G8 Education[ltd]

Appendix 4D

Name of Entity:	G8 Education Ltd
ABN:	95 123 828 553
Current Financial Period Ended:	Half-Year ended 30 June 2018
Previous Corresponding Reporting Period	Half-Year ended 30 June 2017

Results for Announcement to the Market

	Percentage change Up or Down	%		$'000
Revenue from ordinary activities	Up	7%	to	393,060
Profit from ordinary activities after tax attributable to members	Down	22%	to	23,749
Profit for the period attributable to members	Down	22%	to	23,749

	June 2018	June 2017
Net Tangible Assets (Liabilities) per Security	**(54) Cents**	**(48) Cents**

Dividends	Amount per Security	Franked amount per security
Interim Dividend – Current Reporting Period		
March 2018	10.00 Cents	100%

Record date for determining entitlements to dividends 9 March 2018
Date dividend payable 23 March 2018
Details of any dividend reinvestment plan in operation Dividend reinvestment plan is in operation

Subsequent to the half year the Group declared a 4.5 cent fully franked dividend on 25 August 2018, to be paid on 5 October 2018.

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.

Brief explanation of any figures reported above necessary to enable the figures to be understood
Delivery of Group's strategic agenda remains on track despite considerable regulatory change and challenging industry conditions. The Group successfully transitioned to the new Jobs For Families Child Care Package, as well as maintaining its focus on operational efficiencies and investing in people, systems and technology in line with strategic growth initiatives.

Underlying EBIT of $48m is in line with market consensus although 21% lower than the prior comparative period due to occupancy impacts and higher wages costs from regulatory changes to required staff ratios, particularly in Q1 2018. Fee increases were largely offset by lower occupancy levels with total revenues up 7.6% on the prior comparative period, driven by acquisitions and new centre openings.

Strong cash flow conversion, progress on debt refinancing and the early adoption of the previously announced move to proportionate dividend policy, positions the Group to drive the current growth phase with conservative gearing levels.

The table below illustrates the reported Earnings Before Interest and Tax to underlying Earnings Before Interest and Tax.

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

Consolidated Half Year 30 June 2018	30 June 2018 $'000	30 June 2017 $'000	Variance
Revenue#	396,419	368,343	8%
Expenses	(348,717)	(308,298)	13%
Net Financing Cost	(13,536)	(15,850)	(15%)
Net Profit Before Tax	**34,166**	**44,195**	**(23%)**
Net Profit After Tax	**23,749**	**30,481**	**(22%)**
Add/(Less) non-operating transactions:			
Contingent consideration not paid*	(1,343)	-	
Acquisition expenses	1,064	559	
Share based payment expense *	-	(220)	
Write off of borrowing costs*^	1,094	1,842	
(Gain)/Loss on disposal of assets/centres	691	691	
Foreign currency translation loss*^	389	358	
Underlying Net Profit After Tax	**25,644**	**33,711**	**(24%)**
Underlying EPS (cents per share)^^	**5.68**	**8.33**	**(32%)**
Earnings Before Interest and Tax	**47,702**	**60,045**	
Add/(Less) non-operating transactions:			
Contingent consideration not paid*	(1,343)	-	
Acquisition expenses	1,064	559	
Share based payment expense	-	(220)	
(Gain)/Loss on disposal of assets/centres	691	691	
Underlying Earnings Before Interest and Tax^^^	**48,114**	**61,075**	**(21%)**

