# Directors Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Embark Early Education Limited (referred to hereafter as the 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2023.

## Directors

The following persons were directors of Embark Early Education Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Hamish Stevens (Chair)
- Christopher Scott (Managing Director)
- Kim Campbell
- Renita Garard
- Adrian Fonseca (until 6 June 2023)
- Michelle Thomsen (from 6 June 2023)

## Principal activities

The principal business of Embark Early Education Limited was related to the operation of early education centres owned by an Embark Early Education subsidiary. There was no significant change for the continuing operations of the Embark business during the year ended 31 December 2023.

## Dividends

Dividends paid during the year ended were as follows:

| | 2023 | 2022 |
|---|---|---|
| | $'000 | $'000 |
| Special Dividend paid 8 December 2022 of 3.8 cents per ordinary share | - | 5,918 |
| Dividend paid for year ending 31 December 2022 of 2 cents per ordinary share | 3,195 | - |
| Interim dividend for the half year ended 30 June 2023 of 2 cents per ordinary share | 3,192 | - |
| | **6,387** | **5,918** |

## Operational and financial review

Embark Early Education Limited currently owns and operates 24 childcare centres with 2,198 licensed places and employs 630 people who care for approximately 1800 children daily. We have 11 centres in Queensland, nine in Victoria, two in New South Wales, one in Tasmania and South Australia.

The Group's Support Office is based in Helensvale on the Gold Coast in Queensland. The Board consists of five directors and is now more diverse with the appointment of Renita Garard on 1 January 2023 and Michelle Thomsen on 6 June 2023.

The financial year (FY) for the Group ends on 31 December annually. In the childcare sector, profitability is a combination of occupancy levels, the daily fee charge, and the quantity of labour to provide the service offered. FY2023 was a strong year for the Group financially, with the statutory accounts (post AASB16) for FY2023 indicating that total comprehensive income was $8.16m. Two fully franked dividends of 2 cents each were paid in August and November 2023.

In the childcare sector in Australia, occupancy/earnings are skewed with approximately 35% to 40% generated in the first half of the year and the balance in the second half of the year as older children leave to attend primary school in late January/early February. The Group's occupancy starts in the low 70% range at the beginning of the year and peaks in the mid 80% range late in the year. For FY2023, average occupancy throughout the year was 82% with peak occupancy at 86.1% in November.

The Group had more than 100 centres in New Zealand until September 2022 when the centres were sold to private equity. The comparative figures for FY2022 have been presented excluding the discontinued NZ operations. The Group currently has subsidiaries in NZ which no longer operates and will be wound up in 2024.

The funds received from the sale of the NZ operations were used partly to repay debt in December 2022, with the balance being remitted to Australia for further acquisitions. No centres were acquired in 2023 and the Group's cash has increased to $26.8m (2022: $16.2m) as of 31 December 2023.

## Significant changes in the state of affairs

On 6 June 2023, the shareholders of Embark Education Group Limited (NZX: EVO), a New Zealand-incorporated company listed on New Zealand's Exchange (NZX) and previously admitted to the official list of ASX as an ASX Foreign Exempt Listing, approved a scheme of arrangement whereby a newly incorporated Australian company (Embark Early Education Limited) (together, "the Combining Entities") would become the new head entity of the Group with admission to the official list of the ASX as an ASX Listing (ASX: EVO). The scheme of arrangement and re-domiciling was executed by way of a swap of Embark Education Group Limited shares on a one-for-one basis for shares in the new parent company, Embark Early Education Limited. Embark Early Education Limited was admitted to the Official List of the ASX on 27 June 2023.

Securities of EVO commenced quotation Tuesday, 27 June 2023 on a deferred settlement basis. No funds were raised by Embark Early Education Limited in conjunction with this ASX listing.

## Matters subsequent to the end of the financial year

No matters or circumstance have arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## Directors Report

### Information on directors

| | |
|---|---|
| **Name** | Hamish Stevens |
| **Title** | Independent Director and Chair of the Board |
| **Experience and expertise** | Hamish has held independent directorships on several boards since 2010 and is currently Chair of Pharmaco NZ and East Health Services, a director of Marsden Maritime Holdings, Northport, Radius Residential Care and Counties Energy. Prior to his governance career Hamish held senior finance positions with Heinz Watties, Tip Top Ice Cream and DB Breweries. Hamish is a qualified Chartered Accountant and is a Chartered Fellow of the Institute of Directors. |
| **Other current directorships** | None |
| **Former directorships** | None |
| **Special responsibilities** | Chair of the Board |
| **Interests in shares** | None |
| **Interests in options** | None |
| **Contractual rights to shares** | None |
| **Name** | Chris Scott |
| **Title** | Managing Director and Executive Director (Non-Independent) |
| **Experience and expertise** | Chris Scott has over 39 years experience in senior management positions. He has spent over 35 years in business in Singapore where he founded a number of successful businesses. Chris founded S8 Limited which listed on the ASX in 2001. S8 was an integrated travel Company that acquired 36 businesses over a 5 year period and was capitalised at $700 million. S8 Limited was the subject of a successful takeover bid in late 2006.<br><br>Chris was also the Founder and, from 2010 to 2016, the Managing Director of ASX listed G8 Education which evolved into Australia's largest listed early education and child care provider.<br><br>During this period, the G8 Education Limited portfolio grew from 38 to over 500 pre-school education centres in Australia (plus 20 in Singapore). Chris was also instrumental in raising over $500 million in equity capital and more than $500 million in debt (including Singapore dollar bonds). G8 Education's market capitalisation grew from $4 million in 2010 to a peak of approximately $1.9 billion. |
| **Other current directorships** | None |
| **Former directorships** | None |
| **Special responsibilities** | Managing Director |
| **Interests in shares** | 26,227,514 ordinary shares |
| **Interests in options** | None |
| **Contractual rights to shares** | None |
| **Name** | Kim Campbell |
| **Title** | Independent Director, Chair of Remuneration and People Committee |
| **Experience and expertise** | Kim Campbell attended the University of Canterbury completing a Bachelor of Arts majoring in Geography. Kim was the CEO of the Employers & Manufacturers Association. Kim is currently a Director of Douglas Pharmaceuticals, Director of EMH Trade Ltd, Chair of Auckland Manufacturers Assoication and a Director of New Image International Limited. |
| **Other current directorships** | None |
| **Former directorships** | None |
| **Special responsibilities** | Chair of the Remuneration and People Committee |
| **Interests in shares** | 3,750 ordinary shares |
| **Interests in options** | None |
| **Contractual rights to shares** | None |
| **Name** | Renita Garard |
| **Title** | Independent Director, Chair of the Audit and Risk Committee |

| | |
|---|---|
| **Experience and expertise** | Renita was appointed as an Independent Director with effect from 1 January 2023.<br><br>Renita has significant experience in financial governance, risk management and stakeholder engagement across various industry sectors. Renita is currently the Managing Director of Aspire 2 Thrive Pty Ltd and Director of Queensland Rugby Football League Limited, The Energy Collective Limited, Queensland Academy of Sport and 4 Aussie Heroes Foundation Limited. Renita is also the Chair of the Audit Committee of Townsville City Council.<br><br>Renita is a Fellow of the Institute of Chartered Accountants of Australia and New Zealand (FCA) and received the Order of Australia medal in 1996. In addition to her accomplishments in business and governance, Renita is a successful athlete, captaining the Australian women's hockey team to the Olympic gold medal in 2000. |
| **Other current directorships** | None |
| **Former directorships** | None |
| **Special responsibilities** | Chair of the Audit and Risk Committee |
| **Interests in shares** | None |
| **Interests in options** | None |
| **Contractual rights to shares** | None |
| **Name** | Michelle Thomsen |
| **Title** | Independent Director |
| **Experience and expertise** | Michelle Thomsen was appointed as an Independent Director with effect from 6 June 2023.<br><br>Michelle has significant experience as a legal counsel and practitioner.<br><br>Michelle has been the Group Executive, General Counsel of QIC since August 2018. In addition, Michelle was the Interim Chief Risk Officer of QIC from August 2020 to February 2021. Created in 1991 by the Queensland Government to serve its long-term investment responsibilities, QIC has grown into a leading long-term specialist manager in alternative investments. Immediately prior to her current role, Michelle was the Group Executive, Group General Counsel and Company Secretary of Bank of Queensland. Before that, Michelle was Executive General Manager, Associate General Counsel – Group Services at Suncorp Group and the Head of Legal, Australia/New Zealand at Transpacific Industries Group Ltd. Michelle also has extensive experience as a legal practitioner in Australia and the United Kingdom.<br><br>Michelle graduated from Griffith University with Bachelor of Laws/Bachelor of Commerce and is admitted as a solicitor in England, Wales, Queensland and New South Wales. She holds a current practising certificate in England and Wales and Queensland. Michelle is an Audit and Risk Committee member of Queensland Rugby League and a Non-Executive Director of Engeny Water Management Pty Ltd and Chair of the HR and Remuneration Committee. Michelle was a Non-Executive Director of Queensland Rugby Union from July 2016 to July 2018. |
| **Other current directorships** | None |
| **Former directorships** | None |
| **Special responsibilities** | |
| **Interests in shares** | None |
| **Interests in options** | None |
| **Contractual rights to shares** | None |
| **Name** | Adrian Fonseca |
| **Title** | Independent Director (resigned 6 June 2023) |

# Directors Report

| | |
|---|---|
| **Experience and expertise** | Adrian Fonseca attended the University of Melbourne completing a Bachelor of Laws (Hons) and Bachelor of Commerce.<br><br>Adrian practised as a banking and finance lawyer at global firms Allens and Ashurt before spending 17 years in investment banking in Sydney, Singapore and London with Macquarie Bank, Deutsche Bank and Barclays Bank. In his last role Adrian was head of Strategic Solutions and Financing Team at Deutsche Bank in Singapore.<br><br>Adrian is currently the Founder and Managing Director of Oxanda Education - a large Australian early learning centre owner/operator with centres across NSW (including Western Sydney), Victoria and Queensland. Adrian is a Board Member and Deputy Chairman of the GWS Giants AFL Club amd Deputy Chairman of the GWS Giants Foundation.<br><br>Adrian is married with three children and very passionate about early education and heavily involved in community groups relating to children. |
| **Other current directorships** | None |
| **Former directorships** | None |
| **Special responsibilities** | Chair of the Audit and Risk Committee (resigned 6 June 2023) |
| **Interests in shares** | None |
| **Interests in options** | None |
| **Contractual rights to shares** | None |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

*Company secretary*

Edmund Mah held the role of Company Secretary until July 2023. Christopher Scott has held the role of Company Secretary since July 2023.

## Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2023, and the number of meetings attended by each director were:

| | Full Board | | Remuneration and People Committee | | Audit and Risk Committee | |
|---|---|---|---|---|---|---|
| | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** |
| Hamish Stevens | 9 | 9 | 3 | 3 | - | - |
| Kim Campbell | 9 | 9 | 3 | 3 | 3 | 6 |
| Renita Garard | 8 | 9 | 2 | 2 | 6 | 6 |
| Michelle Thomsen* | 4 | 6 | - | - | 1 | 2 |
| Adrian Fonseca** | 2 | 3 | 1 | 2 | 4 | 4 |
| Christopher Scott | 9 | 9 | - | - | - | - |

* represents meetings held from 6 June 2023 to 31 December 2023
** Represents meetings held from 1 January 2023 to 6 June 2023

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

# Remuneration Report - Audited

The Directors present the Embark Early Education Limited remuneration report, which has been audited, for the year ended 31 December 2023, outlining key aspects of the consolidated entity's remuneration policy and framework and remuneration awarded this year. This Remuneration Report outlines the Key Management Personnel ("KMP") remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (Cth) and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Additional disclosures relating to key management personnel

## Principles used to determine the nature and amount of remuneration

The Board is committed to an executive remuneration framework that is focused on achieving a high-performance culture and linking executive pay to the achievement of the Company strategy and business objectives which, ultimately, create sustainable long-term value for shareholders.

As part of ensuring that management is motivated to create and deliver sustainable shareholder wealth, the Board utilises a Remuneration and People Committee which operates under the delegated authority of the Board.

The Committee ensures that rewards for executives are strongly aligned with the Company's performance. The Company is committed to ensuring clarity and transparency about its remuneration policy and practice. The objectives of the Committee are to:

- establish a clear framework for oversight and management of the Company's remuneration structures, policies, procedures and practices;
- consider and recommend new appointments to the Board and oversee management succession planning;
- fairly and responsibly reward directors and senior management and other employees of the Company having regard to the performance of the Company, the performance of these officers and employees and the general pay environment; and
- implement policies, procedures and practices for the Company and Board to ensure compliance with all laws, rules and regulations which are applicable to the Company and the directors, including the Corporations Act 2001 and the ASX Listing Rules.

The number of committee meetings and attendance records of committee members is specified above (page 4).

The performance of all directors and senior management is reviewed periodically in accordance with the terms of the Remuneration and People Committee Charter.

### *Directors' remuneration*

Fees and payments to directors reflect the demands and responsibilities of their role. Directors' fees and payments are reviewed annually by the Remuneration and People Committee. The Remuneration and People Committee may, from time to time, receive advice from independent remuneration consultants to ensure directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

The director's fee pool is currently $465,000 per annum (plus GST, if any), with the amount of fees paid during the period disclosed in the remuneration tables below. The Directors are also entitled to be paid for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or Shareholder meetings, or otherwise in connection with the Group's business.

### *KMP remuneration*

The Company's total remuneration policy for KMP provides the opportunity for them to be paid, where performance merits, at the market median for equivalent market-matched roles. In determining an executive's total remuneration, external benchmarking is undertaken where necessary to ensure comparability and competitiveness, along with consideration of an individual's performance, skills, expertise, and experience.

The Remuneration and People Committee reviews and approves annual performance appraisal outcomes for all members of the senior management team reporting to the Managing Director and utilises market information and trends when considering and confirming remuneration arrangements. External benchmarking may be conducted independently, to provide industry specific data to assist the Remuneration and People Committee in approving appropriate levels of remuneration for these executives.

The annual remuneration review process requires “one over one” approval (approval from a higher authority than the person or committee recommending the remuneration). This means that approval of the Board is required for any changes to the remuneration of direct reports of the Managing Director, on recommendation by the Remuneration and People Committee. Further, recommendations from the Managing Director in relation to remuneration of other members of the senior management team require Remuneration and People Committee approval.

Total executive remuneration may incorporate fixed and variable components. Executive remuneration may contain any or all of the following:

- fixed remuneration;
- performance-based remuneration;
- equity-based remuneration; and
- termination payments.

There are no performance share rights or long-term incentive scheme in place for the current senior management team.

*Voting and comments made at the company's 2022 Annual General Meeting ('AGM')*

At the 2022 AGM, the Company did not receive any specific feedback regarding its remuneration practices. No vote was required under NZ rules.

### Details of remuneration

*Amounts of remuneration*

The key management personnel of the consolidated entity consisted of the following:

- Hamish Stevens - Non-Executive Chairman
- Kim Campbell - Non-Executive Director, Chair of Remuneration and People Committee
- Renita Garard - Non-Executive Director, Chair of Audit and Risk Committee
- Michelle Thomsen - Non-Executive Director (from 6 June 2023)
- Adrian Fonseca – Non-Exective Director (until 6 June 2023)
- Chris Scott - Managing Director and Executive Director
- Josie Shawcross – Chief Financial Officer (from 16 October 2023)
- Edmund Mah – Chief Financial Officer (until 10 July 2023)

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables:

## Remuneration Report - Audited

| | Short-Term Benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | | |
|---|---|---|---|---|---|---|---|---|
| | Cash salary and fees | Cash bonus | Non-monetary | Superannuation | Long service leave | Equity-settled shares | Equity-settled options | Total |
| **2023** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| ***Non-executive Directors:*** | | | | | | | | |
| Hamish Stevens | 115,238 | - | - | - | - | - | - | 115,238 |
| Kim Campbell | 85,587 | - | - | - | - | - | - | 85,587 |
| Renita Garard | 80,365 | - | - | - | - | - | - | 80,365 |
| Michelle Thomsen* | 42,394 | - | - | - | - | - | - | 42,394 |
| Adrian Fonseca** | 36,728 | - | - | - | - | - | - | 36,728 |
| ***Executive Directors:*** | | | | | | | | |
| Christopher Scott | 74,993 | - | - | - | - | - | - | 74,993 |
| ***Other Key Management Personnel:*** | | | | | | | | |
| Josie Shawcross^ | 40,457 | - | - | 3,275 | - | - | - | 43,732 |
| Edmund Mah^^ | 104,598 | 68,938 | - | 7,162 | - | - | - | 180,698 |
| | **580,360** | **68,938** | **-** | **10,437** | **-** | **-** | **-** | **659,735** |

* represents remuneration from 6 June 2023 to 31 December 2023
** Represents remuneration from 1 January 2023 to 6 June 2023
^ Represents remuneration from 16 October 2023 to 31 December 2023
^^ Represents remuneration from 1 January 2023 to 10 July 2023

## Remuneration Report - Audited

| | Short-Term Benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | | |
|---|---|---|---|---|---|---|---|---|
| | Cash salary and fees | Cash bonus | Non-monetary | Superannuation | Long service leave | Equity-settled shares | Equity-settled options | Total |
| **2022** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| ***Non-executive Directors:*** | | | | | | | | |
| Hamish Stevens | 113,219 | - | - | - | - | - | - | 113,219 |
| Kim Campbell | 82,341 | - | - | - | - | - | - | 82,341 |
| Chris Sacre* | 60,994 | - | - | - | - | - | - | 60,994 |
| Adrian Fonseca | 75,480 | - | - | - | - | - | - | 75,480 |
| ***Executive Directors:*** | | | | | | | | |
| *Chris Scott* | 67,093 | - | - | - | - | - | - | 67,093 |
| ***Other Key Management Personnel:*** | | | | | | | | |
| *Edmund Mah* | 274,470 | 274,470 | - | 7,534 | - | - | - | 556,474 |
| | **673,597** | **274,470** | **-** | **7,534** | **-** | **-** | **-** | **955,601** |

*Represents remuneration from 1 January 2022 to 31 October 2022

The Group has no short, medium or long term incentive plans. Remuneration risk is zero for all directors and key management personnel listed in the above table.

The proportion of the cash bonus paid/payable or forfeited is as follows:

| | Cash bonus paid/payable | | Cash bonus forfeited | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| ***Other Key Management Personnel:*** | | | | |
| Edmund Mah | 100% | 100% | - | - |

# Remuneration Report - Audited

## Additional disclosures relating to key management personnel

*Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Additions | Disposals/other | Balance at the end of the year |
|---|---|---|---|---|
| ***Ordinary shares*** | | | | |
| Hamish Stevens | - | - | - | - |
| Kim Campbell | 3,750 | - | - | 3,750 |
| Renita Garard | - | - | - | - |
| Michelle Thomsen | - | - | - | - |
| Christopher Scott | 26,227,514 | - | - | 26,227,514 |
| Josie Shawcross | 10,000 | - | - | 10,000 |

No other options were given to directors or KMP during the year.

## Changes since the end of the reporting period

There have been no changes since the end of the reporting period.

**This concludes the remuneration report.**

# Directors Report

## Indemnity and insurance of officers

The Group has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## Indemnity and insurance of auditor

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

## Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

## Non-audit services

There were no non-audit services provided by the auditor.

There are no officers of the Group who are former partners of Grant Thornton.

## Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## 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 immediately after this directors' report.

## Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors:

Hamish Stevens

Chair

Embark Early Education Limited

26 February 2024

**Grant Thornton Audit Pty Ltd**
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# Auditor's Independence Declaration

## To the Directors of Embark Early Education Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Embark Early Education Limited for the year ended 31 December 2023, I declare that, 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Cameron Smith

CDJ Smith
Partner – Audit & Assurance

Brisbane, 26 February 2024

# Consolidated Statement of Profit or Loss and Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023

| | Note | YEAR 31 DECEMBER 2023 $'000 | RESTATED YEAR 31 DECEMBER 2022 $'000 |
|---|---|---|---|
| Childcare Fees | 5 | 19,084 | 18,122 |
| Government Funding | 5 | 43,896 | 36,333 |
| Other Revenue | 5 | 143 | - |
| **Revenue** | | **63,123** | **54,455** |
| **Expenses** | | | |
| Employee benefits expenses | 6a | (34,976) | (33,983) |
| Building occupancy expenses | | (774) | (1,192) |
| Direct expenses of providing services | | (5,283) | (6,487) |
| Depreciation | | (3,266) | (2,997) |
| Acquisition expenses | | (58) | - |
| Other expenses | | (2,422) | (3,509) |
| **Total expenses** | | **(46,779)** | **(48,168)** |
| **Profit before net finance expense and income tax** | | 16,344 | 6,287 |
| Finance income | 6b | 868 | 338 |
| Finance costs | 6b | (6,201) | (8,320) |
| **Net finance expense** | | **(5,333)** | **(7,982)** |
| **Profit/(loss) before income tax** | | 11,011 | (1,695) |
| **Income tax benefit/ (expense)** | 7a | (2,736) | (655) |
| **(Loss)/Profit after income tax from continuing operations** | | **8,275** | **(2,350)** |
| Profit/(Loss) after income tax from discontinued operations | | - | (37,904) |
| **(Loss)/Profit after income tax attributable to the shareholders of the Company** | | **8,275** | **(40,253)** |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | | (114) | (1,537) |
| **Total comprehensive income attributed to the shareholders of the Company** | | **8,161** | **(41,789)** |
| **Earnings per share** | | **Cents** | **Cents** |
| Basic earnings per share | 27 | 0.05 | (0.25) |
| Diluted earnings per share | 27 | 0.05 | (0.25) |

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2023

| | Note | YEAR 31 DECEMBER 2023 $'000 | RESTATED YEAR 31 DECEMBER 2022 $'000 | RESTATED YEAR 1 JANUARY 2022 $'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 8 | 26,839 | 16,201 | 44,824 |
| Assets held for sale | | - | - | 2,804 |
| Funding Receivable | | - | 614 | - |
| Current tax asset | | - | 196 | - |
| Trade and other receivables | 9 | 2,690 | 2,862 | 2,940 |
| **Total current assets** | | **29,529** | **19,873** | **50,568** |
| Property, plant and equipment | 10 | 1,582 | 1,590 | 7,164 |
| Deferred tax asset | 7c | 4,949 | 3,365 | 13,246 |
| Right-of-use assets | 11 | 61,332 | 62,683 | 173,424 |
| Intangible assets | 12 | 60,898 | 60,934 | 151,201 |
| Term deposit | | 2,460 | 8,573 | 4,806 |
| **Total non-current assets** | | **131,221** | **137,145** | **349,841** |
| Trade and other payables | 14 | 2,824 | 3,661 | 10,858 |
| Current income tax liabilities | | 2,403 | 13 | 1,684 |
| Funding received in advance | | 543 | 7 | 7,294 |
| Employee entitlements | 15 | 3,143 | 4,868 | 8,561 |
| Lease liabilities - current | 16 | 6,278 | 6,133 | 7,256 |
| Liabilities held for sale | | - | - | 4,189 |
| **Total current liabilities** | | **15,191** | **14,682** | **39,842** |
| Borrowings | | - | - | 34,118 |
| Employee entitlements - Non-current | 15 | 299 | | - |
| Lease liabilities - non current | 16 | 66,945 | 65,795 | 202,200 |
| **Total non-current liabilities** | | **67,244** | **65,795** | **236,318** |
| **Net Assets** | | **78,315** | **76,541** | **124,249** |
| Issued share capital | 17 | 242,428 | 242,428 | 242,428 |
| Retained earnings | | (171,868) | (165,481) | (119,310) |
| Current Year Earnings | | 8,275 | - | - |
| Translation reserve | | (520) | (406) | 1,131 |
| **Total equity** | | **78,315** | **76,541** | **124,249** |

## Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

| | | ISSUED SHARE CAPITAL | FOREIGN CURRENCY TRANSLATION RESERVE | ACCUMULATED LOSSES | TOTAL |
|---|---|---|---|---|---|
| AUD | Note | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January 2022 (restated)** | | **242,428** | **1,131** | **(119,310)** | **124,249** |
| Profit/(loss) after income tax | | - | - | (40,253) | **(40,253)** |
| Other comprehensive income | | - | (1,537) | - | **(1,537)** |
| **Total comprehensive income (loss)** | | **-** | **(1,537)** | **(40,253)** | **(41,789)** |
| **Dividends declared** | | **-** | **-** | (5,918) | **(5,918)** |
| **As at 31 December 2022 (restated)** | | **242,428** | **(406)** | **(165,481)** | **76,541** |
| AUD | Note | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 January 2023** | | **242,428** | **(406)** | **(165,481)** | **76,541** |
| Profit/(loss) after income tax | | - | - | 8,275 | **8,275** |
| Other comprehensive income | | - | (114) | - | **(114)** |
| **Total comprehensive income (loss)** | | **-** | **(114)** | **8,275** | **8,161** |
| **Dividends declared** | **18** | | | (6,387) | **(6,387)** |
| **As at 31 December 2023** | | **242,428** | **(520)** | **(163,592)** | **78,315** |

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

| | Note | YEAR 31 DECEMBER 2023 $'000 | RESTATED YEAR 31 DECEMBER 2022 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 63,074 | 125,955 |
| Payments to suppliers and employees | | (44,488) | (102,847) |
| Interest received | | 868 | 347 |
| Income tax paid | | (1,735) | (4,233) |
| **Net cash provided by operating activities** | 26 | **17,719** | **19,222** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | - | 29,203 |
| Purchase of property, plant and equipment | | (454) | (3,719) |
| Acquisition of subsidiary, net of cash | | (58) | (5,016) |
| Transfer (to) / from term deposit | | 6,088 | (3,795) |
| **Net cash (used in) investing activities** | | **5,576** | **16,673** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | - | (34,140) |
| Dividend paid | 18 | (6,387) | (5,918) |
| Repayment of leases | | (6,269) | (21,543) |
| Interest paid on borrowings | | - | (2,673) |
| **Net cash (used in) financing activities** | | **(12,656)** | **(64,274)** |
| **Net change in cash and cash equivalents held** | | 10,639 | (28,379) |
| **Increase/(decrease) effect of FX** | | (3) | (232) |
| **Cash and cash equivalents at beginning of financial year** | | 16,201 | 44,813 |
| **Cash and cash equivalents at end of financial year** | | **26,839** | **16,201** |

## 1. General information

Embark Early Education Limited (the "Company") or ("Embark") is a company incorporated and domiciled in Australia. The address of the Company's registered office is Suite 102, 120-122 Siganto Drive, Helensvale Queensland, 4212, Australia. The consolidated financial statements of the Company as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries, together referred to as "the Group". The principal activities of the Company and its subsidiaries (the "Group") are to invest in the provision and management of high-quality early childhood education centres.

The financial statements were approved by the Board of Directors on 28 February 2024.

## 2. Basis of preparation

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

### a) Statement of Compliance

The financial report is a general-purpose financial report, which:

- has been prepared in accordance with the requirements of the Corporations Act 2001(Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board as applicable to a for-profit entity.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or before 1 January 2023.

The Consolidated financial statements of the comparative reporting periods were prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). Where additional disclosure was required by Australian Accounting Standards this was included in comparatives but is not considered material. As the NZ GAAP also adopted all International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board for a for-profit entity, there have been no change in recognition and measurement at the transition to Australian Accounting Standards.

### b) New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### c) Going concern

These statements have been prepared on a going concern basis.

Profit and cashflow for the group remained positive for the period. Forecasts indicate that the Group will have sufficient cash to settle liabilities as they fall due.

Having regard to the above, the Board has concluded that it is appropriate that these financial statements are prepared on a going concern basis.

### d) Basis of measurement and presentation currency

The Consolidated financial statements have been prepared on the historical cost basis, with the exception of certain items for which specific accounting policies are identified, as noted below.

The Consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and Group's presentation currency. The Group changed the presentation currency during the year ended 31 December 2023, please refer to note 3(y) for further detail.

## 2. Basis of preparation (continued)

The Company is of a kind referred to in legislative instrument 2016/191 and in accordance with that legislative instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

### e) Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

### f) Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## 3. Significant accounting policies

### a) Basis of consolidation

*Business Combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when the Group 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.

The Group measures goodwill at the acquisition date as the difference between:

- The fair value of the consideration transferred; less
- The net recognised amount of the identifiable assets acquired, the liabilities assumed, measured at fair value, and any non-controlling interest in the acquiree.

When the excess is negative, a bargain purchase gain is recognised immediately in the Consolidated Statement of Comprehensive Income.

Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the Consolidated Statement of Comprehensive Income.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Business combinations are initially accounted for on a provisional basis if the related initial accounting is incomplete by the end of the accounting period. Th Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of acquisition or (ii) when the acquirer receives all information possible to determine fair value.

## 3. Significant accounting policies (continued)

*Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

*Assets held for sale*

Non-current assets, or disposal groups (ECE centres) comprising assets and liabilities that are expected to be recovered primarily through sale within one year, rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### b) Segment Information

An operating segment is a component of an entity that engages in business activities from which it may earn and incur expenses. The operating results of a segment are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available. The Chief Operating Decision Maker, who is responsible allocating resources and assessing performance of the Group, has been identified as the Managing Director ("Group MD").

