



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 2017
<b>Previous Corresponding Reporting Period</b>	Half-Year ended 30 June 2016

## Results for Announcement to the Market

	Percentage change Up or Down	%		\$'000
Revenue from ordinary activities	Up	3%	to	368,341
Profit from ordinary activities after tax attributable to members	Up	23%	to	30,481
Profit for the period attributable to members	Up	23%	to	30,481

Dividends	Amount per Security	Franked amount per security
Interim Quarterly Dividend – Current Reporting Period		
March 2017 Quarter	6.00 Cents	100%
June 2017 Quarter	6.00 Cents	100%
Record date for determining entitlements to dividends		
March 2017 Quarter	24 March 2017	
June 2017 Quarter	23 June 2017	
Date dividend payable		
March 2017 Quarter	07 April 2017	
June 2017 Quarter	07 July 2017	
Details of any dividend reinvestment plan in operation	Dividend reinvestment plan is in operation	
Shares issued under the DRP were issued at a 2% discount to the daily volume weighted average market price for all GEM shares sold on the ASX during the 10 trading day period starting 5 trading days preceding and inclusive of the record date and ending after the 4 trading days immediately following the record date.		

	June 2017	June 2016	
<b>Net Tangible Assets (Liabilities) per Security</b>	(0.48) Cents	(0.96) Cents	
<b>Brief explanation of any figures reported above necessary to enable the figures to be understood</b>			
Execution of the Group’s strategy progresses as scheduled during the first half of the year. Our strategy, which is centred on engaging and developing our centre based teams and providing an engaging care and education experience for our families, is projected to show occupancy growth in our centres over time. Further earnings growth will be achieved by profitably growing our centre network.			
A total of 8 new centres were added to the Group in locations across Australia and Singapore and 17 centres were divested during the period			
From a financial perspective the Group reported half year total revenues of \$369m, up 2% and half year net profit after tax of \$30.5m up 23%. Underlying group EBIT was \$61.1m up 6% in comparison to the same reporting period last year.			
Underpinning this performance were improvements in wage efficiency in the LFL centres and contributions from centres acquired in the 2016 year.			
The table below illustrates the reported Earnings Before Interest and Tax to underlying Earnings Before Interest and Tax.			
	30 June 2017 \$'000	30 June 2016 \$'000	Variance
Revenue#	368,343	360,254	2%
Expenses	(308,298)	(300,291)	3%
Net Financing Cost	(15,850)	(25,275)	(37%)
<b>Net Profit Before Tax</b>	<b>44,195</b>	<b>34,688</b>	<b>27%</b>
<b>Net Profit After Tax</b>	<b>30,481</b>	<b>24,871</b>	<b>23%</b>
Add/(Less) non-operating transactions:			
Contingent consideration not paid*	-	(2,500)	
Acquisition expenses	559	272	
Share based payment expense *	(220)	(288)	
Write off of borrowing costs*^	1,842	7,033	
(Gain)/loss on disposal of assets/centres	691	-	
Foreign currency translation loss*^	358	2,652	
<b>Underlying Net Profit After Tax</b>	<b>33,711</b>	<b>32,040</b>	<b>5%</b>
<b>Underlying EPS (cents per share)^</b>	<b>8.33</b>	<b>8.53</b>	<b>(2%)</b>
<b>Earnings Before Interest and Tax</b>	<b>60,045</b>	<b>59,963</b>	
Add/(Less) non-operating transactions:			
Contingent consideration not paid	-	(2,500)	
Acquisition expenses	559	272	
Share based payment expense	(220)	(288)	
(Gain)/loss on disposal of assets/centres	691	-	
<b>Underlying Earnings Before Interest and Tax^^</b>	<b>61,075</b>	<b>57,447</b>	<b>6%</b>

# Excludes interest income of \$0.37m from revenue and included in financing costs (2016 \$0.896m)

\*Non-Cash adjustments

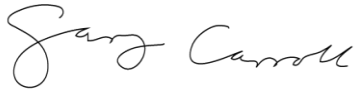
^Tax adjusted

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

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

## Compliance Statement

This report is based on the interim financial report that has been reviewed by our external auditors.

A handwritten signature in black ink that reads "Gary Carroll". The signature is written in a cursive style with a large, stylized 'G'.

**Gary Carroll**  
**Managing Director**  
19 August 2017



G8 Education<sup>ltd</sup>

Interim Financial Report

2017



# Brands



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## Directors' Report

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Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of G8 Education Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2017.

