

# ASX Announcement

G8 Education Limited  
(ASX:GEM)



23 August 2021

The Manager  
Market Announcements Office  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir / Madam

In accordance with ASX Listing Rule 4.2A, I enclose the 2021 Interim Financial Report (including the Appendix 4D) for the half year ended 30 June 2021 for G8 Education Limited.

A briefing will be held at 9.00am on Monday 23 August 2021. You can register for this briefing as follows:

Participants can register for the conference by navigating to:  
<https://s1.c-conf.com/diamondpass/10015754-a7gd43.html>

Please note that registered participants will receive their dial in number upon registration.

The webcast can be viewed on the day by navigating to:  
<https://services.choruscall.com.au/webcast/g8education-210823.html>

Yours sincerely

Tracey Wood  
Chief Legal, Quality & Risk Officer  
G8 Education Limited

*Authorised for release by G8 Education Limited's Board of Directors.*

## For further information, contact:

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G8 Education<sup>ltd</sup>


## Appendix 4D

<b>Name of Entity:</b>	G8 Education Ltd
<b>ABN:</b>	95 123 828 553
<b>Current Financial Period Ended:</b>	Half-Year ended 30 June 2021
<b>Previous Corresponding Reporting Period</b>	Half-Year ended 30 June 2020

### Results for Announcement to the Market

	Percentage change Up or Down	%		\$'000
Revenue from ordinary activities	Up	39%	to	428,779
Profit from ordinary activities after tax attributable to members	Up	110%	to	25,125
Profit for the period attributable to members	Up	110%	to	25,125

	<b>June 2021</b>	<b>Restated June 2020</b>
<b>Net Tangible Assets (Liabilities) per Security</b>	<b>(32) Cents</b>	<b>(41) Cents</b>

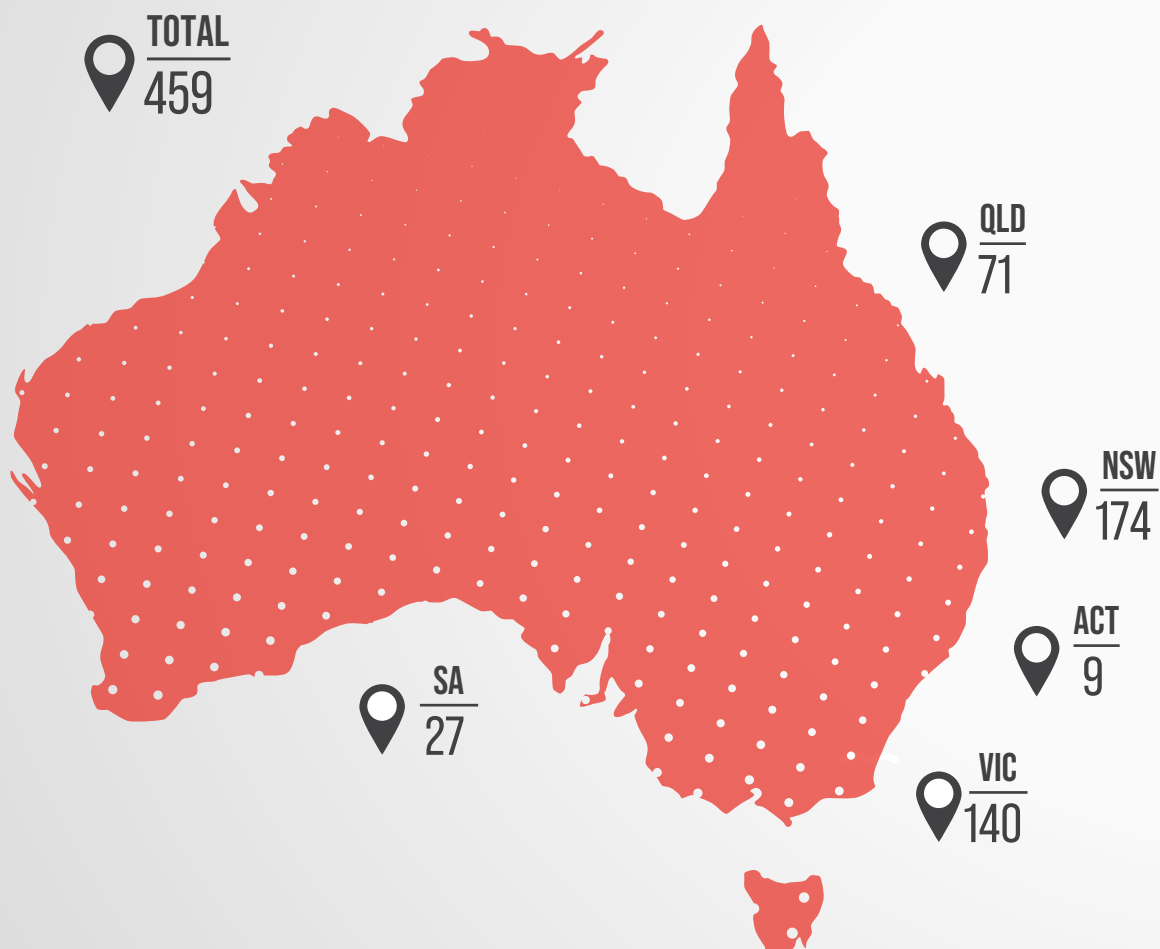
<b>Dividends</b>	<b>Amount per Security</b>	<b>Franked amount per security</b>
G8 intends that a full year CY2021 dividend will be paid in 2022. There will be no interim dividend declared for the half year ended 30 June 2021.		
<b>Brief explanation of any figures reported above necessary to enable the figures to be understood</b> Refer to attached Directors report.		
<b>Compliance Statement</b> This report is based on the interim financial report that has been reviewed by our external auditors.		
 <b>Gary Carroll</b> <b>Managing Director</b> 21 August 2021		

