Appendix 4E
Preliminary Final Report

G8 Education ltd

The following sets out the requirements of Appendix 4E and should be read in conjunction with the attached 2014 Annual Report.

Company details

Name of entity:	G8 Education Limited
ABN:	95 123 828 553
Reporting period:	31 December 2014
Previous corresponding period:	31 December 2013

Results for announcement to the market

	Percentage Change Up or Down	%		$'000
Revenue from ordinary activities	Up	79	to	491,288
Profit from ordinary activities after tax attributable to members	Up	70	to	52,731
Profit for the period attributable to members	Up	70	to	52,731

Dividends	Amount per Security	Franked amount per security
March 2014 Interim Dividend - paid	3.5 cents	100%
June 2014 Interim Dividend - paid	4.5 cents	100%
September 2014 Interim Dividend - paid	5.0 cents	100%
December 2014 Interim Dividend - paid	6.0 cents	100%

At the date of signing the consolidated entity has declared an interim dividend of 6.0 cents per share fully franked with a record date of 29 December 2014, which is payable on 21 January 2015. G8 Education pays dividends quarterly therefore, there is no final dividend to declare.

Dividend reinvestment plan

The following dividend or distribution plans are in operation:

The Dividend Reinvestment Plan which can be downloaded from:
http://g8education.edu.au/about-us/corporate-governance/

The last date for receipt of an election notice for participation in any dividend reinvestment plan was: 30 December 2014

Net Tangible Assets (NTA)

	December 2014	December 2013
Net Tangible Assets per security	(82.8 cents)	(8.0 cents)

The Company acquired 203 child care centres and divested one child care centre in the 12 months ended 31 December 2014. The total number of centres at year end was 455. As a result the comparatives shown in the financial report are not directly comparable. G8 Education Limited does not have a large tangible asset base as it is a service organisation. NTA is low as G8 Education Limited's value is derived from its ability to generate future profits.

Financial and operating highlights

	Consolidated Group
Average number of centres in year	357
Number of owned centres at year end	455
Licence capacity of owned centres at year end	32,782 per day
Total number of employees at year end	9,705
Total number of full time equivalent employees at year end	6,388

Consolidated Year end 31 December	2014 $'000	2013 $'000	Variance (%)
Revenue	491,288	275,165	79%
Expenses	(384,087)	(225,776)	70%
Earnings Before Interest and Tax	**107,201**	**49,389**	**117%**
Financing Cost	(34,640)	(4,790)	623%
Net Profit Before Tax	72,561	44,599	63%
Net Profit After Tax	**52,731**	**31,072**	**70%**
Less non-operating transactions:			
Deferred consideration not paid*	(9,178)	(550)	
Acquisition expenses	3,354	1,546	
Share based payment expense*	107	208	
Write off of borrowing costs on refinance^	566	-	
Foreign currency translation loss*^	13,033	-	
Underlying Net Profit After Tax	**60,613**	**32,276**	**88%**
Underlying EPS (cents per share)	18.57	11.72	58%
Underlying Earnings Before Interest and Tax	101,484	50,593	101%

* These items are non-cash adjustments.

^ These items have been tax effected.

Explanation of results

Refer to the attached Chairperson's Report and Managing Director's Report on page 7 to page 8 of the Annual Report.

Additional information

Additional Appendix 4E disclosure requirements can be found in the attached Annual Report.

Compliance statement

This report is based on the financial report that has been audited by G8 Education Limited's external auditors.

Christopher Scott
Managing Director
16 February 2015

G8 Education ltd

Annual Report

2014

BRANDS

Sandcastles	THE LEARNING SANCTUARY A safe place for children to grow	Eclipse Early Education Group
Community KIDS	Kindy Patch Kids Your Child Is Our Priority	Creative Garden Early Learning
LITTLE EINSTEIN'S EARLY LEARNING CENTRE	FirstGrammar Early Education Centres	GREAT BEGINNINGS EARLY EDUCATION FOR LIFE
NurtureOne "Nurturing Enquiring Minds"	headstart EARLY LEARNING CENTRES	World of Learning
Pelican Childcare Early Learning Centres CHILDCARE WITH A CONSCIENCE™	Casa Bambini Early Education Centre	Penguin Childcare Early Learning Centres BETTER BEGINNINGS - BETTER FUTURES
koolkids early learning centres	BAMBINO'S KINDERGARTEN 0-5 YEARS	buggles early learning and kindy
Kinder Haven Committed to growing the whole child	Early Learning Services Committed to Child Care	jellybeans Child Care & Kindy

MISSION

Our mission is to be Australia's leading provider of high quality, developmental and educational child care services. We seek to achieve this through our four pillars for growth and sustainability:

Quality Education & Care

To nurture and develop childrens' minds, social skills and confidence in a safe and stimulating environment.

