ASX Announcement

Nido 2023 Full Year Financial Results and Statutory Appendix 4E

20 February 2024

In accordance with ASX Listing Rule 4.3A, Nido Education Limited (NDO.ASX) enclose the 2023 Financial and Statutory Report (Full Year Report) including Appendix 4E.

Mathew Edwards, Founder & Managing Director, Renee Bowman, Chief Executive Officer and Tom Herring Chief Financial Officer will host a conference call and Q&A session for investors at 12.00 pm AEDT on Wednesday 21 February 2024.

Investors who wish to participate in the teleconference can register using this link:
https://s1.c-conf.com/diamondpass/10036887-jfycq4.html

Alternatively, if you would like to listen to the audio webcast, register using this link:
https://loghic.eventsair.com/ndoannualresults/register/Site/Register

Please note that you will not be able to ask questions in the webcast.

Further information

Investor & Media enquiries
P: 02 9712 7444
E: ir@nido.edu.au

About Nido
Founded in 2021, Nido Education Limited is a national owner, operator and manager of long day early childhood education and care services, operating under the Nido Early School brand. Visit: www.nidoeducation.edu.au

This announcement has been authorised for release by Board of Nido Education Limited

—ENDS—

Appendix 4E

Preliminary final report

1. Company details

Name of entity: Nido Education Limited (ABN: 12 650 967 703) (ASX: NDO)

Reporting period: For the year ending 31 December 2023

Previous period: For the year ending 31 December 2022

2. Results for announcement to the market

Key information

	Up/Down	Movement %	2023 $'000	2022 $'000
Revenue from ordinary activities	up	61.1%	93,372	57,944
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	down*	–	(2,658)	5,245
Underlying EBITDA	up*	–	351	(4,174)
Profit from ordinary activities after tax for the year	down	167.2%	(18,105)	(6,775)
Net profit for the year attributable to Nido Education Limited shareholders	down	167.2%	(18,105)	(6,775)

* The percentage increase from the prior period has not been included as the movement from profit to loss or loss to profit cannot be expressed as a percentage movement.

Reconciliation of underlying EBITDA	2023 $'000	2022 $'000
EBITDA	(2,658)	5,245
Lease rental expense (pre AASB 16)	(12,783)	(9,420)
Non-operating items		
Add: Transaction costs	3,250	–
Add: Share-based payments	10,102	–
Add: Other non-underlying costs	2,440	–
EBITDA (underlying)	**351**	**(4,174)**

Commentary on results

Commentary on the results for the year is contained in the Review of Results and Operations section of accompanying 2023 Financial Report. This Report should be read in conjunction with the 2023 Financial Report and any public announcements made by the Company.

Dividend information

There were no dividends paid, recommended or declared during the current financial period.

Appendix 4E (continued)

3. Net tangible assets per security

	2023 Cents	2022 Cents
Net tangible assets per share	(0.74)	(9.07)

* The net tangible assets per ordinary share amount is calculated based on 225,858,700 ordinary shares on issue at 31 December 2023 and 84,419,812 ordinary shares that would have been in existence had the share reorganisation that occurred in 2023 occurred as at 31 December 2022.

4 Control gained over entities

Refer to Note 29 and 30 to the financial statements in the annual report for details of entities over which control has been gained during the reporting period.

5. Dividend reinvestment plans

Not Applicable.

6. Financial Information

The financial statements were subject to an audit by the Group's auditors and the audit report is attached as part of the Financial Report which can be found on our website: https://nidoeducation.edu.au/

7. Other financial information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the Group's Financial Report which can be found on our website: https://nidoeducation.edu.au/

nido
Education Limited

FINANCIAL REPORT 2023

Nido Education is proud to present this financial report for the financial year ended 31 December 2023.

Name	Nido Education Limited
ABN	12 650 967 703
Reporting period	1 January 2023 to 31 December 2023
ASX code	NDO

Contents

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising Nido Education Limited (hereafter 'the Company') and its controlled entities (hereafter 'Nido Education') for the financial year ended 31 December 2023 (referred to hereafter as the financial year) pursuant to the requirements of the *Corporations Act 2001* (Cth) (Corporations Act).

The shares of Nido Education Limited (formerly Nido Education Pty Limited) trade on the Australian Securities Exchange (ASX) (ASX code NDO).

Directors

The following persons were Directors of Nido Education during the whole financial year and up to the date of this report, unless otherwise stated:

Continuing Directors

Mathew Edwards	Managing Director Member of Human Resources and Remuneration Committee

New Directors

Mark Kerr	Independent Non-Executive Chairperson appointed 2 June 2023 Member of Nomination and Remuneration Committee Member of Audit, Risk and Compliance Committee
Joe Dicks	Independent Non-Executive Director appointed 2 June 2023 Chair of Audit, Risk and Compliance Committee Member of Nomination and Remuneration Committee
Vanessa Porter	Independent Non-Executive Director appointed 2 June 2023 Chair of Nomination and Remuneration Committee Member of Audit, Risk and Compliance Committee

Directors' Report (continued)

Information on Directors

Mark Kerr

Title

Chair and Independent Non-Executive Director

Term of Office

Mark was appointed as Chair of Nido Education in June 2023.

Qualifications

Mark holds a Bachelor of Laws (LLB) from the University of Melbourne.

Experience and expertise

Mark has extensive experience as Chair, Non-Executive Director and adviser across a range of publicly listed and private companies and across a diverse range of sectors.

Mark was previously the Chair and a Non-Executive Director of Think Childcare from its IPO and ASX listing in 2014 until its acquisition by scheme of arrangement in 2021 by Busy Bees. Mark is a Director of Berkeley Consultants Pty Ltd, which specialises in public and investor relations and reputation management consultancy.

Mark was Managing Director of Hawthorn Resources Limited until December 2022.

Mark's community involvement currently extends to being a member of the Victorian Committee for the Juvenile Diabetes Research Foundation. He is also a committee member of the St Vincent's Institute Charity Golf Day Committee.

Other current directorship

Cryosite Limited (ASX: CTE)

Former directorships (last 3 years)

Hawthorn Resources Limited (ASX: HAW) – Managing Director

Think Childcare Limited (ASX: TNK) – Chair

Special Responsibilities

Member of Nomination and Remuneration Committee

Member of Audit, Risk and Compliance Committee

Interests in shares

1,983,866 NDO Ordinary Shares (escrowed 16/10/2025)

Interests in premium options

745,099 Options expiring 12/07/2027 exercise price of $0.96

Mathew Edwards

Title

Managing Director

Term of Office

Mathew was appointed as Managing Director of Nido Education on 11 June 2021.

Experience and expertise

Mathew founded Nido Education following the sale of Think Childcare to Busy Bees in 2021. Mathew has been involved in the early learning sector since 2001 and was the Founder, Managing Director and Chief Executive Officer of Think Childcare. Mathew was responsible for overseeing the growth of Think Childcare, taking it from 30 Centres at IPO to 88 Centres on the sale of the business in 2021.

Prior to Think Childcare, Mathew was the former Managing Director of Learning and Education Australia Pty Ltd ("LEA") from 2008, which at the time owned 12 Centres.

Mathew has extensive management experience in retail and commercial property, and experience in strategy and management of multi-site business operations.

Other current directorships

None

Former directorships (last 3 years)

Think Childcare Limited (ASX: TNK) – Managing Director

Special Responsibilities

Member of Nomination and Remuneration Committee

Interests in shares

10,562,721 NDO Ordinary Shares

111,613,750 NDO Ordinary Shares (escrowed until 16/10/2025)

Interests in premium options

1,192,160 Options expiring 12/07/2027 exercise price of $0.96

Directors' Report (continued)

Joe Dicks

Title

Independent Non-Executive Director

Term of Office

Joe was appointed as an Independent Non-Executive Director of Nido Education in June 2023.

Qualifications

Joe holds a Bachelor of Commerce and a Postgraduate Diploma in Accountancy from the University of Durban.

Experience and expertise

Joe was previously a Non-Executive Director of Think Childcare, from April 2018 until its acquisition by scheme of arrangement in 2021 by Busy Bees. Joe has 20 years' multi-national experience as a Non-Executive Director in a broad range of industries. He also has in-depth experience in government funded and regulated industries, infrastructure and the education and aged care sectors.

Joe currently chairs Campus Living Funds Management Limited as well as being a Non-Executive Director of Qudos Bank Limited. Joe is also a director of the PPB Advisory legacy group of companies and is overseeing the wind down of this group.

Other current directorships

Campus Living Funds Management Limited

Qudos Bank Limited

Former directorships (last 3 years)

Think Childcare Limited (ASX: TNK) – Non-Executive Director

Special Responsibilities

Chair of Audit, Risk and Compliance Committee

Member of Nomination and Remuneration Committee

Interests in shares

100,000 NDO Ordinary Shares

Interests in premium options

149,021 Options expiring 12/07/2027 exercise price of $0.96

Vanessa Porter

Title

Independent Non-Executive Director

Term of Office

Vanessa was appointed as an Independent Non-Executive Director of Nido Education in June 2023.

Qualifications

Vanessa is a certified chair and an approved advisor. She also holds a Bachelor of Education (Adult Education) in Human Resource Development from the University of Technology Sydney.

Experience and expertise

Vanessa is a seasoned executive with over 30 years of experience in major global companies, across industries and markets. Previously, Vanessa served as the Director of Talent and Development, Divisional Lead (Australian, New Zealand and South Africa) and the Chief Executive Officer of the Registered Training Organisation (RTO) for McDonald's Australia Limited. She also held the position of General Manager (Global) – Human Resources of Staging Connections Group Limited and was the CEO of their RTO. Vanessa has also previously held board member roles at Gearhouse Staging Connections and UnitingCare NSW/ACT.

Vanessa started her own boutique consultancy (All Of You Pty Ltd) in 2015. Her reputation has been built on providing HR strategic advice and building people's capability through designing and delivering immersive and sustainable learning environments. She is currently supporting leaders at GrowthOps, DKSH Smollan and Bai Communications to name a few.

Other current directorships

None

Former directorships (last 3 years)

None

Special Responsibilities

Chair of Nomination Remuneration Committee

Member of Audit, Risk and Compliance Committee

Interests in shares

50,000 NDO Ordinary Shares

Interests in premium options

149,021 Options expiring 12/07/2027 exercise price of $0.96

Directors' Report (continued)

Principal activities

Nido Education operates Early Childhood Education Services (Education Services) in Australia. The principal activities of the Company are summarised as follows:

- Owns and operates purpose-built Education Services under the "Nido" brand and operating model;
- Provides establishment and management services to clients and third-party incubator partners; and
- Acquires high-performing purpose-built Education Services from third-party incubators.

Dividends

There were no dividends paid, recommended, or declared during the current or previous financial year.

Review and results of operations

Nido Education currently owns and operates 52 Education Services under the brand Nido Early School. Additionally, Nido Education provides establishment and management services to partners, including NAED Holdings Pty Limited (NAED), its primary third-party incubator partner.

Nido's strategy is to create an environment that supports teachers to rise and make a positive impact on the lives of children. Nido Education lays the foundation for delivering high quality education by supporting and nurturing its people. This leads to sustained demand and allows the Group to build a stable, predicable, and profitable business, delivering value and recurring earnings growth to security holders over the medium to long term.

All Nido Education Services are purpose-built and designed to Nido Education standards and specifications that allow Nido Education to provide quality education. The Group has actively chosen to locate its Education Services in suburban areas, supported by long-term leases.

On 10 October 2023, and as a result of the IPO that occurred on the 16 October 2023, the Group acquired 24 Education Services, taking the Nido Education portfolio to 52 owned and operated Education Services nationally. These Education Services are located across Western Australia (26 Education Services), South Australia (11 Education Services), Victoria (14 Education Services) and the Australian Capital Territory (1 Education Service).

In addition to the 52 Education Services that Nido Education own and operate, Nido Education also manages 45 Education Services on behalf of third parties., This takes the total number of Nido Education owned, operated and managed Services to 97, with a total maximum capacity of 8,544 children per day that can be educated.

Nido Education has a derisked model of growth which seeks to reduce, for Nido, the inherent Trade Up risk of opening a brand new Service.

Nido Education has an agreement with NAED as the Group's primary Incubator. NAED is 100% externally owned, with the Incubator receiving equity funding of $25.0 million from private investors through Alceon Private Equity and by Nido Education providing, under a loan agreement, an interest bearing loan facility of up to $25.0 million. Mathew Edwards is one of the three directors of NAED but he holds no equity interest in NAED.

Nido's Incubators target the development of 20 to 30 new Education Services per year, with the intent to provide Nido with a pipeline of new Education Services that Nido will have an exclusive call option to acquire when acquisition metrics are achieved. The Group has access to over 30 pipeline Education Services, which are at various stages of development and trade-up. The acquired Education Services will be trading at an average occupancy rate over the last six months exceeding 80%, with proven profitability, and with the purchase price being at a known acquisition multiple of 4.5x EBIT.