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# INTERIM FINANCIAL REPORT

2021

# OUR BUSINESS



## CENTRES BY BRAND

	10		18		27		16
	11		77		41		10
	5		42		25		15
	31		3		6		22
	9		9		22		55
	5						

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## Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of G8 Education Limited (G8 Education) and the entities it controlled at the end of, or during, the half-year ended 30 June 2021.

### Directors

The following persons were Directors of G8 Education during the whole of the period and up to the date of this report unless otherwise stated:

- M G Johnson (Chair)
- G G Carroll (Managing Director)
- J A Cugin
- S M Forrester, AM (retired 19 May 2021)
- D A Foster
- P W Trimble
- M A A Zabel

### Principal activities

The principal continuing activities of the Group during the half-year was operation of early education centres owned by the Group.

There has been no significant change to the Group's activities during the half-year ended 30 June 2021.

### Review of operations

The Group has continued to play a key role in supporting the broader community and economic recovery with centres remaining open during the ongoing COVID-19 pandemic, with protocols in place to ensure the safety of our families and team members.

Centre occupancy continued to increase during the half towards 2019 pre COVID-19 levels, driven by the recovery of employment levels and the improvement program that has been undertaken across 212 centres during the past 18 months. Core Occupancy for the period averaged 68.0%, 2.4ppts down on the 2019 comparative period and 2.9ppts higher than 2020.

Wages are currently performing in line with expectations, with wage hours per booking levels currently tracking in line with 2019, despite the lower occupancy levels and compliance activities implemented following the wage remediation activities. This increased efficiency is a result of the implementation of the Group's enhanced wage management and compliance processes.

The Group's employee payment remediation program announced in December 2020 is on track. Payments were made to current team members in July 2021 amounting to \$17m, and the communication and registration process for former employees has commenced. The remediation program costs remain within the previously estimated range of \$50m to \$80m, with those costs fully provided for in CY20.

During the period the Group divested or closed 13 centres, 12 of which had previously been impaired following the portfolio optimisation review conducted in 2020. Agreements are in place for the new Greenfield pipeline with 2 centres expected to open in the second half of 2021.

The Group refinanced its senior debt facilities in February 2021, establishing \$300m in revolving facilities to replace a \$200m term loan and \$200m revolver. The new facilities include sustainability-linked performance targets. CY21H1 borrowing costs (excl. lease interest) of \$7m is a reduction of \$4m from the prior comparative period and reflect the refinance of facilities and repayment of senior debt facilities following the equity raise in April 2020. The refinance of debt facilities maintained a staggered debt profile with next expiry date in October 2023.

### Matters subsequent to the end of the half-year

- The Group are monitoring the current COVID-19 situation in each state. The COVID-19 Delta Variant has increased the risk of fast changing restrictions however, to date there has not been a material impact on the financial statements.

### Significant changes in the state of affairs

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

- The Group divested or closed 13 centres during the period ended 30 June 2021 (2020: 3).

### Rounding amounts

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

### Audit

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

### Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



Gary Carroll  
Managing Director  
21 August 2021



**Building a better  
working world**

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

As lead auditor for the review of the half-year financial report of G8 Education Limited for the half-year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of G8 Education Limited and the entities it controlled during the financial period.