### Directors

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

- M Johnson
- G Carroll
- B Bailison
- S Forrester
- D Foster
- M Reynolds
- C Scott (resigned 29 May 2017)

### Principal activities

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

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

There has been no significant change to the Group's activities during the half-year ended 30 June 2017.

### Review of operations

Execution of the Group's strategy progressed as scheduled during the first half of the year. Our strategy, which is centred on engaging and developing our centre based teams and providing an engaging care and education experience for our families, is projected to show occupancy growth in our centres over time. Further earnings growth will be achieved by profitably growing our centre network.

A total of 8 new centres were added to the Group in locations across Australia and Singapore and 17 centres were divested during the period

From a financial perspective the Group reported half year total revenues of \$369m, up 2% and half year net profit after tax of \$30.5m up 23%. Underlying group EBIT was \$61.1m up 6% in comparison to the same reporting period last year.

Underpinning this performance were improvements in wage efficiency in the LFL centres and contributions from centres acquired in the 2016 year.

Subsequent to the half year the Group:

- Made an early redemption of the non-current \$70m 7.65% fixed Australian notes on 7 August 2017. An early repayment fee of \$1.4m is incurred upon repayment; and
- Entered into a \$200m club bank facility and bank guarantee facility of \$45m.
- Completed the acquisition of 3 centres for \$9.3m from the one vendor post 30 June. The initial accounting has not yet been completed as completion accounts have yet to be finalised.

The table below illustrates the reconciliation of reported net profit after tax to underlying earnings before interest and tax.

## Underlying Net Profit After Tax Reconciliation (Unaudited, Non IFRS)

	30 June 2017	30 June 2016
Consolidated Half Year 30 June 2017	\$'000	\$'000
Revenue <sup>#</sup>	368,343	360,254
Expenses	(308,298)	(300,291)
Net Financing Cost	(15,850)	(25,275)
<b>Net Profit Before Tax</b>	<b>44,195</b>	<b>34,688</b>
<b>Net Profit After Tax</b>	<b>30,481</b>	<b>24,871</b>
Add/(Less) non-operating transactions:		
Contingent consideration not paid*	-	(2,500)
Acquisition expenses	559	272
Share based payment expense *	(220)	(288)
Write off of borrowing costs*^	1,842	7,033
(Gain)/Loss on disposal of assets/centres	691	-
Foreign currency translation loss*^	358	2,652
<b>Underlying Net Profit After Tax</b>	<b>33,711</b>	<b>32,040</b>
<b>Underlying EPS (cents per share)^</b>	<b>8.33</b>	<b>8.53</b>
<b>Earnings Before Interest and Tax</b>	<b>60,045</b>	<b>59,963</b>
Add/(Less) non-operating transactions:		
Contingent consideration not paid	-	(2,500)
Acquisition expenses	559	272
Share based payment expense	(220)	(288)
(Gain)/Loss on disposal of assets/centres	691	-
<b>Underlying Earnings Before Interest and Tax^^</b>	<b>61,075</b>	<b>57,447</b>

#Excludes interest income of \$0.37m from revenue and included in financing costs (2016 \$0.896m)

\*Non-Cash adjustments

^Tax adjusted

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

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

## Significant changes in the state of affairs

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

- Acquired an additional 7 child care centres in Australia and 1 in Singapore.
- On the 26 May 2017 the Group successfully raised \$100m through a fully underwritten institutional placement, 31.2m shares were issued at a price of \$3.20.
- The Group raised \$95.7m through a share placement with CFCG Investment Partners International (Australia) Pty Ltd. 24.7m shares were issued in 2 tranches in February 2017 and June 2017 at a price of \$3.88.

## Rounding amounts

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

## 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 7.



## Auditor

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

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

A handwritten signature in black ink that reads "Gary Carroll". The signature is written in a cursive, flowing style.