Financial overview

Nido Education recorded a statutory net loss after tax (NPAT) of $18.1 million (2022: –$6.8 million). Nido Education's underlying earnings before interest, tax, depreciation and amortisation EBITDA (statutory) loss of $2.7 million (2022: $5.2 million). The current year EBITDA of –$2.7 million was impacted by AASB 16 *Leases*, adjustments and other individually significant, or non-recurring items follows:

- AASB 16 *Leases* adjustments gave rise to a positive impact of $12.8 million (2022: $9.4 million) due to interest and depreciation being higher than actual lease payments for the year.
- Share-based payment expenses including associated on costs of $10.1 million. This comprised of $4.7 million performance bonus to Mathew Edwards, $5.4 million for Employee Share Option Plan (ESOP) and $1.7 million for tax exempt shares issued to employees.
- Costs attributable to acquisitions and the IPO included transaction costs of $3.3 million and stamp duty of $1.8 million.
- Other non recurring costs of $0.7 million.

Adjusting for the impact of these items, the EBITDA (underlying) of $0.3 million (2022: –$4.2 million).

EBITDA, EBITDA (underlying), NPAT (underlying) reflect the results of the ongoing business of the consolidated entity as determined by the Board and Management. They have been disclosed in accordance with ASIC's Regulatory Guide 230 – Disclosing non-IFRS financial information. These financial measures have not been audited by our external auditors; however, the adjustments to profit after tax have been extracted from the books and records that have been audited. EBITDA (underlying) and NPAT (underlying) is disclosed as a useful guide for investors to gain a better understanding of the Group's financial results from normal operating activities.

Directors' Report (continued)

Operating results

$'000	2023							2022		
	Underlying	AASB 16*	Share-Based Payments	Transaction costs	Stamp duty	Other	Statutory	Underlying	AASB 16	Statutory
Revenue	**93,372**						**93,372**	**57,944**		**57,944**
Other income	2,259						2,259	1,194		1,194
Expenses										
Employee benefits	66,727		10,102				76,829	42,446		42,446
Occupancy	17,596	(12,783)					4,813	12,578	(9,420)	3,158
Direct expense of providing services	6,714						6,714	6,085		6,085
Transaction costs	–			3,250			3,250	–		–
Other	4,243				1,790	650	6,683	2,204		2,204
EBITDA	351	12,783	(10,102)	(3,250)	(1,790)	(650)	(2,658)	(4,175)	9,420	5,245
Depreciation and amortisation	630	6,136					6,766	376	4,620	4,996
Finance cost	1,296	11,033					12,329	324	8,219	8,543
Loss before tax	**(1,575)**	**(4,386)**	**(10,102)**	**(3,250)**	**(1,790)**	**(650)**	**(21,753)**	**(4,875)**	**(3,419)**	**(8,294)**
Income tax	(1,793)	1,316	108	3,285	537	195	3,648	493	1,026	1,519
Loss for the period	**(3,368)**	**(3,070)**	**(9,994)**	**(35)**	**(1,253)**	**(455)**	**(18,105)**	**(4,382)**	**(2,393)**	**(6,775)**
Other comprehensive income for the period, net of tax										
Total comprehensive loss for the period	**(3,368)**	**(3,070)**	**(9,994)**	**(35)**	**(1,253)**	**(455)**	**(18,105)**	**(4,382)**	**(2,393)**	**(6,775)**

* AASB16 adjustment stated above excludes landlord contributions of $1.3 million which are included in lease payments in Note 25.

Capital management

As at 31 December 2023 Nido Education

- held unrestricted cash of $7.3 million, and cash on term deposits of $0.8 million;
- held restricted cash of $17.5 million relating to a $17.5 million loan drawn in October 2023 to ensure that complied with the ASX listing requirement to have a minimum working capital surplus of $1.5 million;
- held restricted cash of $10.0 million relating to rent bonds acquired; and
- had drawn $10.4 million from a related party loan, with $4.6 million headroom available.

On 2 January 2024, the Group used its restricted cash to repay the $17.5 million working capital loan.

On 8 February 2024, the Group signed binding agreements to establish financing facilities comprising a corporate market loan with a $25 million facility limit, an accordian facility with a $30 million limit and bank guarantee facility with a $12 million facility limit. All three facilities have a 3 year term.

Completion of the financing occurred on 16 February 2024. These new facilities will initially be used to repay the Group's existing related party loan and provide the group with additional debt capacity to fund acquisitions.

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business. The Group recognised a net loss after tax of $18.1 million for the year ended 31 December 2023 and, as at that date, current liabilities exceed current assets by $30.5 million which includes $18.8 million of current lease liabilities which will be settled through operating cash flows earned in the next 12 months.

The Group is forecasting positive cash flows for at least the next 12 months after this report is issued. In addition, the Group has signed binding agreements for a loan facility of $25.0 million with a maturity date in 2027. Of the $25 million available $10.4 million will be used to repay the shareholder loan, leaving $14.6 million to be undrawn at its completion and available for use by the group. Based on these factors, management has a reasonable expectation that the Group has and will have adequate resources to operate and pay its debts as and when they fall due.

Likely developments

The Group is expected to continue to execute its business plan and strategy as outlined in its Initial Public Offering Prospectus dated 20 September 2023, including the acquisition of new Education Services and organic growth of its portfolio.

Risks

The Group identifies and manages risks which could adversely affect the achievement of the Group's growth strategy through its Risk Management Framework. A summary of material risks and associated mitigation activities is shown below:

Safety, health and well being

The Group is required to maintain safe business environments and work practices to protect the wellbeing of children, team members, families, contractors and other people who visit our centres.

The Group has a suite of policies that address various aspects of both team and child safety and health, including interactions with children, conduct, physical environments, procedures, recruitment and reporting. Incidents are categorised according to the severity of the incident and are reported to the Board on a monthly basis.

Directors' Report (continued)

Strategic execution

The Group's ability to achieve its objectives depends on the ability of its Directors and management team to implement the established business plan and to respond effectively and appropriately to unforeseen circumstances. Specific elements of the business plan which may impact the Groups operating results include:

- The ability to control the costs and organisational impacts of business growth;
- The ability to increase child care fees;
- The ability to achieve intended quality assessments;
- The ability to achieve intended occupancy rates;
- The ability to acquire Education Services from its Incubator partners as a result of operation or funding issues;
- The ability to attract and retain suitably qualified and experienced management and employees at service support office and at its Education Services;
- The ability to secure additional funding if required;
- The ability to develop and maintain a reputation as a provider of quality Early Childhood Education Services; and
- The ability to respond appropriately to any changes in economic conditions that may adversely impact the Group's profitability.

Any changes in circumstances that impact on the above are immediately reported to the Board and strategies to address any adverse impacts agreed by the Board for implementation by management.

Information systems and cyber security risk

The Group relies on information technology, including third party software products and services, to deliver services to our customers. It has implemented industry standard measures to prevent or mitigate loss, damage or interruption to its network, systems and data. Through its ordinary course of business, the Group will collect information about its customers (which would usually include personal and confidential information). A cyber attack or incident may compromise the systems used to protect that information. Industry standard measures, including data integrity validation and security enforcement processes, have been put in place to prevent misuse or loss of, unauthorised access to, or unauthorised modification or disclosure of the information that it holds. Data integrity validation and security enforcement run concurrently within all scenarios.

Industrial relations

The Group is subject to risks which affect the labour market. Any labour reform which reduces the flexibility of the Group in relation to its employees may cause higher labour and compliance costs, industrial disputes and complications with compliance. Such changes may affect the ability to retain and attract quality employees. Failure to comply with relevant employment laws or awards can lead to potential regulatory investigations or enforcement actions or other civil or criminal fines or penalties. Training, support and supervision is in place around rostering work force planning and payroll compliance. Certain controls are embedded into our systems and policies and processes to ensure compliance.

Changes to the regulatory environment

Regulatory changes to the early learning sector may have an adverse impact on the way the Group manages and operate its services and financial performance. Such changes may include, but are not limited to, legislative changes that affect employee-to-child ratios and employment qualification criteria, the demand for Education Services and changes to government funding and subsidies. The sector continues to enjoy strong bipartisan Government support, and the Group maintains productive working relationships at both Federal and State Government levels providing early visibility of pending regulatory changes to allow timely preparation and an appropriate response.

Environmental regulation

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

Indemnity and insurance of officers

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

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

There are no proceedings brought or intervened in, or applications to bring or intervene in proceedings, on behalf of Nido Education by a member or other person entitled to do so under section 237 of the Corporations Act.

Significant changes in the state of affairs

Nido Education Limited listed on the Australian Securities Exchange (ASX) on 16 October 2023.

On 10 Oct 2023, under an IPO Implementation Deed Nido Education Limited acquired 100% of the ordinary share capital of AE Early School Holdings Pty Limited ("AES") and its subsidiaries which included gaining control over the 24 Education Services owned by AES prior to the acquisition ("AES Acquisition").

Immediately preceding the AES acquisition, AE Development Co Pty Ltd, a joint venture entity formed by Nido Education and AES acquired 13 third party Education Services through Business Sale Agreements with individual vendors which were added to the existing portfolio of 11 Education Services already owned by AES.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 2 January 2024, the Company repaid the $17.5 million loan drawn prior to IPO and Listing to ensure that it is compliant with the ASX listing requirement to have a minimum working capital surplus of $1.5 million. The Group's restricted cash was used to make the repayment. The loan had a facility limit of $17.5 million and a term of 18 months.

On 8 February 2024, the Group signed binding agreements to establish financing facilities comprising of a corporate market loan with a $25 million facility limit and bank guarantee facility with a $12 million facility limit. Both facilities have a 3 year term. Completion of the financing occurred on 16 February 2024. These new facilities will be used to repay the Group's existing related party loan and provide the group with additional debt capacity to fund acquisitions and for working capital requirements.

Other than the above, no matter or circumstance has arisen since 31 December 2023 and up to the date of this report that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial periods.

Directors' Report (continued)

Rounding of amounts

The Group is of a kind referred to in ASIC Corporations Instrument (Rounding in Financial/Directors' Reports) 2016/191, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Chief Executive Officer

Renee Bowman was appointed in May 2023 as Chief Executive Officer. She is responsible for the operations and direction of Nido Education and providing advice and guidance to the Board on the operations of the company. Renee has extensive experience working in public and private companies across strategy, transformation, operational management and governance. Renee was previously UK CEO of Junior Adventures Group, an international private equity-backed business operating 1,000+ children's services across ANZ, England and Ireland. She led JAG through the pandemic while also overseeing acquisitions in the UK. Renee has held various executive positions at multi-site organisations, including Sally's Beauty Holdings and Virgin Active. Renee holds a Master of Business Administration and Master of Nutrition and Dietetics from Deakin University and a Bachelor of Applied Science from the University of Ballarat and a Graduate Diploma in Journalism from the University of Queensland.

Non-Audit Services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below:

	2023 $
Services other than audit and review of financial statements:	
IPO due diligence and transaction support services	1,207,037
Audit or review of financial statements for IPO	352,734
	1,559,771
Audit or review of the financial statements	244,100
Total Paid to KPMG	**1,803,871**

Lead auditor's independence declaration

A copy of the Lead auditor's independence declaration as required under section 307C of the Corporations Act is included in this report for the financial year ended 31 December 2023.

Company secretary

Tony Amato (appointed 1 June 2023) is Company Secretary of Nido Education Limited. Tony has held CFO, Company Secretarial and senior accounting roles across a number of industries in both listed and private companies.

Meetings of directors

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

	Full Board		Nomination and Remuneration Committee		Audit, Risk and Compliance Committee	
	Attended	Held	Attended	Held	Attended	Held
Mark Kerr	12	12	–	–	1	1
Vanessa Porter	12	12	–	–	1	1
Joe Dicks	12	12	–	–	1	1
Mathew Edwards	12	14	–	–	N/A	N/A

Mark Kerr

Mark Kerr
Chairman

19 February 2024

Melbourne

Remuneration Report

Overview

The Board presents the Remuneration Report for Nido Education Limited (Company) for the year ended 31 December 2023, which forms part of the Directors' Report and has been prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (Corporations Act). The data provided in the Remuneration Report was audited as required under section 308(3C) of the Corporations Act. This is the Groups first remuneration report subsequent to becoming a listed entity.

Prior to the Company listing on the Australian Stock Exchange on 16 October 2023, the company was not required to prepare a remuneration report in accordance with the *Corporations Act 2001*. As such Remuneration report information is only presented for the year ended 31 December 2023.

Governance

The Board is ultimately responsible for remuneration policies and practices of the Group. The Board has established the Nomination and Remuneration Committee (NRC or Committee) to advise the Board on remuneration policies and practices.

The NRC comprises the following Non-Executive Directors and the Managing director who have held their positions since the NRC was appointed on 2 June 2023:

- Vanessa Porter, Chair;
- Mark Kerr;
- Joe Dicks, and
- Mathew Edwards.