Ernst & Young

Kellie McKenzie  
Partner  
21 August 2021

## Consolidated Income Statement For the half-year ended 30 June 2021

		Consolidated	
	Notes	30 June 2021	Restated 30 June 2020
		\$'000	\$'000
<b>Continuing operations</b>			
Revenue	1	421,500	308,290
Other income	2(a)	7,279	742
<b>Total revenue</b>		<b>428,779</b>	<b>309,032</b>
<b>Expenses</b>			
Employment costs		(262,303)	(175,809)
Property, utilities and maintenance costs		(22,362)	(16,085)
Direct costs		(16,875)	(16,754)
Depreciation and amortisation		(43,479)	(47,429)
Impairment expenses		-	(274,757)
Other expenses		(20,664)	(24,747)
Finance costs	2(c)	(27,135)	(34,703)
<b>Total expenses</b>		<b>(392,818)</b>	<b>(590,284)</b>
<b>Profit / (loss) before income tax</b>		<b>35,961</b>	<b>(281,252)</b>
Income tax (expense)/ benefit <sup>1</sup>		(10,836)	37,181
<b>Profit / (loss) for the year attributable to members of the parent entity</b>		<b>25,125</b>	<b>(244,071)</b>
Basic earnings / (loss) (cents per share)		2.96	(37.94)
Diluted earnings / (loss) (cents per share)		2.96	(37.94)

<sup>1</sup> 2020 includes income tax benefit associated with impairment expense of \$37.6m.

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

Refer to note 14(b) for restatement details and 14(d) for reclassification details.

## Consolidated Statement of Comprehensive Income For the half-year ended 30 June 2021

	Consolidated	
	30 June 2021	Restated 30 June 2020
	\$'000	\$'000
<b>Profit / (loss) for the half year</b>	25,125	(244,071)
<b>Other comprehensive income, net of income tax</b>		
<b>Items that are or may be reclassified to the consolidated income statement:</b>		
Exchange differences on translation of foreign operations	-	(506)
<b>Total other comprehensive income</b>	-	<b>(506)</b>
<b>Total comprehensive income/ (loss) for the year</b>	<b>25,125</b>	<b>(244,577)</b>

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

Refer to note 14 for restatement details.

## Consolidated Balance Sheet

### As at 30 June 2021

	Notes	Consolidated	
		30 June 2021	31 December 2020
		\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		106,451	316,989
Trade and other receivables		13,838	17,383
Other current assets	3	12,603	10,268
Current tax asset		4,800	-
<b>Total current assets</b>		<b>137,692</b>	<b>344,640</b>
<b>Non-current assets</b>			
Property, plant and equipment	4	89,840	87,419
Right of use assets	5	463,080	468,655
Deferred tax assets		112,164	117,104
Intangible assets	6	1,058,940	1,055,242
Other non-current assets	3	7,740	987
<b>Total non-current assets</b>		<b>1,731,764</b>	<b>1,729,407</b>
<b>Total assets</b>		<b>1,869,456</b>	<b>2,074,047</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		61,270	73,892
Contract liabilities		10,620	9,105
Current tax liability		-	2,773
Lease liabilities	5	71,026	69,435
Provisions		122,356	120,581
<b>Total current liabilities</b>		<b>265,272</b>	<b>275,786</b>
<b>Non-current liabilities</b>			
Other payables		540	657
Borrowings	8	94,893	295,139
Lease liabilities	5	594,305	611,815
Provisions		14,723	16,153
<b>Total non-current liabilities</b>		<b>704,461</b>	<b>923,764</b>
<b>Total liabilities</b>		<b>969,733</b>	<b>1,199,550</b>
<b>Net assets</b>		<b>899,723</b>	<b>874,497</b>
<b>EQUITY</b>			
Contributed equity	9	1,209,227	1,209,227
Reserves		49,439	22,905
Retained earnings		(358,943)	(357,635)
<b>Total equity</b>		<b>899,723</b>	<b>874,497</b>

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

## Consolidated Statement of Changes in Equity For the half-year ended 30 June 2021

Consolidated	Contributed Equity \$'000	Translation Reserve \$'000	Share Based Payment Reserve \$'000	Profits Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance 1 January 2020</b>	<b>907,255</b>	<b>8,998</b>	<b>-</b>	<b>54,082</b>	<b>(130,445)</b>	<b>839,890</b>
<b>Adjustment on restatement for the remediation program</b>				<b>(43,920)</b>		<b>(43,920)</b>
<b>Balance 1 January 2020 (restated)</b>	<b>907,255</b>	<b>8,998</b>	<b>-</b>	<b>10,162</b>	<b>(130,445)</b>	<b>795,970</b>
Profit / (loss) for the year	-	-	-	8,760	(252,831)	(244,071)
Other comprehensive income / (loss) (net of tax)	-	(506)	-	-	-	(506)
<b>Total comprehensive income / (loss) for the year</b>	<b>-</b>	<b>(506)</b>	<b>-</b>	<b>8,760</b>	<b>(252,831)</b>	<b>(244,577)</b>
<b>Transactions with owners in their capacity as owners</b>						
Contributions of equity, net of transaction costs and net of tax	293,432	-	-	-	-	293,432
Dividends provided for or paid	-	-	-	(27,611)	-	(27,611)
<b>Total</b>	<b>293,432</b>	<b>8,492</b>	<b>-</b>	<b>(27,611)</b>	<b>-</b>	<b>265,821</b>
<b>Balance 30 June 2020</b>	<b>1,200,687</b>	<b>8,492</b>	<b>-</b>	<b>(8,689)</b>	<b>(383,276)</b>	<b>817,214</b>
<b>Balance 1 January 2021</b>	<b>1,209,227</b>	<b>-</b>	<b>174</b>	<b>22,731</b>	<b>(357,635)</b>	<b>874,497</b>
Profit / (loss) for the half year	-	-	-	26,433	(1,308)	25,125
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,433</b>	<b>(1,308)</b>	<b>25,125</b>
<b>Transactions with owners in their capacity as owners</b>						
Contributions of equity, net of transaction costs and net of tax	-	-	-	-	-	-
Share based payment expense	-	-	101	-	-	101
<b>Total</b>	<b>-</b>	<b>-</b>	<b>101</b>	<b>-</b>	<b>-</b>	<b>101</b>
<b>Balance 30 June 2021</b>	<b>1,209,227</b>	<b>-</b>	<b>275</b>	<b>49,164</b>	<b>(358,943)</b>	<b>899,723</b>

