73,628	73,628
Borrowings	-	-	410,649	410,649
Derivative financial instrument	1,042	15,309	-	16,351
	1,042	**15,309**	**484,277**	**500,628**

The Group also has contingent consideration measured at the fair value as disclosed in Note 13.

Note 15: Financial Risk Management (continued)

(a) Foreign exchange risk

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

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

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

The Group also has current Singapore dollar denominated corporate notes outstanding with a total value of SGD$270m. On 18 May 2016 the Group entered into a cross currency swap agreement to hedge against

1) changes to the AUD/SGD forward rate at inception to mitigate the foreign exchange exposure on the highly probable repayment of SGD denominated borrowings (Senior Unsecured Notes issued under G8's SGD$600m Multi-currency Issuance Program); and

2) the foreign exchange exposure on the coupon payments associated with the SGD$270m corporate notes where the group pays 6.54% on AUD$269,892,043 and receives 5.50% on SGD$270m.

In the prior year, the Group closed out an AUD/SGD put option that was purchased to hedge against the currency risk of the SGD$260m unsecured May 2017 notes. The gain on this put option has been reflected through the income statement in the prior year.

On the 18 May 2016, the Group purchased an AUD/SGD call option with a notional value of through the income statement in the prior year SGD$270m, strike price of $1.175 and maturity date of 18 May 2019. This instrument is not designated as a hedge instrument and was purchased as an additional layer of counter-party security that ultimately eliminated collateral posting requirements. The movement in the value of this option is recognised through the income statement (refer note 4).

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

	2017 SGD	2016 SGD
	$'000	$'000
Cash and Cash equivalents	2,333	3,565
Trade receivables	572	319
Borrowings*	(265,748)	(262,977)
Trade payables	(324)	(240)
	(263,167)	**(259,333)**

*The Group entered into a cross currency swap to hedge against foreign exchange exposure on SGD borrowings whereby foreign exchange risk is mitigated by fair value movements being fully hedged.

The SGD to AUD exchange rate at 31 December 2017 was 0.9581 (2016: 0.9584).

Amounts recognised in the income statement and other comprehensive income (refer note 4).

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

Note 15: Financial Risk Management (continued)

	2017	2016
Amounts recognised in income statement	$'000	$'000
Exchange losses on foreign currency borrowing included in finance costs	(10,985)	(10,080)
Net revaluation of cross currency swap included in finance costs - SGD borrowings	11,013	15,309
Net revaluation of the AUD/SGD call option included in finance costs	2,737	2,819
	2,765	**8,048**
Net gains recognised in other comprehensive income		
Translation of foreign operations	(23)	(455)
Net revaluation of foreign exchange contract from prior period and recognition in income statement	-	(3,559)
Net revaluation of the cross currency swap - SGD borrowings	1,921	(1,042)
	1,921	**(4,601)**

Sensitivity

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

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

The group entered into a cross currency swap during the year to fully hedge against foreign currency exposure on SGD borrowings. Due to the effective nature of the hedge arrangement there is no material impact on post tax profits.

Accounting Policy

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is G8 Education Limited's functional and presentation currency.

(ii) Transactions and balances

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

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

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

For personal use only

Note 15: Financial Risk Management (continued)

(iii) Group companies

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

1. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

2. income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

3. all resulting exchange differences are recognised in other comprehensive income.

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

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

(b) Interest Rate Risk

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. Group policy is to maintain between 50% - 80% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2017 and 2016, the Group's borrowings at variable rates were denominated in Australian dollars only.

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

Instruments used by the Group

In the prior year the group entered into a cross currency swap as set out in note 15(a).

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

	31 December 2017			31 December 2016		
	Weighted avg interest rate	Balance	% of Total Loans	Weighted avg interest rate	Balance	% of Total Loans
		$'000			$'000	
Corporate Note	5.66%	50,000	16%	5.98%	50,000	12%
Bankwest facility	-	-	-	2.44%	40,000	10%
Net exposure to cash flow interest rate risk	**-**	**50,000**	**16%**	**-**	**90,000**	**22%**

An analysis by maturities is provided in 15(d) following.

Amounts recognised in profit or loss and other comprehensive income

Note 15: Financial Risk Management (continued)

Amounts recognised in other comprehensive income	2017	2016
	$'000	$'000
(Losses)/gains recognised as a result of cross currency swap designated as cash flow hedge	(1,921)	1,042
Gains recycled to income statement	-	3,559

Group sensitivity

At 31 December 2017, if interest rates had changed by -0.25%/+0.25% absolute from the year end rates with all other variables held constant, post-tax profit for the year would have been $87,260 higher or $87,260 lower respectively (net profit for 2016: $88,291 higher or $88,291 lower respectively).

(c) Credit risk

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

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

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

Analysis of the ageing of receivables is performed in note 7.

	2017	2016
	$'000	$'000
Trade receivables		
Counter-parties with external credit rating		
AAA	14,343	13,620
Counter-parties without external credit rating		
Receivables (current and non-current)	16,023	9,328
Total receivables	**30,366**	**22,948**
Cash at bank and short term deposits		
Counter-parties with external credit rating - AA	49,209	26,467

(d) Liquidity risk

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

Financing arrangements

Details of financing arrangements are disclosed in note 17.

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 24 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

For personal use only

Note 15: Financial Risk Management (continued)

Contractual maturities of Financial Liabilities

CONSOLIDATED 2017 $'000

	0 to 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	>5 years	Total contractual cash flows	Carrying Amount
Non Derivative							
Corporate Note	56,649	8,946	278,693	-	-	344,288	308,268
Bank facility	-	-	-	-	-	-	-
Deferred centre acquisition	-	2,390	11,306*	225	750	14,671	14,301
Trade and other payables	35,030	-	-	-	-	35,030	35,030
Derivatives							
Net settled (FX hedge)	1,662	1,678	10,853	-	-	14,193	13,806

The Group made an early redemption of the non-current $70m 7.65% fixed Australian notes on 7 August 2017. An early repayment fee of $1.4m was incurred upon repayment.
*Refer note 13

Contractual maturities of Financial Liabilities

CONSOLIDATED 2016 $'000

	0 to 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	>5 years	Total contractual cash flows	Carrying Amount
Non Derivative							
Corporate Note	11,537	11,895	107,092	378,704	-	509,228	378,021
Bank facility	623	623	623	40,623	-	42,492	40,000
Deferred centre acquisition	-	4,073	75	225	825	5,198	4,752
Trade and other payables	73,628	-	-	-	-	73,628	73,628
Derivatives							
Net settled (FX hedge)	1,783	1,839	7,943	8,342	-	19,907	16,351

