David Lyons Group

Combined Financial Statements

for the period ended 31 December 2022

Combined statement of financial position

As at 31 December 2022

	Note	2022 $'000	2021 $'000
Assets			
Current Assets			
Cash and cash equivalents		1,452	1,342
Trade and other receivables	10	3,497	852
Other assets		21	12
Total current assets		4,970	2,206
Non-current assets			
Property, plant and equipment	12	790	940
Right-of-use assets	13	16,551	17,175
Rental bonds	11	531	531
Deferred tax assets	14	198	53
Total non-current assets		18,070	18,699
Total assets		23,040	20,905
Liabilities			
Current liabilities			
Trade and other payables	15	1,416	3,561
Income tax payable		755	29
Employee benefits	16	667	646
Lease liabilities	23	2,352	2,242
Total current liabilities		5,190	6,478
Non-current liabilities			
Borrowings	17	1,000	-
Deferred tax liabilities	14	-	-
Employee benefits	16	12	10
Lease liabilities	23	16,709	16,757
Total non-current liabilities		17,721	16,767
Total liabilities		22,911	23,245
Net assets / (liabilities)		129	(2,340)
Equity			
Issued capital	18a	-	-
Retained earnings / (deficit)		129	(2,342)
Total equity		129	(2,342)

The above combined statement of financial position should be read in conjunction with the accompanying notes.

Combined statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

	Note	2022 $'000	2021 $'000
Revenue	4	21,671	19,216
Other income	5	56	704
Expenses			
Employee benefits	6	11,718	11,097
Occupancy		1,212	1,017
Direct expense of providing services		820	1,776
Corporate and marketing		281	203
Other		1,135	1,057
Depreciation and amortisation	7	1,239	1,153
Finance cost	8	2,026	1,982
Profit / (loss) before tax		3,296	1,635
Income tax	9	(825)	246
Profit / (loss) for the period		2,471	1,881
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		2,471	1,881

The above combined statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Combined statement of changes in equity

For the year ended 31 December 2022

2022	Note	Contibuted Equity $'000	Retained earnings / (deficit) $'000	Total Equity $'000
Balance at 1 January 2022		-	(2,342)	(2,342)
Profit for the period		-	2,471	2,471
Other comprehensive income for the period		-		-
Total comprehensive income for the period		-	2,471	2,471
Issue of capital	18a	-	-	-
Total contributions and distributions		-	-	-
Balance at 31 December 2022		-	129	129

2021	Note	Contibuted Equity $'000	Retained earnings / (deficit) $'000	Total Equity $'000
Balance at 1 January 2021		-	(2,838)	(2,838)
Profit for the period		-	1,881	1,881
Other comprehensive income for the period		-		-
Total comprehensive income for the period		-	1,881	1,881
Dividend paid	18b	-	(1,385)	(1,385)
Issue of capital	18a	-	-	-
Total contributions and distributions		-	(1,385)	(1,385)
Balance at 31 December 2021		-	(2,342)	(2,342)

The above combined statement of changes in equity should be read in conjunction with the accompanying notes.

Combined statement of cash flow

For the period ended 31 December 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from parents and government funding		21,759	18,932
Payments to suppliers and employees		(19,974)	(14,915)
Income tax paid		(246)	-
Interest and other finance cost	8	(2,026)	(1,982)
Net cash used in operating activities		(487)	2,035
Cash flows from investing activities			
Payments for property, plant and equipment	12	(2)	(204)
Net cash used in investing activities		(2)	(204)
Cash flows from financing activities			
Proceeds from borrowings		1,000	-
Payment of dividends		-	(1,385)
Repayment of lease principal		(401)	(177)
Net cash from financing activities		599	(1,562)
Net increase in cash and cash equivalents		110	269
Cash and cash equivalents at the beginning of the period		1,342	1,073
Cash and cash equivalents at the end of the period		1,452	1,342

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

The above combined statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the combined financial statements

Note 1. General information

These Combined Financial Statements are based on the aggregated financial results of Tildamo Pty Ltd, LYTSA1 Pty Ltd, LYTVIC1 Pty Ltd, LYTWA1 Pty Ltd and Matolly Pty Ltd ATF The Lyons Childcare Trust (the Combined Group and hereafter, referred to as the 'Combined Group' or 'David Lyons Group'). Each entity in the combined group is a for-profit entity.