Employees

To commit to employee development and a rewarding culture which will ensure an engaged and driven workforce.

Community

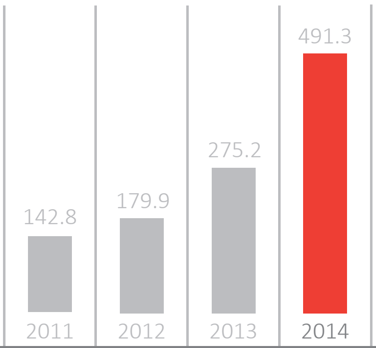
To be responsive to local families and deliver upon community expectations.

Profitability

To grow and derive value for shareholders through innovative services, systems and management.

CONTENTS

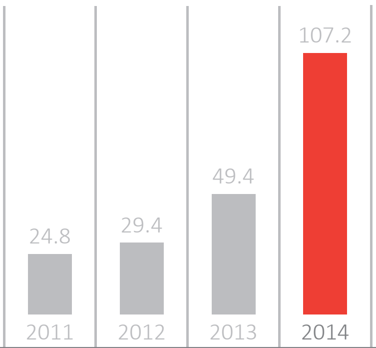
AT A GLANCE



Revenue
$491.3m

REVENUE $491.3m

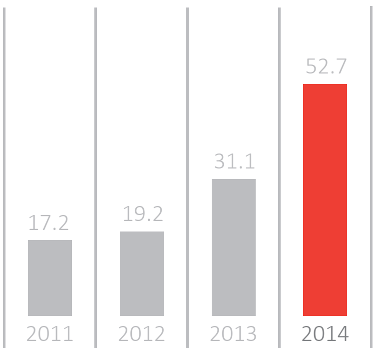
↑79%



Earnings Before Interest and Tax
$107.2m

EBIT $107.2m

↑117%



Net Profit After Tax
$52.7m

NPAT $52.7m

↑70%

ACQUISITIONS

Acquired 203 centres during CY14 growing the portfolio by 81% to 455

Chairperson's Report

Dear Shareholders,

On behalf of the Board, I am pleased to present the G8 Education Limited 2014 Annual Report.

Our core strategies, of disciplined acquisition and operational excellence, combined with exceptional execution, have cemented our position as a leading early child care provider.

Over the course of the year the Group acquired 203 childcare and education centres. The additions were predominantly premium centres located where demand for quality care services continues to be strong.

The Group now owns 455 child care centres, with a combined license capacity of 32,782 children per day.

As an organisation our aim is to ensure that our commitment to our children and families is delivered in a manner consistent with the expectations placed upon us.

We continue to invest heavily in our people, our learning environments and our curriculum. We recognise that exceptional results for our children can only be achieved if we as an organisation are operating at maximum efficiency, both operationally and financially.

From a financial perspective, the Group achieved another year of record results. Revenues increased 79% to $491.3 million, earnings before interest and tax rose 117% to $107.2 million and net profit after tax by 70% to $52.7 million.

These exceptional financial results are testament to the ability and hard work of our executive, head office team and centre based staff.

Being an efficient and effective operator enables us to be efficient investors and the more we invest the more we are able to ensure that our centres present the very best learning environments for our children and families.

As we look to the future, we feel strongly that acquisition opportunities remain attractive, our operational model effective and the pending adjustments to the sector, as proposed by the Government's Productivity Commission, constructive.

2015 is likely to be another exciting year for the Group.

On behalf of the Board, I would like to take this opportunity to thank all of our shareholders for their ongoing support in 2014.

Jenny Hutson.

Jennifer Hutson
Chairperson

Managing Director's Report

Strong portfolio growth

Over the course of 2014 the Group acquired 203 new child care centres and a further 13,697 licensed places per day.

Within this total were 91 premium childcare and education centres acquired as part of the Group's first major corporate transaction with the acquisition of Sterling Early Education in March 2014.

Our acquisition strategy continued to focus on disciplined consolidation where occupancy and therefore earnings are optimised.