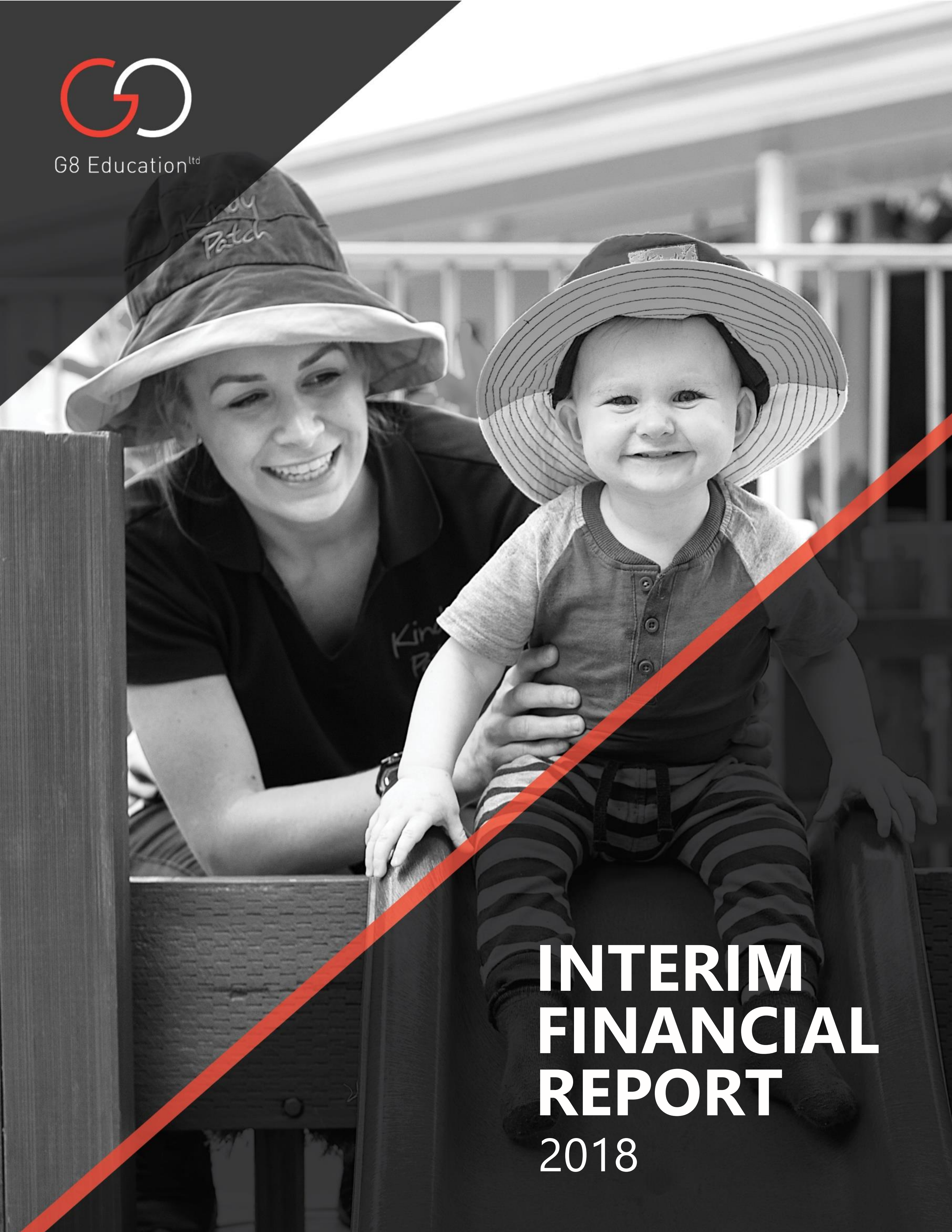
Excludes interest income of $0.19m from revenue and included in financing costs (2017: $0.37m)
*Non-Cash adjustments
^Tax adjusted
^^Underlying EPS equals Underlying NPAT divided by weighted average number of shares
^^^Underlying EBIT equals NPAT plus income tax expense plus net finance costs plus non-operating transactions

Compliance Statement

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

Gary Carroll
Managing Director
25 August 2018

G8 Education ltd



INTERIM FINANCIAL REPORT

2018

Brands

BAMBINO'S KINDERGARTEN

jellybeans Child Care & Kindy

Eclipse early education group

headstart EARLY LEARNING CENTRES

Community KIDS

buggles early learning and kindy

Kindy Patch Kids Your Child Is Our Priority

NurtureOne "Nurturing Enquiring Minds"

World of Learning

GREAT BEGINNINGS EARLY EDUCATION FOR LIFE

Early Learning Services Committed to Child Care

Casa Bambini Early Education Centre

Creative Garden Early Learning

Sandcastles

koolkids early learning centres

Penguin Childcare Early Learning Centres BETTER BEGINNINGS - BETTER FUTURES

GREENWOOD

BLUEBIRD EARLY EDUCATION CENTRES

THE LEARNING SANCTUARY A safe place for children to grow

FirstGrammar Early Education Centre

Kinder Haven Committed to growing the whole child

Pelican Childcare Early Learning Centres CHILDCARE WITH A CONSCIENCE™

PELICANS LEARNING FOR LIFE

Contents

Directors' Report

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 2018.

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
- J Cogin
- M Zabel

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 2018.

Review of operations

Delivery of Group's strategic agenda remains on track despite considerable regulatory change and challenging industry conditions. The Group successfully transitioned to the new Jobs For Families Child Care Package, as well as maintaining its focus on operational efficiencies and investing in people, systems and technology in line with strategic growth initiatives.

Underlying EBIT* of $48m is in line with market consensus although 21% lower than the prior comparative period due to occupancy impacts and higher wages costs from regulatory changes to required staff ratios, particularly in Q1 2018.

Fee increases were largely offset by lower occupancy levels with total revenues up 7.6% on the prior comparative period, driven by acquisitions and new centre openings.

Strong cash flow conversion, progress on debt refinancing and the early adoption of the previously announced move to proportionate dividend policy, positions the Group to drive the current growth phase with conservative gearing levels.

Subsequent to the half year the Group:

- Have secured a 100% underwriting commitment from 3 leading banks for $400m to refinance the $270m SGD notes (expiry May 2019) and the existing club bank facility.
- Completed the acquisition of 4 centres for $16.4m.
- Issued 438,609 performance rights to executives under the G8 Education Employee Incentive Plan (GEIP) on 20 July 2018.
- Declared a 4.5 cent fully franked dividend on 25 August 2018, to be paid on 5 October 2018.