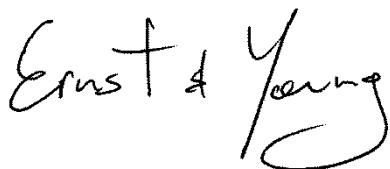
Gary Carroll  
Managing Director  
19 August 2017

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

As lead auditor for the review of G8 Education Limited for the half-year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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



Ric Roach  
Partner  
19 August 2017

## Consolidated Income Statement

### For the half-year ended 30 June 2017

		<b>Consolidated</b>	
	<b>Notes</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Revenue from continuing operations	1	368,341	357,951
Other income	2	372	3,200
<b>Total revenue</b>		<b>368,713</b>	<b>361,151</b>
<b>Expenses</b>			
Employee benefits		(212,923)	(209,796)
Occupancy		(47,636)	(43,148)
Direct costs of providing services		(28,476)	(28,870)
Depreciation	4	(6,552)	(6,100)
Other expenses		(12,711)	(12,377)
Finance costs		(16,220)	(26,172)
<b>Total expenses</b>		<b>(324,518)</b>	<b>(326,463)</b>
<b>Profit before income tax</b>		<b>44,195</b>	<b>34,688</b>
Income tax expense		(13,714)	(9,817)
<b>Profit for the year attributable to members of the parent entity</b>		<b>30,481</b>	<b>24,871</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		7.54	6.62
Diluted earnings per share		7.54	6.62

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

## Consolidated Statement of Comprehensive Income

### For the half-year ended 30 June 2017

	<b>Consolidated</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for the half year</b>	<b>30,481</b>	<b>24,871</b>
<b>Other comprehensive income, net of income tax</b>		
<b>Items that are or may be reclassified to profit or loss:</b>		
Exchange differences on translation of foreign operations	(490)	1,308
Recycle to income statement for amount reversed in current period	-	(3,559)
Effective portion of changes in fair value of cash flow hedges	2,735	-
<b>Total other comprehensive income</b>	<b>2,245</b>	<b>(2,251)</b>
<b>Total comprehensive income for the half year</b>	<b>32,726</b>	<b>22,620</b>

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

## Consolidated Balance Sheet

### As at 30 June 2017

		Consolidated	
	Notes	30 June 2017 \$'000	31 December 2016 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	160,729	26,467
Trade and other receivables		19,087	22,948
Other current assets	3	12,298	9,234
Current tax asset		8,178	2,923
<b>Total current assets</b>		<b>200,292</b>	<b>61,572</b>
<b>Non-current assets</b>			
Property plant and equipment	4	54,862	54,845
Deferred tax assets		15,991	15,415
Goodwill	6	1,036,274	1,015,002
Other non-current assets	3	26,358	23,022
Derivative financial instruments	7	2,872	3,359
<b>Total non-current assets</b>		<b>1,136,357</b>	<b>1,111,643</b>
<b>Total assets</b>		<b>1,336,649</b>	<b>1,173,215</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		95,300	88,847
Borrowings	9	49,628	-
Provisions		27,364	25,956
<b>Total current liabilities</b>		<b>172,292</b>	<b>114,803</b>
<b>Non-current liabilities</b>			
Other payables		1,010	754
Borrowings	9	320,070	410,649
Provisions		4,990	4,783
Derivative financial instruments	7	16,120	16,351
<b>Total non-current liabilities</b>		<b>342,190</b>	<b>432,537</b>
<b>Total liabilities</b>		<b>514,482</b>	<b>547,340</b>
<b>Net assets</b>		<b>822,167</b>	<b>625,875</b>
<b>EQUITY</b>			
Contributed equity	10	856,349	641,848
Reserves		18,221	35,649
Retained earnings		(52,403)	(51,622)
<b>Total equity</b>		<b>822,167</b>	<b>625,875</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 2017