Tildamo Pty Ltd, LYTSA1 Pty Ltd, LYTVIC1 Pty Ltd, LYTWA1 Pty Ltd and Matolly Pty Ltd are proprietary company's limited by shares, incorporated and domiciled in Australia. Their registered office and principal place of business is:

619 Ruthven Street
Toowoomba Queensland 4350

The combined financial statements were authorised for issue, in accordance with a resolution of the Management of Nido Education Limited in respect of the combined group entities, on 21 July 2023. Management have the power to amend and reissue the combined financial statements.

Note 2. Significant accounting policies

Basis of preparation

The financial statements are prepared by aggregating the entities that comprise the Combined Group as set out in Note 1. The combined financial statements have been prepared for the purpose of providing historical financial information of Combined Group relating to a potential transaction.

The Combined Group does not have a separate single parent entity. As a result of there being no parent entity, the combined financial statements have not been prepared on a consolidation basis. These have been prepared by combining each entities' assets, liabilities, results and cash flows into a single set of combined financial statements. The aggregation does not meet the definition of a group as defined by AASB 10. In all other respects the Combined financial statements have been prepared in accordance with the recognition, measurement and classification aspects of applicable Australian Accounting Standards as issued by the Australian Accounting Standards Board.

The financial information included herein may not reflect the combined financial position, results of operations, changes in net investment and cash flows of the Group in the future or what they may have been had the Group been a separate, standalone entity during the periods presented. All inter-entity (between the combining entities) balances and any unrealised gains and losses or income and expenses arising from inter-entity transactions are eliminated in preparing the Combined financial statements.

Consistent accounting policies are employed by all entities in the Combined Group in the preparation of the Combined Financial Statements.

The combined financial statements have been prepared under the historical cost convention, except for, where applicable, the fair value of certain financial instruments and contingent consideration payable for acquisitions. Cost is based on the fair values of the consideration given in exchange for assets.

Functional and presentation currency and rounding

The combined financial statements are presented in Australian dollars, which is the Combined Group's functional and presentation currency. The amounts in this report have been rounded to the nearest thousand dollars, unless otherwise stated.

Going Concern

These combined financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business. The Combined Group recognised a net profit after tax of $2.5m for the period ended 31 December 2022 (2021: $1.9m) and, as at that date, current liabilities exceed current assets by $0.2m (2021: $4.3m) which includes $2.4m (2021: $2.2m) of current lease liabilities which will be settled through operating cash flows earned in the next 12 months.

Notes to the combined financial statements (continued)

New accounting standards and interpretations issued but not yet adopted

A number of new Australian Accounting Standards and Interpretations are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the Combined Group

Critical accounting estimates

The preparation of the combined financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Combined Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements, are disclosed in note 3.

Revenue recognition

The accounting policies for the Combined Group's revenue from contracts with customers are explained below:

Provision of child care services

The Combined Group provides child care services, namely the provision of full or part-time care for babies, toddlers, and young children based on fixed-price schedules. Revenue is recognised over-time as child care services are provided.

Fees paid by families and/or the Australian Government (Child Care Subsidy) are recognised as and when a child attends a child care service. Billing for services occurs on a weekly basis, in advance for parent fees and in arrears for Australian Government payments, based on attendance records. The contract with the customers are cancellable with one month's notice. The expected duration of the performance obligation as part of the contract is typically less than one year.

Revenue is recognised at the fixed amount for each child care service provided (permanent or casual, full day or half day). Revenue received in advance from families and/or the Australian Government is recognised as deferred income and classified as a current liability.

Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Combined Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Commonwealth, State and Territory Government grants

Grants from the Commonwealth, State or Territory Governments are recognised at their fair value when there is reasonable assurance that the grant will be received and the Combined Group will comply with all conditions associated with the grant.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Combined Group recognises as expenses the related costs for which the grants are intended to compensate.

Other income

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

Leases

Definition of a lease

The Combined Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Combined Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. For leases of properties in which it is a lessee, the Combined Group has elected to separate non-lease components and will separately account for the lease and non- lease components of a lease.