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

Refer to note 14 for restatement details.

## Consolidated Statement of Cash Flows

### For the half-year ended 30 June 2021

	Consolidated	
	30 June 2021	30 June 2020
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	425,976	337,855
Payments to suppliers and employees (inclusive of GST)	(338,303)	(246,919)
Interest received	80	371
Interest paid (non-leases)	(5,882)	(11,207)
Interest paid (leases)	(20,019)	(21,677)
Income taxes received (paid)	(13,469)	502
<b>Net cash inflows from operating activities</b>	<b>48,383</b>	<b>58,925</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of businesses (net of cash acquired)	-	(11,122)
Payments for purchase of intangible assets	(3,760)	-
Payments for divestments	(1,341)	(509)
Payments for property plant and equipment	(16,796)	(15,175)
<b>Net cash outflows from investing activities</b>	<b>(21,897)</b>	<b>(26,806)</b>
<b>Cash flows from financing activities</b>		
Share issue costs	-	(11,119)
Principal portion of lease payments	(35,485)	(30,178)
Proceeds from issue of shares	-	301,215
Proceeds from borrowings	-	65,000
Payments of borrowings	(201,539)	(160,006)
<b>Net cash (outflows)/inflows from financing activities</b>	<b>(237,024)</b>	<b>164,912</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(210,538)</b>	<b>197,031</b>
Cash and cash equivalents at the beginning of half year	316,989	40,603
Effects of exchange rate changes on cash	-	(148)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>106,451</b>	<b>237,486</b>

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

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## Note 1: Revenue

	Consolidated		
	6 months ended 30 June 2021		
	Australia \$'000	Foreign Country \$'000	Total \$'000
<b>From continuing operations</b>			
<i>Sales revenue</i>			
<b>30 June 2021</b>			
Revenue from child care centres	408,199	-	408,199
Government Assistance	5,303	-	5,303
Funding relating to child care operations	7,998	-	7,998
	<b>421,500</b>	<b>-</b>	<b>421,500</b>
<i>Sales revenue</i>			
<b>30 June 2020</b>			
Revenue from child care centres	204,714	5,948	210,662
Government Assistance	89,316	-	89,316
Funding relating to child care operations	7,554	1	7,555
	<b>301,584</b>	<b>5,949</b>	<b>307,533</b>
<i>Other revenue</i>			
<b>30 June 2020</b>			
Management fee income	-	757	757
<b>Total revenue continuing operations</b>	<b>-</b>	<b>757</b>	<b>757</b>

### (a) Description of segments

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

### (b) Seasonality

The child care industry is normally seasonal however COVID-19 may have an effect on occupancy where movement restrictions are imposed. A large group of children leave child care to commence school at the beginning of the year and then revenue increases with new enrolments as the calendar year progresses. As such, historically, the second half of the year delivers more than half of the annual reported revenue and profit. The government COVID-19 subsidy in the period along with the fee increase being implemented in February is expected to impact this seasonality in the 2021 year.

Foreign Country refers to the subsidiary group operating in Singapore, which was sold in October 2020.

## Note 2: Result for the half-year

### (a) Other Income

	Consolidated	
	30 June 2021	30 June 2020
	\$'000	\$'000
<b>Other Income</b>		
Interest	80	364
Gain on sale of centres	2,425	-
Gain on lease event	3,639	-
Gain on surrender / termination of leases	1,135	378
<b>Total other income</b>	<b>7,279</b>	<b>742</b>

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

### (b) Non-trading items

	Consolidated	
	30 June 2021	30 June 2020
	\$'000	\$'000
<b>Non-trading income</b>		
Gain on lease event	3,639	-
Gain on sale of centres	2,425	-
Gain on surrender / termination of leases	1,135	378
<b>Total non-trading income</b>	<b>7,199</b>	<b>378</b>
<b>Non-trading expenses</b>		
Impairment loss	-	(274,756)
Expenses related to legal matters	-	(7,000)
Acquisition related expenses	-	(2,515)
Increase in employee provisions	-	(2,145)
Loss on disposal of assets/centres	(3,122)	(1,292)
Impairment of inventory	-	(1,167)
<b>Total non-trading expenses</b>	<b>(3,122)</b>	<b>(288,875)</b>
<b>Net non-trading items</b>	<b>4,077</b>	<b>(288,497)</b>