*Unaudited, Non-IFRS measure (refer page 5)

The table below illustrates the reconciliation of reported NPAT and EBIT to underlying NPAT and EBIT.

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

Consolidated Half Year 30 June 2018	30 June 2018 $'000	30 June 2017 $'000
Revenue#	396,419	368,343
Expenses	(348,717)	(308,298)
Net Financing Cost	(13,536)	(15,850)
Net Profit Before Tax	**34,166**	**44,195**
Net Profit After Tax	**23,749**	**30,481**
Add/(Less) non-operating transactions:		
Contingent consideration not paid*	(1,343)	-
Acquisition expenses	1,064	559
Share based payment expense *	-	(220)
Write off of borrowing costs*^	1,094	1,842
(Gain)/Loss on disposal of assets/centres	691	691
Foreign currency translation loss*^	389	358
Underlying Net Profit After Tax	**25,644**	**33,711**
Underlying EPS (cents per share)^^	**5.68**	**8.33**
Earnings Before Interest and Tax	**47,702**	**60,045**
Add/(Less) non-operating transactions:		
Contingent consideration not paid*	(1,343)	-
Acquisition expenses	1,064	559
Share based payment expense	-	(220)
(Gain)/Loss on disposal of assets/centres	691	691
Underlying Earnings Before Interest and Tax^^^	**48,114**	**61,075**

#Excludes interest income of $0.19m from revenue. This amount is included in net financing cost (2017: $0.37m).
*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 centres and closed 5 centres
- Repayment of $50m corporate notes on 2 March 2018

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.

Gary Carroll
Managing Director
25 August 2018

Ernst & Young
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Fax: +61 7 3011 3100
ey.com/au

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 2018, 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
25 August 2018

Consolidated Income Statement
For the half-year ended 30 June 2018

	Notes	Consolidated 30 June 2018 $'000	Consolidated 30 June 2017 $'000
Continuing Operations			
Revenue from contracts with customers	1	393,060	368,341
Other income	2	3,547	372
Total revenue		**396,607**	**368,713**
Expenses			
Employee benefits		(242,796)	(212,923)
Occupancy		(52,491)	(47,636)
Direct costs of providing services		(29,925)	(28,476)
Depreciation	4	(8,030)	(6,552)
Other expenses		(15,475)	(12,711)
Finance costs		(13,724)	(16,220)
Total expenses		**(362,441)**	**(324,518)**
Profit before income tax		**34,166**	**44,195**
Income tax expense		(10,417)	(13,714)
Profit for the year attributable to members of the parent entity		**23,749**	**30,481**
		Cents	**Cents**
Basic earnings per share		5.26	7.54
Diluted earnings per share		5.26	7.54

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 2018

	Consolidated 30 June 2018 $'000	Consolidated 30 June 2017 $'000
Profit for the half year	23,749	30,481
Other comprehensive income, net of income tax		
Items that are or may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	1,060	(490)
Effective portion of changes in fair value of cash flow hedges	537	2,735
Total other comprehensive income	**1,597**	**2,245**
Total comprehensive income for the half year	**25,346**	**32,726**

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

Consolidated Balance Sheet
As at 30 June 2018

	Notes	Consolidated 30 June 2018 $'000	Consolidated 31 December 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	31,492	49,209
Trade and other receivables		30,763	30,366
Other current assets	3	12,299	12,361
Current tax asset		6,951	250
Total current assets		**81,505**	**92,186**
Non-current assets			
Property plant and equipment	4	74,340	63,906
Deferred tax assets		15,900	16,220
Goodwill	6	1,104,907	1,087,969
Other non-current assets	3	39,493	32,273
Derivative financial instruments	7	49	622
Total non-current assets		**1,234,689**	**1,200,990**
Total assets		**1,316,194**	**1,293,176**
LIABILITIES			
Current liabilities			
Trade and other payables		63,896	66,884
Contract liabilities		7,014	8,173
Borrowings	9	265,358	49,905
Provisions		28,934	26,096
Derivative financial instruments	7	3,532	-
Total current liabilities		**368,734**	**151,058**
Non-current liabilities			
Other payables		699	1,067
Borrowings	9	79,013	253,589
Provisions		8,424	8,321
Derivative financial instruments	7	-	13,806
Total non-current liabilities		**88,136**	**276,783**
Total liabilities		**456,870**	**427,841**
Net assets		**859,324**	**865,335**
EQUITY			
Contributed equity	10	889,890	876,394
Reserves		25,906	44,552
Retained earnings		(56,472)	(55,611)
Total equity		**859,324**	**865,335**