As a lessee

The Combined Group mainly leases properties for child care services. The Combined Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Combined Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets. Under AASB 16, the Combined Group recognises right of use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Right of use assets

The Combined Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Combined Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Combined Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Combined Group and payments of penalties for terminating the lease, if the lease term reflects the Combined Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

At the commencement date of the lease, the Combined Group recognises lease liabilities measured at the present value of future lease payments. In calculating the present value of lease payments, the Combined Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Income tax

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

Deferred tax

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

> When the deferred income tax asset or liability arises from the initial recognition of goodwill; or
> An asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

> When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Notes to the combined financial statements (continued)

Current and non-current classification

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and on hand.

Provisions

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

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, as the Combined Group holds the trade receivables with the objective to collect the contractual cash flows.

The Combined Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. A provision for impairment is determined using a provision matrix based on historically observed default rates that are adjusted for forward looking estimates.

Notes to the combined financial statements (continued)

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Costs incurred as a lessee relating to the construction or design of a yard are classified as leasehold improvements. Classroom equipment and start up resources are recognised as an expense at the time of purchase.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Combined Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

> Leasehold improvements   the shorter of the lease term and 15 years

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

Impairment of non-financial assets

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

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Combined Group prior to the end of the financial year and which are unpaid. Due to their short- term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities are capitalised, offset against the liability and amortised over the period of the facility to which it relates. Borrowings are extinguished when its contractual obligations are discharged or cancelled, or expire.

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

The liability for employee benefits not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

Fair value measurement

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

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For assets and liabilities that are to be settled in the short term the carrying value is a reasonable approximation of the fair value.

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

Issued capital

Ordinary shares in the companies and the settlement sum in the trust are classified as equity. The shares and settlement are aggregated for the Combined Groups Issued Capital

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

Dividends

Dividends are recognised when declared during the financial year.

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

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the combined statement of financial position.

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

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

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the combined financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the combined financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates may differ from the related actual results.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Recovery of deferred tax assets

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

Leases

As discussed in note 2, the lease liability present value of the estimated future cash flows to be made in respect of each lease at its inception. In determining the present value of the liability, estimates and judgements in relation to the incremental borrowing rate and whether the Combined Group is reasonably certain to exercise options must be taken into account.

Notes to the combined financial statements continued

Note 4. Revenue

	2022 $'000	2021 $'000
Revenue from contracts with customers	21,671	19,180
Child Care Recovery Package	-	36
Revenue	21,671	19,216

Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

2022	Child care services	Total
Revenue from external customers	21,671	21,671
Timing of revenue recognition		
Over time	21,671	21,671
	21,671	21,671

Disaggregation of revenue from contracts with customers

2021	ECEC Relief Package	Child care services	Total
Revenue from external customers	36	19,180	19,216
Timing of revenue recognition			
Over time	36	19,180	19,216
	36	19,180	19,216

Disaggregation of revenue from contracts with customers

Early Childhood Education and Care Relief Package (ECEC Relief Package)

In light of the second wave lockdown that impacted Victoria, the Child Care Recovery Package (Victorian Recovery Package) was introduced to target support for Victorian Services. The package applied from 28 September 2020 to 31 January 2021 and included a recovery payment of 25% of fees charged in the same reference fortnight used for the original ECEC Relief Package. As part of the conditions of receiving this package, Services were not permitted to increase child care fees and an employment guarantee had to be applied to ensure that these payments were effectively passed on to educators and employees.

The ECEC Relief Package, transition payments and the Child Care Recovery Package have been recognised as revenue from contracts with customers in accordance with AASB 15. The performance obligation associated with the ECEC Relief Package, transition payments and the Child Care Recovery Package was to operate child care Services and provide care to children of essential workers. As a result, the ECEC Relief Package revenue was recognised over time as the services were provided. ECEC Relief Package income received in advance was recognised as contract liabilities and classified as a current liability.

Assets and liabilities related to contracts with customers

The Combined Group has recognised the following assets and liabilities related to contracts with customers:

	Note	2022 $'000	2021 $'000
Child care advances	15	92	87
Total contract liabilities		92	87

No information is provided about remaining performance obligations at 31 December 2022 or 31 December 2021 that have an original expected duration of one year or less as allowed by AASB 15.

Note 5. Other Income

	2022 $'000	2021 $'000
Government grants	40	8
Other income	16	696
Other income	56	704

The Other Income includes a $647k contingent consideration payment received in 2021 in relations to centres sold in 2019.