	Consolidated	
	30 June 2021	30 June 2020
	\$'000	\$'000
Non-trading items	4,077	288,497
Income tax expense/ (benefit)	(1,223)	(39,935)
<b>Net non-trading items</b>	<b>2,854</b>	<b>248,562</b>

### (c) Finance expenses

	Consolidated	
	30 June 2021	30 June 2020
	\$'000	\$'000
<b>Finance expenses</b>		
Interest expense on lease liabilities	20,019	21,833
Interest and finance charges	7,085	11,731
Foreign exchange loss	31	-
Remediation program interest (refer note 14(b))	-	1,139
<b>Total finance expenses</b>	<b>27,135</b>	<b>34,703</b>

### (d) Government assistance and rent concessions

	Consolidated	
	30 June 2021	30 June 2020
	\$'000	\$'000
<b>COVID-19 related income</b>		
Revenue from child care centres	5,303	89,316
Employment costs	-	86,398
Variable rent (expense)/concessions	(57)	2,313
<b>Total COVID-19 related income</b>	<b>5,246</b>	<b>178,027</b>

### Note 3: Current assets – other

	Consolidated	
	30 June 2021	31 December 2020
	\$'000	\$'000
<b>Current</b>		
Prepayments	11,067	8,065
Inventory	1,489	1,526
Deposits	47	677
<b>Total other current assets</b>	<b>12,603</b>	<b>10,268</b>
<b>Non-current</b>		
Prepayments	6,867	114
Deposits	873	873
<b>Total other non-current assets</b>	<b>7,740</b>	<b>987</b>
<b>Total other current and non-current assets</b>	<b>20,343</b>	<b>11,255</b>

## Note 4: Non-current assets – property, plant and equipment

	Consolidated			Total
	Buildings	Vehicles	Furniture, fittings and equipment	
	\$'000	\$'000	\$'000	\$'000
<b>At 31 December 2020</b>				
Cost	5,189	1,392	202,479	209,060
Accumulated depreciation and impairment	(1,375)	(1,238)	(119,028)	(121,641)
<b>Net book amount</b>	<b>3,814</b>	<b>154</b>	<b>83,451</b>	<b>87,419</b>
<b>Half-year ended 30 June 2021</b>				
Opening net book amount	3,814	154	83,451	87,419
Transfer to intangibles (refer to note 6)	-	-	(1,871)	(1,871)
Additions	-	-	16,511	16,511
Disposals	(992)	(13)	(930)	(1,935)
Depreciation charge	(83)	(31)	(10,170)	(10,284)
<b>Closing net book amount</b>	<b>2,739</b>	<b>110</b>	<b>86,991</b>	<b>89,840</b>
<b>At 30 June 2021</b>				
Cost	3,690	593	214,790	219,073
Accumulated depreciation and impairment	(951)	(483)	(127,799)	(129,233)
<b>Net book amount</b>	<b>2,739</b>	<b>110</b>	<b>86,991</b>	<b>89,840</b>

### (a) Leasehold improvements

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

	Consolidated	
	30 June 2021	31 December 2020
	\$'000	\$'000
Cost	117,995	103,363
Accumulated depreciation and impairment loss	(60,525)	(50,918)
<b>Net book amount</b>	<b>57,470</b>	<b>52,445</b>

### (b) Impairment of property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment.

Property, plant and equipment (including leasehold improvements) are tested for impairment as part of the cash generating units (CGU) to which they relate, usually a child care centre.

During the period, the Group did not identify any indicators of impairment for CGUs to which property, plant and equipment relate. Therefore, no impairment loss has been recognised on property, plant and equipment during the period.

## Note 5: Right of use assets and lease liabilities

Set out below are the carrying amounts of right-of-use assets and movements during the period:

### (a) Right of use assets

	Consolidated		
	Leased property	Leased vehicle	Total
	\$'000	\$'000	\$'000
<b>Consolidated</b>			
<b>At 31 December 2020</b>			
Cost	712,005	2,987	714,992
Accumulated depreciation and impairment loss	(244,177)	(2,160)	(246,337)
<b>Net book amount</b>	<b>467,828</b>	<b>827</b>	<b>468,655</b>
<b>Half-year ended 30 June 2021</b>			
Opening net book amount	467,828	827	468,655
Additions	1,466	84	1,550
Disposals	(891)	(10)	(901)
Depreciation charge	(32,249)	(550)	(32,799)
Modification to lease terms	18,219	356	18,575
Variable lease payments reassessment	8,000	-	8,000
<b>Closing net book amount</b>	<b>462,373</b>	<b>707</b>	<b>463,080</b>
Cost	738,799	3,416	742,215
Accumulated depreciation and impairment loss	(276,426)	(2,709)	(279,135)
<b>As at 30 June 2021</b>	<b>462,373</b>	<b>707</b>	<b>463,080</b>
	Consolidated		
	Leased property	Leased vehicle	Total
	\$'000	\$'000	\$'000
<b>At 31 December 2019</b>			
Cost	682,403	3,097	685,500
Accumulated depreciation	(77,674)	(1,607)	(79,281)
<b>Net book amount</b>	<b>604,729</b>	<b>1,490</b>	<b>606,219</b>
<b>Half-year ended 30 June 2020</b>			
Additions through business combinations	16,571	-	16,571
Additions - other	2,566	-	2,566
Disposals	(1,306)	(4)	(1,310)
Depreciation charge	(35,905)	(720)	(36,625)
Modification to lease terms	(86)	504	418
Variable lease payments reassessment	(3,504)	-	(3,504)
Impairment loss	(100,643)	(54)	(100,697)
Effect of foreign exchange	(26)	-	(26)
Transfer to assets held for sale	(4,000)	-	(4,000)
<b>Closing net book amount</b>	<b>478,396</b>	<b>1,216</b>	<b>479,612</b>
Cost	689,332	3,596	692,928
Accumulated depreciation and impairment	(210,936)	(2,380)	(213,316)
<b>As at 30 June 2020</b>	<b>478,396</b>	<b>1,216</b>	<b>479,612</b>

## (b) Lease liabilities

	Consolidated	
	30 June 2021	31 December 2020
	\$'000	\$'000
Current lease liabilities	71,026	69,435
Non-current lease liabilities	594,305	611,815
<b>Total lease liabilities</b>	<b>665,331</b>	<b>681,250</b>

	Total \$'000
<b>At 31 December 2020</b>	<b>681,250</b>
Additions	2,666
Disposals	(6,210)
Accretion of interest	20,019
Payments	(55,504)
Modification to lease terms	15,054
Variable lease payments reassessment	8,056
<b>Closing net book amount as at 30 June 2021</b>	<b>665,331</b>

	Total \$'000
<b>At 31 December 2019</b>	<b>709,137</b>
Additions through business combinations	16,571
Additions - other	2,462
Disposals	(5,294)
Accretion of interest	21,833
Payments	(52,576)
Modification to lease terms	377
Variable lease payments reassessment	(4,568)
Effects of exchange rate changes	10
<b>Closing net book amount as at 30 June 2020</b>	<b>687,952</b>

## (c) Impairment of right of use assets

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

During the period, the Group did not identify any indicators of impairment for CGUs to which right of use assets relate and as a result did not recognise an impairment loss on this basis.

## (d) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

## Note 6: Non-current assets - intangibles

	Consolidated		
	Goodwill \$'000	Software <sup>2</sup> \$'000	Total \$'000
<b>Half-year ended 30 June 2021</b>			
Opening net book amount	1,047,227	8,015	1,055,242
Transfer from PPE (refer to note 4)	-	1,871	1,871
Additions	-	3,760	3,760
Adjustments in respect of prior year acquisitions	283	-	283
Disposals <sup>1</sup>	(242)	(1,578)	(1,820)
Amortisation	-	(396)	(396)
<b>Closing net book amount</b>	<b>1,047,268</b>	<b>11,672</b>	<b>1,058,940</b>
Cost	1,200,355	12,001	1,212,357
Accumulated amortisation and impairment	(153,087)	(329)	(153,417)
<b>Net book amount</b>	<b>1,047,268</b>	<b>11,672</b>	<b>1,058,940</b>

<sup>1</sup>The Group divested or closed 13 centres during the period ended 30 June 2021 (2020: 3). Goodwill was only attributed to the 5 divested centres. No goodwill was attributed to the closed centres.

<sup>2</sup>Refer to Note 15 (b) for IFRIC interpretation update on Software as a Service (SaaS) arrangements

### (a) Impairment tests for goodwill

Goodwill and software are monitored and tested for impairment on an operating segment level. The recoverable amount of the child care centre assets is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets for 2021 and then extrapolated using estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business. For the purposes of intangible assets impairment testing, the recoverable amount is compared to the carrying amount of the assets of the Group, which aside from goodwill and intellectual property, also includes the fixed and right of use assets of the child care centres and working capital.

### (b) Impairment

There are no indicators of impairment and no significant changes to the underlying assumptions used in the impairment testing from 31 December 2020. As a result, management have determined no impairment was required.