(e) Fair value measurements

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

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

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

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

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

The following table present the Group's assets and liabilities measured and recognised at fair value on a recurring basis at 31 December 2016 and 31 December 2017:

Note 15: Financial Risk Management (continued)

At 31 December 2017 $000	Level 1	Level 2	Level 3	**Total**
Asset				
Derivative financial asset	-	622	-	622
Liabilities				
Derivatives used for hedging	-	13,806	-	13,806
Contingent consideration (refer note 13)	-	-	14,301	14,301

At 31 December 2016 $000	Level 1	Level 2	Level 3	**Total**
Asset				
Derivative financial asset	-	3,359	-	3,359
Liabilities				
Derivatives used for hedging	-	16,351		16,351
Contingent consideration (refer note 13)	-	-	4,752	4,752

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

Specific valuation techniques used to value financial instruments include:

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

(i) Cross Currency Swap

The fair value movement on the principal repayment is being treated as a fair value hedge with all movements being recorded through finance costs. The coupon payments associated with the corporate notes have been designated as a cash flow hedge with all movements being recorded in other comprehensive income.

(ii) Foreign exchange option

On 18 May 2016, the Group purchased an AUD/SGD call option with a notional value of SGD$270m strike price of $1.175 and maturity date of 18 May 2019. This instrument is not designated as a hedge instrument and was purchased as an additional layer of counter-party security that ultimately eliminated collateral posting requirements. The movement in the value of this option is recognised through the income statement.

Personal use only

Note 16: Current Assets - Cash and Equivalents

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Cash at bank and in hand	24,611	26,448
Deposits at call	24,598	19
Total Cash and Cash Equivalents	**49,209**	**26,467**

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

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

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Balance as per above	49,209	26,467
Term Deposits held as security against bank guarantees and foreign exchange hedge	(14)	(14)
Balance as per Statement of Cash Flows	**49,195**	**26,453**

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 17: Current and Non-Current Liabilities - Borrowings

	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Unsecured						
Corporate Notes (a)	50,000	258,268	**308,268**	-	378,021	**378,021**
Total Unsecured Borrowings	50,000	258,268	**308,268**	-	378,021	**378,021**
Secured						
Bank Facility	-	-	**-**	-	40,000	**40,000**
Total Secured Borrowings	-	-	**-**	-	40,000	**40,000**
Borrowing Costs	(95)	(4,679)	**(4,774)**	-	(7,372)	**(7,372)**
Total Borrowings	49,905	253,589	**303,494**	-	410,649	**410,649**

For personal use only

Note 17: Current and Non-Current Liabilities - Borrowings (continued)

(a) Corporate Notes

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

Issue Date	Face Value in Issue Currency $000	Issue Currency	Repayment Date	Interest Rate %	Floating or Fixed
3 March 2014	50,000	AUD	3 March 2018	390bps + 90 day Bank Bill Rate	Variable
18 May 2019	270,000	SGD	18 May 2019	5.5%*	Fixed

*SGD bonds are fully hedged at a fixed interest rate of 6.54% on AUD $269m

G8 Education Limited has complied with the financial covenants relating to the AUD and SGD Corporate Notes and Bank Facility during 2017 and 2016 reporting periods.

During 2017 the Group entered into a $200m club bank facility and bank guarantee facility of $45m. The club bank facility was successfully executed on 18 August 2017 and is for a 3 year term. The interest rate payable is based on the base rate (BBSW) plus each lender's margin, which is determined by reference to the Net Leverage Ratio calculate using market standard financial ratios. In the event the facility remains undrawn a commitment fee is payable on the unused and uncancelled amount of the facility.

Details of the Group's exposure to foreign exchange on Singapore denominated borrowings terms are set out in note 15(a) and (e).

(b) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 15(b).

(c) Assets pledged as security

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

		CONSOLIDATED	
	Notes	2017	2016
Current		$'000	$'000
Floating charge			
Cash and cash equivalents	16	49,209	26,467
Trade and other receivables	7	30,366	22,948
Other current assets	8	12,361	9,234
Total current assets pledged as security		**91,936**	**58,649**
Non-current			
First mortgage			
Buildings	9	4,146	4,298
Floating charge			
Other non-current assets	8	32,273	23,022
Vehicles, plant and equipment	9	54,680	50,547
Total non-current assets pledged as security		**91,099**	**77,867**
Total assets pledged as security		**183,035**	**136,516**

Note 17: Current and Non-Current Liabilities - Borrowings (continued)

(d) Financing arrangements

As at 31 December 2017 the following lines of credit were in place:

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Credit standby arrangements		
Total facilities		
Credit cards	500	500
Used at balance date	(158)	(25)
Unused at balance date	**342**	**475**
Bank loan facilities		
Total facilities	200,000	50,000
Used at balance date	-	(40,000)
Unused at balance date	**200,000**	**10,000**
Bank Guarantee facilities		
Total Facilities	45,000	35,000
Used at balance date	(36,663)	(33,557)
Unused at balance date	**8,337**	**1,443**
Corporate Notes		
Total facilities	308,268	378,021
Used at balance date	(308,268)	(378,021)
Unused at balance date	-	-

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

(e) Fair value

The carrying amounts and fair values of borrowings at balance dates are as reflected in the Balance Sheet. The SGD bond carrying amount is AUD$258m which represents fair value. AUD$269m is payable to satisfy this liability.

Accounting Policy

Measurement

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

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

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

For personal use only

Note 18: Derivative Financial Instruments

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Non-Current Asset		
Foreign exchange option	622	3,359
Total non-current derivative financial instrument asset	**622**	**3,359**
Non-Current Liability		
Cross currency swap contracts - cash flow hedges	2,793	1,042
Cross currency swap contracts - fair value hedge	11,013	15,309
Total non-current derivative financial instrument liability	**13,806**	**16,351**

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 15).

Accounting Policy

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

(i) Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedge); or

(ii) Hedges of a particular risk associated with the fair value of recognised assets and liabilities and highly probable forecast transactions (fair value hedge)

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

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

Fair Value Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as fair value hedges is recognised in finance costs and offset with a similar gain or loss on the associated borrowings. There is no ineffectiveness in the year 2017.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised within finance costs.