		Contributed Equity	Hedging Reserve	Translation Reserve	Share Based Payment Reserve	Profits Reserve	Retained Earnings	Total
Consolidated	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance 1 January 2016</b>		<b>603,043</b>	<b>3,559</b>	<b>6,026</b>	<b>344</b>	<b>33,706</b>	<b>(43,893)</b>	<b>602,785</b>
Profit for the half year		-	-	-	-	31,363	(6,492)	24,871
Other comprehensive income		-	(3,559)	1,308	-	-	-	(2,251)
<b>Total comprehensive income for the half year</b>		<b>-</b>	<b>(3,559)</b>	<b>1,308</b>	<b>-</b>	<b>31,363</b>	<b>(6,492)</b>	<b>22,620</b>
<b>Transactions with owners in their capacity as owners</b>								
Contributions of equity, net of transaction cost		20,558	-	-	-	-	-	20,558
Employee share option expense		-	-	-	(288)	-	-	(288)
Dividends provided for or paid		-	-	-	-	(45,097)	-	(45,097)
		<b>20,558</b>	<b>-</b>	<b>-</b>	<b>(288)</b>	<b>(45,097)</b>	<b>-</b>	<b>(24,827)</b>
<b>Balance 30 June 2016</b>		<b>623,601</b>	<b>-</b>	<b>7,334</b>	<b>56</b>	<b>19,972</b>	<b>(50,385)</b>	<b>600,578</b>
<b>Balance 1 January 2017</b>		<b>641,848</b>	<b>(1,042)</b>	<b>5,571</b>	<b>239</b>	<b>30,881</b>	<b>(51,622)</b>	<b>625,875</b>
Profit for the half year		-	-	-	-	31,262	(781)	30,481
Other comprehensive income		-	2,735	(490)	-	-	-	2,245
<b>Total comprehensive income for the half year</b>		<b>-</b>	<b>2,735</b>	<b>(490)</b>	<b>-</b>	<b>31,262</b>	<b>(781)</b>	<b>32,726</b>
<b>Transactions with owners in their capacity as owners</b>								
Contributions of equity, net of transaction cost	10	214,501	-	-	-	-	-	214,501
Employee share option expense		-	-	-	(220)	-	-	(220)
Dividends provided for or paid	11	-	-	-	-	(50,715)	-	(50,715)
		<b>214,501</b>	<b>-</b>	<b>-</b>	<b>(220)</b>	<b>(50,715)</b>	<b>-</b>	<b>163,566</b>
<b>Balance 30 June 2017</b>		<b>856,349</b>	<b>1,693</b>	<b>5,081</b>	<b>19</b>	<b>11,428</b>	<b>(52,403)</b>	<b>822,167</b>

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

## Consolidated Statement of Cash Flows

### For the half-year ended 30 June 2017

	Notes	Consolidated	
		30 June 2017 \$'000	30 June 2016 \$'000
<b>Cash flows from Operating Activities</b>			
Receipts from customers (net of GST)		366,175	367,704
Payments to suppliers and employees (net of GST)		(309,928)	(304,098)
Interest received		158	1,051
Interest paid		(13,123)	(11,919)
Income taxes paid		(18,536)	(19,565)
<b>Net cash inflows from operating activities</b>		<b>24,746</b>	<b>33,173</b>
<b>Cash flows from Investing Activities</b>			
Payments for property plant and equipment		(7,332)	(11,335)
Payments for divestments		(857)	-
Payments for purchase of businesses (net of cash acquired)		(8,621)	(14,593)
<b>Net cash outflows from investing activities</b>		<b>(16,810)</b>	<b>(25,928)</b>
<b>Cash flows from Financing Activities</b>			
Share issue costs		(5,048)	(18)
Proceeds from issue of shares		200,675	6,537
Corporate note transaction costs		(192)	(12,481)
Proceeds from issue of corporate note		-	269,281
Repayment of corporate note		-	(411,208)
Dividends paid		(29,200)	(30,852)
(Repayment of)/Inflows from borrowings		(40,000)	20,000
Premium paid on FX option		-	(11,028)
Proceeds from sale of FX option		-	8,281
<b>Net cash inflows/(cash outflows) from financing activities</b>		<b>126,235</b>	<b>(161,488)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>134,171</b>	<b>(154,243)</b>
Cash and cash equivalents at the beginning of the financial year		26,453	193,840
Effects of exchange rate changes on cash		91	230
<b>Cash and cash equivalents at the end of the financial year</b>	<b>8</b>	<b>160,715</b>	<b>39,827</b>

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



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## 1. Financial Overview

### Note 1: Segment Information

#### (a) Description of segments

The Executive Team (the Chief Operating Decision maker that makes strategic decisions) considers the business as one Group of centres and regularly reviews operating results at this level 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 was derived from external customers and relates to the single operating segment and the segment disclosure has not altered from the last Annual Report.

	Australia \$'000	Foreign Country \$'000	Total \$'000
<b>30 June 2017</b>			
Revenue from external customers	360,491	7,850	368,341
Non-current assets*	1,086,194	31,300	1,117,494
<b>30 June 2016</b>			
Revenue from external customers	350,648	7,303	357,951
Non-current assets*	976,926	33,184	1,010,110

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

### Note 2: Profit for the half year

Profit for the half year includes the following items that are unusual because of their nature, size or incidence:

	Consolidated	
	30 June 2017 \$'000	30 June 2016 \$'000
<b>Expenses</b>		
Legal expenses, stamp duty & other costs relating to acquisitions	559	272
Loss on disposal of assets/centres	691	-
Amortisation of finance facility establishment costs	2,633	10,046
Employee share based payments	(220)	(288)
Translation expense on revaluation of notes issued in Singapore dollars and hedge FX movement	511	3,788
<b>Total</b>	<b>4,174</b>	<b>13,818</b>
<b>Income</b>		
Interest income	370	896
Contingent consideration write back	-	2,500
Profit/(Loss) on sale of assets	2	(197)
<b>Total</b>	<b>372</b>	<b>3,200</b>

## Note 3: Current Assets – Other

	Consolidated	
	30 June 2017	31 December 2016
	\$'000	\$'000
Prepayments	10,292	5,481
Deposits	2,006	3,753
<b>Total other current assets</b>	<b>12,298</b>	<b>9,234</b>
<b>Non-Current</b>		
Deposits on acquisitions	22,696	23,022
Prepayments	1,908	-
Deposits	1,754	-
<b>Total other current and non-current assets</b>	<b>38,656</b>	<b>32,256</b>

## Note 4: Non-Current Assets – Property, Plant and Equipment

	Buildings	Vehicles	Furniture, fittings and equipment	Total
	\$'000	\$'000	\$'000	\$'000
Cost	5,046	1,184	83,867	90,097
Accumulated depreciation	(748)	(872)	(33,632)	(35,252)
<b>As at 31 December 2016</b>	<b>4,298</b>	<b>312</b>	<b>50,235</b>	<b>54,845</b>
Additions through business combinations (refer note 5)	-	-	344	344
Additions - other	-	-	7,139	7,139
Disposals	-	(5)	(895)	(900)
Depreciation charge	(76)	(29)	(6,447)	(6,552)
Effect of foreign exchange on depreciation	-	-	(14)	(14)
<b>Movement during the half year</b>	<b>(76)</b>	<b>(34)</b>	<b>127</b>	<b>17</b>
Cost	5,046	1,179	90,441	96,666
Accumulated depreciation	(824)	(901)	(40,079)	(41,804)
<b>As at 30 June 2017</b>	<b>4,222</b>	<b>278</b>	<b>50,362</b>	<b>54,862</b>

### Leasehold Improvements

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

	Consolidated	
	30 June 2017	31 December 2016
	\$'000	\$'000
Cost	54,077	50,676
Accumulated depreciation	(17,587)	(14,361)
<b>Net book amount</b>	<b>36,490</b>	<b>36,315</b>

## 2. Business Combinations, Goodwill & Impairment

### Note 5: Business Combinations

The acquisitions below have increased the Group's market share and are expected to reduce costs per centre through economies of scale. The goodwill is attributable to the future profitability of the acquired businesses.

During the half year the Group purchased 8 centres from various vendors as outlined below:

<b>Number of centres</b>	<b>7</b>	<b>1</b>	<b>8</b>
<b>State</b>	<b>Australia/Singapore</b>	<b>Australia</b>	<b>TOTAL</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Purchase Consideration</b>			
Cash consideration	5,991	3,175	9,166
Contingent consideration	11,781	1,058	12,839
Purchase price adjustments	(140)	(20)	(160)
<b>Total purchase consideration</b>	<b>17,632</b>	<b>4,213</b>	<b>21,845</b>
<b>Assets &amp; Liabilities acquired at fair value</b>			
Property, plant & equipment	159	60	219
Net identifiable assets/(liabilities) acquired	159	60	219
Goodwill	17,473	4,153	21,626
	<b>17,632</b>	<b>4,213</b>	<b>21,845</b>
<b>Revenue &amp; profit contribution from the date of acquisition to period end 30 June 2017</b>			
Revenue	2,379	409	2,788
Profit before tax	49	-	49

\*Revenue and profit contribution from 1 January 2017 would be materially the same as from the date of acquisition

Acquisition costs of \$558,517 (2016: \$272,000) are included in other expenses in the consolidated income statement.

As at 30 June 2017 accounting for 2017 acquisitions are provisional in nature due to the finalisation of determining the fair value of all assets and liabilities acquired.