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 2018

Consolidated	Notes	Contributed Equity $'000	Hedging Reserves $'000	Translation Reserve $'000	Share Based Payment Reserve $'000	Profits Reserve $'000	Retained Earnings $'000	Total $'000
Balance 1 January 2017		**641,848**	**(1,042)**	**5,571**	**239**	**30,881**	**(51,622)**	**625,875**
Profit for the half year		-	-	-	-	31,262	(781)	30,481
Other comprehensive income		-	2,735	(490)	-	-	-	2,245
Total comprehensive income for the half year			**2,735**	**(490)**	**-**	**31,262**	**(781)**	**32,726**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction cost		214,501	-	-	-	-	-	214,501
Employee share option expense		-	-	-	(220)	-	-	(220)
Dividends provided for or paid	11	-	-	-	-	(50,715)	-	(50,715)
		214,501	**-**	**-**	**(220)**	**(50,715)**	**-**	**163,566**
Balance 30 June 2017		**856,349**	**1,693**	**5,081**	**19**	**11,428**	**(52,403)**	**822,167**
Balance 1 January 2018		**876,394**	**879**	**5,548**	**131**	**37,994**	**(55,611)**	**865,335**
Profit for the half year		-	-	-	-	25,230	(1,481)	23,749
Other comprehensive income		-	537	1,060	-	-	-	1,597
Total comprehensive income for the half year		**-**	**537**	**1,060**	**-**	**25,230**	**(1,481)**	**25,346**
Adjustment on adoption of AASB 9		**-**	**(620)**	**-**	**-**	**-**	**620**	**-**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction cost	10	13,496	-	-	-	-	-	13,496
Dividends provided for or paid	11	-	-	-	-	(44,853)	-	(44,853)
		13,496	**-**	**-**	**-**	**(44,853)**	**-**	**(31,357)**
Balance 30 June 2018		**889,890**	**796**	**6,608**	**131**	**18,371**	**(56,472)**	**859,324**

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 2018

	Notes	Consolidated 30 June 2018 $'000	Consolidated 30 June 2017 $'000
Cash flows from Operating Activities			
Receipts from customers (net of GST)		391,570	366,175
Payments to suppliers and employees (net of GST)		(336,599)	(309,928)
Interest received		228	158
Interest paid		(11,093)	(13,123)
Income taxes paid		(13,796)	(18,536)
Net cash inflows from operating activities		**30,310**	**24,746**
Cash flows from Investing Activities			
Payments for property plant and equipment		(17,002)	(7,332)
Payments for divestments		(124)	(857)
Payments for purchase of businesses (net of cash acquired)		(28,928)	(8,621)
Net cash outflows from investing activities		**(46,054)**	**(16,810)**
Cash flows from Financing Activities			
Share issue costs		(47)	(5,048)
Debt issue costs		(229)	(192)
Proceeds from issue of shares		-	200,675
Repayment of corporate note		(50,000)	-
Dividends paid		(31,317)	(29,200)
Inflows from Borrowings		80,000	-
Outflows of Borrowings		(453)	(40,000)
Net cash (outflows) / inflows from financing activities		**(2,046)**	**126,235**
Net (decrease) / increase in cash and cash equivalents		(17,790)	134,171
Cash and cash equivalents at the beginning of the financial year		49,209	26,453
Effects of exchange rate changes on cash		73	91
Cash and cash equivalents at the end of the financial year	8	**31,492**	**160,715**

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

Index to Notes to the Financial Statements

Note 1: Segment Information

(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 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
30 June 2018			
Revenue from external customers	385,244	7,816	393,060
Non-current assets*	1,186,277	32,463	1,218,740
30 June 2017			
Revenue from external customers	360,491	7,850	368,341
Non-current assets*	1,086,194	31,300	1,117,494

Timing of revenue recognition	Australia $'000	Foreign Country $'000	Total $'000
30 June 2018			
Revenue recognised at a point in time	378,191	7,816	386,007
Other Income	7,053	-	7,053
Total revenue from external customers	**385,244**	**7,816**	**393,060**
30 June 2017			
Revenue recognised at a point in time	353,771	7,833	361,604
Other Income	6,720	17	6,737
Total revenue from external customers	**360,491**	**7,850**	**368,341**

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

(b) Seasonality

The childcare industry has a distinct seasonal pattern. A large group of children leave childcare to commence school at the beginning of the year and then revenue increases with new enrolments as the calendar year progresses. As such, the second half of the year delivers significantly more than half of the annual reported revenue and profit.

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 2018 $'000	30 June 2017 $'000
Expenses		
Legal expenses, stamp duty & other costs relating to acquisitions	1,064	559
Loss on disposal of assets/centres	691	691
Amortisation of finance facility establishment costs	1,563	2,633
Employee share based payments	-	(220)
Translation expense on revaluation of notes issued in Singapore dollars and hedge FX movement	555	511
Total	**3,873**	**4,174**
Income		
Interest income	188	370
Contingent consideration write back	1,343	-
Licence and other fees	2,000	-
Profit on sale of assets	16	2
Total	**3,547**	**372**