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

Note 19: Contributed Equity

(a) Share capital

	CONSOLIDATED		CONSOLIDATED	
	2017	2016	2017	2016
	SHARES	SHARES	$'000	$'000
Ordinary shares fully paid	**448,536,926**	**382,511,733**	**876,394**	**641,848**

(b) Movements in ordinary share capital

DETAILS	Number of Shares '000	$'000
31 December 2015 Balance	**369,698**	**603,043**
Dividend reinvestment plan	9,692	32,272
Issuance of shares	1,707	6,537
Transaction costs of shares issued	-	(22)
Deferred tax credit recognised directly in equity	-	18
31 December 2016 Balance	**381,097**	**641,848**
Dividend reinvestment plan	10,121	37,621
Equity Placement	55,904	195,658
Issuance of shares (see Note 19(c))	1,374	5,007
Transaction costs of shares issued	-	(5,347)
Deferred tax credit recognised directly in equity	-	1,607
31 December 2017 Balance	**448,496**	**876,394**

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

	CONSOLIDATED	
	2017 SHARES	**2016** SHARES
Balance at the beginning of the financial year	1,415	3,122
Shares transferred to the Group under the plan*	(1,374)	(1,707)
Total outstanding at the end of the financial year	**41**	**1,415**

*Shares forfeited and sold on market in current year

(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.

Note 19: Contributed Equity (continued)

(e) Dividend reinvestment plan

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

(f) Capital risk management

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

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

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

The gearing ratios at 31 December were as follows:

		CONSOLIDATED	
	Notes	2017	2016
		$'000	$'000
Borrowings	17	303,494	410,649
Less: cash and cash equivalents	16	(49,209)	(26,467)
Net debt		254,285	384,182
Total equity		865,335	625,875
Total capital		**1,119,620**	**1,010,057**
Gearing ratio		**23%**	**38%**

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

Accounting Policy

Ordinary shares are classified as equity.

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

For personal use only

Note 20: Dividends

(a) Ordinary Shares

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

	2017	2016
	$'000	$'000
Dividend for the quarter ended 31 March 2017 of 6.0 cents per share (2016: 6.0 cents per share) paid on 7 April 2017 (2016: Paid on 8 April 2016)	24,117	22,481
Dividend for the quarter ended 30 June 2017 of 6.0 cents per share (2016: 6.0 cents per share) paid on 7 July 2017 (2016: Paid on 8 July 2016)	26,599	22,616
Dividend for the quarter ended 30 September 2017 of 6.0 cents per share (2016: 6.0 cents per share) paid on 6 October 2017 (2016: Paid on 7 October 2016)	26,741	22,772
No dividend declared for the quarter ended 31 December 2017 (2016: 6.0 cents per share) paid 6 January 2017)	-	22,950
	77,457	**90,819**

	2017	2016
	$'000	$'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the year ended 31 December were as follows:		
Paid in cash - March, June, September dividend	49,940	41,497
Dividend payable in cash December	-	12,846
Dividend reinvestment plan	27,517	36,476
Total dividend	**77,457**	**90,819**
Reconciliation to cash flow		
Paid in cash - December dividend paid in January	12,846	16,467
Paid in cash - March, June, September dividend	49,941	41,497
Total paid in cash	**62,787**	**57,964**

(b) Franked credits

	CONSOLIDATED		PARENT ENTITY	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2016: 30%)	1,698	7,983	1,698	7,983

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.

For personal use only

Note 21: Reconciliation of Net Cash Flows from Operating and Financing Activities

Reconciliation of Profit After Tax to Net Cash Flows from Operating Activities	CONSOLIDATED	
	2017	2016
	$'000	$'000
Profit for the year	80,581	80,265
Depreciation	13,959	11,707
Foreign exchange gain/(loss) on Singapore corporate notes	1,921	(10,080)
Fair value adjustment to derivatives	(23)	18,128
Net loss on sale of assets	1,547	244
Write back of deferred consideration not payable	(243)	(2,500)
Increase in borrowings cost prepayments	4,145	11,940
Brokerage fees treated as financing cashflows	1,160	-
(Increase)/decrease in deferred tax asset	805	6,263
(Increase) in trade and other debtors	(13,355)	(8,464)
Increase/(decrease) in trade and other creditors	(75)	4,868
Increase in other provisions	(1,402)	3,846
Non - cash employee benefits expense - share based payments	(108)	(105)
Increase/(decrease) in provision for income taxes payable	2,673	(7,323)
Net exchange differences	426	(206)
Net cash inflows from operating activities	**92,011**	**108,583**

Changes in liability arising from financing activities:

	Opening Balance 1 Jan 2017	Cash Flows	Foreign Exchange Movement	Change in Fair Value	Other	Closing Balance 31 Dec 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Current Interest bearing loans and borrowing	-	-	-	-	49,905	**49,905**
Non-current interest bearing loans and borrowings	410,649	(111,204)	11,013	-	(56,869)	**253,589**
Dividends payable	22,950	(12,846)	-	-	(10,104)	**-**
Derivative liability	16,351	-	-	(2,545)	-	**13,806**

Note 22: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy set out in Note 33(b).

Name of Entity	Country of incorporation	Class of Shares/Units	2017 %	2016 %
Subsidiaries of Company				
Grasshoppers Early Learning Centre Pty Ltd	Australia	Ordinary	100	100
Togalog Pty Ltd	Australia	Ordinary	100	100
RBWOL Holding Pty Ltd**	Australia	Ordinary	100	100
Ramsay Bourne Holdings Pty Ltd**	Australia	Ordinary	100	100
Bourne Learning Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.1) Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.2) Pty Ltd**	Australia	Ordinary	100	100
RBL No. 1 Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Licences Pty Ltd	Australia	Ordinary	100	100
Sydney Cove Children's Centre Pty Ltd**	Australia	Ordinary	100	100
Sydney Cove Children's Centre B Pty Ltd**	Australia	Ordinary	100	100
Sydney Cove Children's Centre C Pty Ltd**	Australia	Ordinary	100	100
Sydney Cove Property Holdings Pty Ltd**	Australia	Ordinary	100	100
World Of Learning Pty Ltd**	Australia	Ordinary	100	100
World Of Learning Acquisitions (No.1) Pty Ltd	Australia	Ordinary	100	100
World Of Learning Acquisitions Pty Ltd	Australia	Ordinary	100	100
World Of Learning Licences Pty Ltd	Australia	Ordinary	100	100
G8 KP Pty Ltd**	Australia	Ordinary	100	100
Sterling Early Education Finance Pty Ltd**	Australia	Ordinary	100	100
Sterling Early Education Holdings Pty Ltd**	Australia	Ordinary	100	100
Woodland Education Operations Pty Ltd**	Australia	Ordinary	100	100
Kindy Kids Operations Pty Ltd**	Australia	Ordinary	100	100
CC Operations Pty Ltd **	Australia	Ordinary	100	100
Kool Kids Operations Pty Ltd **	Australia	Ordinary	100	100
North Shore Childcare Pty Ltd**	Australia	Ordinary	100	100
Ooorama Operations Pty Ltd**	Australia	Ordinary	100	100
Jacaranda Operations Pty Ltd**	Australia	Ordinary	100	100
Huggy Bear Operations Pty Ltd**	Australia	Ordinary	100	100
Jellybeans Operations Pty Ltd**	Australia	Ordinary	100	100
Jellybeans Attadale (Pty Ltd)**	Australia	Ordinary	100	100
Janes Place Operations Pty Ltd**	Australia	Ordinary	100	100
Jolimont Private Education Pty Ltd**	Australia	Ordinary	100	100
WTTS Operations Pty Ltd**	Australia	Ordinary	100	100
BUI Investments Pty Ltd**	Australia	Ordinary	100	100
Derafi Pty Ltd**	Australia	Ordinary	100	100
Alfoom Investments Pty Ltd**	Australia	Ordinary	100	100
Shemlex Pty Ltd**	Australia	Ordinary	100	100