Note 6. Employee benefits expense

	2022 $'000	2021 $'000
Salaries and wages	10,720	10,245
Defined contribution to superannuation plans	998	852
Employee benefits expense	11,718	11,097

Note 7. Depreciation and amortisation expense

	2022 $'000	2021 $'000
Property, Plant and Equipment depreciation	152	81
Right of use asset amortisation	1,087	1,072
Depreciation and amortisation expense	1,239	1,153

Note 8. Finance costs

	2022 $'000	2021 $'000
Interest on borrowings	66	16
Interest on lease liabilities	1,960	1,966
Finance costs	2,026	1,982

Note 9. Income tax expense

	2022 $'000	2021 $'000
Income tax expense		
Current tax	970	38
Deferred tax - origination and reversal of temporary differences	(145)	(275)
Adjustment recognised for prior periods	-	(9)
Aggregate income tax (benefit)	825	(246)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit / (loss) before tax	3,296	1,635
Tax at the statutory tax rate of 25% (2021: 25%)	824	409
Tax effect amounts which are not deductible/(taxable) in calculating taxable income		
Non deductible expenses	1	-
Recognition of previously unrecognised tax losses	-	(646)
Change in tax rate	-	(9)
Current year tax losses not recognised	-	-
Other adjustments	-	-
Income tax expense / (benefit)	825	(246)
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has not been recognised	-	-
Potential benefit at the statutory tax rate of 25% (2021: 25%)	-	-

The above potential tax beneifit for tax losses has not been recognised in the statement of financial position as the recovery of this benefit is not probable.

Amounts charged directly to equity		
Deferred tax assets (note 14)	-	-

The effective tax rate for the period ended as at 31 December 2022 is 25% (2021: 17%)

Note 10. Trade and other receivables

	2022 $'000	2021 $'000
Trade receivables	256	349
	256	349
Other receivables	3,241	503
Trade and other receivables	3,497	852

Movements in the provision for impairment of receivables are as follows:

	2022 $'000	2021 $'000
Opening balance	-	-
Additional provisions recognised	8	4
Write-off of bad debt	(8)	(4)
Closing balance	-	-

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $256k as at 31 December 2022 and $349k as at 31 December 2021.

Note 11. Rental bonds

	2022	2021
Non-current	$'000	$'000
Rental bonds	531	531
	531	531

Rental bonds are paid to the financial institution that has given corporate guarantees to lessors in relation to property leases on a number of child care facilities. These guarantees are required for various durations dependent on the individual lease and the deposits will be returned when each guarantee is no longer required by the lease.

Note 12. Property, plant and equipment

	2022 $'000	2021 $'000
Leasehold improvements - at cost	1,042	1,040
Less: Accumulated depreciation	(252)	(100)
Total Property, plant and equipment	790	940

Reconciliations

Reconciliations of the written down values at the beginning and end of the current period are set out below:

	Leasehold Improvements $'000	Total $'000
Opening at 1 January 2021	817	817
Additions	204	204
Depreciation Expense	(81)	(81)
Balance at 31 December 2021	940	940

	Leasehold Improvements $'000	Total $'000
Opening at 1 January 2022	940	940
Additions	2	2
Depreciation Expense	(152)	(152)
Balance at 31 December 2022	790	790

Note 13. Right of use assets

	2022 $'000	2021 $'000
Right of use asset (ROU) at cost	19,290	18,827
Less: Accumulated depreciation	(2,739)	(1,652)
Right of use asset (ROU)	16,551	17,175

Right of use asset (ROU)	2022 $'000	2021 $'000
Opening balance	17,175	17,994
Additions	463	253
Depreciation expense	(1,087)	(1,072)
Balance at 31 December	16,551	17,175

Note 14. Deferred tax

2022 $'000	Opening balance at 1 January 2022	Credited / (charged) to profit and loss	Credited / (Charged) to equity	Acquisitions and other adjustments	Balance at 31 December 2022
Prepayments	-	(5)	-	-	(5)
Employee benefits	111	7	-	-	118
Right of use asset	(4,294)	156	-	-	(4,138)
Lease liability	4,189	(12)	-	-	4,177
Accrued expenses	47	(1)	-	-	46
Net temporary differences	53	145	-	-	198
Tax losses - revenue	-	-	-	-	-
Deferred tax asset	53	145	-	-	198