During the half year accounting adjustments were made to provisional amounts recognised in 2016 as outlined below:

State	2016 Adjustments
	Australia
	\$'000
<b>Purchase Consideration</b>	
Contingent consideration	(20)
Purchase price adjustments	275
<b>Total purchase consideration</b>	<b>255</b>
<b>Assets &amp; Liabilities acquired at fair value</b>	
Property, plant & equipment	125
Payables	22
Employee benefit liabilities	(19)
Net identifiable assets/(liabilities) acquired	128
Goodwill	127
	<b>255</b>

The above amounts relate to accounting adjustments for assets and liabilities taken on at acquisition date but not finalised at 31 December 2016. There are 4 2016 acquisitions for which the acquisition accounting is still provisional.

### Contingent Consideration

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

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

At 30 June 2017	Total potential contingent consideration payable	Carrying value	Conditions
	\$'000	\$'000	
Acquisition of 5 centres*	10,710	10,710	24 month performance hurdle based on EBIT
Acquisition of 1 centre*	2,415	2,415	24 month performance hurdle based on EBIT
Acquisition of 3 centres*	2,315	2,315	24 month performance hurdle based on EBIT
Acquisition of 1 centre*	1,397	1,397	24 month performance hurdle based on EBIT
Acquisition of 1 centre	1,200	734	19 years occupancy hurdle based on licence capacity
<b>Total</b>	<b>18,037</b>	<b>17,571</b>	

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



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

### Movement in Contingent consideration

	Consolidated	
	6 months ended 30 June 2017	12 months ended 31 December 2016
	\$'000	\$'000
Financial liability for contingent consideration as at 31 December	4,752	4,367
Write back of contingent consideration to P&L performance condition not met - other income	-	(2,500)
Fair value adjustments	(19)	42
Paid contingent consideration performance condition met	-	(1,155)
Contingent consideration for new acquisitions	12,839	3,998
<b>Total contingent consideration payable as at 30 June</b>	<b>17,571</b>	<b>4,752</b>

### Accounting Policy

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

Acquisition costs paid by the Company are expensed.

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

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

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

## Note 6: Non-Current Assets - Goodwill

	Consolidated	
	6 months ended 30	12 months ended 31
	June 2017	December 2016
	\$'000	\$'000
Opening net book amount	1,015,002	944,604
Additions	21,626	66,377
Adjustments in respect of prior year acquisitions	127	4,311
Disposal of centres	(33)	-
Exchange differences	(448)	(290)
<b>Closing net book amount</b>	<b>1,036,274</b>	<b>1,015,002</b>
Cost	1,047,326	1,026,054
Accumulated impairment	(11,052)	(11,052)
<b>Net book amount</b>	<b>1,036,274</b>	<b>1,015,002</b>

The Group divested 17 centres during the first half of 2017.

### (a) Impairment tests for goodwill

Goodwill is monitored and tested for impairment on an operating segment level as outlined in the accounting policy below. The recoverable amount of the child care centre assets is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets for 2017 and then extrapolated using estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business. For the purposes of goodwill impairment testing, the recoverable amount is compared to the carrying amount of the assets of the Group, which aside from goodwill, also includes the fixed assets of the child care centres.

### (b) Impairment charge

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

### 3. Capital Structure & Fair Value Measurement

#### Note 7: Fair Value Measurements

##### Contractual maturities of financial liabilities

Consolidated 30 June 2017							
\$'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
<b>Non Derivative</b>							
Corporate Note	12,853	59,030	11,170	333,620		416,673	375,518
Contingent Consideration	75	3,997	12,915	225	825	18,037	17,571
Trade and other payables	67,533	-	-	-	-	67,533	67,533
<b>Derivatives</b>							
Net settled (cross currency swap contracts)	1,793	1,674	1,666	11,410	-	16,543	16,120

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

Consolidated 31 December 2016							
\$'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
<b>Non Derivative</b>							
Corporate Note	11,537	11,895	107,092	378,704	-	509,228	378,021
Bank facility	623	623	623	40,623	-	42,492	40,000
Contingent Consideration	-	4,073	75	225	825	5,198	4,752
Trade and other payables	73,628	-	-	-	-	73,628	73,628
<b>Derivatives</b>							
Net settled (cross currency swap contracts)	1,783	1,839	7,943	8,342	-	19,907	16,351

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

## Fair value classifications

The following table present the Group's assets and liabilities measured and recognised at fair value on a recurring basis at 31 December 2016 and 30 June 2017:

At 30 June 2017 \$'000	Level 1	Level 2	Level 3	Total
<b>Asset</b>				
Derivative financial asset (ii)	-	2,872	-	2,872
<b>Liabilities</b>				
Derivatives used for hedging (Interest rate swap) (i)	-	16,120	-	16,120
Contingent consideration (refer note 5)	-	-	17,571	17,571