4. GROUP STRUCTURE

Kindy Kids Village Pty Ltd**	Australia	Ordinary	100	100
Kindy Kids Long Day Care and Preschool Pty Ltd**	Australia	Ordinary	100	100
Three Little Pigs Pty Ltd**	Australia	Ordinary	100	100
A.C.N 078 042 378 Pty Ltd**	Australia	Ordinary	100	100
ES5 Pty Ltd**	Australia	Ordinary	100	100
Kindy Patch Unit Trust	Australia	Ordinary	100	100
Sydney Cove Children's Centre Trust	Australia	Ordinary	100	100
Sydney Cove Children's Centre B Trust	Australia	Ordinary	100	100
Shemlex Investment Unit Trust **	Australia	Ordinary	100	100
Shemlex Investments Freehold Trust No 1**	Australia	Ordinary	100	100
Morley Perth Unit Trust	Australia	Ordinary	100	100
Kindy Kids Village Trust	Australia	Ordinary	100	100
Kindy Kids Long Day Care and Preschool Trust	Australia	Ordinary	100	100
Adelaide Montessori Pty Ltd**	Australia	Ordinary	100	100
GW Concord Pty Ltd**	Australia	Ordinary	100	100
GW Chatswood Pty Ltd**	Australia	Ordinary	100	100
GW Macquarie Park Pty Ltd**	Australia	Ordinary	100	100
GW Brookvale Pty Ltd**	Australia	Ordinary	100	100
GW Bronte Pty Ltd**	Australia	Ordinary	100	100
GW Katoomba Pty Ltd**	Australia	Ordinary	100	100
GW Gladesville Pty Ltd**	Australia	Ordinary	100	100
GW Frenchs Forest Pty Ltd**	Australia	Ordinary	100	100
GW Prep Holdings Pty Ltd**	Australia	Ordinary	100	100
The Trustee for Lane Cove CCC Unit Trust	Australia	Ordinary	100	100
Lane Cove CCC Pty Ltd**	Australia	Ordinary	100	100
The Trustee for Waterloo CCC Unit Trust	Australia	Ordinary	100	100
Waterloo CCC Pty Ltd**	Australia	Ordinary	100	100
The Trustee for GW Chatswood Unit Trust	Australia	Ordinary	100	100
G8 Education Singapore Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts Corporate Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts Holdings Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ KK Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ SK Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ Gombak Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ YS Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ TM Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ PGL Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ SC Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors Pte Ltd	Singapore	Ordinary	100	100
Our Juniors Schoolhouse Pte Ltd	Singapore	Ordinary	100	100

* The proportion of ownership interest is equal to the proportion of voting power held.
** These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Legislative Instrument 2016/785 by the Australian Securities and Investment Commission. For further information please refer to note 24.

Appendix 4E Preliminary Final Report

Note 23: Parent Entity Disclosures

As at, and throughout the financial year ended 31 December 2017 the parent entity of the Group was G8 Education Limited.

	2017	2016
	$'000	$'000
Result of parent entity		
Profit for the year after tax	81,035	79,811
Other comprehensive income	1,898	(5,056)
Total comprehensive income for the year	**82,933**	**74,755**
Financial position of parent entity at year end		
Current assets	80,055	36,542
Non-current assets	1,176,690	1,080,209
Total assets	**1,256,745**	**1,116,751**
Current liabilities	156,633	125,239
Non-current liabilities	238,913	376,090
Total liabilities	**395,546**	**501,329**
Total equity of parent entity comprising of:		
Contributed equity	876,394	641,848
Reserves	39,005	30,079
Accumulated losses	(54,200)	(56,505)
Total equity	**861,199**	**615,422**

Parent entity contingencies

Refer to note 26 for parent entity contingent liabilities.

Parent entity guarantees in respect of the debts of its subsidiaries

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

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 24.

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.

Note 24: Deed of Cross Guarantee

All Australia subsidiaries listed in Note 22 are considered to be in the closed group and have been relieved 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.

Below is a consolidated statement of comprehensive income for the year ended 31 December 2017 of the closed group:

(a) Consolidated statements of comprehensive income

	2017	2016
	$'000	$'000
Revenue		
Revenue from continuing operations	779,489	760,048
Other income	809	1,459
Total Revenue	**780,298**	**761,507**
Expenses		
Employee benefits expense	(435,947)	(423,780)
Occupancy	(94,810)	(85,639)
Direct costs of providing services	(56,532)	(57,603)
Depreciation	(13,566)	(11,333)
Other expenses	(27,123)	(25,092)
Finance costs	(34,144)	(45,750)
Total expenses	**(662,122)**	**(649,197)**
Profit before income tax	**118,176**	**112,310**
Income tax expense	(37,139)	(34,581)
Profit for the year	**81,037**	**77,729**
Reclassify to income statement for prior period hedges	-	(3,559)
Effective portion of changes in fair value of cash flow hedges	1,921	(1,042)
Total Comprehensive income for the year	**82,958**	**73,128**

For personal use only

Note 24: Deed of Cross Guarantee (continued)

(b) Balance Sheets

Set out below is a consolidated balance sheet as at 31 December 2017 of the Closed Group.