By year end, the Group's portfolio comprised of 455 centres and 32,782 licensed places per day, an increase of 81% and 72% respectively on 2013.

Exceptional operational performance

The Group's operational performance in 2014 was exceptional.

Our team of 52 dedicated operations professionals and over 9,000 centre based staff worked tirelessly to ensure that the Group was delivering the highest standard of service possible to our families and their children.

Occupancy levels continued to build and staff turnover continued to fall. These important metrics of family satisfaction and employee satisfaction are very heartening and testament to the strength of the Group's culture and the effectiveness of the team's operational capability.

Financial results

2014 was a year of strong financial performance.

Revenues rose to $491.3m, up 79% and net profit after tax rose 70% to $52.7m.

The Group's ability to consistently generate strong financial performance is encouraging and highlights the quality and sustainability of the company's business model.

Proactive capital management

2014 was another year of active and successful participation in the capital markets.

In total, $470m of new capital was raised of which $200m was equity and $270m was corporate debt.

Outlook for 2015

The childcare sector in Australia continues to exhibit a high degree of fragmentation and favourable underlying fundamentals. The opportunity for disciplined acquisitions remains significant.

The Group is well positioned to continue to execute its core strategies in 2015.

Christopher Scott
Managing Director

Key Operational Information

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Number of owned centres at year end	455
Licence capacity of owned centres at year end	32,782 per day
Total number of employees at year end	9,705
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Underlying Net Profit After Tax Reconciliation

Consolidated Year end 31 December	2014 $'000	2013 $'000	Variance
Revenue	491,288	275,165	79%
Expenses	(384,087)	(225,776)	70%
Earnings Before Interest and Tax	**107,201**	**49,389**	**117%**
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Underlying Earnings Before Interest and Tax	**101,484**	**50,593**	**101%**

* These items are non-cash adjustments.
^ These items have been tax effected.

SECTION 01

Directors' Report and Corporate Governance Statement

Directors' Report

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of G8 Education Limited and the entities it controlled at the end of, or during, the year ended 31 December 2014.

All of the following persons were Directors of G8 Education Limited during the whole of the financial year and up to the date of this report.

Jennifer Hutson

B.Com, LLB, FAIM

Chairperson
Independent
Non-Executive
Director since
25 March 2010

Age 47

Jenny Hutson is an investment banker and fund manager. She is an experienced corporate adviser and Company Director. She has over 20 years' experience in advising listed companies on capital raisings, mergers and acquisitions, finance and governance issues. She was previously Chairperson of S8, Harvey World Travel and Travelscene American Express and a Director of the Royal Children's Hospital Foundation and the centenary committee for Surf Life Saving Australia.

Special responsibilities: Chair of the Board, Member of Audit and Risk Management Committee and Nomination and Remuneration Committee.

Christopher Scott

B.Econ (Hons)

Managing Director
Executive Director
since 25 March
2010

Age 67

Chris Scott has over 25 years' experience in senior management positions. He has spent over 30 years in business in Singapore where he was involved in a number of successful businesses.
Chris was also the founder and Managing Director of ASX listed S8 which was an integrated travel Company that made 36 acquisitions over 5 years and was capitalised at $700 million. His operational, analytical and strategic skills are critical in the selection of potential acquisitions.

Special responsibilities: Managing Director.

Brian Bailison

B.Com., B.Acc
(Cum Laude), ACA

Non-Executive
Director since
25 March 2010

Age 44

Brian Bailison has over 20 years' experience in finance, corporate finance and operations from senior roles in listed and unlisted businesses in South Africa and Australia, including senior positions at Rand Merchant Bank Limited (South Africa's largest bank-assurance business), the Ivany Investment Group (diversified investment Group) and Payce Consolidated Limited which operated 59 child care centres prior to them becoming part of the Group.

Special responsibilities: Member of Audit and Risk Management Committee and Nomination and Remuneration Committee.

Andrew Kemp

B.Com., CA

Non-Executive
Director since
15 March 2011

Age 63

Andrew Kemp is the Managing Director of Huntington Group, a Queensland based advisory firm. Andrew has structured and implemented the ASX listing of over 10 companies in addition to other corporate advisory and investment activities. Andrew joined AIFC, the merchant banking affiliate of the ANZ Banking Group in Sydney and then opened AIFC's Queensland office in 1979. He established Huntington Group in 1987.