## Note 7: Fair value measurements

### Contractual maturities of financial liabilities

	Consolidated						
	30 June 2021						
	\$'000						
	0 to 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	>5years	Total contractual cash flows	Carrying amount
Non-derivatives							
Syndicated debt facilities	2,829	3,183	6,366	111,612	-	123,990	100,000
Contingent consideration	75	-	75	225	450	825	615
Trade and other payables	40,906	-	-	-	-	40,906	40,906
Lease liabilities	54,442	54,357	107,719	287,720	373,962	878,200	665,331

	Consolidated						Carrying amount
	31 December 2020						
	\$'000						
	0 to 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	>5years	Total contractual cash flows	
<b>Non-derivatives</b>							
Syndicated debt facilities	4,186	5,900	11,800	320,273	-	342,159	300,000
Contingent consideration	-	75	75	225	525	900	732
Trade and other payables	55,897	-	-	-	-	55,897	55,897
Lease liabilities	54,418	54,518	108,667	297,609	392,330	907,542	681,250

### Note 8: Current and non-current liabilities – borrowings

	30 June 2021			31 December 2020		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
<b>Secured</b>						
Syndicated Debt Facilities (b)	-	100,000	100,000	-	300,000	300,000
<b>Total secured borrowings</b>	-	100,000	100,000	-	300,000	300,000
Borrowing costs	-	(5,107)	(5,107)	-	(4,861)	(4,861)
<b>Total borrowings</b>	-	94,893	94,893	-	295,139	295,139

#### (a) Syndicated debt facilities

The Group had \$100.0m drawn from the \$400.0m syndicated debt facilities as at 30 June 2021. During the period, the Group completed the extension of its senior syndicated debt facility. The refinance included a reduction of the senior syndicated loan facility to \$300.0m, the term loan being converted to revolver and alignment of expiry date to October 2023. There has been no change to the \$100.0m subordinated facility. The Group made a \$200.0m repayment of the syndicated debt facility during the period.

	30 June 2021	31 December 2020
	\$'000	\$'000
<b>Syndicated debt facilities</b>		
Total facilities	400,000	500,000
Used at balance date	(100,000)	(300,000)
<b>Unused at balance date</b>	<b>300,000</b>	<b>200,000</b>

## (b) Fair value

Carrying value is equal to fair value for all borrowings.

## Note 9: Contributed equity

### (a) Share capital

	Consolidated		Consolidated	
	June 2021 No. of Shares	December 2020 No. of Shares	June 2021 \$'000	December 2020 \$'000
Ordinary shares fully paid	847,390,315	847,390,315	1,209,227	1,209,227

### (b) Movements in ordinary share capital

Details	Number of Shares '000	\$'000
<b>31 December 2019 balance</b>	<b>460,177</b>	<b>907,255</b>
Dividend reinvestment plan	10,694	8,554
Equity placement	376,519	301,215
Transaction costs of shares issued	-	(11,139)
Deferred tax credit recognised directly in equity	-	3,342
<b>31 December 2020 balance</b>	<b>847,390</b>	<b>1,209,227</b>
<b>30 June 2021 balance</b>	<b>847,390</b>	<b>1,209,227</b>

## Note 10: Dividends

G8 intends that a full year CY2021 dividend will be paid in 2022. There will be no interim dividend declared for the half year ended 30 June 2021.

## Note 11: Commitments and contingencies

### (a) Capital commitments

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

### (b) Contingent liabilities

G8 Education has been served with a class action filed by Slater and Gordon in the Supreme Court of Victoria. The claim alleges breaches of the company's continuous disclosure obligations between 23 May 2017 and 23 February 2018. The Group is defending the proceedings. No provision has been recognised in relation to this matter.

## Note 12: Events occurring after the balance sheet date

The following material matter has taken place subsequent to the balance sheet date:

- The Group is monitoring the current COVID-19 situation in each state. The COVID-19 Delta Variant has increased the risk of fast changing restrictions however, to date there has not been a material impact on the financial statements.

## Note 13: Related party transactions

### (a) Parent entity

The parent entity within the Group is G8 Education Limited.

### (b) Key management personnel

Related party transactions are consistent with 31 December 2020, no material transactions have occurred during the period.

## Note 14: Other significant accounting policies

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

### (a) Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 134 *Interim Financial Reporting*.

This consolidated interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, it is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by G8 Education during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX listing rules.

### (b) Correction of Error – Prior Year

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

The remediation of these issues, which occurred over seven financial years up to and including the 2020 financial year, is estimated to be a one-off cash payment before tax of \$80.0m. This is an error and in order to reflect this in the appropriate periods, \$33.3m after tax is included in the 1 January 2019 restatement of opening retained earnings as required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The 1 January 2019 current provisions increased by \$47.6m and the deferred tax asset increased by \$14.3m. An expense of \$10.6m after tax has been included in the 2019 financial year, and an expense of \$5.0m after tax has been included in 1H 2020. Interest incurred on the wage remediation underpayments have been recognised in the period which they relate. The expected tax benefit of the remediation of \$23.1 has been recognised within tax expense in the period which they relate and is included within the Employee Benefits portion of deferred tax balances.