	2017	2016
	$'000	$'000
Current assets		
Cash and cash equivalents	46,974	23,050
Trade and other receivables	30,005	22,831
Other current assets	31,693	30,453
Current tax asset	313	3,669
Total current assets	**108,985**	**80,003**
Non-current assets		
Investments in extended Group	139	139
Property, plant and equipment	63,193	53,909
Deferred tax assets	16,220	13,747
Intangible assets	1,057,040	984,696
Other non-current assets	33,509	23,006
Derivative Financial Instruments	622	3,359
Total non-current assets	**1,170,723**	**1,078,856**
Total assets	**1,279,708**	**1,158,859**
Current liabilities		
Trade and other payables	55,374	82,651
Other Creditors	14,934	3,999
Borrowings	49,905	-
Provisions	28,425	25,826
Total current liabilities	148,638	112,476
Non-current liabilities		
Other payables	1,067	754
Borrowings	253,589	410,649
Provisions	8,321	4,783
Derivative financial instruments	13,806	16,351
Total non-current liabilities	**276,783**	**432,537**
Total liabilities	**425,421**	**545,013**
Net assets	**854,287**	**613,846**
Equity		
Contributed equity	876,394	641,848
Reserves	42,224	29,714
Accumulated losses	(64,331)	(57,716)
Total equity	**854,287**	**613,846**

For personal use only

5. UNRECOGNISED ITEMS

Note 25: Commitments

(a) Capital commitments

There is no capital expenditure unconditionally contracted for at the reporting date but not recognised as a liability. The Group has contracted arrangements that give the Group the ability to acquire centres conditional on various hurdles and criteria that the vendors must meet.

(b) Lease commitments: Group as lessee

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

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

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Payable:		
Within one year	83,153	86,406
Later than one year but no later than five years	327,047	242,078
Later than five years	218,878	164,788
	629,078	**493,272**
Representing:		
Non-cancellable operating leases	**629,078**	**493,272**

(i) Finance Leases

The Group had no finance leases during 2017 or 2016.

Accounting Policy

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

Note 26: Contingencies

(a) Contingent liabilities

The Group had no contingent liabilities as at 31 December 2017 (2016: Nil).

Note 27: Events occurring after the balance sheet date

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

- 50,359 performance rights were issued to J Ball under the Employee Incentive Plan (GEIP) on the 4 January 2018.
- The Board has declared on 23 February 2018 that a 10 cent fully franked interim dividend for the FY18 year would be paid on 23 March 2018.
- The Group completed the acquisition of 2 centres for $2.6 million and divested 1 centre post 31 December 2017. The initial accounting has not yet been completed as completion accounts have yet to be finalised.
- All remaining shares sold under the prior employee share plan leaving a nil balance.

Note 28: Employee Entitlements

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Employee benefits	26,096	25,956
	26,096	**25,956**

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

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

	CONSOLIDATED	
	2017	2016
	$'000	$'000
Leave obligations expected to be settled after 12 months	4,743	4,597
	4,743	**4,597**

Accounting Policy

(i) Short term obligations

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

(ii) Other long-term employee benefit obligations

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

(iii) Share-based payments

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

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

For personal use only

Note 29: Key Management Personnel Disclosures

(a) Directors

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

(i) Chairperson –Independent Non-Executive	M Johnson
(ii) Executive Directors	G Carroll (appointed 1 January 2017)
	C Scott (resigned 29 May 2017)
(iii) Non-Executive Directors	B Bailison
	S Forrester
	D Foster
	J Cogin (appointed1 September 2017)
	M Zabel (appointed 1 September 2017)
	M Reynolds (resigned 31 August 2017)

(b) Other Key Management Personnel

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

Name	Position
S Williams	Chief Financial Officer (appointed 6 February 2017)
J Ball	General Manager Operations (appointed 26 June 2017)
T King	General Manager Operations (resigned 12 April 2017 and ceased as KMP)

(c) Key Management Personnel compensation

	CONSOLIDATED	
	2017	2016
	$	$
Short term employee benefits	2,743,745	3,419,408
Post employment benefits	137,126	155,683
Share based payments*	11,148	(105,284)
Dividend payments on escrow shares	80,000	290,998
Termination payments	432,362	14,870
	3,404,381	**3,775,675**

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

The relevant information on detailed remuneration disclosures can be found in the Remuneration Report on pages 28 to 44.

(d) Equity instrument disclosures relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on exercise of such options
Refer to note 30 for details of options issued to Key Management Personnel.

(ii) Option holdings
Refer to note 30 for details of options issued to Key Management Personnel.

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

For personal use only

Note 29: Key Management Personnel Disclosures (continued)

2017	Balance at the start of the year	Shares to be cancelled under limited recourse loans disclosed as share options	Shares cancelled under limited recourse loans disclosed as share options	Other changes during the year	Balance at the end of the year
	Number of Shares				
Directors of G8 Education Limited					
Ordinary Shares					
M Johnson	25,000	-	-	5,000	**30,000**
G Carroll	-	-	-	100,000	**100,000**
B Bailison	-	-	-	13,000	**13,000**
S Forrester	15,423	-	-	24,105	**39,528**
D Foster	14,587	-	-	-	**14,587**
J Cogin	-	-	-	-	**-**
M Zabel	-	-	-	-	**-**
C Scott (resigned 29 May 2017)	333,333	-	(333,333)	-	**-**
M Reynolds (resigned 31 August 2017)	24,195	-	-	(24,195)	**-**
Other Key Management Personnel of the Group					
Ordinary Shares					
S Williams	-	-	-	12,500	**12,500**
J Ball	-	-	-	-	**-**
T King (resigned 12 April 2017)	631,329	-	-	(631,329)	**-**
A Perriam (resigned 10 April 2017)	40,733	-	-	(40,733)	**-**
2016					
Directors of G8 Education Limited					
Ordinary Shares					
M Johnson	-	-	-	25,000	**25,000**
C Scott	1,000,000	(333,333)	(333,333)	-	**333,333**
B Bailison	-	-	-	-	**-**
M Reynolds	24,195	-	-	-	**24,195**
S Forrester	5,423	-	-	10,000	**15,423**
D Foster	-	-	-	14,587	**14,587**
Other Key Management Personnel of the Group					
Ordinary Shares					
J Roberts	1,000,000	(333,333)	(333,333)	-	**333,333**
G Carroll	-	-	-	-	**-**
T King	-	-	-	631,329	**631,329**
A Perriam	122,198	(40,733)	(40,733)	-	**40,733**
C Sacre (resigned 27 May 2016)	1,848,000	-	(1,000,000)	(848,000)	**-**

For personal use only

Note 29: Key Management Personnel Disclosures (continued)

(e) Loans to Key Management Personnel

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

(i) Aggregates for Key Management Personnel

Group	Balance at the start of the year	Other changes during the year	Balance at the end of the year
	$	$	$
2017	3,536,997	(3,536,997)	-
2016	15,610,990	(12,073,993)	3,536,997

(ii) Individuals with loans above $100,000 during the financial year Refer to note 30(f)

2017 Name	Balance at the start of the year	Limited recourse loans cancelled due to vesting condition not being met	Limited recourse loans to be cancelled due to vesting condition not being met	Forfeiture due to resignation	Balance at the end of the year	Highest Indebtedness during the year
	$	$	$	$	$	$
C Scott	**1,666,667**	(1,666,667)	-	-	-	**1,666,667**

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

The Accounting Standards require that shares issued under employee incentive share plans in conjunction with limited-recourse loans are to be accounted for as options. As a result, the amounts receivable from employees in relation to these loans have not been recognised in the financial statements until repayment or part repayment of the loans occur. The balance of limited recourse loans outstanding at 31 December 2017 is nil (2016;$3,536,997).