Special responsibilities: Chair of Audit and Risk Management Committee.

Other current listed public Company Directorships:

PTB Group Limited (appointed August 2006) and Silver Chef Limited (appointed February 2005).

Former listed public Company Directorships in the last three years:

Trojan Equity Limited (appointed March 2005 and ceased March 2013).

Susan Forrester

BA, LLB (Hons)
EMBA, FAICD

Non-Executive
Director since
1 November 2011

Age 47

Susan Forrester is an experienced Company Director with a diverse portfolio career. She has a significant blend of commercial, financial and legal management experience gained across public and private organisations. She is currently a Director of Healthdirect Australia Limited and is the Chairperson of Oncore Group Holdings and Propell National Valuers. She also leads the Strategy Practice of Board Matters Pty Ltd, where she provides expert advice to listed and unlisted Boards on Board governance, executive and strategy issues.

Special responsibilities: Chair of the Nomination and Remuneration Committee.

Chief Executive Officer

Jason Roberts is the Chief Executive Officer. He is responsible for managing the external and internal operations of the Group and providing consistent high level advice to the Board on operations, policy and planning.

Jason has 20 years' experience in finance, capital markets and executive management roles. He has worked in several international jurisdictions over the course of his career and is a qualified Chartered Financial Analyst.

Company Secretary

Chris Sacre is the Company Secretary and Chief Financial Officer. He is responsible for financial management including reporting, forecasting, centre acquisitions and operational management.

Chris' formal qualifications include a Bachelor of Business and a Graduate Diploma in Applied Finance. Chris is a Chartered Accountant and a Fellow member of the Financial Services Institute of Australasia and has been involved in the child care industry for eight years.

Principal activities

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

- Operation of child care centres owned by the Group; and
- Ownership of child care centre franchises.

There has been no significant change to the Group's activities during the financial year ended 31 December 2014.

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Chairperson and Managing Director's Report.

Significant changes in the state of affairs

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

- Acquired an additional 203 child care centres in Australia;
- Contributed equity increased by $246.4 million (from $302 million to $548.4 million) as a result of two share placements, a share purchase plan and the dividend reinvestment plan. Details of the changes in contributed equity are disclosed in note 20 of the financial statements;
- The Group raised SGD$260 million through the issue of corporate bonds in Singapore (details are included in note 2); and
- The Group raised AUD$50 million through the issue of a corporate bond in Australia in March 2014 (details are included in note 2).

Matters subsequent to the end of the financial year

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

- The Group announced the proposed acquisition of 12 child care centres for $36.0 million with $29.9m payable at settlement and a further payment of $6.1 million conditional upon the centre based EBIT target being achieved in the 12 month post settlement.

Likely developments and expected results of operations

The Group will continue to pursue it's objectives of increasing the profitability and the market share of its child care business during the next financial year. This will be achieved through organic and acquisition led growth.

Further information about the likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Dividends

Dividends declared or paid during the financial year were as follows:

	2014 $'000	2013 $'000
Dividend for the quarter ended 31 March 2014 of 3.5 cents per share (2013: 2.5 cents per share) paid on 10 April 2014 (2013: Paid on 11 April 2013).	10,560	6,773
Dividend for the quarter ended 30 June 2014 of 4.5 cents per share (2013: 3.0 cents per share) paid on 9 July 2014 (2013: Paid on 10 July 2013).	14,892	8,165
Dividend for the quarter ended 30 September 2014 of 5.0 cents per share (2013: 3.0 cents per share) paid on 10 October 2014 (2013: Paid on 11 October 2013).	16,604	8,202
Dividend for the quarter ended 31 December 2014 of 6.0 cents per share (2013: 3.5 cents per share) paid on 21 January 2015 (2013: Paid 10 January 2014).	21,221	10,509

Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2014, and the number of meetings attended by each Director were:

	Full meetings of Directors		Audit and Risk Management Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
J Hutson	11	11	2	2	1	1
C Scott	11	11	*	*	*	*
B Bailison	10	11	2	2	1	1
A Kemp	10	11	2	2	*	*
S Forrester	10	11	*	*	1	1

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year
* = Not a member of the relevant committee

Environmental regulation

The Group is subject to and complies with environmental regulations under State Legislation in the management of its operations. The Group does not engage in activities that have particular potential for environmental harm.