At 31 December 2016 \$000	Level 1	Level 2	Level 3	Total
<b>Asset</b>				
Derivative financial asset (ii)	-	3,359	-	3,359
<b>Liabilities</b>				
Derivatives used for hedging (Interest rate swap) (i)	-	16,351	-	16,351
Contingent consideration (refer note 5)	-	-	4,752	4,752

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

Specific valuation techniques used to value financial instruments include:

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

### (i) Cross currency swap

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

### (ii) Foreign exchange option

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

## Note 8: Current Assets - Cash and Cash Equivalents

	<b>Consolidated</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	11,710	39,822
Deposits at call	149,019	19
<b>Total Cash and Cash Equivalents</b>	<b>160,729</b>	<b>39,841</b>

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

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

	<b>Consolidated</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance as per above	160,729	39,841
Term Deposits held as security against bank guarantees and foreign exchange hedge	(14)	(14)
<b>Balance as per Statement of Cash Flows</b>	<b>160,715</b>	<b>39,827</b>

## Note 9: Current and Non-Current Liabilities - Borrowings

	30 June 2017			31 December 2016		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
<b>Unsecured</b>						
Corporate Notes (a)	49,628	320,070	369,698	-	370,649	370,649
<b>Total Unsecured Borrowings</b>	<b>49,628</b>	<b>320,070</b>	<b>369,698</b>	<b>-</b>	<b>370,649</b>	<b>370,649</b>
<b>Secured</b>						
Bankwest Facility	-	-	-	-	40,000	40,000
<b>Total Secured Borrowings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,000</b>	<b>40,000</b>
<b>Total Borrowings</b>	<b>49,628</b>	<b>320,070</b>	<b>369,698</b>	<b>-</b>	<b>410,649</b>	<b>410,649</b>

The Group had nil drawn from the \$50m Bankwest facility as at 30 June 2017. This facility will be replaced by the club bank facility referred to in note 14.

### (a) Corporate Notes

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

Issue Date	Face Value in Issue Currency \$000	Issue Currency	Repayment Date	Interest Rate %	Floating or Fixed
7 August 2013	70,000	AUD	7 August 2019	7.65%	Fixed
3 March 2014	50,000	AUD	3 March 2018	390bps + 90 day Bank Bill Rate	Variable
18 May 2016	270,000	SGD	18 May 2019	5.5%*	Fixed

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

### (b) Fair value

Carrying value is materially equal to fair value for all borrowings.



## Note 10: Contributed Equity

### (a) Share capital

	Consolidated		Consolidated	
	June 2017 Shares	December 2016 Shares	June 2017 \$'000	December 2016 \$'000
Ordinary shares fully paid	443,321,969	382,511,733	856,349	641,848

### (b) Movements in ordinary share capital

Details	Number of Shares '000	\$'000
<b>31 December 2015 Balance</b>	<b>369,698</b>	<b>603,043</b>
Dividend reinvestment plan	9,692	32,272
Issuance of shares	1,707	6,537
Transaction costs of shares issued	-	(22)
Deferred tax credit recognised directly in equity	-	18
<b>31 December 2016 Balance</b>	<b>381,097</b>	<b>641,848</b>
<b>31 December 2016 Balance</b>	<b>381,097</b>	<b>641,848</b>
Dividend reinvestment plan	4,906	17,867
Issuance of shares from equity placement	55,904	195,658
Issuance of shares held in escrow	1,374	5,007
Transaction costs of shares issued	-	(5,037)
Deferred tax credit recognised directly in equity	-	1,006
<b>30 June 2017 Balance</b>	<b>443,281</b>	<b>856,349</b>

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

	June 2017 Shares '000	December 2016 Shares '000
Balance at the beginning of the financial year	1,415	3,122
Shares that did not vest under the plan	(1,374)	(1,707)
<b>Total outstanding at end of half year</b>	<b>41</b>	<b>1,415</b>

## Note 11: Dividends

	30 June 2017 \$'000	30 June 2016 \$'000
<b>Ordinary Shares</b>		
Dividends paid during the half-year	24,116	22,481
Dividends provided for during the half-year	26,599	22,616
	<b>50,715</b>	<b>45,097</b>

## 4. Unrecognised Items

### Note 12: Commitments

#### (a) Capital commitments

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

#### (b) Lease commitments: Group as lessee

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

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

	Consolidated	
	30 June 2017	31 December 2016
	\$'000	\$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
<b>Payable:</b>		
Within one year	81,011	86,406
Later than one year but no later than five years	249,502	242,078
Later than five years	230,359	164,788
	<b>560,872</b>	<b>493,272</b>
<b>Representing:</b>		
Non-cancellable operating leases	560,872	493,272

##### (ii) Finance Leases

The Group had no finance leases during 2017 or 2016.