During the year the remaining KMP shares were forfeited as the conditions were not met. Due to vesting conditions not being met in 2016, one third of the shares in escrow were forfeited. In February 2017 the Group discontinued the Executive Share Plan effective 31 December 2016.

Refer to note 30 for the share based payments disclosure to Key Management Personnel

2016 Name	Balance at the start of the year	Limited recourse loans cancelled due to vesting condition not being met	Limited recourse loans to be cancelled due to vesting condition not being met	Forfeiture due to resignation	Balance at the end of the year	Highest Indebtedness during the year
	$	$	$	$	$	$
C Scott	**5,000,000**	(1,666,667)	(1,666,667)	-	1,666,667	**3,333,333**
J Roberts	**5,000,000**	(1,666,667)	(1,666,667)	-	1,666,667	**3,333,333**
C Sacre	**5,000,000**	(1,666,667)	-	(3,333,333)	-	**3,333,333**
A Perriam	**610,990**	(203,663)	(203,663)	-	203,663	**407,327**

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	
	2017	2016
	$'000	$'000
Share-based payment expense (write back) on shares and rights issued	(108)	(105)
	(108)	(105)

G8 Education Executive Incentive Plan (GEIP)

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

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

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

Grant Date	Balance at the start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Unvested at the end of the year
	Number of Performance Rights					
20 July 2017	-	238,063	-	-	238,063	238,063
6 October 2017	-	53,629	-	-	53,629	53,629
	-	291,692	-	-	291,692	291,692

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

Grant Date	Vesting Date	Value of Performance Right at Grant Date ($)	Number of Performance Rights	Expiry Date
20 July 2017	(a)	3.19	238,063	30 May 2020
6 October 2017	(a)	3.70	53,629	30 May 2020
			291,692	

(a) Performance rights vest on achievement of performance and service conditions by the vesting date of March 2020.

Valuation of instruments issued

Value of the financial Benefit

The table lists the inputs to the models used

	Tranche 1 | 20 July 2017	Tranche 2 | 6 October 2017
Share price on respective grant dates	$3.77	$3.83
Share Price Volatility	30%	30%
Risk Free Rate	2.31%	2.17%
Time to Maturity	2.62 years	2.57 years
Annual Dividend Yield	6.37%	6.27%
Model used	Black Scholes	Black Scholes

Note 30: Share–based payments (continued)

Executive Share Plan

In February 2017 the Executive Share Plan was discontinued for current employees and replaced with the new LTI scheme. Movements in options/shares is subject to limited recourse loan. The table below shows the movement in the loan balance.

	Number of Shares*	Loan Balance ($)
Balance at the beginning of the financial year	1,414,799	7,073,993
Granted during the year	-	-
Forfeited during the year	(1,414,799)	(7,073,993)
Exercised during the year	-	-
Balance at the end of the financial year	-	-

Under AASB 2 Share-based Payments, the Plan gives rise to a share-based payment expense which is measured by reference to the fair value of the Plan Shares as at the date on which the Share Plan Resolutions were passed. As the Plan Shares were acquired by way of limited recourse loans, the fair value of the Plan Shares was measured using an option pricing model in accordance with AASB 2. The fair value of each share issued under the share loan plan at the date of shareholder approval was $0.515. Shares during the period were forfeited due to vesting conditions not being met and the related expenses were reversed as a result.

The treatment of the Plan Shares under applicable Accounting Standards as options requires that the value of the loans and issue price of the shares are not recorded as Loans Receivables or Share Capital of the Group until repayment or part repayment of the loans occurs.

The company has recognised an after tax, non-cash share- based payment of $108,643 (2016; $105,284) during the financial year with a corresponding credit to Shareholders' Equity in the form of a Share Option Reserve.

Accounting Policy

Share-based compensation benefits are provided to certain employees via the GEIP and the Executive Share Plan (discontinued February 2017).

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

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

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

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

Financial Statements for personal use only

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	
	2017	2016
	$	$
1. Audit services		
Ernst & Young		
Audit and review of financial reports – half year	75,000	75,000
Audit and review of financial reports – year end	140,000	140,000
Audit and review of financial reports – other assurance services	127,800	20,000
2. Non-audit service		
Ernst & Young - other advisory services	145,300	-
Total Remuneration for audit services	**488,100**	**235,000**

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 22.

(c) Key Management Personnel

For details of transactions that Key Management Personnel and their related entities had with the Group during the year refer note 29.

During the year 2017 the Group engaged in $8,251 of related party transactions with Key Management Personnel. There were nil balances outstanding at the reporting date in relation to transactions with related parties.

The Group continues to have a preferred broker relationship with CCLP Pty Ltd, an entity the former CFO C Sacre is a Director of, and this is conducted on arm's length terms.

Note 33: Other significant accounting policies

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

(a) Basis of preparation

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

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

The financial statements were authorised for issue on 24 February 2018.

Compliance with IFRS

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

Historical cost convention

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

Note 33: Other significant accounting policies (continued)

(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 2017 and the results of all subsidiaries for the year then ended.

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

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

(c) Goods and Services Tax (GST)

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

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

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

(d) Rounding Amounts

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

(e) Going concern

The Group has recognised a net profit after tax of $80.6m for the year ended 31 December 2017 and as at that date, current liabilities exceed current assets by $59m (2016 $53m). In addition, the Group has generated net operating cash flows of $92m and has undrawn facilities of $200m. Management expect the working capital shortfall will be met out of operating cash flows or from finance facilities.