The Group considers the business as one Group of centres and therefore have identified one operating segment of which the principal activity is the operation of childcare centres. The Group currently operates in one geographical segment in Australia.

### c) Foreign currency translation

The financial statements are presented in Australian dollars, which is Embark Early Education Limited's functional and presentation currency.

*Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the statement of comprehensive income, on a net basis, within other expenses.

Non-monetary items that are measured at fair value in a foreign currency 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.

## 3. Significant accounting policies (continued)

### d) Revenue recognition

Revenues are recognised when the Group satisfies its performance obligations by providing early childhood education services to customers.

*Childcare Revenue*

The Group provides early childhood education services for children's various learning and care needs. Revenue from childcare fees are recognised as and when a child attends, or was scheduled to attend, a childcare facility. The performance obligations are satisfied over time as the child simultaneously receives and consumes the benefits.

*Australian Government funding*

Childcare revenues from Australian Government funding relates to fees paid under the Child Care Subsidy and are recognised over time when there is reasonable assurance that the funding will be received. Australian Government funding is received in arrears.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### e) Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

### f) Taxation

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

*Deferred tax*

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

## 3. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

*Goods and Services Tax ('GST') and other similar taxes*

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the statement of financial position.

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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### g) Discontinued operations accounting policy

Discontinued operations are a component of the Group's business that represents a separate major line of business or area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued, the comparative consolidated statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

On 30 September 2022 the Group sold its New Zealand subsidiary Lollipops Educare Centres Limited. This has resulted in the New Zealand business being classified as 'discontinued operations'.

### h) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### i) Cash and cash equivalents

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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

## 3. Significant accounting policies (continued)

### j) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### k) Property, plant and equipment

Items of property, plant and equipment are stated at cost, less accumulated depreciation, and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the Consolidated Statement of Comprehensive Income.

Depreciation is charged based on the cost of an asset less its residual value. Depreciation is charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Useful lives as at balance date were:

| | |
|---|---|
| Plant and equipment | 3 to 10 years |
| Leasehold improvements | 4 to 10 years |
| Motor vehicles | 5 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

### l) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## 3. Significant accounting policies (continued)

### m) Intangible assets

*Goodwill*

Goodwill initially represents amounts arising on acquisition of a business and is the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units, or groups of cash-generating units, and is not amortised, but is reviewed at each balance date to determine whether there is any objective evidence of impairment.

*Other intangible assets*

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### n) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are grouped so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal management purposes. Goodwill acquired in a business combination is allocated to CGU's or groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### o) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. They are measured at amortised cost and are not discounted due to their short term nature. The amounts are unsecured and are usually paid within 30 days of recognition.

### p) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

## 3. Significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short term leases of properties (i.e. those leases that have a lease term of 12 months or less from the date of inception).

The Group applies the low-value assets recognition exemption to leases of office equipment that are considered of low value ($10,000 or less). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### q) Finance costs

Finance costs attributable to qualifying assets (if any) are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### r) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### s) Employee benefits

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at 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 periods 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.

*Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### t) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

## 3. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.



### u) Issued capital

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.

### v) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

### w) Earnings per share

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Embark Early Education Ltd, 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 financial year.

*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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### x) Correction of prior period error

For the year ended 31 December 2022, the Group’s annual report contained an error in which current lease liabilities were incorrectly classified as non-current lease liabilities. The error was identified during the six months ended 30 June 2023, and the Group has re-stated the December 2022 balances:

## 3. Significant accounting policies (continued)

| | AMOUNT STATED FOR YEAR ENDED 31 DECEMBER 2022 ($NZD) | CORRECTED AMOUNT FOR YEAR ENDED 31 DECEMBER 2022 ($NZD) | RESTATED AMOUNT FOR YEAR ENDED 31 DECEMBER 2022 ($AUD) |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Current lease liabilities | 700 | 6,548 | 6,133 |
| Non-current lease liabilities | 76,101 | 70,253 | 65,795 |
| **Total lease liabilities** | **76,801** | **76,801** | **71,928** |

The net asset position of the Group remains the same after the reclassification for the year ended 31 December 2022.

### y) Change in presentation currency and restatement of comparatives

The Group redomiciled from New Zealand to Australia which was completed on 27 June 2023. The Group's revenues, profits and cash flows are generated in Australian dollars. During the half year, management concluded that it was appropriate to change the presentation currency of the Group's financial statements from $NZD to $AUD as it provided more reliable and relevant information to users of the financial statements to better reflect the underlying performance of the Group.

The change in presentation currency has been applied retrospectively. Comparative information for the periods ended has been re-stated using the following procedures:

- Assets and liabilities denominated in $NZD were translated into $AUD using the closing rate of exchange as at 31 December 2022;
- Expenses denominated in $NZD were translated using average rates of exchange for 12 months ended 31 December 2022;
- Components of equity have been translated at historic rates from 31 March 2015, being the earliest period for which audited financial statements were available, and subsequent rates were translated for the rate of exchange on the date of each transaction.

The below tables present the Consolidated Statement of Comprehensive Income, the Statement of Financial Position and the Consolidated Statement of Cash Flows as previously reported in $NZD, and their restated $AUD amounts.

# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. Significant accounting policies (continued)

*Consolidated Statement of Profit or Loss and Comprehensive Income*

| | Note | YEAR 31 DECEMBER 2022 $NZD $'000 | YEAR 31 DECEMBER 2022 $AUD $'000 |
|---|---|---|---|
| Childcare Fees | | 19,807 | 18,121 |
| Government Funding | | 39,713 | 36,333 |
| Other Revenue | | - | - |
| **Revenue** | | **59,520** | **54,455** |
| **Expenses** | | | |
| Employee benefits expenses | | (37,144) | (33,983) |
| Building occupancy expenses | | (935) | (1,192) |
| Direct expenses of providing services | | (7,090) | (6,487) |
| Depreciation | | (3,446) | (2,997) |
| Acquisition expenses | | - | - |
| Other expenses | | (3,834) | (3,508) |
| **Total expenses** | | **(52,449)** | **(48,167)** |
| **Profit before net finance expense and income tax** | | 7,071 | 6,288 |
| Finance income | | 368 | 337 |
| Finance costs | | (9,309) | (8,320) |
| **Net finance expense** | | **(8,941)** | **(7,982)** |
| **Profit/(loss) before income tax** | | (1,870) | (1,694) |
| | | | - |
| **Income tax benefit/ (expense)** | | (716) | (655) |
| **(Loss)/Profit after income tax from continuing operations** | | **(2,586)** | **(2,349)** |
| Profit/(Loss) after income tax from discontinued operations | | (41,410) | (37,904) |
| **Loss/(Profit) after income tax attributable to the shareholders of the Company** | | **(43,996)** | **(40,253)** |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | | 158 | (1,537) |
| **Total comprehensive income attributed to the shareholders of the Company** | | **(43,838)** | **(41,789)** |
| **Earnings per share** | | **Cents** | **Cents** |
| Basic earnings per share | | (0.28) | (0.25) |
| Diluted earnings per share | | (0.28) | (0.25) |

## 3. Significant accounting policies (continued)

*Consolidated Statement of Financial Position*

| | YEAR 31 DECEMBER 2022 $NZD | YEAR 31 DECEMBER 2022 $AUD |
|---|---|---|
| **AUD** | **$'000** | **$'000** |
| Cash and cash equivalents | 17,299 | 16,201 |
| Funding Receivable | 614 | 614 |
| Current tax asset | 196 | 196 |
| Trade and other receivables | 3,018 | 2,862 |
| **Total current assets** | **21,127** | **19,873** |
| Property, plant and equipment | 1,698 | 1,590 |
| Deferred tax asset | 3,593 | 3,365 |
| Right-of-use assets | 66,930 | 62,683 |
| Intangible assets | 65,062 | 60,934 |
| Term deposit | 9,153 | 8,573 |
| **Total non-current assets** | **146,436** | **137,145** |
| Trade and other payables | 3,836 | 3,661 |
| Current income tax liabilities | - | 13 |
| Funding received in advance | - | 7 |
| Employee entitlements | 5,199 | 4,868 |
| Lease liabilities - current | 6,548 | 6,133 |
| **Total current liabilities** | **15,583** | **14,682** |
| Lease liabilities - non current | 70,253 | 65,795 |
| **Total non-current liabilities** | **70,253** | **65,795** |
| **Net Assets** | **81,727** | **76,541** |
| Issued share capital | 260,014 | 242,428 |
| Retained earnings | (178,028) | (165,481) |
| Current Year Earnings | - | - |
| Translation reserve | (259) | (406) |
| **Total equity** | **81,727** | **76,541** |

## 3. Significant accounting policies (continued)

*Consolidated Statement of Cash Flows*

| | Note | YEAR 31 DECEMBER 2022 $NZD<br>$'000 | YEAR 31 DECEMBER 2022 $AUD<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 134,488 | 125,955 |
| Payments to suppliers and employees | | (109,815) | (102,847) |
| Interest received | | 371 | 347 |
| Finance costs | | - | - |
| Income tax paid | | (4,520) | (4,233) |
| **Net cash provided by operating activities** | | **20,524** | **19,222** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 31,182 | 29,204 |
| Purchase of property, plant and equipment | | (3,971) | (3,719) |
| Acquisition of subsidiary, net of cash | | (5,356) | (5,016) |
| Transfer (to) / from term deposit | | (4,052) | (3,795) |
| **Net cash (used in) investing activities** | | **17,803** | **16,673** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (36,454) | (34,141) |
| Dividend paid | | (6,319) | (5,918) |
| Repayment of leases | | (23,002) | (21,543) |
| Interest paid on borrowings | | (2,854) | (2,673) |
| **Net cash (used in) financing activities** | | **(68,629)** | **(64,274)** |
| **Net change in cash and cash equivalents held** | | (30,302) | (28,379) |
| **Plus effect of FX** | | - | - |
| **Cash and cash equivalents at beginning of financial year** | | 47,579 | 44,813 |
| **Cash and cash equivalents at end of financial year** | | **17,277** | **16,201** |

## 3. Significant accounting policies (continued)

### z) Accounting for the group reorganisation

On 6 June 2023, the shareholders of Embark Education Group Limited (NZX: EVO), a New Zealand-incorporated company listed on New Zealand's Exchange (NZX) and previously admitted to the official list of ASX as an ASX Foreign Exempt Listing, approved a scheme of arrangement whereby a newly incorporated Australian company (Embark Early Education Limited) (together, "the Combining Entities") would become the new head entity of the Group with admission to the official list of the ASX as an ASX Listing (ASX: EVO). The scheme of arrangement and re-domiciling was executed by way of a swap of Embark Education Group Limited shares on a one-for-one basis for shares in the new parent company, Embark Early Education Limited. Embark Early Education Limited was admitted to the Official List of the ASX on 27 June 2023.