No incidents have been recorded and the Directors are not aware of any environmental issues which have had, or are likely to have, a material impact on the Group's business.

Remuneration Report

The Directors are pleased to present the G8 Education Limited 2014 Remuneration Report which sets out remuneration information for the Company's Non-Executive Directors, Executive Directors and other Key Management Personnel.

The report contains the following sections:

- Key Management Personnel disclosed in this report;
- Remuneration governance;
- Use of remuneration consultants;
- Executive remuneration policy and framework;
- Relationship between remuneration and G8 Education Limited performance;
- Non-Executive Director remuneration policy;
- Voting and comments made at the Company's 2013 Annual General Meeting;
- Details of remuneration;
- Service agreements;
- Details of share-based compensation and bonuses;
- Equity instruments held by Key Management Personnel; and
- Loans to Key Management Personnel.

(a) Key Management Personnel disclosed in this report

Non-Executive and Executive Directors (see page 13 for details about each Director)

- J Hutson
- C Scott
- A Kemp
- B Bailison
- S Forrester

Other Key Management Personnel

Name	Position
J Roberts	Chief Executive Officer (appointed 1 April 2014)
C Sacre	Company Secretary and Chief Financial Officer
J Fraser	General Manager of Operations (until his resignation on 29 August 2014)

(b) Remuneration governance

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework;
- operation of the incentive plans which apply to Executive Directors and Senior Executives (the executive team), including key performance indicators and performance hurdles;
- remuneration levels of executives; and
- Non-Executive Director fees.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

The Corporate Governance Statement provides further information on the role of this committee.

(c) Use of remuneration consultants

During 2014 the Group did not engage any remuneration consultants.

(d) Executive remuneration policy and framework

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

The executive remuneration framework has two components:

- base pay and benefits, including superannuation; and
- long-term incentives.

Base Pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executives' pay is competitive with the market and comparable to other companies of similar operational complexity and market capitalisation as G8 Education Limited. The salary levels were determined by analysing other listed public companies in the ASX 200 index to ensure that the Group's executive pay structure is market based. An executive's remuneration is also reviewed on promotion.

There are no guaranteed base pay increases included in any executive contracts.

Benefits

There were no performance bonuses paid during the year to any Executive Directors or other Key Management Personnel.

(e) Relationship between remuneration and G8 Education Limited performance

The following table shows key performance indicators for the Group over the last three years:

	2014 $'000	2013 $'000	2012 $'000
Profit attributable to owners of the Company	52,731	31,072	19,209
Underlying profit attributable to owners of the Company	60,613	32,276	19,730
Dividends paid or provided for	63,277	33,649	15,087
Revenue from continuing operations	482,110	274,615	174,808
Total KMP remuneration as percentage of underlying profit for the year	3.30%	4.61%	8.36%

The Group's underlying profit from ordinary activity after income tax has increased by 236% from CY12 to CY14. During the same period senior executive compensation has increased by 21%.

(f) Non-Executive Director remuneration policy

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company. The agreement summarises the Board policies and terms, including remuneration, relevant to the office of Director.

Non-Executive Directors receive a Board fee and fees for chairing or participating on Board committees. The table on the following page details the Group's fee structures in this area.

They do not receive performance-based pay. The Chair does not receive additional fees for participating in or chairing committees.

Fees are reviewed annually by the Board taking into account comparable roles and market data. The current base fees were reviewed with effect from March 2014.

The maximum annual aggregate Directors' fee pool limit is $500,000 and was approved by shareholders at the Annual General Meeting in December 2007.

The following fees, exclusive of superannuation, have applied since March 2014.

Base Fees		
Chairperson	$145,000	per annum
Non-Executive Directors	$55,000	per annum
Additional Fees		
Audit and Risk Management Committee Chairperson	$10,000	per annum
Nomination and Remuneration Chairperson	$10,000	per annum

Executive Pay

The executive pay currently has two components being base and benefits, including superannuation.

(g) Voting and comments made at the Company's 2013 Annual General Meeting

G8 Education Limited unanimously passed the remuneration report on a show of hands for the 2013 financial year. The Company did not receive any specific feedback at the Annual General Meeting on its remuneration practices.

(h) Details of remuneration

The following tables show details of the remuneration received by the Group's Key Management Personnel for the current and previous financial year.