Note 3: Current Assets – Other

	Consolidated	
	30 June 2018 $'000	31 December 2017 $'000
Current		
Prepayments	4,687	5,500
Inventory	4,428	4,463
Deposits	3,184	2,398
Total other current assets	**12,299**	**12,361**
Non-Current		
Deposits on acquisitions	37,546	29,443
Prepayments	1,085	1,456
Deposits	862	1,374
Total other non-current assets	**39,493**	**32,273**
Total other current and non-current assets	**51,792**	**44,634**

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

	Buildings $'000	Vehicles $'000	Furniture, fittings and equipment $'000	Make Good $'000	Total $'000
Cost	5,046	1,179	101,812	5,080	113,117
Accumulated depreciation	(900)	(928)	(47,383)	-	(49,211)
As at 31 December 2017	**4,146**	**251**	**54,429**	**5,080**	**63,906**
Additions through business combinations (refer note 5)	-	276	2,085	-	2,361
Additions - other	-	10	16,346	-	16,356
Disposals	-	(53)	(220)	-	(273)
Depreciation charge	(76)	(54)	(7,598)	(302)	(8,030)
Effect of foreign exchange on depreciation	-	-	20	-	20
Movement during the half year	**(76)**	**179**	**10,633**	**(302)**	**10,434**
Cost	5,046	1,412	120,127	5,080	131,665
Accumulated depreciation	(976)	(982)	(55,065)	(302)	(57,325)
As at 30 June 2018	**4,070**	**430**	**65,062**	**4,778**	**74,340**

Leasehold Improvements

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

	30 June 2018 $'000	31 December 2017 $'000
Cost	76,021	64,894
Accumulated depreciation	(25,671)	(21,448)
Net book amount	**50,350**	**43,446**

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 and cost synergy benefits to be realised within the Group.

During the half year the Group purchased 7 centres from various vendors as outlined below:

Number of centres	**4**	**1**	**2**	**7**
State	**SA/WA/NSW**	**NSW**	**VIC**	**TOTAL**
	$'000	**$'000**	**$'000**	**$'000**
Purchase Consideration				
Cash consideration	5,437	4,006	6,977	16,420
Purchase price adjustments (to cash)	(20)	(200)	-	(220)
Contingent consideration	982	522	1,041	2,545
Total purchase consideration	**6,399**	**4,328**	**8,018**	**18,745**
Assets & Liabilities acquired at fair value				
Property, plant & equipment	103	307	1,675	2,085
Net identifiable assets/(liabilities) acquired	103	307	1,675	2,085
Goodwill	6,296	4,021	6,343	16,660
	6,399	**4,328**	**8,018**	**18,745**
Revenue & profit contribution from the date of acquisition to period ended 30 June 2018				
Revenue	1,097	3	-	1,100
Profit/(Loss) before tax	(469)	(101)	(35)	(605)

Revenue and profit contribution from 1 January 2018 would be materially the same as from the date of acquisition.

Acquisition costs of $1,063,449 (2017: $558,517) are included in other expenses in the consolidated income statement.

As at 30 June 2018, accounting for 2018 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 2017 as outlined below:

State	2017 Adjustments Australia
	$'000
Purchase Consideration	
Purchase price adjustments	359
Contingent consideration	(848)
Total purchase consideration	**(489)**
Assets & Liabilities acquired at fair value	
Property, plant & equipment	276
Employee benefit liabilities	(34)
Net identifiable assets/(liabilities) acquired	242
Goodwill	(731)
	(489)

The above amounts relate to accounting adjustments for assets and liabilities taken on at acquisition date but not finalised at 31 December 2017.

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 payable to the previous owners upon meeting specified performance conditions:

At 30 June 2018	Total potential contingent consideration payable	Carrying value	Conditions
	$'000	$'000	
Acquisition of 1 centre*	982	982	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	1,125	746	19 years occupancy hurdle based on licence capacity
Total	**3,504**	**3,125**	

*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 2018 $'000	12 months ended 31 December 2017 $'000
Financial liability for contingent consideration as at 31 December	14,301	4,752
Write back of contingent consideration to P&L performance condition not met - other income (refer note 2)	(1,343)	(243)
Write back of contingent consideration to Goodwill performance condition not met	(839)	-
Fair value adjustments	(9)	76
Contingent consideration paid	(11,530)	(4,231)
Contingent consideration for new acquisitions	2,545	13,947
Total contingent consideration payable as at 30 June	**3,125**	**14,301**

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 June 2018 $'000	12 months ended 31 December 2017 $'000
Opening net book amount	1,087,969	1,015,002
Additions	16,660	73,602
Adjustments in respect of prior year acquisitions	(731)	225
Disposal of centres	-	(851)
Exchange differences	1,009	(9)
Closing net book amount	**1,104,907**	**1,087,969**
Cost	1,115,959	1,099,021
Accumulated impairment	(11,052)	(11,052)
Net book amount	**1,104,907**	**1,087,969**

The Group closed 5 centres during the period ended 30 June 2018. No goodwill was attributed to closed centres.