The Governance framework of the Group is as follows:

Group	Role
Management	• Makes recommendations to the NRC with respect to individual remuneration arrangements for executive KMP. • Implements policies and practices relating to talent management, remuneration, organisational culture, diversity and inclusion, work, health and safety and leadership development.
NRC	• The NRC is authorised to source any internal resources and obtain external independent professional advice it considers necessary to enable it to review management proposals and make decisions on behalf of the Board on: – Remuneration policy in respect of executive KMP and NEDs; – Organisational culture, diversity and inclusion, talent management and leadership development strategies and practices; – Work, health and safety metrics and initiatives; and – Design features of employee and executive STI and LTI awards.
Board	• Reviews, applies judgement and, as appropriate, approves recommendations from the NRC.

Use of remuneration consultants

All proposed remuneration consultancy contracts (within the meaning of section 206K of the Corporations Act) are subject to prior approval by the Boards or the NRC in accordance with the Corporations Act.

During the 2023 financial year, the Group engaged Crichton & Associates Pty Limited (C&A) to assist with the implementation of the Nido Education equity incentive plan "Nest Egg". The remuneration advice was provided in accordance with the Corporations Act. Fees paid to C&A during the 2023 financial year amounted to $110,009.

These consultants were engaged prior to the establishment of the NRC, the NRC were informed of the scope of work previously authorised upon its formation.

No remuneration recommendations (as defined by the *Corporations Act 2001* (Cth)) were provided by C&A or any other advisor during the year.

Performance and variable remuneration outcomes

The Company's remuneration policy assesses variable remuneration outcomes in the context of the overall performance of the Company against both financial and non-financial objectives.

The NRC is responsible for implementing objectives and key results (OKR) targets that cover the achievement of financial and operational performance metrics and strategic plan implementation milestones across four areas, being financial, culture, quality/risk and compliance and systems/business processes.

The outcome of the OKR implementation will be to ensure continued alignment of the Company's remuneration framework with Company's long-term strategic and operational objectives as well as to formalise the documentation and appropriate disclosure.

Key management personnel

Key Management Personnel (KMP) at 31 December 2023 are persons identified as having direct or indirect authority and responsibility for planning, directing and controlling the activities of the Company, and include Non-Executive Directors, Executive Director, Chief Executive Officer and the Chief Financial Officer.

KMP of the Company for the year ended 31 December 2023 have been determined by the Board as follows:

	Name	Title/Committees	Change in 2023
Non-Executive Directors	Mark Kerr	Independent Non-Executive Chairperson Member of Nomination and Remuneration Committee Member of Audit, Risk and Compliance Committee	Appointed 2 June 2023
	Joe Dicks	Independent Non-Executive Director Chair of Audit, Risk and Compliance Committee Member of Nomination and Remuneration Committee	Appointed 2 June 2023
	Vanessa Porter	Independent Non-Executive Director Chair of Nomination and Remuneration Committee Member of Audit, Risk and Compliance Committee	Appointed 2 June 2023
Executive Director	Mathew Edwards	Managing Director Member of Nomination and Remuneration Committee	No change
Other Executive KMP	Renee Bowman	Chief Executive Officer (CEO)	Commenced 8 May 2023
	Thomas Herring	Chief Financial Officer (CFO)	No change

Remuneration Report (continued)

KMP remuneration mix

The following table summarises the relative proportions of total remuneration based on the 2023 Remuneration Summary.

Executive KMP	FAR	STI*	LTI*
Mathew Edwards**	7%	92%	1%
Renee Bowman***	66%	25%	8%
Thomas Herring***	53%	40%	7%

* STI and LTI are related to performance.

** As part of the IPO the managing director was eligible for a $4,584,770 performance bonus. This was settled in December 2023 with 4,584,770 shares being issued to him. This was one off in nature due to the IPO and the relative portions of performance to non-performance remuneration are expected to be lower in 2024.

*** The CEO and CFO were issued Free Options which vested on successful IPO of the Group. These vested in October 2023. This was one off in nature due to the IPO and performance to non-performance remuneration will be assessed by the NRC in 2024.

Remuneration of executive key management personnel

The Company's remuneration principles aim to ensure that remuneration packages properly reflect the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of suitable quality.

The structure of remuneration, as explained below, is designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of long-term value creation for shareholders.

The remuneration structures consider a range of factors, including the following:

- Capability, skills and experience;
- Ability to impact achievement of the strategic objectives of the Company;
- Performance of each individual KMP;
- The Company's overall performance;
- Remuneration levels being paid by competitors for similar positions; and
- The need to ensure executive continuity and succession.

The NRC's objectives in determining the remuneration and incentive framework, policies and practices are to:

a) motivate executives to pursue the growth and success of the Company in both the short term and over the longer term, without taking undue risks;

b) demonstrate a clear relationship between performance and remuneration;

c) involve an appropriate balance between fixed and incentive remuneration, reflecting short and long-term performance objectives of the Company; and

d) comply with relevant laws and regulations and have regard to shareholder expectations.

The Board understands the importance of the relationship between the executive KMP remuneration and the Company's performance. Executive KMP remuneration packages are structured to align outcomes with the interests of shareholders.

Framework for remuneration of KMP

In 2023, KMP remuneration comprised:

- Total fixed remuneration;
- Short-term incentive; and
- Long-term incentive.

Remuneration element	Description	Potential opportunity for 2023	Changes for 2024
Total Fixed remuneration (TFR)	Consists of base pay, employer superannuation contributions, salary-sacrifice benefits and other non-monetary benefits.	TFR is set with reference to market data of comparable organisations and is generally reviewed on an annual basis.	N/A
Short-Term Incentive (STI)	Free Options, equity or a discretionary cash bonus awarded on an assessment of operational and strategic Company performance over the year.	Free Options that vested on the IPO of Nido Education on the Australian Stock Exchange. Discretionary equity bonus awarded for performance linked to successful IPO.	No STI for KMP.
Long-Term Incentive (LTI)	Premium Options	Fixed amount determined by the Board.	The LTI was issued during 2023 and the board will review the Company's performance in its first full year as a listed entity and grant to KMP in 2024 if deemed appropriate.

Total fixed remuneration (TFR)

TFR consists of base salary, employer superannuation contributions, salary sacrifice benefits and other non-monetary benefits. TFR is set based on the role, responsibilities, experience and qualifications of the individual, and with reference to market data of comparable organisations. TFR will generally be reviewed on an annual basis.

Short-term incentive plan (STI)

The short-term incentive is a performance-based component of remuneration and is designed to reward annual performance and focus KMP on meeting strategic and operational objectives. For the 2023 financial year, KMP participation in the STI was at the discretion of the Board. The STI opportunity for KMP is set by the Board as an agreed amount forming part of the KMP's Total Maximum Remuneration (TMR). 2024 will be the first full year of trade as a listed entity. The boards intention is that there will be no STI for KMP in 2024, however they will continue to assess this relation to Company performance and the existing long term incentive arrangements. Any updates will be communicated with shareholders in the 2024 Remuneration Report.

Remuneration Report (continued)

Long term incentive plan (LTI)

The LTI plan is an equity-based incentive scheme designed to align the interests of KMP and shareholders over the long term and retain high performing individuals. KMP (and other Company employees) participate in the LTI at the discretion of the Board.

The LTI opportunity for each KMP is set by the Board as an agreed amount forming part of the KMP's TMR. The actual benefit delivered to the KMP will depend on the quantum of options granted, the extent to which the performance hurdles are achieved and share price performance. The LTI will be satisfied through the issue of 1 fully paid ordinary share for each option that vests and is exercised. Premium options were issued to all KMP in the lead up to listing.

The Board will monitor and review the LTI which may result in changes to be made to the operation of the plan for 2024 and going forward. The intention of the Board is to ensure that the LTI plan is aligned to market and further aligned to the Company's strategic objectives. LTI vesting Conditions may be waived at the absolute discretion of the Board.

The Performance hurdles for the LTI are as follows:

Hurdles	Detail
Performance Gateway	In addition to the below financial measures, there will be a performance gateway applied to the vesting of each Tranche. That is, the Board, in its absolute discretion, may reduce the number of premium options that vest regardless of the financial measures being met if: • more than 5% of Nido Education owned centres do not always meet or exceed the National Quality Standard (NQS) up until vesting; or • an individual's Objectives and Key Results (OKRs) are not met.
Tranche 1 Financial measures	For 50% of tranche 1 to vest, Nido Education financial performance must exceed 95% of the IPO earnings forecast CY24 Earnings before interest, tax, depreciation, and amortisation (EBITDA). The IPO earnings forecast was included in the approved Prospectus. For 100% of tranche 1 to vest, Nido Education financial performance must equal or exceed the IPO CY24 EBITDA forecast. Vesting will be on a straight-line interpolation between 95% and 100%.
Tranche 2 Financial measures	For 50% of tranche 2 to vest, Nido Education financial performance must exceed 95% of the EBITDA forecast for CY25. This forecast will be advised to participants on or before 31 March 2025. For 100% of tranche 2 to vest, Nido Education financial performance must equal or exceed CY25 EBITDA forecast. Vesting will be on a straight-line interpolation between 95% and 100%.
Tranche 3 Financial measures	For 50% of tranche 3 to vest, Nido Education financial performance must exceed 95% of the EBITDA forecast for CY26. This forecast will be advised to participants on or before 31 March 2026. For 100% of tranche 2 to vest, Nido Education financial performance must equal or exceed CY26 EBITDA forecast. Vesting will be on a straight-line interpolation between 95% and 100%.

Clawback policy

All participants of the deferred STI and LTI plans are subject to a Clawback Policy outlined in the 'Equity Incentive Plan Rules'. The policy enables the Board to claw back remuneration outcomes in the event that it was later discovered that vesting conditions were not satisfied; the participant was not, in fact, entitled to the remuneration outcome; or the satisfaction of the vesting condition, or the decision of the Board to waive a vesting condition, was contributed to by the participant's fraud, unlawful behaviour, wilful default, or conduct in material breach of the Company's policies and code of conduct. The policy is designed to further align the interests of participants with the long-term interests of Nido Education and shareholders, and to ensure that excessive risk taking is not rewarded.

Link between remuneration and performance of executive KMP

Remuneration Component Link to Company Performance

Total Fixed Remuneration (TFR)

TFR is determined with reference to the executive KMP's role, responsibilities and performance and remuneration levels for similar positions in the market.

Short-Term Incentive (STI)

STI are awarded to executive KMP whose achievements, behaviours and focus meet the Company's values, strategic and operational priorities and OKR's measured over the financial year. The Board maintains the sole discretion over the granting of STIs to employees.

Long-Term Incentive (LTI)

LTIs are granted to executive KMP to align their focus with the Company's medium to longer term strategy.
The Company has an Employee Share Option Plan. LTIs are granted in the form of premium options to acquire shares in the Company. The premium options vest a third annually over a three-year period, where certain performance, service or other vesting conditions determined by the Board are satisfied. The Board maintains sole discretion over the granting of LTIs.

Executive remuneration summary

			Short-term benefits	Post-employment benefits	Other Long-term benefits	Share-based payments			
			Salary	Superannuation	Long Service Leave	STI free options	STI equity bonus	LTI premium options	Total
Mathew Edwards	Managing Director	2023	242,872	10,900	109,592	–	4,585,770*	66,745	5,015,879
Renee Bowman	Chief Executive Officer	2023	303,599	20,023	–	120,000	1,000	40,084	484,706
Thomas Herring	Chief Financial Officer	2023	327,681	26,345	836	250,000	1,000	41,793	647,655
	TOTAL	**2023**	**874,152**	**57,268**	**110,428**	**370,000**	**4,587,770**	**148,622**	**6,148,240**

* As part of the IPO the managing director was eligible for a $4,584,770 performance bonus. This was settled in December 2023 with 4,584,770 shares being issued to him.

Remuneration Report (continued)

Remuneration of Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, these directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. Under the Company's constitution the total aggregate remuneration available to Non-Executive Directors was set at $1,500,000 per annum (including statutory superannuation contributions).

Annual fees in respect of 2023 (exclusive of superannuation) were:

Elements	Details	2023
Board fees per annum	Board Chairman	200,000
	Board NED	120,000

NED remuneration summary

		Short-term benefits	Share-based payments	Post-employment benefits	Total
	Year	Fees $	Premium Options $	Super-annuation benefits $	$
Mark Kerr					
Chairman	2023	113,077	41,716	12,438	167,231
Joe Dicks					
NED	2023	67,846	8,343	7,463	83,652
Vanessa Porter					
NED	2023	67,846	8,343	7,463	83,652
Total	**2023**	**248,769**	**58,402**	**27,365**	**334,536**

Equity grants 2023 (STI and LTI)

The table below presents the number of equity instruments granted under EIP to Director and Executive KMP as well as the number of options that have vested or lapsed during the year.