This transaction does not fall within the definition of a business combination under AASB 3 "Business Combinations", and there are no Australian Accounting Standards that apply. The Directors have accounted for this group restructure as Embark Early Education Limited being, in substance, a continuation of Embark Education Group Limited, as detailed below:

- The assets and liabilities of the combining entities are presented at their carrying amounts in the financial statements of Embark Education Group Limited;
- The balance sheet reflects the financial position of the Combining Entities as at 31 December 2022;
- No adjustments have been made to reflect fair values, or recognise any new assets or liabilities, that would otherwise have been required under the purchase method under AASB 3. The only adjustments that have been made were to harmonise accounting policies;
- No new goodwill has been recognised as a result of the restructure; and
- The income statement reflects the results of the Combining Entities for the period from 1 January 2023 to 31 December 2023 (with corresponding comparatives for the period from 1 January 2022 to 31 December 2022.

## 4. Critical accounting judgements, estimates and assumptions

### Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following method. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

*Intangible assets*

The fair values of intangible assets acquired in a business combination are based on the discounted cash flows expected to be derived from the use and eventual sale of the business.

### Identification of Cash Generating Units

In order to complete an impairment assessment, the Group must identify individual cash generating units ("CGUs") that best represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identifying CGUs requires judgement and must be at the lowest level to minimize the possibility that impairments of one asset or group will be masked by a high-performing asset.

### Reserves

*Foreign Currency Translation Reserves*

Exchange differences arising on translation of the foreign subsidiary are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the consolidated statement of comprehensive income when the net investment is disposed of.

## 5. Revenue

| | YEAR 31 DECEMBER 2023 | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|---|
| | $'000 | $'000 |
| Revenue from continuing operations recognised over time: | | |
| Childcare fees | 19,084 | 18,122 |
| Government funding | 43,896 | 36,333 |
| Other revenue | 143 | - |
| **Total Revenue** | **63,123** | **54,455** |

Revenues are recognised when the Group satisfies its performance obligations by providing early childhood education services to customers.

## 6. Disclosure of Items in the Consolidated Statement of Profit or Loss and Comprehensive Income

### a) Employee benefits expense

| | YEAR 31 DECEMBER 2023 | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|---|
| | $'000 | $'000 |
| Wages and salaries | 30,224 | 30,126 |
| Superannuation fund contributions | 3,118 | 104 |
| Kiwisaver contributions | 1 | 2,629 |
| Payments to agency contractors | 864 | 679 |
| Government wage subsidy | (1,497) | (331) |
| Other employee benefits expense | 2,266 | 776 |
| **Total employee benefits expense** | **34,976** | **33,983** |

### b) Net finance costs

| | YEAR 31 DECEMBER 2023 | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|---|
| | $'000 | $'000 |
| **Interest received** | | |
| Bank deposits | 868 | 338 |
| **Total finance income** | **868** | **338** |
| **Interest expense** | | |
| Interest on acquisition facility borrowings | (1) | (2,612) |
| Interest expense - IFRS 16 leases | (6,200) | (5,708) |
| **Total finance costs** | **(6,201)** | **(8,320)** |
| **Net finance costs** | **(5,333)** | **(7,982)** |

## 7. Taxation

### a) Income tax expense

The major components of income tax expense for the year are:

| | YEAR 31 DECEMBER 2023 | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|---|
| | $'000 | $'000 |
| **Current income tax:** | | |
| Current income tax expense | 4,483 | 2,219 |
| Prior year adjustments | (580) | 352 |
| | 3,903 | 2,571 |
| **Deferred tax:** | | |
| Relating to origination and reversal of temporary differences | (1,167) | (2,337) |
| Prior year adjustments | - | 376 |
| | (1,167) | (1,961) |
| Foreign exchange movement | - | 45 |
| **Total income tax expense** | **2,736** | **655** |

### b) Reconciliation of tax expense

Tax expense is reconciled to accounting profit as follows:

| | YEAR 31 DECEMBER 2023 | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|---|
| | $'000 | $'000 |
| **Profit before income tax from continuing operations** | 11,011 | (1,695) |
| At the statutory income tax rate of 30% (2022: 28%) | 3,303 | (475) |
| Non-assessable income and non-deductible expenses for tax purposes: | | |
| Difference in overseas tax rate | - | 94 |
| Non-deductible expenses/(non-assessable income) | 13 | 1,036 |
| Prior year adjustment | (580) | |
| **Total income tax expense** | **2,736** | **655** |

## 7. Taxation (continued)

### c) Deferred tax

Deferred tax relates to the following:

| | YEAR 31 DECEMBER 2023 | | RESTATED YEAR 31 DECEMBER 2022 | |
|---|---|---|---|---|
| | Consolidated Statement of Comprehensive Income | Consolidated Statement of Financial Position | Consolidated Statement of Comprehensive Income | Consolidated Statement of Financial Position |
| | $'000 | $'000 | $'000 | $'000 |
| Property, plant and equipment | - | - | 85 | - |
| Intangible assets | - | - | 11 | - |
| Right-of-use assets | (381) | (18,400) | (506) | (18,781) |
| Lease liabilities | (471) | 21,967 | 1,415 | 21,496 |
| Employee entitlement provisions | (90) | 950 | 594 | 860 |
| Other temporary differences | (225) | 14 | 319 | (210) |
| Tax losses carried forward | - | 418 | (2) | - |
| Foreign exchange movement | - | - | 46 | - |
| **Deferred tax benefit** | **(1,167)** | | **1,962** | |
| **Net deferred tax assets** | | **4,949** | | **3,365** |

Deferred tax assets are expected to be utilised by the reversal of taxable temporary differences as well as the generation of taxable profits.

## 8. Cash and cash equivalents

| | YEAR 31 DECEMBER 2023 | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|---|
| | $'000 | $'000 |
| Cash at banks and on hand | 26,839 | 13,773 |
| Short-term deposits | - | 2,428 |
| **Total cash and cash equivalents** | **26,839** | **16,201** |

## 9. Trade and other receivables

| | YEAR 31 DECEMBER 2023 | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|---|
| | $'000 | $'000 |
| Trade receivables | 1,913 | 1,902 |
| Prepayments and sundry receivables | 840 | 960 |
| Allowance for expected credit losses | (63) | - |
| **Total trade and other receivables** | **2,690** | **2,862** |

### Allowance for expected credit losses

The consolidated entity has recognised a loss of $63,000 in profit or loss in respect of the expected credit losses for the year ended 31 December 2023.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

| | Expected credit loss rate | | Carrying amount | | Allowance for expected credit losses | |
|---|---|---|---|---|---|---|
| | 2023 | RESTATED 2022 | 2023 | RESTATED 2022 | 2023 | RESTATED 2022 |
| **Consolidated** | % | % | $'000 | $'000 | $'000 | $'000 |
| 0 to 3 months overdue | 0% | 0% | 346 | 277 | - | - |
| Over 3 months overdue | 25% | 0% | 251 | 239 | 63 | - |

The Group has increased its monitoring of debt as there is an increased probability of customers delaying payment or being unable to pay, due to the current economic environment.

The movements in expected credit losses are as follows:

| | 2023 | RESTATED 2022 |
|---|---|---|
| | $'000 | $'000 |
| Opening balance | - | - |
| Additional provisions recognised | 63 | - |
| Receivables writen off during the year as uncollectable | (187) | - |
| Unused amounts reversed | 187 | - |
| **Closing balance** | **63** | **-** |

## 10. Property, Plant and Equipment

| 31 December 2023 | Plant and Equipment | Office Furniture and Fittings | Leasehold Improvements | Motor Vehicles | Work in Progress | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | | |
| Opening balance | 723 | 825 | 1,225 | 7 | 3 | 2,782 |
| Additions/transfers | 601 | - | 958 | - | - | 1,559 |
| Acquisition of businesses | - | - | - | - | - | - |
| Disposals | (32) | (825) | (332) | (7) | (3) | (1,199) |
| **Closing balance** | **1,292** | **-** | **1,851** | **-** | **-** | **3,143** |
| **Depreciation and impairment** | | | | | | |
| Opening balance | (514) | (125) | (552) | (1) | - | (1,192) |
| Depreciation charge for period | (348) | - | (185) | - | - | (533) |
| Disposals | 19 | 125 | 19 | 1 | - | 164 |
| Impairment expense | - | - | - | - | - | - |
| **Closing balance** | **(843)** | **-** | **(718)** | **-** | **-** | **(1,561)** |
| **Net book value** | **449** | **-** | **1,133** | **-** | **-** | **1,582** |

| RESTATED 31 December 2022 | Plant and Equipment | Office Furniture and Fittings | Leasehold Improvements | Motor Vehicles | Work in Progress | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | | |
| Opening balance | 2,070 | 7,653 | 9,563 | 58 | 301 | 19,645 |
| Additions | 437 | 1,066 | 2,198 | 18 | - | 3,719 |
| Acquisition of businesses | - | 21 | - | - | - | 21 |
| Disposal - discontinued operations | (1,698) | (7,178) | (9,847) | (52) | 3 | (18,772) |
| Disposals | (128) | (1,052) | (858) | (17) | (301) | (2,356) |
| Classified out from held for sale | 42 | 316 | 169 | - | - | 527 |
| **Closing balance** | **723** | **825** | **1,225** | **7** | **3** | **2,782** |
| **Depreciation and impairment** | | | | | | - |
| Opening balance | (1,141) | (5,733) | (5,636) | (20) | - | (12,529) |
| Depreciation charge for period | (489) | (380) | (1,085) | (9) | - | (1,963) |
| Disposal - discontinued operations | 1,043 | 5,640 | 5,675 | 11 | - | 12,369 |
| Disposals | 95 | 629 | 591 | 17 | - | 1,332 |
| Classified as held for sale | (22) | (281) | (97) | - | - | (400) |
| **Closing balance** | **(514)** | **(125)** | **(552)** | **(1)** | **-** | **(1,192)** |
| **Net book value** | **209** | **700** | **673** | **6** | **3** | **1,590** |