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

(f) Reserves

(i) Share-based payments

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

(ii) Translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 15 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Annual Report 2017

Note 33: Other significant accounting policies (continued)

(iii) Hedging

The hedging reserve is used to record gains or losses on hedging instruments in cash flow hedges that are recognised in other comprehensive income, as described in note 18. Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

(iv) Profits

The profits reserve comprises the transfer of net profit for the current and previous years and characterises profits available for distribution as dividends in future years. Dividends amounting to $77.5 million (2016: $90.8 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) New accounting standards and interpretations for application in future periods

PRONOUNCEMENTS	**AASB 16 Leases**
NATURE OF THE CHANGE IN ACCOUNTING POLICY	IFRS 16 will cause the majority of leases of an entity to be brought onto the Balance Sheet. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments. A corresponding right to use asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.
EFFECTIVE DATE	**Annual reporting period beginning on or after 1 January 2019**
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	This standard will materially impact on the Group's consolidated financial statements at transition and in future years, as the Group's operating leases are recognised on the balance sheet. Rental expense currently recognised in the statement of financial performance will be replaced with depreciation and interest. The likely impact on the first time adoption of the Standard for the year ending 31 December 2019 includes a significant increase in lease assets and financial liabilities recognised on the balance sheet. Initial assessment activities have been undertaken on the Group's current leases, however the impact of the standard will depend on the leases in place on transition. Detailed review of contracts, financial reporting impacts and system requirements will continue.
PRONOUNCEMENTS	**AASB 9 Financial Instruments**
	AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009). AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures. AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments. AASB 2014-1 Amendments to Australian Accounting Standards.

For personal use only

NATURE OF THE CHANGE IN ACCOUNTING POLICY	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortized cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income. Chapter 6 Hedge Accounting supersedes the general hedge accounting requirements in AASB 139 Financial Instruments: Recognition and Measurement, which many consider to be too rules-based and arbitrary. Chapter 6 requirements include a new approach to hedge accounting that is intended to more closely align hedge accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from AASB 139 are as follows: · to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139); · changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and · modification of the requirements for effectiveness testing (including removal of the 'bright- line' effectiveness test that offset for hedging must be in the range 80-125%). Revised disclosures about an entity's hedge accounting have also been added to AASB 7 Financial Instruments: Disclosures. Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure: · the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or · full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument.
EFFECTIVE DATE	**Annual reporting periods beginning on or after 1 January 2018.**
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	Classification and measurement **Financial assets** AASB 9 contains three principal classification categories for financial assets: : amortised cost, Fair value through Other Comprehensive Income (FVOCI),and fair value through profit and loss (FVTPL) The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables. Based on its preliminary assessment, G8 does not believe that the new classification requirements will have a material impact on its existing. financial assets, being cash and cash equivalents, trade and other receivables, deposits on acquisition or derivative financial instruments.

As at the end of the current reporting period, the group did not hold any other debt instruments or any investments in equity instruments. The accounting for debt instruments depends on the business purposes of holding such instruments, whether they have solely payments of principal and interest. Investment in equity instruments would be recognised at fair value at profit and loss unless designated at inception as fair value through other comprehensive income

Financial liabilities

AASB 9 requires financial liabilities to be measured on the same basis as AASB 139,with the only change being gains or losses on financial liabilities designated at inception to be measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

Based on its preliminary assessment, G8 does not believe that the new classification requirements will have a material impact on its existing financial liabilities, that is trade payables and borrowings, and contingent considerations.

Impairment

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Based on its preliminary assessment, G8 has identified that the application of the new guidance requires an earlier assessment of the likelihood of credit losses than its existing losses for its financial assets

Management's initial assessment is that the impairment losses are not likely to materially increase for assets in the scope of the AASB 9 impairment model.

Hedge accounting

When initially applying AASB 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of AASB 139 instead of the requirements in AASB 9. The Group has chosen to apply the new requirements of AASB 9.

AASB 9 requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. AASB 9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting. The Group does not currently undertake hedges of such risk components.

The Group entered into a cross currency swap to hedge against foreign exchange exposure on SGD borrowings whereby foreign exchange risk is mitigated by fair value movements being fully hedged.

For personal use only

The swap has been designated as a fair value hedge of the highly probable repayment of SGD$270 million Series 003 5.50% unsecured notes relating to the principal repayment of SGD denominated borrowings (senior unsecured notes under G8 Education's SGD$600 million multi-currency issuance program) and as a cash flow hedge from 1 July 2016 for the coupon payments associated with the Series 003 notes.

On adoption of AASB 9, the Group has elected to separately account for the currency basis as a cost of hedging. Consequently, currency basis will be recognised in OCI and accumulated in a cost of hedging reserve as a separate component within equity and accounted for subsequently as gains and losses accumulated in the cash flow hedge reserve.

Under AASB 139, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affect profit or loss.

The types of hedge accounting relationships that the Group currently designates meet the requirements of AASB 9 and are aligned with the Group's risk management strategy and objective.

PRONOUNCEMENTS	**AASB 15 Revenue from contracts with customers**
NATURE OF THE CHANGE IN ACCOUNTING POLICY	AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element. AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
EFFECTIVE DATE	**Annual reporting periods beginning on or after 1 January 2018**
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	The Group has undertaken an analysis of how AASB 15 should be implemented. This analysis has been performed in respect of revenue from the following major business activities being (i) Child care fees and (ii) Management fee income. Government funding/grants are accounted for outside of AASB 15 and as such were not included in the analysis. In respect of revenue from contracts with parents/carers for the provision of child care, revenue will continue to be recognised as and when a child attends a child care service, as this is when the Group transfers control of this service (satisfies its performance obligation) to the customer. In respect of management fee income, revenue will continue to be recognised as G8 performs the operational support services, as this is when the Group transfers control of this service (satisfies its performance obligation) to the franchisee. When AASB 15 is adopted in the year ending 31 December 2018, entities are required to select either the modified retrospective (comparatives are not restated) or the full retrospective (comparatives are restated) approach. Given there is no change to the measurement and recognition criteria, there is no difference between the modified retrospective and full retrospective approaches for the Group. Disclosure impacts will not be significant given there is no impact on recognition and measurement of revenue. The Groups existing disclosure meets the requirements under AASB 15 in respect of the disaggregation of revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are effected by economic factors. The Group currently discloses a current liability in respect of 'Centre enrolment advances'. Under AASB 15, this liability is a contract liability. The Group will be required to disclose revenue recognised in reporting periods that was included in contract liability balances at the beginning of the period. In most cases, this will equate to the balance of the liability itself. Any new agreements for the provision of goods or services will be assessed as they arise throughout the year ended 31 December 2018 and beyond.

DIRECTORS DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 48 to 101 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date;

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 24 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 24.

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.

Gary Carroll

Director
24 February 2018

For personal use only

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

Independent Auditor's Report

To the Members of G8 Education Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of G8 Education Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 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* (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.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

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.