Director/Executive KMP		Plan	Grant Date	Number	Maximum value to be expensed $	Fair value per unit granted $	Vesting Date	Expiry Date	Vested	Cancelled*
Mathew Edwards	Premium Options**	2023	14-Jul-23	533,333	48,000	0.09	31-Mar-25	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	533,333	58,667	0.11	31-Mar-26	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	533,334	64,000	0.12	31-Mar-27	12-Jul-27	0%	26%
	$1,000 Share Gift***	2023	15-Dec-23	1,025	1,000	0.97	22-Dec-23	N/A	100%	0%
	Performance Bonus***	2023	1-Jul-23	4,584,770	4,584,770	1.00	22-Dec-23	N/A	100%	0%
	Total			**6,185,795**	**4,756,436**					
Renee Bowman	Premium Options**	2023	14-Jul-23	320,000	28,800	0.09	31-Mar-25	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	320,000	35,200	0.11	31-Mar-26	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	320,000	38,400	0.12	31-Mar-27	12-Jul-27	0%	26%
	$1,000 Share Gift***	2023	15-Dec-23	1,025	1,000	0.97	22-Dec-23	N/A	100%	0%
	Free Options***	2023	14-Jul-23	240,000	120,000	0.50	15-Dec-23	12-Jul-27	74%	26%
	Total			**1,201,025**	**223,400**					
Thomas Herring	Premium Options**	2023	14-Jul-23	333,333	30,000	0.09	31-Mar-25	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	333,333	36,667	0.11	31-Mar-26	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	333,334	40,000	0.12	31-Mar-27	12-Jul-27	0%	26%
	$1,000 Share Gift***	2023	15-Dec-23	1,025	1,000	0.97	22-Dec-23	N/A	100%	0%
	Free Options***	2023	14-Jul-23	500,000	250,000	0.50	15-Dec-23	12-Jul-27	74%	26%
	Total			**1,501,025**	**357,666**					
Mark Kerr	Premium Options**	2023	14-Jul-23	333,333	30,000	0.09	31-Mar-25	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	333,333	36,667	0.11	31-Mar-26	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	333,334	40,000	0.12	31-Mar-27	12-Jul-27	0%	26%
	Total			**1,000,000**	**106,667**					
Joe Dicks	Premium Options**	2023	14-Jul-23	66,666	6,000	0.09	31-Mar-25	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	66,667	7,333	0.11	31-Mar-26	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	66,667	8,000	0.12	31-Mar-27	12-Jul-27	0%	26%
	Total			**200,000**	**21,333**					
Vanessa Porter	Premium Options**	2023	14-Jul-23	66,666	6,000	0.09	31-Mar-25	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	66,667	7,333	0.11	31-Mar-26	12-Jul-27	0%	26%
	Premium Options**	2023	14-Jul-23	66,667	8,000	0.12	31-Mar-27	12-Jul-27	0%	26%
	Total			**200,000**	**21,333**					

* Premium Options and Free Options were cancelled as a result of a capital reorganisation which took place in conjunction with the IPO. The number of Premium Options and Free Options remained at the same proportion of share capital as prior to the capital reorganisation.

** Premium Options have an exercise price of $0.96

*** Equity instruments have nil exercise price

Remuneration Report (continued)

Interests in shares

Interests in Company shares held by Directors and KMP is set out below.

Shares	1-Jan-23	Acquired	Received as Remuneration	31-Dec-23
Mark Kerr*	–	1,983,866	–	1,983,866
Joe Dicks	–	100,000	–	100,000
Vanessa Porter	–	50,000	–	50,000
Mathew Edwards*	84,419,812	33,170,864	4,586,795**	122,177,471
Renee Bowman	–	22,000	1,025***	8,025
Thomas Herring*	–	250,000	1,025***	251,025

* Includes shares indirectly held by Directors and KMP as disclosed in each Directors' Appendix 3Y.

** As part of the IPO the managing director was eligible for a $4,584,770 performance bonus. This was settled in December 2023 with 4,584,770 shares being issued to him.

*** As a result of the IPO employees were able to participate in an employee gift offer to receive up to $1,000 worth of shares. The shares were issued in December 2023 based on a 5-day VWAP ($0.97428) prior to the offer close date. The shares were gifted at no cost to the employee and were subject to a 3-year holding restriction from grant date.

Premium Options and Free Options

Premium Options and Free Options granted to executives during the year ended 31 December under the Company's STI and LTI up to the date of this report are detailed in the below table.

Premium Options	1-Jan-23	Granted	Cancelled	31-Dec-23
Mark Kerr*	–	1,000,000	255,208	744,792
Joe Dicks*	–	200,000	51,042	148,958
Vanessa Porter*	–	200,000	51,042	148,958
Mathew Edwards**	–	1,600,000	408,333	1,191,667
Renee Bowman**	–	960,000	245,000	715,000
Thomas Herring**	–	1,000,000	255,208	744,792
Free Options	**1-Jan-23**	**Granted**	**Cancelled**	**31-Dec-23**
Renee Bowman	–	240,000	61,250	178,750***
Thomas Herring	–	500,000	127,604	372,396***

* In relation to Non-Executive Directors, the Premium Options will vest in 3 equal proportions over the 3-year period but will not be subject to any performance hurdles.

** In relation to executive KMP the Premium Options will vest in 3 equal proportions subject to performance criteria measured over the performance results in each year of vesting, being the satisfaction of the company achieving a EBITDA targets and maintaining National Quality Standards and the individuals objectives and key results (OKR) targets that cover achievement of financial and operational performance metrics and strategic plan implementation milestones across four areas, being financial, culture, quality/risk and compliance and systems/business processes.

*** Free options are fully vested and able to be exercised.

Ordinary fully paid shares issued to settle the vested options issued under the terms of the Company's STI and LTI.

Shares issued on the exercise of options

There were no ordinary shares of Nido Education Limited issued on the exercise of premium options or free options during the year ended 31 December 2023 and up to the date of this report.

Remuneration outcomes aligned with Company performance

In line with the remuneration strategy, performance measures are chosen to align the rewards to Executive KMP and the achievement of annual performance targets in the short term and shareholder value creation in the long term. As the Group listed on the ASX on 16 October 2023, analysis between performance and remuneration is only presented for 2023. This section with be expanded each year to provide comparative measures as required.

Measure	2023
Underlying EBITDA	$351,000
Unrestricted cash balance	$7,319,000
Opening share price (16 October 2023)	$1.00
Closing share price (31 December 2023)	$1.00

Service agreements for KMP

Executive KMP service agreements detail the individual terms and conditions applying to the employment of the executive KMP. Key employment terms in addition to the remuneration arrangements set out in this report are set out below:

Title	Mathew Edwards Managing Director	Renee Bowman Chief Executive Officer	Thomas Herring Chief Financial Officer
Contract term	1 July 2023 Ongoing	8 May 2023 Ongoing	28 July 2023 Ongoing
Termination by the Executive KMP	6 months' notice Unvested STI and LTI entitlements lapse unless the Board determines otherwise.	6 months' notice Unvested STI and LTI entitlements lapse unless the Board determines otherwise.	6 months' notice Unvested STI and LTI entitlements lapse unless the Board determines otherwise.
Termination by Company without cause or mutually agreed resignation	6 months' notice Unvested STI and LTI entitlements lapse unless the Board determines otherwise.	6 months' notice Unvested STI and LTI entitlements lapse unless the Board determines otherwise.	6 months' notice Unvested STI and LTI entitlements lapse unless the Board determines otherwise.
Termination by Company for serious misconduct	No notice period or termination payment unless the Board determines otherwise.	No notice period or termination payment unless the Board determines otherwise.	No notice period or termination payment unless the Board determines otherwise.
Post-employment restraints	Restrained from soliciting suppliers, customers and employees for 12 month period post-employment.	Restrained from soliciting suppliers, customers and employees for 12 month period post-employment.	Restrained from soliciting suppliers, customers and employees for 12 month period post-employment.

Remuneration Report (continued)

Other transactions with KMP

Mark Kerr

Nido Education provides management and establishment services to a Education Service incubator entity of which Mark Kerr (Non-Executive Director) is a shareholder. In consideration for the services provided by Nido Education to the incubator entity, Nido Education is paid fees in accordance with the agreed terms of engagement and management services under a Centre Management Agreement.

During the 2023 financial year, the incubator entity had established one Education Service (Service Approval date: August 2023) which Nido Education currently manages. During the year ended 31 December 2023, Nido Education recognised from the incubator entity $297,500 in management and establishment fees. The balance outstanding as at 31 December 2023 was a receivable to Nido Education of $588,562 and was paid in full in January 2024.

Mathew Edwards

Nido Education provided management and establishment services to AE Early School Holdings Pty Ltd (AES), an Education Service incubator entity of which Mathew Edwards (Managing Director) was a shareholder. In consideration for the services provided by Nido Education to the incubator entity, Nido Education was paid fees in accordance with the agreed terms of engagement and management services.

AES was acquired by Nido Education during the IPO in October 2023. Prior to its acquisition Nido Education recognised from the incubator entity $1,892,027 in management and establishment fees. The balance outstanding as at 31 December 2023 was nil.

Mathew Edwards is an Independent Non-Executive Director of NAED Holdings Pty Ltd (NAED) which was established in 2023, he does not hold any shares in NAED. Based on the board composition of NAED and contractual arrangements between Nido Education and NAED, Nido Education does not control NAED.

In October 2023, the Group entered into a Centre Management Deed (the Deed) with NAED. The Group develops and manages Nido branded services on behalf of NAED under this deed. The terms and conditions with NAED are consistent with the Centre Management Deeds held with other non-related third party incubator partners.

During the 2023 financial year, NAED had established one service and acquired four other operating services, Nido Education currently manages all five Education Services. During the year ended 31 December 2023, Nido Education recognised $377,000 in management and establishment fees from NAED. The balance outstanding as at 31 December 2023 was $31,800 payable by Nido Education to NAED.

NAED received a secured loan of $6,000,000 during 2023. This loan has accrued $109,000 of interest at an arm's length rate fixed at 8%, the interest remains unpaid as per the loan agreement. The loan matures in October 2029. No other loans were made to any of the KMP or their related parties during the financial year.

There were no transactions with any of the KMP or their related parties during FY 2023 except as disclosed above.

Directors' Declaration

In the Directors' opinion:

- The attached consolidated financial statements and notes that are set out on pages 26 to 69 and the Remuneration Report on pages 14 to 24 in the Directors' Report, comply with the *Corporations Act 2001*, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- The attached consolidated financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and
- In the Directors' opinion, as at the date of this declaration, there are reasonable grounds to believe that the Company and those entities identified in Note 28 as members of the 'closed group' will be able to meet any liabilities to which they are, or may become, subject because of the deed of cross guarantee identified in Note28; and
- There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

Mark Kerr.

Mark Kerr
Chairman

19 February 2024

Melbourne

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 $'000	2022 $'000
Assets			
Current Assets			
Cash and cash equivalents	10	25,569	2,312
Trade and other receivables	11	3,953	2,687
Other assets		1,110	836
Total current assets		**30,632**	**5,835**
Non-current assets			
Property, plant and equipment	12	2,497	1,679
Loan receivables	26	6,109	–
Right-of-use assets	25	155,085	87,049
Intangible assets	13	111,126	–
Rental bonds		9,977	4,718
Deferred tax assets	14	8,457	2,021
Total non-current assets		**293,251**	**95,467**
Total assets		**323,883**	**101,302**
Liabilities			
Current liabilities			
Trade and other payables	15	7,035	2,511
Borrowings	17	17,987	–
Employee benefits	16	9,163	3,455
Deferred consideration	29	8,141	–
Lease liabilities	25	18,832	10,110
Total current liabilities		**61,158**	**16,076**
Non-current liabilities			
Borrowings	17	10,382	12,518
Employee benefits	16	119	150
Lease liabilities	25	142,775	80,219
Total non-current liabilities		**153,276**	**92,887**
Total liabilities		**214,434**	**108,963**
Net assets/(liabilities)		**109,449**	**(7,661)**
Equity			
Issued capital	18	125,454	10
Reserves	20	9,770	–
Accumulated deficit		(25,775)	(7,670)
Total equity		**109,449**	**(7,660)**

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	2023 $'000	2022 $'000
Revenue	5a	93,372	57,944
Other income	5b	2,259	1,194
Expenses			
Employee benefits	6	76,829	42,446
Occupancy		4,813	3,158
Direct expense of providing services		6,714	6,085
Transaction costs		3,250	–
Other		6,683	2,204
Depreciation and amortisation	7	6,766	4,996
Net finance costs	8	12,329	8,543
Loss before tax		(21,753)	(8,294)
Income tax	9	3,648	1,519
Loss for the period		(18,105)	(6,775)
Other comprehensive income for the period, net of tax		–	–
Total comprehensive loss for the period		**(18,105)**	**(6,775)**

Earnings per share		**Cents**	**Cents**
Basic	32	(15.84)	(8.03)
Diluted	32	(15.84)	(8.03)