(a) Impairment tests for goodwill

Goodwill is 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 forecasts for 2018 and then extrapolated using estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business. For the purposes of goodwill impairment testing, the recoverable amount is compared to the carrying amount of the assets of the Group, which aside from goodwill, also includes the fixed assets of the child care centres.

(b) Impairment

No significant changes to the underlying assumptions used in the impairment testing from 31 December 2017. As a result, management have determined no impairment was required.

Note 7: Fair Value Measurements

Contractual maturities of financial liabilities

Consolidated 30 June 2018 $'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 Derivative							
Corporate Note	8,946	278,693	-	-	-	287,639	267,759
Bank facility	1,626	1,671	3,481	90,613	-	97,391	80,000
Deferred centre acquisition	75	1,397	1,057	225	750	3,504	3,125
Trade and other payables	49,505	-	-	-	-	49,505	49,505
Contract liabilities	7,014	-	-	-	-	7,014	7,014
Derivatives							
Net settled (FX hedge)	1,444	2,432	-	-	-	3,876	3,532

Consolidated 31 December 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
Non Derivative							
Corporate Note	56,649	8,946	278,693	-	-	344,288	308,268
Deferred centre acquisition	-	2,390	11,306	225	750	14,671	14,301
Trade and other payables	35,030	-	-	-	-	35,030	35,030
Contract liabilities	8,173	-	-	-	-	8,173	8,173
Derivatives							
Net settled (FX hedge)	1,662	1,678	10,853	-	-	14,193	13,806

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

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 2017 and 30 June 2018:

At 30 June 2018 **$'000**	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset				
Derivative financial asset (ii)	-	49	-	49
Liabilities				
Derivatives used for hedging (Interest rate swap) (i)	-	3,532	-	3,532
Contingent consideration (refer note 5)	-	-	3,125	3,125

At 31 December 2017 **$'000**	**Level 1**	**Level 2**	**Level 3**	**Total**
Asset				
Derivative financial asset (ii)	-	622	-	622
Liabilities				
Derivatives used for hedging (Interest rate swap) (i)	-	13,806	-	13,806
Contingent consideration (refer note 5)	-	-	14,301	14,301

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

Specific valuation techniques used to value financial instruments include:

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

(i) Cross currency swap

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

(ii) Foreign exchange option

On 18 May 2016, the Group purchased an AUD/SGD call option with a notional value of SGD$270m with a strike price of $1.175 and maturity date of 18 May 2019. The foreign exchange option 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

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Cash at bank and in hand	26,482	11,710
Deposits at call	5,010	149,019
Total Cash and Cash Equivalents	**31,492**	**160,729**

(a) Reconciliation to cash for the half year

The above figures are reconciled to cash for the half year as shown in the statement of cash flow as follows:

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Balance as per above	31,492	160,729
Term deposits held as security against bank guarantee and foreign exchange hedge	-	(14)
Balance as per Statement of Cash Flows	**31,492**	**160,715**

Note 9: Current and Non-Current Liabilities - Borrowings

	30 June 2018			31 December 2017		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Unsecured						
Corporate Notes (a)	267,759	-	**267,759**	50,000	258,268	**308,268**
Total Unsecured Borrowings	**267,759**	**-**	**267,759**	**50,000**	**258,268**	**308,268**
Secured						
Bank Facility (b)	-	80,000	**80,000**	-	-	**-**
Total Secured Borrowings	-	80,000	**80,000**	-	**-**	**-**
Borrowing Costs	(2,401)	(987)	**(3,388)**	(95)	(4,679)	**(4,774)**
Total Borrowings	**265,358**	**79,013**	**344,371**	**49,905**	**253,589**	**303,494**

(a) Corporate Notes

G8 Education Limited had the following Corporate Notes outstanding as at 30 June 2018:

Issue Date	Face Value in Issue Currency $000	Issue Currency	Repayment Date	Interest Rate %	Floating or Fixed
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) Club Bank Facility

The Group had $80m drawn from the $200m club bank facility as at 30 June 2018. The club bank facility matures on 17 August 2020. (Refer note 14).

(c) Fair value

Carrying value is equal to fair value for all borrowings.

Note 10: Contributed Equity

(a) Share capital

	Consolidated		Consolidated	
	June 2018 Shares	December 2017 Shares	June 2018 $'000	December 2017 $'000
Ordinary shares fully paid	453,474,679	448,536,926	889,890	876,394

(b) Movements in ordinary share capital

Details	Number of Shares '000	$'000
31 December 2016 Balance	**381,097**	**641,848**
Dividend reinvestment plan	10,121	37,621
Equity placement	55,904	195,658
Issuance of shares	1,374	5,007
Transaction costs of shares issued	-	(5,347)
Deferred tax credit recognised directly in equity	-	1,607
31 December 2017 Balance	**448,496**	**876,394**
31 December 2017 Balance	**448,496**	**876,394**
Dividend reinvestment plan	4,938	13,397
Equity placement	41	132
Transaction costs of shares issued	-	(47)
Deferred tax credit recognised directly in equity	-	14
30 June 2018 Balance	**453,475**	**889,890**