Directors and Key Management Personnel of G8 Education Limited:

2014	Short term employee benefits	Post Employment benefits	Share based payment	Termination payments	Total
Name	Cash salary & fees	Superannuation			
Non-Executive Directors					
J Hutson, Chairperson	138,876	13,027	-	-	151,903
B Bailison	54,091	5,072	-	-	59,163
A Kemp	59,361	5,639	-	-	65,000
S Forrester	54,091	5,072	-	-	59,163
Executive Director					
C Scott, Managing Director	609,553	57,907	-	-	667,460
Other Key Management Personnel					
J Roberts, CEO (appointed 1 April 2014)	230,598	18,310	-	-	248,908
C Sacre, Company Secretary and CFO *	350,000	29,784	58,000	-	437,784
J Fraser, GM Operations* (resigned 29 August 2014)	173,077	17,977	48,649	70,791	310,494
Total	**1,669,647**	**152,788**	**106,649**	**70,791**	**1,999,875**

* Share based payments costs relates to a fair value adjustment between value of shares as per loan agreement and the value of the shares on the date they were issued (refer to note 23 for further details).

During the year no portion of the Directors or Key Management Personnel's remuneration was contingent on performance hurdles. This is consistent with 2013.

2013	Short term employee benefits	Post Employment benefits	Share based payment	Termination payments	Total
Name	Cash salary & fees	Superannuation			
Non- Executive Directors					
J Hutson, Chairperson	88,733	8,105	-	-	96,838
B Bailison	44,366	4,052	-	-	48,418
A Kemp	54,754	4,996	-	-	59,750
S Forrester	44,366	4,052	-	-	48,418
M Reynolds (retired 30 April 2013)	14,000	1,246	-	-	15,246
Executive Director					
C Scott, Managing Director	439,554	4,936	-	-	444,490
Other Key Management Personnel					
K Lacey, CEO (resigned on 16 Jan 2013)	12,663	4,118	-	50,000	66,781
C Sacre, Company Secretary & CFO*	263,846	21,685	133,893	-	419,424
J Fraser, GM Operations*	184,039	16,516	89,262	-	289,817
Total	**1,146,321**	**69,706**	**223,155**	**50,000**	**1,489,182**

* Share based payments costs relates to a fair value adjustment between value of shares as per loan agreement and the value of the shares on the date they were issued (refer to note 23 for further details).

(i) Service agreements

Remuneration and other terms of employment for the Managing Director, Chief Executive Officer and the Chief Financial Officer are formalised in agreements which have a provision for bonuses and other benefits which may be granted from time to time by the Board of Directors.

Contracts with Executives may be terminated by either party with up to three months' notice.

C Scott, Managing Director

Term of agreement - on going, commenced March 2010, with a three month notice period. Base salary, exclusive of superannuation, of $585,000 per annum, to be reviewed annually by the Board.

J Roberts, Chief Executive Officer

Term of agreement – ongoing, commenced April 2014, with a three month notice period. Base salary, exclusive of superannuation, of $317,225 per annum, to be reviewed annually by the Board.

C Sacre, Company Secretary and Chief Financial Officer

Term of agreement – ongoing, commenced April 2008, with a three month notice period. Base salary, exclusive of superannuation, of $350,000 per annum, to be reviewed annually by the Board.

(j) Details of share-based compensation and bonuses

Options

No options were issued to Executive Directors or Key Management Personnel in 2014.

Shares under option

There are no shares under option outstanding as at the date of this report.

(k) Equity instruments held by Key Management Personnel

The numbers of shares in the Company held during the financial year by each Director of G8 Education Limited and other Key Management Personnel of the Group, including their associates, are set out below. There were no shares issued during the reporting year as compensation.

2014	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of G8 Education Limited				
Ordinary Shares				
J Hutson	1,650,000	-	150,000	1,800,000
C Scott ^	-	-	-	-
B Bailison	-	-	-	-
A Kemp	103,043	-	-	103,043
S Forrester	-	-	-	-
Other Key Management Personnel of the Group				
Ordinary Shares				
J Roberts	-	-	-	-
C Sacre	1,285,714	-	(685,714)	600,000
J Fraser (resigned 29 August 2014)	860,488	-	(584,345)	276,143

^ C Scott guaranteed the repayment of a loan made by the Company to J Scott. The loan related to the purchase of two million G8 Education Limited shares in 2010. The shares are owned by J Scott but the loan was guaranteed by C Scott. The loan has been repaid in full and the guarantee is at an end.