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

2023	Note	Issued Capital $'000	Reserves $'000	Accumulated Deficit $'000	Total Equity $'000
Balance at 1 January 2023		10	–	(7,670)	(7,660)
Loss for the year		–	–	(18,105)	(18,105)
Other comprehensive income for the year		–	–	–	–
Total comprehensive income for the period		**–**	**–**	**(18,105)**	**(18,105)**
Issue of share capital	18	130,835	–	–	130,835
Costs related to the issue of share capital net of taxation	18	(5,391)	–	–	(5,391)
Share-based payments	20	–	9,770	–	(9,770)
Total contributions and distributions		**125,444**	**9,770**	**–**	**135,214**
Balance at 31 December 2023		**125,454**	**9,770**	**(25,775)**	**109,449**

2022	Note	Issued Capital $'000	Reserves $'000	Accumulated Deficit $'000	Total Equity $'000
Balance at 1 January 2022		10	–	(896)	(886)
Loss for the year		–	–	(6,774)	(6,774)
Other comprehensive income for the period		–	–	–	–
Total comprehensive income for the period		**–**	**–**	**(6,774)**	**(6,774)**
Issue of share capital		–	–	–	–
Total contributions and distributions		**–**	**–**	**–**	**–**
Balance at 31 December 2022		**10**	**–**	**(7,670)**	**(7,660)**

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

Consolidated Statement of Cash Flow

For the year ended 31 December 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers and government funding		95,493	58,685
Payments to suppliers and employees		(83,590)	(53,254)
Cash flows generated from operations		11,903	5,431
Interest and other finance costs		(11,610)	(8,093)
Net cash from/(used in) operating activities	31	**293**	**(2,662)**
Cash flows from investing activities			
Loans issued	26	(6,000)	–
Acquisition of subsidiary (net of cash received)	29	(73,314)	(500)
Payments for property, plant and equipment		(351)	(2,328)
Net cash used in investing activities		**(79,665)**	**(2,828)**
Cash flows from financing activities			
Proceeds from issue of shares	18	99,564	–
Payment of transaction costs		(10,951)	–
Proceeds from borrowings	17	17,500	6,299
Repayments on borrowings	17	(478)	–
Repayment of lease principal		(3,006)	–
Net cash from financing activities		**102,629**	**6,299**
Net increase in cash and cash equivalents		23,257	809
Cash and cash equivalents at the beginning of the period		2,312	1,503
Cash and cash equivalents at the end of the period		**25,569**	**2,312**

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 consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 1. General information

The financial statements cover Nido Education Limited ('the Company') and its controlled entities (hereafter, referred to as the 'Group' or 'Nido Education').

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The Company is a public company limited by shares, incorporated and domiciled in Australia. It's registered office and principal place of business is:

Suite 3, 1 Park Avenue
Drummoyne, NSW 2047

A description of the nature of the Company's operations and its principal activities are included in the Directors' report, which is not part of the financial statements. The financial statements were authorised for issue, in accordance with a resolution of Directors, on 19 February 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit entities. These financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Boards ('IASB').

The financial statements have been prepared under the historical cost convention, unless otherwise stated. Cost is based on the fair values of the consideration given in exchange for assets.

Functional and presentation currency and rounding

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency. The Group is of a kind referred to in ASIC Corporations Instrument (Rounding in Financial/ Directors' Reports) 2016/191, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, unless stated otherwise.

Going Concern

These financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business. The Group recognised a net loss after tax of $18.1 million for the year ended 31 December 2023 and, as at that date, current liabilities exceed current assets by $30.5 million which includes $18.8 million of current lease liabilities which will be settled through operating cash flows earned in the next 12 months.

The Group is forecasting positive cash flows for at least the next 12 months after this report is issued. In addition, the Group has signed and implemented binding agreements for a loan facility of $25.0 million with a maturity date in 2027 (refer to Note 33). Of the $25 million available $10.4 million will be used to repay the director's loan, leaving $14.6 million to be undrawn at its completion and available for use by the group. Based on these factors, management has a reasonable expectation that the Group has and will have adequate resources to operate and pay its debts as and when they fall due.

New and amended accounting standards and interpretations

The Group applied certain standards and amendments for the first time, which are effective for annual periods beginning on or after 1 January 2023. The new and amended standards did not have a significant impact on the Group's consolidated financial statements.

Material accounting policy information

The Group also applied Disclosure of Accounting Policies and Definition of Accounting Estimates (Amendments to AASB 7, 101, 108 and AASB Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and have made any relevant updates accordingly.

New accounting standards and interpretations issued but not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting year ended 31 December 2023. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below. Amending accounting standards issued are not considered to have a significant impact on the financial statements of the Group as their amendments provide either clarification of existing accounting treatment or editorial amendments.

AASB 2020-1 Classification of liabilities as current or non-current

AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2024, as extended by AASB 2022-6. Early adoption is permitted. This standard amends AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is conditional, the right only exists if, at the end of the reporting period, those conditions have been complied with. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. Furthermore, the amendments require new disclosures for non-current liabilities that are subject to future covenants. The Group is in the process of assessing the potential impact of the amendments on the classification of liabilities and related disclosure.

Critical accounting estimates

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

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the consolidated results of the Group. Supplementary information about the parent entity is disclosed in Note 27.

Notes to the Consolidated Financial Statements (continued)

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity. Any gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Operating segments

Operating segments are presented using the 'management approach' where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

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

Provision of child care services

The 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.

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.

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

Establishment fees

Fees paid by third parties and related party incubator partners for establishment of new externally owned Services are recognised over the period in which the services are performed. The revenue recognition of establishment fees is constrained until there is certainty that the Group will receive the payment in relation to the services provided.

Management fees

Fees paid by third parties and related party incubator partners for management of externally owned child care services are recognised over the period in which the services are performed.

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). Refer to the "Trade and other receivables" accounting policy below.

Contract liabilities

A contract liability is recognised if a payment is received from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related 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 Group will comply with all conditions associated with the grant.

Government grants relating to an expense item are recognised in profit or loss on a systematic basis over the periods in which the entity 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 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 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 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 Group mainly leases properties for Education Services. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The 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 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 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 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.

Notes to the Consolidated Financial Statements (continued)

Lease liabilities

At the commencement date of the lease, the 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 Group and payments of penalties for terminating the lease, if the lease term reflects the 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 Group recognises lease liabilities measured at the present value of future lease payments. In calculating the present value of lease payments, the 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.

Nido Education Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group have each applied the 'separate taxpayer within the group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to their own current and deferred tax amounts, the head entities also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intergroup charge equals the current tax liability or benefit of each tax consolidated Group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification

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

An asset is current when it is expected to be realised or intended to be sold or consumed in the entity'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 entity'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.

Rental bonds

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.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the 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.

Notes to the Consolidated Financial Statements (continued)

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 Group holds the trade receivables with the objective to collect the contractual cash flows.

The 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.

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 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:

- Plant and equipment 4-12 years
- Leasehold improvements the shorter of the lease term and 15 years
- Motor vehicles 5-7 years
- Computer equipment 3-7 years

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

Intangible assets

Goodwill

Where an entity or operation is acquired in a business combination that is not a common control transaction, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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 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 and other costs directly attributable to 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. 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.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of Shares, Options or Performance Rights over shares, that are provided to employees.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate or the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment.

Notes to the Consolidated Financial Statements (continued)

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum, an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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.

The Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

Issued capital

Ordinary shares are classified as equity.

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

Dividends

Dividends are recognised when declared during the financial year.

Business combinations

The acquisition method of accounting is used to account for business combinations, other than those deemed to be common control transactions, regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date at fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date's fair value. Subsequent changes in the fair value of the contingent consideration, classified as an asset or liability, is recognised in profit and loss or goodwill depending on whether facts and circumstances existed at acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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 Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from a financier under comparable terms and conditions.

The difference between the acquisition date's fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

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

Notes to the Consolidated Financial Statements (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to share holders of Nido Education Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary share outstanding during the financial year, adjusted for bonus elements in ordinary share issued during the financial year.

Diluted earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary share.

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

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

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

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

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

Note 3. Critical accounting judgements, estimates and assumptions

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

Goodwill recoverability

The Group tests goodwill annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to Note 13 for additional information.

Business combinations

As discussed in Note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported. Refer to Note 29 for further information.

Note 4. Operating segments

Identification of reportable operating segments

The Group operates in one segment being Early Childhood Education Services. This is based on the internal reports that are reviewed and used by the Chief Operating Decision Maker ("CODM") in assessing performance and in determining the allocation of resources.

The Group operates in one geographical region being Australia. The operating segment information is the same information as provided throughout these financial statements and therefore not duplicated.

Major customers

During the period ended 31 December 2023, none of the Group's external revenue was derived from one specific customer or group of customers that comprised more than 10% of total revenue.

Note 5a. Revenue

	2023 $'000	2022 $'000
Child care services	86,198	50,572
Management fees	5,574	4,829
Establishment fees	1,600	2,543
Revenue	93,372	57,944

Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

2023	Child care services	Management fees	Establishment fees	Total
Revenue from external customers	86,198	5,574	1,600	93,372
Timing of revenue recognition				
Over time	86,198	5,574	1,600	93,372

2022	Child care services	Management fees	Establishment fees	Total
Revenue from external customers	50,572	4,829	2,543	57,944
Timing of revenue recognition				
Over time	50,572	4,829	2,543	57,944

Notes to the Consolidated Financial Statements (continued)

Assets and liabilities related to contracts with customers

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

	Note	2023 $'000	2022 $'000
Child care advances	15	502	121
Total contract liabilities		**502**	**121**

No information is provided about remaining performance obligations at 31 December 2023 or 31 December 2022 that have an original expected duration of one year or less as allowed by AASB 15.

Note 5b. Other Income

	Note	2023 $'000	2022 $'000
Government grants		2,259	1,194
Other income		**2,259**	**1,194**

Government grants have been received in the form of wage subsidies and to fund certain education programs. There are no unfulfilled conditions or contingencies attached to these grants.

Note 6. Employee benefits expense

	2023 $'000	2022 $'000
Salaries and wages	61,492	38,995
Share-based payment expense	9,770	–
Defined contribution to superannuation plans	5,567	3,451
Employee benefits expense	**76,829**	**42,446**

Note 7. Depreciation and amortisation expense

	2023 $'000	2022 $'000
Property, Plant and Equipment depreciation	518	376
Right-of-use asset amortisation	6,248	4,620
Depreciation and amortisation expense	**6,766**	**4,996**

Note 8. Net finance costs

	2023 $'000	2022 $'000
Interest on borrowings	828	324
Amortisation of borrowing costs	577	–
Interest on lease liabilities	11,033	8,219
Interest income	(109)	–
Net finance costs	**12,329**	**8,543**

Note 9. Income tax expense

	2023 $'000	2022 $'000
Income tax expense		
Current tax	–	–
Deferred tax – origination and reversal of temporary differences	(3,795)	(1,422)
Over/under recognised for prior periods	147	(97)
Aggregate income tax (benefit)	(3,648)	(1,519)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before tax	(21,753)	(8,294)
Tax at the statutory tax rate of 30% (2022: 30%)	(6,526)	(2,488)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income		
Current year tax losses not recognised	1,938	1,040
Over/under recognised for prior periods	147	(97)
Acquisitions and other adjustments	793	26
Income tax benefit	**(3,648)**	**(1,519)**
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	9,927	3,467
Potential benefit at the statutory tax rate of 30%	2,978	1,040
The above potential tax benefit for tax losses has not been recognised in the statement of financial position as the recovery of this benefit is uncertain. Further tax losses incurred by a business acquired during 2023 are being assessed by Nido Education under the similar business test. If the similar business test is passed additional potential benefit from losses will be disclosed.		
Amounts charged directly to equity		
Deferred tax assets (Note 14)	2,310	–

The effective tax rate for the period ended as at 31 December 2023 is 16.8%. (2022: 18.3%).

Notes to the Consolidated Financial Statements (continued)

Note 10. Cash and cash equivalents

	2023 $'000	2022 $'000
Cash at bank	7,319	1,812
Cash at bank – restricted	17,500	–
Term deposits – 1 month	750	500
Cash and cash equivalents	25,569	2,312

Note 11. Trade and other receivables

	2023 $'000	2022 $'000
Trade receivables	1,830	1,260
Less: Provision for impairment of receivables	(46)	(29)
	1,784	1,231
Other receivables	2,169	1,456
Trade and other receivables	3,953	2,687

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

	2023 $'000	2022 $'000
Opening balance	29	13
Additional provisions recognised	71	47
Receivables written off	(54)	(31)
Closing balance	**46**	**29**

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $1,784,000 as at 31 December 2023 (2022: $1,231,000).