### Note 13: Contingencies

#### (a) Contingent liabilities

The Group had no contingent liabilities as at 30 June 2017 (2016: Nil).

### Note 14: Events occurring after the balance sheet date

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

- The Board approved the issue of 238,063 performance rights under the Employee Incentive Plan (GEIP) on 20 July 2017.
- G8 has entered into a \$200m club bank facility and bank guarantee facility of \$45m.
- The Group made an early redemption of the non-current \$70m 7.65% fixed Australian notes on 7 August 2017. An early repayment fee of \$1.4m is incurred upon repayment.
- G8 completed the acquisition of 3 centres for \$9.3m from the one vendor post 30 June. The initial accounting has not yet been completed as completion accounts have yet to be finalised.

## 5. Other

### Note 15: Share-based payments

The Group has discontinued the Executive Share Plan approved by shareholders on 21 May 2015. In May 2017 shareholders approved a new LTI scheme the G8 Executive Incentive Plan (GEIP).

#### GEIP

In accordance with the terms and conditions of the GEIP approved by shareholders on 29 May 2017 selected KMP and executives were issued performance rights subject to agreed service and performance conditions (i.e. vesting conditions). Performance rights under the GEIP were first issued in July 2017. Valuation of the performance rights is being undertaken.

#### Executive Share Plan “the Plan”

In June 2017 the Executive Share Plan was discontinued for current employees and replaced with the new LTI scheme.

Movement in options/shares is subject to limited recourse loan. The table below shows the movement in the loan balance:

	Number of Shares*	Loan Balance (\$)
Balance at 31 December 2016	1,414,799	7,073,993
Forfeited during the year	(1,374,067)	(6,870,333)
Balance at 30 June 2017	40,732	203,660

\*Shares have been issued and are subject to payment of loan

### Note 16: Related Party Transactions

#### (a) Parent entity

The parent entity within the Group is G8 Education Limited.

#### (b) Key Management Personnel

For details of share based payment transactions that Key Management Personnel and their related entities had with the Group during the year refer note 15.

During the half year 2017 the Group engaged in \$8,251 of related party transactions with Key Management Personnel.

There were nil balances outstanding at the reporting date in relation to transactions with related parties.

## Note 17: Other significant accounting policies

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

### (a) Basis of preparation

This consolidated interim financial report for the half year reporting period ended 30 June 2017 is a general purpose financial report and has been prepared in accordance with Accounting Standard 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 2016 and any public announcements made by G8 Education Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX listing rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

G8 Education Ltd is a for-profit organisation.

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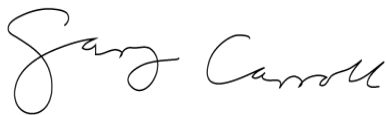
## Directors' Declaration

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 27 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 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  
19 August 2017

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

## Report on the Half-Year Financial Report

### 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 balance sheet as at 30 June 2017, the consolidated income statement, 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 statement 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 2017 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*.

### 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 consolidated financial position as at 30 June 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.





## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive, stylized script.

Ernst & Young

A handwritten signature in black ink that appears to read 'Ric Roach' in a cursive, stylized script.

Ric Roach  
Partner  
Brisbane  
19 August 2017

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## Corporate Directory

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### Directors

M Johnson, Chairman

G Carroll, Managing Director

B Bailison, Non-Executive Director

S Forrester, Non-Executive Director

D Foster, Non-Executive Director

M Reynolds, Non-Executive Director

### Share registry:

Advanced Share Registry Limited

150 Stirling Hwy

Nedlands, WA 6009

### Auditor:

Ernst & Young

111 Eagle Street,

Brisbane, QLD 4001

### Company Secretary

S Zeljko

### Lawyers:

Minter Ellison Gold Coast

165 Varsity Parade

Varsity Lakes QLD 4217

### Principal registered business office in Australia

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

159 Varsity Parade, Varsity Lakes

Telephone: 07 5581 5300

Facsimile: 07 5581 5311

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

### Securities exchange listing:

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