## 11. Right-of-use Assets

| 31 December 2023 | Leased properties | Leased motor vehicles | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Opening net book value** | **62,683** | **-** | **62,683** |
| Additions | 1,455 | - | 1,455 |
| Disposals | | - | - |
| Depreciation and impairment | (2,806) | - | (2,806) |
| **Closing net book value** | **61,332** | **-** | **61,332** |
| Cost | 72,101 | - | 72,101 |
| Accumulated depreciation | (8,826) | - | (8,826) |
| Accumulated impairment | (1,943) | - | (1,943) |
| **As at 31 December 2023** | **61,332** | **-** | **61,332** |

| RESTATED 31 December 2022 | Leased properties | Leased motor vehicles | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Opening net book value** | **172,014** | **389** | **172,403** |
| Additions | 11,136 | 129 | 11,265 |
| Disposals | (216) | - | (216) |
| Depreciation and impairment | (9,343) | (217) | (9,560) |
| Disposal - discontinued operation | (112,740) | (301) | (113,041) |
| Transfer out from HFS | 2,075 | - | 2,075 |
| Foreign exchange movements | (243) | - | (243) |
| **Closing net book value** | **62,683** | **-** | **62,683** |
| Cost | 70,935 | - | 70,935 |
| Accumulated depreciation | (6,640) | - | (6,640) |
| Accumulated impairment | (1,612) | - | (1,612) |
| **As at 31 December 2022** | **62,683** | **-** | **62,683** |

*Impairment testing of right-of-use assets*

As detailed in Note 13, non-financial assets including right-of-use assets are reviewed annually for indicators of impairment. Where there is an indicator of impairment, the carrying value of the asset is compared to its recoverable amount. Refer to Note 13 – Impairment.

## 12. Intangible Assets

| 31 December 2023 | Note | Software $'000 | Brands $'000 | Goodwill $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Opening Balance | | - | 36 | 60,898 | - | 60,934 |
| Acquisition of businesses | | - | - | - | - | - |
| Disposals | | - | (36) | - | - | (36) |
| **Closing Balance** | | **-** | **-** | **60,898** | **-** | **60,898** |
| **Amortisation and impairment** | | - | - | - | - | - |
| Opening balance | | - | 36 | 60,898 | - | 60,934 |
| Disposals | | - | (36) | - | - | (36) |
| **Closing Balance** | | **-** | **-** | **60,898** | **-** | **60,898** |
| **Net book value** | | **-** | **-** | **60,898** | **-** | **60,898** |

| RESTATED 31 December 2022 | Note | Software $'000 | Brands $'000 | Goodwill $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Opening Balance | | 802 | 2,924 | 253,242 | 483 | 257,451 |
| Acquisition of businesses | | - | - | 2,487 | - | 2,487 |
| Disposals | | (802) | (2,888) | (190,913) | (483) | (195,086) |
| **Closing Balance** | | **-** | **36** | **64,816** | **-** | **64,852** |
| **Amortisation and impairment** | | | | | | |
| Opening balance | | (704) | - | (105,597) | (483) | (106,784) |
| Disposals | | 704 | - | 101,686 | 483 | 102,873 |
| **Closing Balance** | | **-** | **-** | **(3,911)** | **-** | **(3,911)** |
| **Foreign exchange movement** | | **-** | **-** | **(7)** | **-** | **(7)** |
| **Net book value** | | **-** | **36** | **60,898** | **-** | **60,934** |

## 13. Impairment

### Impairment assessment of indefinite useful life intangible assets

The goodwill balance of $60.9m (2022: $60.9m), has been tested for impairment as at 31 December 2023. Impairment of goodwill cannot be reversed in subsequent years.

The recoverable amounts of the groups of CGU's, to which indefinite useful life intangible assets have been allocated, was determined using a value-in-use discounted cash flow methodology using Board approved cash flow forecasts covering a five-year period.

No impairment has been recognized in the year ended 31 December 2023.

## 13. Impairment (continued)

| | AS AT 31 DECEMBER 2023 $'000 | RESTATED AS AT 31 DECEMBER 2022 $'000 |
|---|---|---|
| Goodwill | 60,898 | 60,898 |
| Brands with indefinite useful life | - | 36 |
| | **60,898** | **60,934** |

### Key assumptions used in value-in-use calculations

The key "base" assumptions used in the calculation of value-in-use are:

- Revenue growth through the forecast period
- Wages growth through the forecast period
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

The table below sets out the key assumptions:

| | YEAR 31 DECEMBER 2023 | YEAR 31 DECEMBER 2022 |
|---|---|---|
| Revenue growth attributable to price (% per annum on average) | 3.00% | 3.00% |
| Revenue growth attributable to increase in occupancy (% per annum on average) | 0.00% | 0.00% |
| Total revenue growth (% per annum on average) | 3.00% | 3.00% |
| Wages growth (% per annum on average) | 3.00% | 3.00% |
| Pre-tax discount rates (%) | 15.35% | 12.90% |
| Long-term growth rate (%) | 1.50% | 1.50% |

**Revenue:** Revenue growth at an average of 3% per year from price increases assumed in the forecast. No growth in occupancy has been assumed.

**Wages:** Wages are assumed to increase at an average of 3% per year. It is assumed that any increase in wages above 3% per year will be at least covered by additional price increases.

### Sensitivity to changes in key assumptions

The most sensitive assumption in the calculation of value-in-use is revenue growth, followed by wage costs. Revenue growth will be achieved through pricing, as occupancy is not assumed to grow, given the centres currently have good occupancy levels. The following summarizes the amounts by which the key assumptions would need to change, with all other assumptions remaining constant, for the recoverable amount to equal the carrying amount:

## 13. Impairment (continued)

| | Headroom/ (Impairment) |
|---|---|
| Base assumption ($'000) | 36,922 |
| Revenue growth | (6.48%) |
| Wages growth | 11.83% |
| Pre-tax discount rate | 4.53% |
| Long term growth rate | (8.72%) |

The following summarizes the impairment of headroom that would have resulted had the noted changes in the "base" assumptions been made, with all other assumptions remaining constant:

| | Headroom/ (Impairment) |
|---|---|
| Base assumption ($'000) | 36,922 |
| Revenue growth +5.0% above base | 65,395 |
| Revenue growth -5.0% above base | 8,449 |
| Wages growth +5.0% above base | 21,320 |
| Wages growth -5.0% below base | 52,524 |

## 14. Trade and other payables

| | YEAR 31 DECEMBER 2023 $'000 | RESTATED YEAR 31 DECEMBER 2022 $'000 |
|---|---|---|
| Goods and services tax payable | 32 | 60 |
| Other payables | 829 | 1,738 |
| State Government funding | 1,259 | 956 |
| Trade payables | 704 | 907 |
| **Total trade and other payables** | **2,824** | **3,661** |

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amount of trade and other payables are considered to be the same as their fair value, due to their short-term nature.

## 15. Employee Entitlements

| | YEAR 31 DECEMBER 2023 $'000 | RESTATED YEAR 31 DECEMBER 2022 $'000 |
|---|---|---|
| Accrued wages and salaries | 1,116 | 2,091 |
| Other employee entitlements | 55 | 60 |
| Employee leave provisions - current | 1,972 | 2,342 |
| Termination benefit | - | 375 |
| **Total employee entitlements - current** | **3,143** | **4,868** |
| Employee leave provisions - non-current | 299 | - |
| **Total employee entitlements - non-current** | **299** | **-** |

## 16. Lease Liabilities

| | YEAR 31 DECEMBER 2023 $'000 | RESTATED YEAR 31 DECEMBER 2022 $'000 |
|---|---|---|
| Current lease liabilities | 6,278 | 6,133 |
| Non-current lease liabilities | 66,945 | 65,795 |
| **Total lease liabilities** | **73,223** | **71,928** |

The Group leases childcare centres, and lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. As at 31 December 2023, the Group's leases had a weighted average remaining lease term of 23.97 years (2022: 22.9 years) and a weighted average incremental borrowing rate of 8.97% (2022: 8.97%).

### Amounts recognised in the Statement of Comprehensive Income

The statement of comprehensive income shows the following amounts relating to leases:

| | YEAR 31 DECEMBER 2023 $'000 | RESTATED YEAR 31 DECEMBER 2022 $'000 |
|---|---|---|
| **Depreciation charge of right-of-use assets** | | |
| Properties | 2,805 | 2,087 |
| Discontinued operations | - | 7,206 |
| | | |
| Interest expense (included in finance cost) | 6,201 | 5,129 |
| Interest expense - discontinued operations | - | 8,343 |

The total cash outflow for leases during the year was $6.2 million (2022: $14.2 million).