Note 12. Property, plant and equipment

	2023 $'000	2022 $'000
Plant and equipment – at cost	1,061	492
Less: Accumulated depreciation	(407)	(106)
	654	**386**
Leasehold improvements – at cost	1,248	552
Less: Accumulated depreciation	(109)	(9)
	1,139	**543**
Motor vehicles – at cost	568	525
Less: Accumulated depreciation	(213)	(102)
	355	**423**
Computer equipment – at cost	934	555
Less: Accumulated depreciation	(585)	(313)
	349	**242**
Construction in progress	–	85
	2,497	**1,679**

Reconciliations

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

	Note	Plant and equipment $'000	Leasehold Improve-ments $'000	Computer equipment $'000	Motor Vehicles $'000	Construction in progress $'000	Total $'000
Opening at 1 January 2023		386	543	242	423	85	1,679
Additions		6	127	175	43	–	351
Additions from business combination		319	535	131	–	–	985
Transfers		85	–	–	–	(85)	–
Depreciation Expense		(142)	(66)	(199)	(111)	–	(518)
Balance at 31 December 2023		**654**	**1,139**	**349**	**355**	**–**	**2,497**

	Note	Plant and equipment $'000	Leasehold Improve-ments $'000	Computer equipment $'000	Motor Vehicles $'000	Construction in progress $'000	Total $'000
Opening at 1 January 2022		174	–	370	331	179	1,054
Additions		296	373	65	182	85	1,001
Transfers		–	179	–	–	(179)	–
Depreciation Expense		(84)	(9)	(193)	(90)	–	(376)
Balance at 31 December 2022		**386**	**543**	**242**	**423**	**85**	**1,679**

Notes to the Consolidated Financial Statements (continued)

Note 13. Intangible assets

	2023 $'000	2022 $'000
Goodwill – at cost	111,126	–
Intangibles assets	111,126	–

Reconciliations

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

	Goodwill $'000	Total $'000
Balance at 1 January 2022	–	–
Balance at 31 December 2022	–	–
Additions through business combination (Note 28)	111,126	111,126
Balance at 31 December 2023	**111,126**	**111,126**

Impairment of non-financial assets, excluding goodwill

The Group's non-financial assets (excluding goodwill) are tested for indicators of impairment as part of the cash generating units (CGUs).

The Group reviewed the key performance indicators of these CGUs, and assessed whether there are triggers that indicate a risk of impairment. As a result of this review, the Group has not identified indicators of potential impairment for CGUs to which the non-financial assets (excluding goodwill) relate.

Impairment test for goodwill

The Group performed its annual goodwill impairment assessment in December 2023. No impairment of goodwill has been identified as result of this assessment.

The goodwill acquired through business combinations is allocated to the group of CGU's which is also the Company's only operating segment. As at 31 December 2023, the goodwill amount allocated to the Child Care Operations group of CGU's was $111,126,000.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The recoverable amount of the group of CGUs is determined based on a value in use calculation using cash flow projections based on approved financial budgets for 2024, and extrapolated using estimated growth rates. The recoverable amount is compared to the carrying value of the assets of the Group.

The cash flow projections are a function of each of the following key assumptions:

- Service occupancy rates which are based on the current market conditions plus anticipated annual increases.
- Service wages which are based on industry award standards and forecast to increased by historically established wage cost as a percentage of revenue which is driven by future growth occupancy.
- Occupancy expenses which are based on current rental payments and increase by forecast rental growth rates.

The pre-tax discount rate applied to the cash flow projections is 12.5%. The discount rate is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both the cost of debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing borrowings of the Company and reflects current market assessments of the time value of money and risks specific to the group of CGU's.

The terminal growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 3%.

Detailed sensitivity testing was performed on the group of CGUs by increasing the pre-tax discount rate from 11.4% to 13.8% and reducing the EBITDA in the first year by 10%, neither of these results in the carrying value exceeding the recoverable amount.

Based on a range of sensitivities applied, any reasonable possible change in assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

Note 14. Deferred tax

2023 $'000	Opening balance at 1 January 2023	Credited/ (charged) to profit and loss 2023	Credited/ (Charged) to equity 2023	Acquisition and other adjustments 2023	Balance at 31 December 2023
Receivables	9	5	–	–	14
Prepayments	(151)	105	–	–	(46)
Employee benefits	670	712	–	422	1,804
Right-of-use assets	(25,739)	879	–	(20,788)	(45,648)
Lease liabilities	27,096	596	–	20,788	48,480
Property, plant and equipment	(182)	67	–	(13)	(128)
Capitalised costs	90	378	2,310	(12)	2,766
Other	228	1,053	–	(66)	1,215
Net temporary differences	2,021	3,795	2,310	331	8,457
Tax losses – revenue	–	–	–	–	–
Deferred tax asset	**2,021**	**3,795**	**2,310**	**331**	**8,457**

Notes to the Consolidated Financial Statements (continued)

2022 $'000	Opening balance at 1 January 2022	Credited/ (charged) to profit and loss 2022	Credited/ (Charged) to equity 2022	Adjustment due to change in tax rate 2022	Balance at 31 December 2022
Receivables	3	5	–	1	9
Prepayments	(10)	(139)	–	(2)	(151)
Employee benefits	460	118	–	92	670
Right-of-use assets	(15,795)	(6,784)	–	(3,160)	(25,739)
Lease liabilities	15,933	7,979	–	3,184	27,096
Property, plant and equipment	(219)	81	–	(44)	(182)
Capitalised costs	130	(66)	–	26	90
Other	–	228	–	–	228
Net temporary differences	502	1,422	–	97	2,021
Tax losses – revenue	–	–	–	–	–
Deferred tax asset	**502**	**1,422**	**–**	**97**	**2,021**

Note 15. Trade and other payables

Current	2023 $'000	2022 $'000
Trade payables	2,923	1,222
Child care advances	502	121
Other payables	3,610	1,168
Trade and other payables	**7,035**	**2,511**

All of the opening contract liabilities all related to child care advances were recognised as revenue during the year. Refer to Note 21 for further information on financial instruments.

Note 16. Employee benefits

Current	2023 $'000	2022 $'000
Annual leave	3,729	1,640
Employee related payables	5,044	1,698
Long service leave	390	117
Employee benefits – current	**9,163**	**3,455**

Non-current	2023 $'000	2022 $'000
Long service leave	119	150
Employee benefits – non current	**119**	**150**

Note 17. Borrowings

Current	2023 $'000	2022 $'000
Secured bank loans	17,987	–
Borrowings – non current	**17,987**	**–**

Non-current	$'000	$'000
Loans from a related party	10,382	12,518
Borrowings – non current	**10,382**	**12,518**

Loans from a related party are drawn from a $15 million facility which matures in 2026. Refer to Note 21 for further information on interest rate and liquidity risk. Secured bank loans were fully drawn at balance date and was due to mature in 2025, however, the loan was repaid in full in January 2024 as disclosed in Note 21.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Note	Loans from a related party	Secured bank loans	Total
1 January 2022		**5,895**	**–**	**5,895**
Proceeds from borrowings		6,299	–	6,299
Interest accrual		324	–	324
31 December 2022		**12,518**	**–**	**12,518**
Proceeds from borrowings		–	17,500	17,500
Interest accrual		341	487	828
Repayment of borrowings		(478)	–	(478)
Conversion of loan to share capital	18	(2,000)	–	(2,000)
31 December 2023		**10,382**	**17,987**	**28,369**

Notes to the Consolidated Financial Statements (continued)

Note 18. Equity – issued capital

	2023 Shares	2023 $'000	2022 Shares	2022 $'000
Ordinary securities – fully paid	227,625,758	125,454	10,000	10

Movements in ordinary share capital

Details	Shares	Issue Price ($)	$'000
31 December 2021	**10,000**	**1.00**	**10**
Issue of share capital	–	–	–
31 December 2022	**10,000**	**1.00**	**10**
Issue of share capital	550	725	398
Share split and capital reorganisation	89,052,352	–	–
Conversion of portion of director's loan to share capital	2,000,000	1.00	2,000
Shares issued as part of the purchase consideration for AE Early School Holdings Pty Ltd	29,271,418	1.00	29,271
Shares issued at IPO	99,165,683	1.00	99,166
Equity raising transaction costs net off tax	–	–	(5,391)
Issue of share capital to the share trust reserved for issue under options	6,358,697	–	–
31 December 2023	**225,858,700**		**125,454**

Ordinary shares

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

Treasury shares

The reserve for the Company's treasury shares comprised the cost of the Company's shares held by the Group. At 31 December 2023, the Group held 1,767,058 of the Company's shares.

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

When the 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 19. Equity – dividends

Dividends

The company has not paid or declared any dividends during the year (2022: nil).

Franking credits

No franking credits were available for distribution as at 31 December 2023 (2022: nil).

Note 20. Equity – reserves

	2023 $'000	2022 $'000
Share-based payments reserve	9,770	–
Equity – reserves	**9,770**	**–**

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and employees as part of their compensation for services.

Movements in reserves

Movements in each class of reserves during the current and previous year are set out below:

	Share-based payments $'000	Total $'000
Balance at 1 January 2022	–	–
Balance at 31 December 2022	–	–
Share-based payment	9,770	9,770
Balance at 31 December 2023	**9,770**	**9,770**

Notes to the Consolidated Financial Statements (continued)

Description of share-based payment arrangements

a) Option Plans

As at 31 December 2023, the Company has an equity-based long term incentive scheme designed to align the interest of Key Management Personnel (KMP) and shareholders over the long-term and retain high performing individuals. Participation in the scheme is at the discretion of the Board and may include employees outside the KMP. The scheme is delivered as Free Options and Premium Options with each option representing a right to one fully paid ordinary security. The Board determines each participant's target quantum and the performance hurdles attaching to each grant. This incentive scheme was implemented on 14 July 2023. Terms of the offers made under the plan in 2023 were:

Term	Free Options	Free Options	Premium Options
Issue price	Nil	Nil	Nil
Exercise price	Nil	Nil	$0.96
Performance conditions	Service only	There are three conditions: 1. Continuing employment/Service; 2. Nido Education must meet or exceed EBITDA targets for the tranche vesting; and 3. Participants have individual performance conditions that must be met.	There are three conditions: 1. Continuing employment/Service; 2. Nido Education must meet or exceed EBITDA targets for the tranche vesting; and 3. Participants have individual performance conditions that must be met.
Vesting dates	16 October 2023, 15 December 2023 or 31 March 2024	31 March 2025, 31 March 2026 and 31 March 2027	31 March 2025, 31 March 2026 and 31 March 2027
Expiry date	12/7/27	12/7/27	12/7/27

The inputs used in the Black Scholes measurement of the fair values at grant date of the Premium Options were as follows:	Weighted average share price	$0.50
	Expected volatility (weighted average)	40%
	Option Life (weighted average)	3.3 years
	Expected dividends	Nil
	Risk free rate	3.91%

Free Options granted to Key Management Personnel and employees

Year/employee entitled	Number of instruments
Free Options granted to Key Management Personnel	
2023	740,000
Free Options granted to Employees	
2023	7,878,297
Total Free Options	**8,618,297**

Premium Options granted to Key Management Personnel and employees

Year/employee entitled	Number of instruments
Premium Options granted to Key Management Personnel	
2023	4,960,000
Premium Options granted to Employees	
2023	5,472,000
Total Premium Options	**10,432,000**

Reconciliation of outstanding Free Options

	Numbers		Weighted Average Fair Value	
	2023	2022	2023	2022
Outstanding at 1 January	–	–	–	–
Granted during the year	8,618,297	–	0.50	–
Forfeited during the year	(538,866)	–	0.50	–
Exercised during the year	(155,452)	–	0.50	–
Cancelled during the year	(2,194,256)	–	0.50	–
Outstanding at 31 December	5,729,723	–	0.50	–
Exercisable at 31 December	1,777,058	–	–	–

Reconciliation of outstanding Premium Options

	Numbers		Weighted Average Fair Value	
	2023	2022	2023	2022
Outstanding at 1 January	–	–	–	–
Granted during the year	10,432,000	–	0.11	–
Forfeited during the year	(65,569)	–	0.11	–
Exercised during the year	–	–	–	–
Cancelled during the year	(2,659,119)	–	0.11	–
Outstanding at 31 December	7,707,312	–	0.11	–
Exercisable at 31 December	–	–	–	–

Notes to the Consolidated Financial Statements (continued)

Expense recognised in statement of profit and loss

The Company has recognised share-based payment expense of $9,770,000.

b) Employee share gift

As a result of the IPO employees were able to participate in an employee gift offer to receive up to $1,000 worth of shares. The shares were issued in December 2023 based on a 5-day VWAP ($0.97428) prior to the offer close date. The shares were gifted at no cost to the employee and were subject to a 3-year holding restriction from grant date.

c) Managing Director performance bonus

As part of the IPO the Managing Director was eligible for a $4,584,770 performance bonus. This was settled in December 2023 with 4,584,770 shares being issued to him.

Note 21. Financial Instruments

	Note	2023 $'000	2022 $'000
Financial assets measured at amortised cost			
Cash and cash equivalents	10	25,569	2,312
Trade and other receivables	11	3,953	2,687
Rental bonds		9,977	4,718
Loan receivable – related party	26	6,109	–
		45,608	**9,717**
Financial liabilities measured at amortised cost			
Trade payables	15	2,923	1,222
Other payables	15	3,610	1,168
Secured bank loan	17	17,987	–
Lease Liabilities	25	161,607	90,329
Loans from a related party	17	10,382	12,518
Deferred consideration	29	8,141	–
		204,650	**105,237**

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The 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 Directors. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits.