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

	Consolidated	
	2018 Shares '000	2017 Shares '000
Balance at the beginning of the financial year	41	1,415
Shares transferred to the Group under the plan	(41)	(1,374)
Total outstanding at the end of the financial year	-	**41**

Note 11: Dividends

	30 June 2018 $'000	30 June 2017 $'000
Ordinary Shares		
Dividends paid during the half-year	44,853	24,116
Dividends provided for during the half-year	-	26,599
	44,853	**50,715**

Note 12: Commitments

(a) Capital commitments

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

(b) Lease commitments: Group as lessee

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

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

	Consolidated	
	30 June 2018 $'000	**31 December 2017 $'000**
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Payable:		
Within one year	85,530	83,153
Later than one year but no later than five years	349,869	327,047
Later than five years	243,442	218,878
	678,841	**629,078**
Representing:		
Non-cancellable operating leases	**678,841**	**629,078**

(ii) Finance Leases

The Group had no finance leases during the period ended 30 June 2018, or the year ended 31 December 2017.

Note 13: Contingencies

(a) Contingent liabilities

The Group had no contingent liabilities as at 30 June 2018 (2017: Nil).

Note 14: Events occurring after the balance sheet date

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

- The Group have secured a 100% underwriting commitment from 3 leading banks for $400m to refinance the $270m SGD notes (expiry May 2019) and the existing club bank facility.
- Completed the acquisition of 4 centres for $16.4m.
- Issued 438,609 performance rights to executives under the G8 Education Employee Incentive Plan (GEIP) on the 20 July 2018.
- The Board declared a 4.5 cent fully franked dividend on 25 August 2018 to be paid on 5 October 2018.

Note 15: Share–based payments

G8 Education Executive Incentive Plan (GEIP)

The Company has established the GEIP to assist with the retention and motivation of executives of G8 Education (Participants). It is intended that the Performance Rights will enable the Company to retain and attract skilled and experienced executives and provide them with the motivation to enhance the success of the Company.

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

<table>
<tr><td rowspan="5">Performance Conditions – Earning per Share (EPS) Compound Annual Growth Rate (CAGR)</td><td colspan="2">The percentage of Performance Rights that vest for each % EPS CAGR is based on the vesting schedule below:</td></tr>
<tr><td>EPS CAGR</td><td>Percentage of Performance Rights that vest</td></tr>
<tr><td>Less than 10%</td><td>0%</td></tr>
<tr><td>10% to 15%</td><td>50% - 100% (pro-rata)</td></tr>
<tr><td>> 15%</td><td>100%</td></tr>
<tr><td>Service Condition</td><td colspan="2">Holders of Performance Rights must be continuously employed by the Company from the Grant Date to the Vesting Date.</td></tr>
<tr><td>Retesting</td><td colspan="2">Awards are not retested.</td></tr>
<tr><td>Dividend Policy</td><td colspan="2">Holders of Performance Rights are not entitled to receive dividends prior to vesting.</td></tr>
</table>

50,359 performance rights were issued to KMP during the period ended 30 June 2018, the table below lists the inputs used in the model

	Tranche 3 **22-Jan-18**
Share price on grant date	$3.82
Share Price Volatility	30%
Risk Free Rate	2.04%
Time to Maturity	2.11 years
Annual Dividend Yield	5.45%
Model used	Black Scholes

No expense has been recorded for the half year as the probability of vesting is nil.

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.

A Director, M Zabel was engaged by G8 Education Ltd as a marketing consultant for the 2018 calendar year with a fee of $25,000 payable for the services provided.

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 2018 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 2017 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.

(b) Accounting standards and interpretations applied from 1 January 2018

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of new standards effective 1 January 2018 detailed below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

G8 Education Ltd is a for-profit organisation.

AASB 9 Financial Instruments

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 contains three principal classification categories for financial assets: Amortised Cost, Fair Value Through Other Comprehensive Income (FVOCI), and Fair Value Through Profit and Loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables.

Debt financial instruments are subsequently measured at amortised cost, FVOCI or FVTPL. The classification is based upon two criteria:

1. The Group's business model for managing the assets;
2. Whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding ('the SPPI criterion').

From 1 January 2018, the classification and measurement of the Group's financial assets are as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold financial assets to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Cash and cash equivalents, Trade & other receivables and Deposits on acquisition.
- Financial assets at FVTPL comprise derivative instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. This category includes the Group's Foreign exchange option.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments met the SPPI criterion was made based on the facts and circumstances as at initial recognition of the assets.

The new classification requirements of the standard did not have a material impact on the Group's existing financial assets, being cash and cash equivalents, trade and other receivables, deposits on acquisition or derivative financial instruments.

At initial recognition, the Group measures a financial asset at its fair value. Measurement of cash and cash equivalents, trade and other receivables and deposits on acquisition remains at amortised cost consistent with the comparative period.