Critical accounting estimates and judgements have been made in the calculations as to the number of additional agreed hours of work, overtime hours, allowance payments and appropriate award rates. Any adjustments to the estimates will be recognised in the period the revisions are verified.

The error has been corrected by restating each of the affected financial statement line items for the prior years as follows:

<b>Consolidated Balance Sheet Extract</b>	<b>30 June 2020</b>	<b>Movement</b>	<b>Restated 30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred tax assets	92,371	20,960	113,331
Current provisions	(38,313)	(69,882)	(108,195)
<b>Net assets</b>	<b>866,136</b>	<b>(48,922)</b>	<b>817,214</b>
Reserves	43,723	(43,920)	(197)
Retained earnings	(378,274)	(5,002)	(383,276)
<b>Total equity</b>	<b>866,136</b>	<b>(48,922)</b>	<b>817,214</b>

<b>Consolidated Income Statement Extract</b>	<b>30 June 2020</b>	<b>Movement</b>	<b>Restated 30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Employment costs	169,809	6,000	175,809
Finance costs	33,564	1,139	34,703
<b>Profit / (loss) before income tax</b>	<b>(274,113)</b>	<b>(7,139)</b>	<b>(281,252)</b>
Income tax expense / (benefit)	(35,044)	(2,137)	(37,181)
<b>Profit / (loss) for the year attributable to members of the parent entity</b>	<b>(239,069)</b>	<b>(5,002)</b>	<b>(244,071)</b>

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of 2.06 cents per share

### **(c) Going concern basis of accounting**

The Group recognised a net profit after tax of \$25.1m for the period, Current liabilities exceed current assets by \$127.6m, as at 30 June 2021.

During the period, the Group completed the extension of its senior syndicated debt facility. The refinance included a reduction of the senior syndicated loan facility to \$300.0m, the term loan being converted to revolver and alignment of expiry date to October 2023, refer to note 8(a).

Management expects the cash reserves, together with the forecast cash flow generation from operations and the extension of debt facilities will allow the Group to fulfil the Group's remediation program obligations and meet its debts for the 12 months from the date of this report. On this basis, the Directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate.

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

### **(d) Income statement classification**

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

## Note 15: Changes in accounting policies

### (a) Accounting standards and interpretations applied from 1 January 2021

The accounting policies adopted in the preparation of the interim consolidated financial report are consistent with those followed in the preparation of the Group's annual report for the year ended 31 December 2020, except for the adoption of new standards, interpretations or amendments effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

### (b) Change to accounting policy not yet adopted

#### IFRIC agenda decision - Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to implementing Software as a Service (SaaS) arrangements. The Group is currently assessing the impact of the agenda decision on its current accounting policy, which may result in previously capitalised costs needing to be recognised as an expense.

The process to quantify the impact of the decision is ongoing. A project team has been appointed and a timeline has been determined. The project is ongoing due to the effort required in obtaining the underlying information from historical records covering multiple projects and assessing the nature of each of the costs.

At the date of this report, the impact of the IFRIC agenda decision on the Group is not reasonably estimable, however there will be no impact on net cashflow.

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## Directors' Declaration

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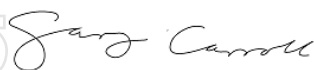
In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 to 23 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standard *AASB 134 Interim Financial Reporting*, 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 30 June 2021 and of its performance for the half-year ended on that date;

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

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



Gary Carroll  
Managing Director  
21 August 2021



**Building a better  
working world**

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## **Independent Auditor's Review Report to the Members of G8 Education Limited**

### **Conclusion**

We have reviewed the accompanying half-year financial report of G8 Education Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### **Basis for conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### **Directors' Responsibility for the Half-Year Financial Report**

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibilities for the review of the half-year financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in grey ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in grey ink that reads 'Kellie McKenzie'.

Kellie McKenzie  
Partner  
Brisbane  
21 August 2021

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## Corporate Directory

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### Directors

M G Johnson, Chairman

G G Carroll, Managing Director

Prof J A Cugin, Non-Executive Director

D A Foster, Non-Executive Director

P W Trimble, Non-Executive Director

M A A Zabel, Non-Executive Director

### Company Secretary

T L Wood

### Principal registered business office in Australia

G8 Education Limited is a Company limited by shares, incorporated, and domiciled in Australia. Its registered office and principal place of business is:

159 Varsity Parade, Varsity Lakes

Telephone: 07 5581 5300

Facsimile: 07 5581 5311

[www.g8education.edu.au](http://www.g8education.edu.au)

### Share registry:

Link Market Services Limited

Level 21, 10 Eagle Street

Brisbane QLD 4000

### Auditor:

Ernst & Young

111 Eagle Street

Brisbane QLD 4001

### Lawyers:

Allens Linklaters Lawyers

Level 26, 480 Queen Street,

Brisbane QLD 4000

### Securities exchange listing:

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

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