## 17. Issued Capital

### Authorised shares

| | YEAR 31 DECEMBER 2023 | | RESTATED YEAR 31 DECEMBER 2022 | |
|---|---|---|---|---|
| | Number | $'000 | Number | $'000 |
| **Ordinary shares auhtorised, issued and fully paid** | | | | |
| Opening balance | 159,549,484 | 242,428 | 159,549,484 | 242,428 |
| Issue of ordinary shares, net of transaction costs | | | - | - |
| **Closing balance** | **159,549,484** | **242,428** | **159,549,484** | **242,428** |

## 18. Dividends

### Dividends paid during the current year

| | 2023 | 2023 |
|---|---|---|
| | Cents per share | $'000 |
| Dividend paid for year ending 31 December 2022 | 2.00 | 3,195 |
| Interim dividend for the half year ended 30 June 2023 | 2.00 | 3,192 |
| **Average dividend per share** | **2.00** | **6,387** |

### Franking Credits

| | 2023 | 2022 |
|---|---|---|
| | $'000 | $'000 |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 7,759 | 6,356 |

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

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

## 19. Financial Assets and Liabilities

### Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall level of financial risk is not significant and risk management is carried out by senior finance executives and the Board of Directors.

### Market risk

*Foreign currency risk*

The Group is exposed to foreign currency risk associated with the New Zealand Dollar ("NZD"). Foreign currency risks arising from future commercial transactions and from recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

The foreign currency risk is associated with the Embark Education Group entity in New Zealand, however this entity has no operations.

*Price risk*

The Group is not currently exposed to any significant price risk.

*Interest rate risk*

The Group is not currently exposed to any significant interest rate risk other than for interest on cash deposits.

*Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provision for impairment of those assets, as disclosed in the Consolidated Statement of Financial Position and Notes to the Consolidated Financial Statements. The Group has no significant credit risk exposure. The Standard & Poors credit ratings of the banks where the Group holds cash are all AA.

*Liquidity risk*

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Financing arrangements*

The Group's financing arrangements comprise the following facilities:

- **Lease guarantee facility** – provided by NAB for $2.4 million (2022: $2.4 million) for guarantees required for certain leasehold properties. This facility is cash-backed by a term deposit held with NAB.

*Remaining contractual maturities*

The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

## 19. Financial Assets and Liabilities (continued)

| 2023 | Weighted average interest rate | 1 year or less | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Remaining contractual liabilities |
|---|---|---|---|---|---|---|
| | % | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade and other payables | | 2,824 | - | - | - | 2,824 |
| Contract liabilities | | 543 | - | - | - | 543 |
| *Interest-bearing - fixed rate* | | | | | | |
| Lease liabilities | 8.97% | 6,285 | 6,443 | 20,145 | 161,970 | 194,843 |
| **Total non-derivatives** | | **9,651** | **6,443** | **20,145** | **161,970** | **198,209** |

| 2022 | Weighted average interest rate | 1 year or less | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Remaining contractual liabilities |
|---|---|---|---|---|---|---|
| | % | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade and other payables | | 3,661 | - | - | - | 3,661 |
| Contract liabilities | | 7 | - | - | - | 7 |
| *Interest-bearing - fixed rate* | | | | | | |
| Lease liabilities | 8.97% | 6,070 | 6,285 | 19,754 | 161,970 | 194,079 |
| **Total non-derivatives** | | **9,738** | **6,285** | **19,754** | **161,970** | **197,747** |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### Fair value of financial instruments

The carrying value of financial assets and financial liabilities presented represent a reasonable approximation of fair value.

## 20. Auditors Remuneration

During the year, the following fees were paid or payable for services provided by the Group's auditor, Grant Thornton Australia:

| | YEAR 31 DECEMBER 2023 | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|---|
| **Assurance services:** | | |
| Audit and review of the consolidated financial statements | 226,093 | 172,916 |
| Other assurance engagements | - | 32,022 |
| **Total assurance** | **226,093** | **204,938** |

## 21. Related Party Transactions

### Parent entity

The parent entity of the Group is Embark Early Education Limited.

### Subsidiaries

Interests in subsidiaries are set out in note 23.

### Key Management Personnel

*Directors*

The following persons were Directors of Embark Early Education Limited during the year:

- Hamish Stevens (Chair)
- Christopher Scott (Managing Director)
- Kim Campbell
- Renita Garard
- Adrian Fonseca (until 6 June 2023)
- Michelle Thomsen (from 6 June 2023)

*Other Key Management Personnel*

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

- Josie Shawcross – Chief Financial Officer (from 16 October 2023)
- Edmund Mah – Chief Financial Officer (until 10 July 2023)

*Key Management Personnel Compensation*

| | 2023 | 2022 |
|---|---|---|
| | $'000 | $'000 |
| Short-term benefits* | 580 | 674 |
| Cash bonus | - | 274 |
| Termination benefits | 69 | - |
| Post-employment benefits | 10 | 8 |
| | **660** | **956** |

*includes Director's Fees

The relevant information on detailed remuneration disclosures can be found in the Remuneration Report on pages 5 to 8.

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

## 22. Parent entity information

On 6 June 2023, the shareholders of Embark Education Group Limited (NZX: EVO), a New Zealand-incorporated company listed on New Zealand's Exchange (NZX) and previously admitted to the official list of ASX as an ASX Foreign Exempt Listing, approved a scheme of arrangement whereby a newly incorporated Australian company (Embark Early Education Limited) (together, "the Combining Entities") would become the new head entity of the Group with admission to the official list of the ASX as an ASX Listing (ASX: EVO). The scheme of arrangement and re-domiciling was executed by way of a swap of Embark Education Group Limited shares on a one-for-one basis for shares in the new parent company, Embark Early Education Limited. Embark Early Education Limited was admitted to the Official List of the ASX on 27 June 2023. As Embark Early Education Limited was incorporated in 2023 there are no parent entity prior year comparatives.

Set out below is the supplementary information about the parent entity.

| | YEAR 31 DECEMBER 2023 |
|---|---|
| | $'000 |
| **Statement of profit or loss and other comprehensive income:** | |
| Profit after income tax | (185,392) |
| Other comprehensive income | - |
| **Total comprehensive income for the year** | **(185,392)** |
| **Statement of financial position:** | |
| Current assets | 638 |
| Non-current assets | 74,341 |
| **Total assets** | **74,980** |
| Current liabilities | 212 |
| Non-current liabilities | 5,010 |
| **Total liabilities** | **5,222** |
| Share capital | 258,342 |
| Retained profits | (188,584) |
| **Total equity** | **69,758** |

### Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2023.

### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2023.

### Material accounting policy information

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 3, except for the following:

- Investments in subsidiaries are accounted for at fair value in the parent entity.

## 23. Group Information

### Information about subsidiaries

The consolidated financial statements of the Group include:

| Name | Principal Activities | Country of Incorporation | Balance Date | 2023 Equity Interest | 2022 Equity Interest |
|---|---|---|---|---|---|
| Embark NZ Management Group Limited | Holding company | NZ | 31-Dec | 100% | 100% |
| Embark NZ Holdings Limited | Holding company | NZ | 31-Dec | 100% | 100% |
| Evolve Early Education Pty Ltd | ECE centre owner | Australia | 31-Dec | 100% | 100% |
| Embark Education Group Ltd | Holding company | NZ | 31-Dec | 100% | 0% |

Embark Early Education Limited became the new head entity on 6 June 2023. The scheme of arrangement and re-domiciling was executed by way of a swap of Embark Education Group Limited shares on a one-for-one basis for shares in Embark Early Education Limited as the new head entity. Embark Early Education Limited was admitted to the Official List of the ASX on 27 June 2023.

## 24. Business Combinations

### Centre acquisitions

During the year ended 31 December 2023, the Group did not have any centre acquisitions. During the year ended 31 December 2022, the Group acquired one ECE centre in Australia, for a total consideration of $2.37 million. Total net liabilities acquired were $0.03 million resulting in goodwill on acquisition of $2.4 million. No cash was acquired. A summary of the net liabilities acquired is included in the following table.

| | YEAR 31 DECEMBER 2023 | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|---|
| **Assets and liabilities acquired and consideration paid** | **$'000** | **$'000** |
| **Assets** | | |
| Property, plant and equipment | - | 20 |
| Right-of-use assets | - | 3,418 |
| | **-** | **3,438** |
| **Liabilities** | | |
| Employee entitlements | - | 38 |
| Other current liabilities | - | 11 |
| Lease liabilities | - | 3,418 |
| | **-** | **3,467** |
| **Total identifiable net assets (liabilities) at fair value** | **-** | **(29)** |
| Goodwill arising on acquisition | - | 2,406 |
| **Purchase consideration transferred** | **-** | **2,377** |
| **Purchase consideration** | | |
| Cash paid | - | 2,377 |
| Contingent consideration | - | - |
| Retentions | - | - |
| **Total consideration** | **-** | **2,377** |

## 24. Business Combinations (continued)

*Movement in Contingent Consideration*

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

| | YEAR 31 DECEMBER 2023 |
|---|---|
| | $'000 |
| Financial liability for contingent consideration as at 1 January 2023 | - |
| Contingent consideration recognised during the year | - |
| Contingent consideration paid | |
| Fair value adjustment | - |
| **Total contingent consideration payables as at 31 December 2023** | - |

| | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|
| | $'000 |
| Financial liability for contingent consideration as at 1 January 2022 | 3,075 |
| Contingent consideration recognised during the year | - |
| Contingent consideration paid | (2,559) |
| Fair value adjustment | (516) |
| **Total contingent consideration payables as at 31 December 2022** | **-** |

## 25. Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. Capital consists of share capital, accumulated net earnings/deficits of the Group, as well as available cash and cash equivalents and borrowings. The Board of Directors monitors the return on capital as well as the level of cash and dividends to ordinary shareholders.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of any financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

### Dividend Policy

The current dividend policy of the Group is to pay dividends between 50% and 75% of pre-IFRS 16 net profit after tax (excluding non-operational items) in respect of the preceding period subject to the discretion of the Board.