Assets pledged as security

The Directors loan and secured bank loan are both secured on the assets and undertakings of the Group.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, which revert to the lessor in the event of default.

Market risk

Foreign currency risk

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

Price risk

The Group is not exposed to any significant price risk due to the competitive nature of the industry.

Interest rate risk

The Group is not exposed to any significant interest rate risk as the related party loans and the secured bank loan are with fixed interest rates..

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Customer credit risk is managed in accordance with the Group's established policy, procedures and control relating to customer credit risk management 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. Outstanding customer receivables and contract assets are regularly monitored.

Borrower credit risk is managed at the executive management level via review of monthly creditor and operational metrics. Outstanding loan receivables are regularly monitored.

An impairment analysis is performed at each reporting date using the general approach measure expected credit losses. The provision rate calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low.

In the event that the 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 Group may obtain guarantees where appropriate to mitigate credit risk.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Liquidity risk

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

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

Notes to the Consolidated Financial Statements (continued)

Remaining contractual maturities

The following tables detail the 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 statement of financial position.

2023	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	–	2,923	–	–	–	2,923
Other payables	–	3,610	–	–	–	3,610
Deferred consideration		8,141				8,141
Interest-bearing						
Related party loans	3.00%	328	328	10,943	–	11,599
Secured bank loan	7.00%	1,225	17,806	–	–	19,031
Lease liability	9.60%	19,748	20,006	61,304	248,022	349,080
Total non-derivatives		**35,975**	**38,140**	**72,247**	**248,022**	**394,384**

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	–	1,222	–	–	–	1,222
Other payables	–	1,168	–	–	–	1,168
Interest-bearing						
Related party loans	3.00%	396	396	13,195	–	13,987
Lease liability	9.60%	10,110	10,763	33,045	135,370	189,288
Total non-derivatives		**12,896**	**11,159**	**46,240**	**135,370**	**205,665**

The Group has repaid the secured bank loan and the related accrued interests in full on 2 January 2024 and expects to repay the related party loan and accrued interest in 2024. This has been discussed in Note 33 Subsequent events. Except for the secured bank loan and the related party loan, 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 22. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of Key Management Personnel of the Company is set out below:

	2023 $'000	2022 $'000
Short-term employee benefits	1,123	330
Post-employment benefits	85	31
Long-term employee benefits	110	–
Share-based payments	5,165	–
Aggregate compensation – Directors & other KMP	**6,483**	**361**

Note 23. Remuneration of auditors

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

	2023 $	2022 $
Audit services		
Audit or review of the financial statements	244,100	129,789
Audit or review of financial statements for IPO	352,734	–
Total audit services	**596,834**	**129,789**
Non audit services		
IPO due diligence and transaction support services	1,207,037	–
Remuneration of auditor	**1,803,871**	**129,789**

Note 24. Commitments and contingencies

Commitments

At 31 December 2023 the group has nil commitments (2022: nil).

Contingent liabilities

The group had no contingent liabilities as at 31 December 2023 (2022: nil).

Guarantees

The Company has given a corporate guarantee as at 31 December 2023 of $9,977,000 (2022: $4,718,000) to lessors in relation to property leases on a number of child care facilities.

Notes to the Consolidated Financial Statements (continued)

Note 25. Leases

Leases as lessee (AASB 16)

The Company leases properties for Education Services. Leases typically run for a period of 10-20 years, with option to renew the lease after that date for another 5-15 years. Lease payments are renegotiated 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 Company is restricted from entering into any sub-lease arrangements.

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

Right-of-use assets

	2023 $'000	2022 $'000
Opening	87,049	63,179
Additions	4,990	28,490
Additions through business combinations	69,294	–
Depreciation expense	(6,248)	(4,620)
Balance at 31 December	**155,085**	**87,049**

Lease liability

	2023 $'000	2022 $'000
Opening	90,329	63,040
Additions	4,990	28,490
Additions through business combinations	69,294	–
Interest expense	11,033	8,219
Lease payments	(14,039)	(9,420)
Balance at 31 December	**161,607**	**90,329**
Current	18,832	10,110
Non-current	142,775	80,219

Future undiscounted lease payments

	2023 $'000	2022 $'000
Less than one year	19,748	10,600
One to five years	81,310	43,808
More than five years	248,022	134,880
	349,080	**189,288**

Amounts recognised in profit or loss

	2023 $'000	2022 $'000
Leases under AASB 16		
Interest on lease liabilities	11,033	8,219
Depreciation on right-of-use assets	6,248	4,620

Amounts recognised in statement of cashflows

	2022 $'000	2022 $'000
Total cash outflow for leases	**14,039**	**9,420**

Extension options

Property leases contain extension options exercisable by the Group before the end of the non-cancellable period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonable certain to exercise the extension options. The 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.

Notes to the Consolidated Financial Statements (continued)

Note 26. Related party transactions

Parent entity

Nido Education Limited is the parent entity of Nido Group.

Subsidiaries

Interests in subsidiaries are set out in Note 29.

Transactions with related parties

Mathew Edwards related parties

Mathew Edwards, a director of the Company, held a joint venture interest in AE Early Learning School Holdings Pty Ltd (AES) which was established in 2022. In April 2022, the Group entered into a Centre Management Deed (the Deed) with AES, a related party. The Group developed and managed Nido branded services on behalf of AES under this Deed. Nido acquired AES as a part of the IPO transaction. Refer to Note 28 for details of the acquisition.

Mathew Edwards, is an Independent Non-Executive director of NAED Holdings Pty Ltd (NAED) which was established in 2023, he does not hold any shares in NAED. Based on the board composition of NAED and contractual arrangements between the Group and NAED, the Group does not control NAED.

In October 2023, the Group entered into a Centre Management Deed (the Deed) with NAED, a related party. The Group develops and manages Nido branded services on behalf of NAED under this Deed. The terms and conditions with the related party are consistent with Centre Management Deeds held with other non-related third party incubator partners.

Mark Kerr related parties

Mark Kerr, a director of the Company, holds an interest in the service Nido Early School Ferntree Gully (Nido FG) which opened in 2023. In October 2023, the Group entered into a Centre Management Deed (the Deed) with Nido FG, a related party. The Group developed and manages the Nido branded service on behalf of its owners under this Deed. The terms and conditions with the related party are consistent with Centre Management Deeds held with non-KMP owned incubator partners.

Summary of Transactions

The following related party transactions occurred during the year ended 31 December 2023:

summary of Transactions	2023 $'000	2022 $'000
Loans received/(repaid) from the director	(478)	6,299
Interest on the director's Loan	341	324
Directors' loan converted to shares	2,000	–
Purchase of share capital	756	–
Rendering of services	2,384	2,057

Receivable from and payable to related parties

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

	2023 $'000	2022 $'000
Trade payables to related parties	(32)	(328)
Trade receivables from related parties	817	–

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	2023 $'000	2022 $'000
Non current borrowings		
Loan from Director	(10,382)	(12,518)
Loan to NAED	6,109	–

Terms and conditions

The loan from the director has a fixed interest rate of 3% and is repayable in 2026.

The loan to NAED has an interest rate of 8% per annum and is repayable to Nido Education in 2029.

Note 27. Parent entity information

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

	Parent	Parent
Statement of profit or loss and other comprehensive income	2023 $'000	2022 $'000
Loss for the period	(13,714)	–
Total comprehensive income	**(13,714)**	**–**

	Parent	Parent
Statement of financial position	2023 $'000	2022 $'000
Total current assets	–	10
Total assets	**117,571**	**10**
Total current liabilities	(8,141)	–
Total liabilities	**(8,141)**	**–**
Equity		
Issued capital	125,454	10
Reserves	9,770	
Accumulated losses	(25,794)	–
Total equity	**109,430**	**10**

Notes to the Consolidated Financial Statements (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no such guarantees as at 31 December 2023 (2022: nil).

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2023 (2022: nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Company, as disclosed in Note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 28. Deed of cross guarantee

Nido Education Limited, Nest Education Finance Pty Ltd, Nest Education Development Pty Ltd, Think Childcare Development Pty Ltd, AE Early School Holdings Pty Ltd, AES Finance (Holdings) Pty Ltd and AES Services (Holdings) Pty Ltd (Relevant Entities) have entered into a deed of cross guarantee with the Company dated 18 December 2023 (as amended from time to time) (Deed of Cross Guarantee) in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (ASIC Instrument).

Subject to compliance with the conditions of that ASIC Instrument, the Relevant Entities are relieved from the requirement to prepare and lodge an audited financial report and directors' report.

The effect of the Deed of Cross Guarantee is that each party to the Deed of Cross Guarantee guarantees the debts of the other parties to the Deed. That liability only arises upon a winding up of a party to the Deed of Cross Guarantee.

Set out below are the consolidated profit or loss and other comprehensive income, statement of financial position and a summary of movements in retained earnings of the entities within the 'closed group' as defined in the Deed of Cross Guarantee (i.e., all of the parties to the Deed of Cross Guarantee).

Consolidated statement of profit or loss and other comprehensive income

	2023 $'000
Revenue	–
Other income	–
Expenses	
Employee benefits	10,027
Transaction costs	3,250
Other	437
Loss before tax	(13,714)
Income tax	–
Loss for the period	(13,714)
Other comprehensive income for the period, net of tax	–
Total comprehensive loss for the period	**(13,714)**

Consolidated statement of financial position

	2023 $'000
Assets	
Current Assets	
Cash and cash equivalents	176
Trade and other receivables	
Total current assets	**176**
Non-current assets	
Loan receivables – related party	6,109
Investment in subsidiaries	113,658
Deferred tax assets	2,310
Total non-current assets	**122,077**
Total assets	**122,253**
Liabilities	
Current liabilities	
Deferred consideration	8,141
Total current liabilities	**8,141**
Non-current liabilities	
Total non-current liabilities	**–**
Total liabilities	**–**
Net assets/(liabilities)	**114,112**
Equity	
Issued capital	125,454
Reserves	9,770
Accumulated deficit	(21,112)
Total equity	**114,112**

Notes to the Consolidated Financial Statements (continued)

Note 29. Business combinations

Current period acquisitions

Summary of acquisition

On 10 October 2023, under an IPO Implementation Deed Nido Education Limited acquired 100% of the ordinary share capital of AE Early School Holdings Pty Limited ("AES") and its subsidiaries which included gaining control over the 24 Education Services owned by AES prior to the acquisition ("AES Acquisition").

Immediately preceding the AES acquisition, AE Development Co Pty Ltd, a joint venture entity formed by Nido Education and AES acquired 13 Education Services centres through Business Sale Agreements with individual vendors which were added to the existing portfolio of 11 Education Services already owned by AES.

The acquisition is in line with the Group's growth strategy which leverages the existing Nido brand to provide high quality child care services at scale. The Group also expects to reduce costs through economies of scale.

At 31 December 2023 the purchase price accounting for the acquisitions is provisional.

Purchase consideration

Total consideration for the acquisitions was $113.7 million. The consideration comprised $76.3 million cash, $8.1 million deferred cash and $29.3 million ordinary share capital which was funded by the Groups IPO. Interest is to be charged on the deferred cash if it is not paid prior to 31 December 2024.

Goodwill

The goodwill is attributable to future value of acquired child care centres and the synergies expected to be achieved from integrating the acquired child care centres into the Group's existing portfolio. No goodwill is expected to be deducted for tax purposes at 31 December 2023.

Revenue and profit contribution

The acquired businesses contributed revenues of $15.5 million to the Group for the period from 10 October to 31 December 2023.

If the acquisition had occurred on 1 January 2023, the Group's consolidated pro-forma revenue and loss before tax for the year ended 31 December 2023 would have been $136.1 million and $23.4 million respectively.

Details of the acquisitions are as follows:

Fair Value

2023	Note	$'000
Other current assets		552
Cash		2,932
Rental bonds		1,797
Property, plant and equipment		985
Trade and other receivables		427
Deferred tax asset		476
Right-of-use asset (ROU)		69,294
Lease liability		(69,294)
Employee benefits		(1,407)
Borrowings		–
Provisions		–
Trade and other payables		(2,622)
Other liabilities		(608)
Net assets acquired		**2,532**
Goodwill	**13**	**111,126**
Acquisition date fair value of the total consideration transferred		**113,658**
Representing:		
Cash paid to vendors		76,246
Shares issued	18	29,271
Deferred consideration	21	8,141
Total consideration		**113,658**

Notes to the Consolidated Financial Statements (continued)

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

The subsidiaries are incorporated in Australia and their principal place of business is also in Australia.