2021 $'000	Opening balance at 1 January 2021	Credited / (charged) to profit and loss	Credited / (Charged) to equity	Acquisitions and other adjustments	Balance at 31 December 2021
Employee benefits	21	90	-	-	111
Right of use asset	(4,678)	384	-	-	(4,294)
Lease liability	4,391	(202)	-	-	4,189
Accrued expenses	35	12	-	-	47
Net temporary differences	(231)	284	-	-	53
Tax losses - revenue	-	-	-	-	-
Deferred tax asset/(liability)	(231)	284	-	-	53

Note 15. Trade and other payables

Current	2022 $'000	2021 $'000
Trade payables	1,095	1,110
Child care advances	92	87
Other payables	229	2,364
Trade and other payables	1,416	3,561

All of the opening contract liabilities were recognised as revenue during the year. Refer to note 19 for further information on financial instruments.

Note 16. Employee benefits

Current	2022 $'000	2021 $'000
Annual leave	443	416
Employee related payables	224	230
Employee benefits - current	667	646

Non-current	$'000	$'000
Long service leave	12	10
Employee benefits - non current	12	10

Note 17. Borrowings

	2022 $'000	2021 $'000
Secured bank loans	1,000	-
Borrowings - non current	1,000	-

Secured bankloans are drawn from a $3m facility which matures in 2025. The facility is secured against the assets of Tildamo Pty Limited. Refer to note 19 for further information on financial instruments.

Total secured liabilities

	2022 $'000	2021 $'000
Non-current secured liabilities		
Bank loans	1,000	-
	1,000	-

Note 18a. Equity - contributed equity

	2021 Number	2021 $'000	2022 Number	2022 $'000
Ordinary securities - fully paid	361	-	361	-
Settlement sum - fully paid	10	-	10	-

Movements in ordinary share capital

Details	Ordinary Securities	Settlement sum	Issue Price	$'000
Opening at 1 January 2021	361	10	$ 1.00	-
Issue of equity	-	-	$ 1.00	-
31 December 2021	361	10		-
Opening at 1 January 2022	361	10	$ 1.00	-
Issue of equity	-	-	$ 1.00	-
31 December 2022	361	10		-

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of any of the Company's in the Combined Group in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and each Company in the Combined Group does not have a limited amount of authorised capital.

As common control by one entity does not exist, share capital recorded by the Combined Group does not represent that of a single parent entity, but rather is an aggregation of the share capital of companies within the Combined Group.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for security holders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the combined statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

The Combined Group may look to raise capital in addition to its borrowing facilities with the Combined Group's lenders for acquisitions when an opportunity to invest in a business or Company is seen as value adding relative to the current Combined Group's value at the time of the investment.

When the Combined Group is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the period.

Note 18b. Equity - dividends

Dividends

The Combined Group has not paid or declared any dividends during the period (2021: $1,385k)

Franking credits

No franking credits were available for distribution as at 31 December 2022 or 31 December 2021.

Note 19. Financial Instruments

Financial risk management objectives

The Combined Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Combined Group. The Combined Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

Risk management is carried out by the CFO under policies approved by the sole Director. These policies include identification and analysis of the risk exposure of the Combined Group and appropriate procedures, controls and risk limits. The CFO identifies, evaluates and hedges financial risks within the Combined Group's operating units. The CFO reports to the Board on a monthly basis.

	2022 $'000	2021 $'000
Financial assets measured at amortised cost		
Cash and cash equivalents	1,452	1,342
Trade and other receivables	3,497	852
Rental Bonds	531	531
	5,480	2,725
Financial liabilities measured at amortised cost		
Trade payables	1,095	1,110
Other payables	321	2,451
Borrowings	1,000	-
Lease liabilities	19,061	18,999
	21,477	22,560

Market risk

Foreign currency risk

The Combined Group is not exposed to any significant foreign currency risk.

Price risk

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

Interest rate risk

The Combined Group is not exposed to any significant interest rate risk.

Notes to the combined financial statements continued

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Combined Group. The Combined Group has a strict policy on the management of credit for trade receivables, which is managed in a three tier approach with regard to child care fees: at the executive service manager level; at the people and quality leader level; and then at the executive management level.