### Financial Covenants

The Group's capital management policy, amongst other things, aims to ensure that it meets its financial covenants attached to any interest bearing loans and borrowings that support capital structure requirements. The Group had no borrowings in the year and had no covenants to comply with.

## 26. Reconciliation of Profit/(Loss) After Tax to Net Operating Cash Flows

| | YEAR 31 DECEMBER 2023 | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|---|
| | $'000 | $'000 |
| **a Reconciliation of cash flow from operations with profit after income tax** | | |
| **Profit after income tax** | 8,275 | (40,253) |
| **Non-cash flows in profit:** | | |
| · depreciation and amortisation | 460 | 11,524 |
| · loss on discontinued operations | - | 36,788 |
| · deferred tax | - | (1,244) |
| · foreign exchange gains/losses | - | (201) |
| · remeasurement of lease liabilities | - | 745 |
| · fair value remeasurements of earnouts | - | (548) |
| · Doubtful debt expense | 63 | - |
| · Bad debt expense | 187 | - |
| · Disposal of property, plant and equipment | 6 | 1,023 |
| **Adjustments for items classified as investing or financing activities:** | | |
| · lease depreciation and interest expense | 2,861 | - |
| · lease payments | 6,112 | 17,239 |
| · acquisition costs | 58 | - |
| · purchase of PPE | - | - |
| · finance costs | - | 223 |
| **Changes in assets and liabilities:** | | |
| · decrease / (increase) in trade and other receivables | 409 | - |
| · decrease / (increase) in contract assets | - | (581) |
| · increase / (decrease) in trade and other payables | (539) | 5,107 |
| · increase / (decrease) in contract liabilities | - | (9,904) |
| · increase / (decrease) in income taxes | 2,349 | (1,857) |
| · increase / (decrease) in deferred taxes | (1,347) | - |
| · increase / (decrease) in employee entitlements | (1,476) | 2,113 |
| · (increase) / decrease in other payables | 301 | - |
| **Increase/(decrease) effect of FX** | - | (952) |
| **Net cash provided by operating activities** | **17,719** | **19,222** |

## 27. Earnings per Share (EPS)

Basic and diluted EPS amounts are calculated by dividing the profit or loss for the year for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic and diluted EPS computations:

| | YEAR 31 DECEMBER 2023 | RESTATED YEAR 31 DECEMBER 2022 |
|---|---|---|
| Profit/(loss) after income tax from continuing operations ($'000s) | 8,275 | (40,253) |
| Profit/(loss) after income tax attributable to the shareholders of the Company ($'000s) | 8,275 | (40,253) |
| Weighted average number of ordinary shares for basic and diluted EPS | 159,549,484 | 159,549,484 |
| Basic (and diluted) EPS from continuing operations (cents per share) | 0.05 | (0.25) |
| Basic and diluted EPS attributable to the shareholders of the Company (cents per share) | 0.05 | (0.25) |

## 28. Commitments and Contingencies

### Capital commitments

There were no estimated capital commitments for centre upgrades not yet completed at 31 December 2023 and not provided for (2022: none).

### Guarantees

The Group has a total of $2.4 million (2022: $2.4 million) of bank lease guarantees that have been utilised. These funds are held in a term deposit.

### Contingencies

There are no material contingent liabilities not already disclosed as at 31 December 2023.

## 29. Events After the Reporting Period

No matters or circumstance have arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity’s operations, the results of those operations, or the consolidated entity’s state of affairs in future financial years.

# Director's Declaration

In the Director's opinion:

a) The financial statements and notes set out above are in accordance with the *Corporations Act 2001*, including:
   i. Complying with the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   ii. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date;

b) The Remuneration Report as set out in the Director's Report complies with Section 300A of the *Corporations Act 2001*;

c) The persons performing the roles of Managing Director and Chief Financial Officer have declared that:
   i. The financial records of the Company for the year have been properly maintained in accordance with Section 286 of the *Corporations Act 2001*;
   ii. The financial statements and notes for the year comply with the Australian Accounting Standards (including Australian Accounting Interpretations); and
   iii. The financial statements and notes for the year give a true and fair view.

d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Hamish Stevens

Chair

26 February 2024

For personal use only

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# Independent Auditor's Report

## To the shareholders of Embark Early Education Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Embark Early Education Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the year ended on that date; and

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

#### Basis for opinion

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

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

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue recognition (Note 5)** | |
| Revenue is recognised by the Group when the underlying childcare service has been provided. Revenue from childcare services, for the Group for the financial year was $63.123 million. Childcare services are generally invoiced in advance, alongside subsequent processing of Child Care Subsidy by Services Australia. Accordingly, there is a risk that revenue is recognised in the incorrect period.<br>The Group focuses on revenue as a key performance measure, and it is also a key parameter by which the performance of the Group is measured.<br>As a result, we consider revenue to be a key audit matter. | Our procedures included, amongst others:<br>• Obtaining an understanding of management's processes and policies related to revenue recognition.<br>• Assessing revenue recognition policies for appropriateness and compliance with AASB 15.<br>• Performing revenue data analytics using the recorded hours of child attendance and prescribed fee and discount structures to determine the accuracy of the revenue recognised.<br>• Testing a sample of individual attendance records to source documentation.<br>• Assessing whether revenue is recognised in the appropriate financial period and the completeness of the contract liability balance through testing attendance transactions before and after year end.<br>• Assessing the adequacy of the Group's disclosures in relation to revenue and related accounting policies |
| **Re-domicile and change of presentation currency (Note 3 z) and Note 3 aa)** | |
| During the year, the New Zealand incorporated Group, Embark Education Group Limited, made the decision to re-domicile to Australia. The Group executed the re-domicile by swapping Embark Education Group shares on a one-for-one basis for shares in the newly incorporated Australian parent Company, Embark Early Education Limited.<br>The transaction falls outside the scope of existing Australian Accounting Standards, requiring an accounting policy choice to be made in respect of the accounting treatment for the transaction.<br>Following the re-domicile, the Board elected to change the presentation currency of the Group from New Zealand Dollars to Australian Dollars.<br>The re-domicile and the change in presentation currency are complex and unusual transactions. As a result, we consider this to be a key audit matter. | Our procedures included, amongst others:<br>• Assessing the accounting treatment applied to the re-domiciling of the Group for appropriateness under the accounting standards and industry practise.<br>• Obtaining Management's workings for the restatement of comparative financial information and;<br>  – assessing appropriateness of historical consolidations used as a basis;<br>  – verifying that the calculations were mathematically accurate and that the foreign exchange rates applied were consistent with the underlying consolidation from AUD to NZD, and are reasonable by comparing them to RBA published historical data; and<br>  – testing the translation and restatement of significant balances to verify that the group applied the appropriate transaction dates, amounts, and foreign exchange rates since incorporating the old parent Company.<br>• Reviewing the disclosures in the annual financial report with respect to the re-domicile of the group, the change in presentation currency, and the retrospective change restatement of comparatives for 31 December 2022 and 31 December 2021. |

### 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 Group's annual report for the year ended 31 December 2023, 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 we do not express any form of assurance conclusion thereon.

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 related 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf.This description forms part of our auditor's report.

### Report on the remuneration report

#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 6 to 10 of the Directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Embark Early Education Limited, for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Cameron Smith

CDJ Smith
Partner – Audit & Assurance
Brisbane, 26 February 2024

## Shareholder Information

The shareholder information set out below was applicable as at 5 February 2024.

### Distribution of equitable securities

| Range | Securities | % |
|---|---|---|
| 100,001 and Over | 138,689,867 | 86.93% |
| 10,001 to 100,000 | 17,413,476 | 10.91% |
| 5,001 to 10,000 | 1,857,255 | 1.16% |
| 1,001 to 5,000 | 1,386,692 | 0.87% |
| 1 to 1,000 | 202,194 | 0.13% |
| **Total** | **159,549,484** | **100.00%** |

### Equity security holders

Substantial holders in the company are set out below:

| | Ordinary Shares | |
|---|---|---|
| Name | Number held | % of total shares issued |
| CITICORP NOMINEES PTY LIMITED | 31,326,028 | 19.63% |
| J 47 PTY LTD | 21,727,514 | 13.62% |
| J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 9,835,075 | 6.16% |
| BNP PARIBAS NOMINEES PTY LTD | 8,118,308 | 5.09% |
| UPTON124 PTY LTD | 7,772,563 | 4.87% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 4,531,442 | 2.84% |
| BNP PARIBAS NOMS (NZ) LTD | 4,092,462 | 2.57% |
| A & J ONLINE INVESTMENTS PTY LTD | 3,620,248 | 2.27% |
| NGE CAPITAL LIMITED | 3,200,000 | 2.01% |
| NATIONAL NOMINEES LIMITED | 3,000,003 | 1.88% |
| VASONA PTY LTD | 2,156,250 | 1.35% |
| PORTMAN TRADING PTY LTD | 2,058,500 | 1.29% |
| MOORGATE INVESTMENTS PTY LTD | 1,813,853 | 1.14% |
| MR AARON MARK MORRIS | 1,400,132 | 0.88% |
| MRS KIMBERLEY YIN | 1,330,000 | 0.83% |
| OPM SUPER CO PTY LTD | 1,300,000 | 0.81% |
| MR DUNCAN FRASER FORREST & MRS JUDY MARIE FORREST | 1,263,678 | 0.79% |
| GLENELG FARM PTY LTD | 1,106,334 | 0.69% |
| DENCLIFF INVESTMENTS PTY LTD | 908,334 | 0.57% |
| MR CHRIS DOUGLAS PASSFIELD | 791,299 | 0.50% |

### Voting rights

The voting rights attached to ordinary shares are set out below:

*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 shall have one vote.

There are no other classes of equity securities.