Name	Ownership interest 2023	Ownership interest 2022
AES Finance (Holdings) Pty Ltd	100%	0%
AE Early School Development Co Pty Ltd	100%	0%
AE Early School Holdings Pty Ltd	100%	0%
AES Services (Holdings) Pty Ltd	100%	0%
AES Property Services East Coast Pty Ltd	100%	0%
AES Property Services West Coast Pty Ltd	100%	0%
AES Employee Services Pty Ltd	100%	0%
AES Operations Pty Ltd	100%	0%
AES 3555 Pty Ltd	100%	0%
AES 4133 Pty Ltd	100%	0%
AES 3150 Pty Ltd	100%	0%
AES 3020 Pty Ltd	100%	0%
AES 4165 Pty Ltd	100%	0%
AES 5041 Pty Ltd	100%	0%
AES 5043 Pty Ltd	100%	0%
AES 6101 Pty Ltd	100%	0%
AES 6164 Pty Ltd	100%	0%
AES 6210 Pty Ltd	100%	0%
AES 6036 Pty Ltd	100%	0%
AES 6167 Pty Ltd	100%	0%
AES 6169 Pty Ltd	100%	0%
Kensington SA Early School Pty Ltd	100%	100%
Nest 2171 Pty Ltd	100%	100%
Nest 2290 Pty Ltd	100%	0%
Nest 3034 Pty Ltd	100%	100%
Nest 3150 Pty Ltd	100%	100%
Nest 3550 Pty Ltd	100%	100%
Nest 5017 Pty Ltd	100%	0%
Nest 5041 Pty Ltd	100%	100%
Nest 5096 Pty Ltd	100%	0%
Nest 6031 Pty Ltd	100%	100%
Nest 6101 Pty Ltd	100%	100%
Nest 6108 Pty Ltd	100%	100%
Nest 6112 Pty Ltd	100%	100%
Nest 6164 Pty Ltd	100%	100%
Nest AE Pty Ltd	100%	100%

Name	Ownership interest 2023	Ownership interest 2022
Nest Education Development Pty Ltd	100%	100%
Nest Early Education Services Pty Ltd	100%	100%
Nest Education Finance Pty Ltd	100%	100%
Nest Employee Services Pty Ltd	100%	100%
Nest Management Pty Ltd	100%	100%
Nest Operations Pty Ltd	100%	100%
Nest Property Services East Coast Pty Ltd	100%	100%
Nest Property Services West Coast Pty Ltd	100%	100%
Nest WA Operations Pty Ltd	100%	100%
Nido Education Finance Pty Ltd	100%	100%
Nido Employee Services Pty Ltd	100%	100%
Nido Operations Pty Ltd	100%	100%
Nido Property Services East Coast Pty Ltd	100%	100%
Nido Property Services West Coast Pty Ltd	100%	100%
Nido Services Pty Ltd	100%	100%
Think 2 Franklin Nul Pty Ltd	100%	100%
Think 3 Essendon Ral Pty Ltd	100%	0%
Think 6 Coogee Pin Pty Ltd	100%	100%
Think 3 Cheltenham Ber Pty Ltd	100%	0%
Think 6 Kensington Fou Pty Ltd	100%	100%
Think 3 Sandringham Bay Pty Ltd	100%	0%
Think Childcare 2171 Pty Ltd	100%	100%
Think Childcare 3006 Pty Ltd	100%	100%
Think Childcare 3024 Pty Ltd	100%	100%
Think Childcare 3040 Pty Ltd	100%	100%
Think Childcare 3058 Pty Ltd	100%	0%
Think Childcare 3083 Pty Ltd	100%	100%
Think Childcare 3085 Pty Ltd	100%	100%
Think Childcare 3204 Pty Ltd	100%	0%
Think Childcare 3930 Pty Ltd	100%	100%
Think Childcare 5013 Pty Ltd	100%	100%
Think Childcare 5035 Pty Ltd	100%	100%
Think Childcare 5044 Pty Ltd	100%	100%
Think Childcare 5076 Pty Ltd	100%	0%
Think Childcare 5097 Pty Ltd	100%	0%
Think Childcare 5112 Pty Ltd	100%	100%
Think Childcare 5121 Pty Ltd	100%	0%
Think Childcare 5125 Pty Ltd	100%	100%
Think Childcare 6016 Pty Ltd	100%	100%
Think Childcare 6025 Pty Ltd	100%	100%

Notes to the Consolidated Financial Statements (continued)

Name	Ownership interest 2023	Ownership interest 2022
Think Childcare 6028 Pty Ltd	100%	100%
Think Childcare 6055 Pty Ltd	100%	0%
Think Childcare 6112 Pty Ltd	100%	100%
Think Childcare 6148 Pty Ltd	100%	0%
Think Childcare 6164 Pty Ltd	100%	100%
Think Childcare 6165 Pty Ltd	100%	100%
Think Childcare 6166 Pty Ltd	100%	100%
Think Childcare 6173 Pty Ltd	100%	100%
Think Childcare 6308 Pty Ltd	100%	0%
Think Childcare Development Pty Ltd	100%	100%
Think Childcare Services Pty Ltd	100%	100%
Think Ellenbrook 6069 Pty Ltd	100%	100%
Think Paradise 5075 Pty Ltd	100%	100%
Think Rosanna 3084 Pty Ltd	100%	0%
Tildamo Childcare 3032 Pty Ltd	100%	100%
Tildamo Childcare 3226 Pty Ltd	100%	100%
Tildamo Childcare 5052 Pty Ltd	100%	100%
Tildamo Childcare 6021 Pty Ltd	100%	100%

Note 31. Reconciliation of profit after income tax to net cash from operating activities

	2023 $'000	2022 $'000
Profit for the period	(18,105)	(6,775)
Adjustments for:		
Depreciation and amortisation	6,766	4,996
Finance income	(109)	–
Finance costs	828	324
Share-based payments	9,770	–
Transaction costs net of taxation	5,560	–
Change in operating assets and liabilities:		
Increase in trade and other receivable	(856)	(919)
Increase in deferred tax assets	(5,960)	(1,519)
Increase in other assets	(3,184)	(1,370)
Increase in trade and other payables	(385)	2,212
Increase in employee benefits	5,968	389
Net cash from operating activities	293	(2,662)

Note 32. Earnings per share

	Note	2023 $'000	2022 $'000
Total comprehensive income attributable to:			
Members of Nido Education Limited		(18,105)	(6,775)

	Number	Number
Weighted average number of shares used in calculating basic earnings per share	114,265,946	84,419,812
Weighted average number of shares used in calculating diluted earnings per share	114,265,946	84,419,812

Earnings per share	Cents	Cents
Basic	(15.84)	(8.03)
Diluted	(15.84)	(8.03)

The weighted average number of shares assumes the 2023 share split had occurred as at the beginning of the comparative period to enable the earnings per share to be comparable between the two periods. Refer to Note 18 for details of the share split. Dilutive earnings per share is equal to basic earnings per share. As at 31 December 2023, 13,763,252 options were excluded from the dilutive weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

Note 33. Events after the reporting period

On 2 January 2024, the Company repaid the $17.5 million loan drawn prior to IPO and Listing to ensure that it is compliant with the ASX listing requirement to have a minimum working capital surplus of $1.5 million. The Group's restricted cash was used to make the repayment. The loan had a facility limit of $17.5 million and a term of 18 months.

On 8 February 2024, the Group signed binding agreements to establish financing facilities comprising of a corporate market loan with a $25 million facility limit and bank guarantee facility with a $12 million facility limit. Both facilities have a 3 year term. Completion of the financing occurred on 16 February 2024. These new facilities will be used to repay the Group's existing related party loan and provide the group with additional debt capacity to fund acquisitions and for working capital requirements.

Other than the above, no matter or circumstance has arisen since 31 December 2023 and up to the date of this report that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial periods.

Lead Auditor's Independence Declaration

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nido Education Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Nido Education Limited for the financial year ended 31 December 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul Thomas

Partner

Sydney

19 February 2024

70

Independent Auditor's Report

Independent Auditor's Report

To the shareholders of Nido Education Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Nido Education Limited (the Group).

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

- giving a true and fair view of the ***Group***'s financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the group comprises:

- Consolidated Statement of financial position as at 31 December 2023
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes, including material accounting policies
- Directors' Declaration.

The ***Group*** consists of Nido Education Limited and the entities it 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 Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent Auditor's Report (continued)

Key Audit Matters

The ***Key Audit Matters*** we identified for the Group are:

- Recoverability of goodwill
- Accounting for acquired businesses

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill ($111.1m)

Refer to Note 13 'Intangible assets' to the Financial Report

The key audit matter	How the matter was addressed in our audit
A key audit matter for us was the Group's annual testing of goodwill for impairment, given the size of the balance (being 34% of total assets). Certain conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focused on the significant forward-looking assumptions the Group applied in their value in use model for the Child Care Operations Cash Generating Unit (CGU), including: • Forecast service occupancy rates - We focused on forecast service occupancy rates as these drive the forecast operating cash flows, underlying forecast growth rate and terminal growth rate assumptions. Their importance to the modelling is critical as the model is highly sensitive to these assumptions. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. • Discount rate - these are complicated in nature and vary according to the conditions and environment specific to the CGU. The Group's modelling is sensitive to small changes in the discount rate. The Group uses a complex model to perform their annual testing of goodwill for impairment. The model is largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions including the IPO prospectus. Complex modelling, using forward-looking assumptions tend to be prone to greater risk for	Our procedures included: • We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We, along with our valuation specialists, assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas. • We compared the forecast cash flows contained in the value in use model to the forecast in the Prospectus which was issued publicly on 20 September 2023. • We assessed the accuracy of previous forecasts to inform our evaluation of forecasts incorporated in the model. • We considered the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal growth rate and discount rate, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • We assessed forecast service occupancy rates against publicly available industry studies of average occupancy by location, which the Group adjusted for their specific locations.

KPMG

<table>
<tr>
<td>potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.

The Group restructured and acquired a number of businesses during the year, necessitating our consideration of the Group's:
determination of CGUs, based on the smallest group of assets to generate largely independent cash inflows; and
allocation of goodwill to the group of CGUs to which they belong based on the management and monitoring of the business.
We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</td>
<td>We challenged the Group's significant forecast cash flows by comparing to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience.
Working with our valuation specialists we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in.
We considered the Group's determination of their CGUs based on our understanding of the operations of the Group's business, impact of the restructure and acquisitions, and how independent cash inflows were generated, against the requirements of the accounting standards.
We analysed the impact of the restructure and acquisitions, and the Group's internal reporting to assess the Group's monitoring and management of activities, and the consistency of the allocation of goodwill to the Child Care Operations group of CGUs. We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.</td>
</tr>
<tr>
<td colspan="2">Accounting for acquired businesses</td>
</tr>
<tr>
<td colspan="2">Refer to Note 29 'Business combinations' to the Financial Report</td>
</tr>
<tr>
<td>The key audit matter</td>
<td>How the matter was addressed in our audit</td>
</tr>
<tr>
<td>The Group's acquisition of 24 child care centres as a part of the IPO on 16 October 2023 for consideration of $113.7 million, represents a significant series of acquisitions.

This was a key audit matter due to the combined size of the acquisitions, the pervasive impact on the financial statements, and consequently required significant audit effort and senior team involvement.

Significant judgement was required by us in</td>
<td>Our procedures included:
We read the Business Acquisition Contracts and related key acquisition transactions documents to:
Understand the key terms and conditions of the acquisitions; and
Assess the acquisitions against the criteria of a business combination in the accounting standards.</td>
</tr>
</table>

Independent Auditor's Report (continued)

assessing the Group's determination of the fair value of acquired assets and liabilities, in particular lease assets and liabilities.	• We evaluated the assumptions and methodology in management's determination of the fair value of assets acquired and liabilities assumed. • We assessed the fair value of employee benefits liability to underlying contractual arrangements such as employee contracts. • We assessed the fair value of acquired lease assets and liabilities by comparing the lease liability calculation to the remaining contractual arrangements under the respective lease agreements. We also assessed the incremental borrowing rate by the Group to determine the fair value at acquisition date by comparing to underlying accounting records. We assessed the Group's disclosures in respect of business combinations with reference to the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Nido Education Limited's annual report which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Nido Education Limited are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of Nido Education Limited are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *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 Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

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

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 14 - 24 of the Directors' report for the year ended 31 December 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Paul Thomas

Partner

Sydney

19 February 2024

Corporate Directory

Directors

Mark Kerr

Mathew Edwards

Joe Dicks

Vanessa Porter

Company Secretary

Tony Amato

Registered Office

Nido Education Limited

Suite 3, 1 Park Avenue
Drummoyne, NSW 2047

Share Registry

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067

Legal Advisers

MinterEllison

Collins Arch
Level 20, 447 Collins Street
Melbourne, VIC 3000

Auditors

KPMG Australia

Level 38, International Towers Three
300 Barangaroo Avenue
Sydney, NSW 2000

Company website

www.nidoeducation.edu.au

This page has been left blank intentionally.

nido
Education Limited

BRINGING LEARNING TO LIFE.