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

The accounting for the Group's financial liabilities remains largely the same as it was under AASB 139. All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

The Group recognises gains or losses on financial liabilities, designated at inception to be measured at fair value, in profit or loss. The Group has had no material change in the credit risk of these financial liabilities during the period.

Trade and other payables are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms.

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model and requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL including contract assets recognised in accordance with AASB 15. To assess for any expected credit losses under AASB 9, there is consideration around the probability of default upon initial recognition of the asset including an expectation of any security held.

For Trade and other receivables and Deposits on acquisition, the Group has applied the standard's simplified approach whereby the loss allowance is measured at an amount equal to lifetime expected credit losses. The Group assess expected credit losses in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group has established a calculation that is based on the Group's historic credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group applied the ECL model from 1 January 2018. Due to the short-term nature of Trade and Other receivables, and the credit profile of G8's customers who mainly prepay childcare fees or have debtors settled by government subsidies, there was no material change to the total amount of provisioning.

AASB 9 allows the Group to choose to apply the new hedge accounting requirements under the standard upon initial application or continue to apply the requirements of AASB 139. The Group has chosen to apply the new requirements of AASB 9.

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

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

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

On adoption of AASB 9, the Group elected to separately account for the currency basis as a cost of hedging. Consequently, currency basis has been recognised in OCI and accumulated in a cost of hedging reserve as a separate component within equity and accounted for subsequently as gains and losses accumulated in the cash flow hedge reserve. On 1 January 2018, an adjustment was made to retained earnings of $0.6m to recognise the cost of hedging reserve.

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

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

AASB 15 Revenue Recognition

AASB 15 introduces a five-step process for revenue recognition with the core principle of the new standard being for entities to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

AASB 15 also requires enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improves guidance for multiple-element arrangements.

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

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

Revenue is recognised for the major business activities as follows:

(i) Child care fees

Fees paid by families and/or the Australian Government (Child Care Benefit and Child Care Tax Rebate) are recognised as and when a child attends a child care service, as this is when the Group transfers control of this service (satisfies its performance obligation) to the customer.

Revenue received in advance from parents and guardians and government is recognised as deferred income and classified as a current liability (i.e. contract liability for performance obligations yet to be satisfied).

(ii) Government Funding/Grants

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

(iii) Management fee Income

Fees paid by franchisees are recognised in accordance with the franchise agreement and once the operational support service has been performed, as this is when the Group transfers control of this service (satisfies its performance obligation) to the franchisee.

The Group elected to adopt the full retrospective approach upon adoption of AASB 15. As there was no change to the measurement or timing of the recognition (i.e. based on when the performance obligation is satisfied) there has been no impact to the Group upon adoption of the new standard and therefore no changes to comparatives were required.

Any new agreements for the provision of goods and services will be assessed as they arise throughout the full year ending 31 December 2018.

AASB 16 Leases

IFRS 16 will cause the majority of leases of an entity to be brought onto the Balance Sheet. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. Refer to existing lease commitments note 12.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments.

A corresponding right of use asset will be recognised which will be amortised over the term of the lease.

Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.

This standard will materially impact on the Group's consolidated financial statements at transition and in future years, as the Group's operating leases are recognised on the balance sheet. Rental expense currently recognised in the statement of financial performance will be replaced with depreciation and interest. The likely impact on the first-time adoption of the Standard for the year ending 31 December 2019 includes a significant increase in lease assets and financial liabilities recognised on the balance sheet. Initial assessment activities have been undertaken on the Group's current leases, however the impact of the standard will depend on the leases in place on transition. Detailed review of contracts, financial reporting impacts and system requirements will continue.

Going concern

The Group has recognised a net profit after tax of $23.7m for the half year ended 30 June 2018 and as at that date, current liabilities exceed current assets by $287m. Management expect the working capital shortfall will be met out of operating cash flows or from finance facilities, including future finance facilities for which the Group have secured a 100% underwriting commitment (refer note 14).

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

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 31 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 2018 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
25 August 2018

Building a better working world

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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 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 2018 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 Responsibilities

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 2018 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*.

Ernst & Young

Ernst & Young

Ric Roach
Partner
Brisbane
25 August 2018

Corporate Directory

Directors

M Johnson, Non-Executive Chairman

G Carroll, Managing Director

B Bailison, Non-Executive Director

S Forrester, Non-Executive Director

D Foster, Non-Executive Director

J Cogin, Non-Executive Director

M Zabel, Non-Executive Director

Company Secretary

T Wood

Principal registered business office in Australia

G8 Education Limited is a Company limited by shares, incorporated, and domiciled in Australia. 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

Share registry:

Advanced Share Registry Limited
150 Stirling Hwy
Nedlands, WA 6009

Auditor:

Ernst & Young
111 Eagle Street,
Brisbane, QLD 4001

Lawyers:

Minter Ellison Gold Coast
165 Varsity Parade
Varsity Lakes QLD 4217

Securities exchange listing:

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


Early Learning Services