In the event that the Combined Group is exposed to credit risk outside of trade receivable, depending on the quantum, it may obtain agency credit information, confirm references and will establish an appropriate credit limit for that debtor. The Combined Group may obtain guarantees where appropriate to mitigate credit risk.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the combined statement of financial position and notes to the combined financial statements. The Combined Group does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the Combined Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Combined Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 19. Financial instruments (continued)

Remaining contractual maturities

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

2022	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,095	-	-	-	1,095
Other payables	-	229	-	-	-	229
Interest-bearing						
Bank loan	6.26%	63	63	1,011	-	1,137
Lease liability	9.60%	2,466	2,447	7,569	25,855	38,338
Total non-derivatives		3,854	2,511	8,580	25,855	40,799

2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,110	-	-	-	1,110
Other payables	-	2,364	-	-	-	2,364
Interest-bearing						
Lease liability	9.60%	2,351	2,388	7,229	27,928	39,896
Total non-derivatives		5,825	2,388	7,229	27,928	43,371

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 20. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of Key Management Personnel of the Combined Group during the period is nil.

Note 21. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by KPMG the auditor of the Combined Group, and its network firms:

	2022 $	2021 $
Audit services		
Audit or review of the combined financial statements	55,000	49,000
Remuneration of professional service businesses	55,000	49,000

Note 22. Commitments and contingencies

Commitments

At 31 December 2022 the Combined Group has nil commitments (2021: nil).

Contingent liabilities

The Combined Group had no contingent liabilities as at 31 December 2022 (2021: nil).

Guarantees

The Combined Group has given a corporate guarantee as at 31 December 2022 of $1,427k (2021: $1,427k,) to lessors in relation to property leases on a number of child care facilities.

Note 23. Leases

Leases as lessee (AASB 16)

The Combined Group leases properties for child care Services. Leases typically run for a period of 15-20 years, with option to renew the lease after that date for another 10-30 years. Lease payments are adjusted on a regular basis to reflect market rentals. Some leases provide for additional rent payments that are based on changes in CPI. For certain leases, the Combined Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Combined Group is a lessee is presented below.

Right of use assets	2022 $'000	2021 $'000
Opening	17,175	17,994
Additions	463	253
Depreciation expense	(1,087)	(1,072)
Balance at 31 December	16,551	17,175

Lease liability	2022	2021
	$'000	$'000
Opening	18,999	18,923
Additions	463	253
Interest expense	1,960	1,966
Lease payments	(2,361)	(2,143)
Balance at 31 December	19,061	18,999
Current	2,352	2,242
Non-current	16,709	16,757

Future undiscounted lease payments	2022	2021
	$'000	$'000
Less than one year	2,466	2,351
One to five years	10,017	9,617
More than five years	25,855	27,928
	38,338	39,896

Amounts recognised in profit or loss	2022	2021
	$'000	$'000
Interest on lease liabilities	1,960	1,966
Depreciation on right of use assets	1,087	1,072

Amounts recognised in the combined statement of cashflows	2022	2021
	$'000	$'000
Total cash outflow for leases	2,361	2,143

Extension options

Most property leases contain extension options exercisable by the Combined Group before the end of the non-cancellable period. Where practicable, the Combined Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Combined Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonable certain to exercise the extension options. The Combined Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Note 24. Related party transactions

Key management personnel

David Lyons (Director / Trustee)

Transactions with related parties

The following related party transactions occurred during the period ended 31 December

	2022 $'000	2021 $'000
Cash advance from related parties	2,454	5,556
Cash advance to related parties	(7,120)	(6,624)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to other receivables / payables with related parties:

	2022 $'000	2021 $'000
Advances to related parties	2,118	-
Advances from related parties	-	(2,265)

Loans to/from related parties

There are no balances are outstanding at the reporting date in relation to loans with related parties.

Note 25. Combined Entites

The combined financial statements are based on aggregated assets, liabilities, results and cash flows, of the following entities as at and for the year ended 31 December 2022.