Impairment Assessment of Goodwill

Why significant	How our audit addressed the key audit matter
The Group is required under Australian Accounting Standards - AASB 136 'Impairment of assets' to perform an annual impairment test of the carrying value of goodwill. The Group comprises one operating segment and one cash generating unit. The carrying value is supported by a value in use cash flow forecast. The cash flow forecast is based on assumptions as to the Group's future operating and financial performance. These include judgements and estimates relating to future revenues, anticipated costs, growth rates expected, and the discount rate applied. As such, impairment testing of goodwill was considered to be a key audit matter. The Group's disclosures are included in note 14 to the financial statements, which includes the key assumptions applied by the Group.	In obtaining sufficient audit evidence we: ► Agreed the cash flow forecasts to Board approved budgets; ► Evaluated the Group's identification of the CGU and tested the mathematical accuracy of the impairment model; ► Assessed future cash flow assumptions through comparison with current trading performance, externally derived data (where applicable) and other evidence and enquiry with the Group in respect of key growth and trading assumptions; ► Assessed other key assumptions including the discount rate and long term growth rate with involvement from EY valuation specialists; ► Considered the market capitalisation of the Group relevant to the recorded net asset amount at 31 December 2017; ► Performed sensitivity analyses over the model in relation to key assumptions including growth rates and discount rates; and ► Considered the adequacy of the Intangible Assets disclosure in note 14 to the financial statements.

Acquisition Accounting

Why significant	How our audit addressed the key audit matter
The Group acquired a number of childcare centres during 2017. Acquisition accounting requires judgment in identifying and assessing the fair value of the assets and liabilities acquired including contingent consideration payable to the vendors. Contingent consideration is determined based on estimates and assumptions about the future performance of the acquired business. Acquisition costs such as broker costs are often directly paid by the vendor and may require judgement to estimate the amount paid. Given the level of judgment in estimating the fair value as well as the contingent consideration that may be paid by G8, this was considered to be a key audit matter. Refer to note 13 to the financial statements for disclosure relating to acquisition accounting.	In obtaining sufficient audit evidence, we: ► Assessed the terms and conditions of the sale agreements; ► Evaluated the methodology applied to identify and value the assets and liabilities (including contingent consideration); ► Agreed key items to underlying data including contracts and settlement statements; ► Assessed the future earnings assumptions impacting the contingent consideration, comparing forecast performance to current and historical trading results; ► Assessed the amount and accounting treatment of acquisition costs; and ► Considered the adequacy of the business combinations disclosure in note 13 to the financial statements.

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 and related grant revenue for the Group for the financial year was $ 786.8 million. Customers are generally invoiced in advance and adjustments made through processing of Childcare Benefits and Childcare Rebates 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 Australian Accounting Standards - AASB 118 'Revenue'. To do this, we: ► Assessed the Group's design and operating effectiveness of key controls over the recognition of revenue; ► Performed substantive analytical procedures and tested revenue transactions to assess whether revenue was recognised in the appropriate period; ► Assessed the completeness of the deferred revenue balance by testing parents fees in advance bookings; ► Tested reconciliations relating to revenue recognised and agreed this to support for Child Care Benefit and Child Care Rebate payments; ► Assessed journal entries for large or unusual entries relating to revenue, in particular those near the year end; and ► Assessed the adequacy of the Group's disclosures revenue and related accounting policies.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

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 2017 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.

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.

Building a better working world

- 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.

- 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, related safeguards.

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.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

For personal use only

Building a better working world

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 44 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of G8 Education Limited for the year ended 31 December 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Ernst & Young

Ric Roach
Partner
Brisbane
24 February 2018

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

SHAREHOLDER INFORMATION

The total issued capital of the Company as at 31 December 2017 and as at the date of this annual report is 448,536,926.

The Shareholder information set out below was applicable as at 1 February 2018.

(a) Distribution of equity securities

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

	Class of equity security		
	Shares	**Holders**	**Options**
100,001 and Over	340,702,104	98	68.53%
10,001 – 100,000	51,432,209	2,298	14.99%
5,001 - 10,000	26,105,609	3,529	7.36%
1,001 - 5,000	26,961,361	10,169	8.11%
1 - 1,000	3,335,643	6,903	1.01%
	448,536,926	**22,997**	**100.00%**

There were 864 holders of less than a marketable parcel of ordinary shares.

(b) Quoted equity security holders

Twenty largest quoted equity security holders.

Name	Quoted ordinary shares held	Percentage of issued shares
HSBC Custody Nominees	115,900,304	25.84
J P Morgan Nominees Australia	70,482,589	15.71
Citicorp Nominees Pty Ltd	44,894,673	10.01
National Nominees Ltd	26,776,916	5.97
BNP Paribas Nominees Pty Ltd	22,810,951	5.09
Investorlink Securities Limited	16,003,633	3.57
Geosine Pty Ltd	9,178,259	2.05
Mrs Kimberley Yin	3,604,726	0.80
RAP Investments Pty Ltd	1,850,000	0.41
SBN Nominess Pty Ltd	1,745,052	0.39
Mr Christopher Douglas Passfield & Mrs Rhonda Passfield	1,500,000	0.33
Mr Craig Graeme Chapman	1,400,000	0.31
Mr Riccardo Pisaturo	1,200,000	0.27
Viss Holdings Pty Ltd	1,170,683	0.26
Warbont Nominees Pty Ltd	1,106,336	0.25
Australian Executor Trustees Ltd	980,439	0.22
AMP Life Ltd	907,697	0.20
Bainpro Nominees Pty Ltd	839,647	0.19
Netwealth Investments Limited	828,146	0.18
Gwynvill Trading Pty Ltd	750,000	0.17
	323,930,051	**72.22**



For personal use only

(c) Substantial holders

There were no substantial holders as at 1 February 2018 in the Company.

(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 and performance rights

There are no voting rights attached to the options and performance rights.

(iii) Unquoted securities

There are no unquoted securities on issue.

G8 Education ltd

Directors

M Johnson, Chairman

G Carroll, Managing Director

B Bailison, Non-Executive Director
S Forrester, Non-Executive Director
D Foster, Non-Executive Director
M Zabel, Non-Executive Director
J Cogin, Non-Executive Director

Company Secretary

S Zeljko

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
P: 07 5581 5300
F: 07 5581 5311
www.g8education.edu.au

Share registry:

Advanced Share Registry Limited
110 Stirling Hwy
Nedlands, WA 6009

Auditor:

Ernst & Young
111 Eagle Street,
Brisbane, QLD 4001

Lawyers:

Minter Ellison Gold Coast
165 Varsity Parade
Varsity Lakes QLD 4217

Securities exchange listing:

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