Name
Tildamo Pty Ltd
LYTSA1 Pty Ltd
LYTVIC1 Pty Ltd
LYTWA1 Pty Ltd
Matolly Pty Ltd ATF The Lyons Childcare Trust

Note 26. Reconciliation of profit after income tax to net cash from operating activities

	2022 $'000	2021 $'000
Profit for the period	2,471	1,881
Adjustments for:		
Depreciation and amortisation	1,239	1,153
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivable	(2,645)	1,428
(Increase) / decrease in deferred taxes	(145)	(284)
Increase in other assets	(9)	(140)
Increase in trade and other payables	(1,421)	(2,479)
Increase in employee benefits	23	476
Net cash from operating activities	(487)	2,035

Note 27. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 and up to the date of this report that has significantly affected, or may significantly affect the Combined Group's operations, the results of those operations, or the Combined Group's state of affairs in future financial periods.

MANAGEMENTS DECLARATION

In the opinion of the Management of Nido Education Limited the Combined Group compiled of Tildamo Pty Ltd, LYTSA1 Pty Ltd, LYTVIC1 Pty Ltd, LYTWA1 Pty Ltd and Matolly Pty Ltd ATF The Lyons Childcare Trust:

a) the Combined Group is not a reporting entity

b) the combined financial statements and notes set out on page 1 to 29:

   i. present fairly the financial position of the Combined Group as at 31 December 2022 and of its performance, as represented by the results of its operations and its cash flows, for the year ended 31 December 2022 in accordance with the basis of preparation described in Note 2;

   ii. complies with International Financial Reporting Standards to the extent described in Note 2; and

c) there are reasonable grounds to believe that the Combined Group will be able to pay its debts as and when they become due and payable.

Signed by Management of Nido Education Limited on behalf of the Combined Group compiled of Tildamo Pty Ltd, LYTSA1 Pty Ltd, LYTVIC1 Pty Ltd, LYTWA1 Pty Ltd and Matolly Pty Ltd ATF The Lyons Childcare Trust.

Mathew Edwards
Chief Executive Officer
Sydney
21 July 2023

Tom Herring
Chief Financial Officer
Sydney
21 July 2023

Independent Auditor's Report

To the Directors of Nido Education Limited

Opinion

We have audited the ***Combined Financial Statements*** of the David Lyons Group (***Combined Group***).

In our opinion, the accompanying Combined Financial Statements present fairly, in all material respects, the financial position of the David Lyons Group as at 31 December 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the basis of preparation described in Note 2 to the Combined Financial Statements.

The ***Combined Financial Statements*** comprise:

- Combined statement of financial position as at 31 December 2022
- Combined statement of profit or loss and other comprehensive income, Combined statement of changes in equity, and Combined statement of cash flow for the year then ended
- Notes including a summary of significant accounting policies

The ***Combined Group*** consists of the combination of select entities as set out in Note 1 to the Combined Financial Statements and the entities they controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Combined Financial Statements* section of our report.

We are independent of the Combined Group in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Combined Financial Statements in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Note 2 to the Combined Financial Statements, which describes their combined basis of preparation, including the approach to and the purpose of preparing them.

Their preparation involved allocations of income, expenses, assets and liabilities. Consequently, the Combined Group's Combined Financial Statements may not necessarily be indicative of the financial performance that would have been achieved if the Combined Group had operated as an independent entity, nor may it be indicative of the results of operations of the Combined entity for any future period.

The Combined Financial Statements have been prepared to assist the Directors of Nido Education Limited for the purpose of providing historical financial information on the Combined Group and the Directors due diligence in relation to an Initial Public Offering. As a result, the Combined Financial Statements and this Audit Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Directors of Nido Education Limited and should not be used by or distributed to parties other than the Directors of Nido Education Limited. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Statements to which it relates, to any person other than the Directors of Nido Education Limited or for any other purpose than that for which they were prepared.

Responsibilities of Management for the Combined Financial Statements

Management of Nido Education Limited are responsible for:

- the preparation and fair presentation of the Combined Financial Statements and have determined that the basis of preparation described in Note 2 to the Combined Financial Statements is appropriate to meet the needs Directors for the purpose of providing historical financial information on the Combined Group and the Directors due diligence in relation to an Initial Public Offering
- implementing necessary internal control to enable the preparation of Combined Financial Statements that are free from material misstatement, whether due to fraud or error
- assessing the Combined Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the entities within the Combined Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Combined Financial Statements

Our objective is:

- to obtain reasonable assurance about whether the Combined Financial Statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Combined Financial Statements.

A further description of our responsibilities for the audit of the Combined Financial Statements is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf . This description forms part of our Auditor's Report.

KPMG

KPMG

Sydney

21 July 2023