(l) Loans to Key Management Personnel

Details of loans made to Directors of G8 Education Limited and other Key Management Personnel of the Group, and entities nominated by them, are set out below.

(i) Aggregates for Key Management Personnel and entities nominated by them

Group	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Number in Group at the end of the year
2014	1,640,000	19,404	-	-	-
2013	1,865,034	102,408	-	1,640,000	3

(ii) Individuals with loans above $100,000 during the financial year

2014 Name	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest Indebtedness during the year $
J Scott *	140,000	1,799	-	-	140,000
C Sacre	900,000	8,729	-	-	908,729
J Fraser (resigned 29 August 2014)	600,000	8,877	-	-	608,877

* This loan was guaranteed by C Scott.

As at 31 December 2014 all loans to Key Management Personnel had been repaid to the Company.

Insurance of Officers and Auditors

During the year, G8 Education Limited paid a premium to insure the Directors and Officers of the Company and its controlled entities. Under the terms of the policy the amount of the premium and the nature of the liability cannot be disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the Group and any other payments arising from liabilities incurred by the Officers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving wilful breach of duty of the Officers or the improper use by the Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

It is not possible to apportion the premium between the amounts relating to the insurance against legal costs and those relating to other liabilities.

No insurance premiums or indemnities have been paid for or agreed by the Group for the current or former auditors.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditors or other members of the HLB network for non-audit services provided during the year are $48,495 and disclosed in note 24.

The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics of Professional Accountants.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

Auditor

HLB Mann Judd (SE Qld Partnership) continue in office in accordance with section 327 of the Corporations Act 2001.

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

Christopher Scott
Managing Director
16 February 2015

HLB Mann Judd
Accountants | Business and Financial Advisers

G8 Education Limited

Auditor's Independence Declaration under s.307C of the Corporations Act 2001 to the Directors of G8 Education Limited and Controlled Entities

As lead auditor for the audit of the consolidated financial report of G8 Education Limited for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

C J M King
Partner

Date: 16 February 2015
Brisbane, Queensland

Corporate Governance Statement

The ASX Corporate Governance Council's (Council) "Corporate Governance Principles and Recommendations (2nd edition)" (Principles and Recommendations) articulate eight core corporate governance principals, with commentary about implementation of those Principles in the form of Recommendations. Recently, the Council published a new edition of the Principles and Recommendations (being the 3rd edition) and certain ASX Listing Rules were amended to coincide with this 3rd edition. However, the 3rd edition of the Principles and Recommendations and these amendments to the ASX Listing Rules will only take effect for G8 Education's full year financial reports commencing on or after 1 January 2015. Accordingly, this corporate governance statement is prepared in accordance with the 2nd edition of the Principles and Recommendations and previous ASX Listing Rules affecting the 2nd edition of the Principles and Recommendations. G8 Education will report in accordance with the 3rd edition of the Principles and Recommendations and the amended ASX Listing Rules for the financial year ending 31 December 2015.

Under Listing Rule 4.10.3, G8 Education is required to provide a statement in its annual report disclosing the extent to which it has followed the Recommendations in the reporting period. Where a Recommendation has not been followed, the fact must be disclosed, together with reasons for departure from the Recommendation. In addition, a number of the Recommendations require the disclosure of specific information in the corporate governance statement of the annual report.

G8 Education corporate governance statement is structured with reference to the Council's Principles and Recommendations. The key principles are as follows:

Principle 1: Lay solid foundations for management and oversight

The relationship between the Board and senior management is critical to the Group's long-term success.

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The responsibilities of the Board include:

- providing strategic guidance to the Group including contributing to the development of and approving of the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring
  - organisational performance and the achievement of the Group's strategic goals and objectives;
  - compliance with the Company's Code of Conduct;
  - progress in relation to the Company's diversity objectives and compliance with the diversity policy;
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- monitoring financial performance including approval of the annual and half year financial reports and liaising with the Group's auditors;
- appointment, performance assessment and if necessary, removal of key executives;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation;
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders; and
- ensuring appropriate resources are available to senior management.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives. These delegations are reviewed on an annual basis.

The Group has developed a process for annual appraisal of senior management measuring performance in ten areas, including contribution to the overall success of the business. The appraisal is designed to measure success in achieving objectives set for the past twelve months and to set objectives for the nest twelve months. Succession planning is also built into the appraisal process to encourage development of future leaders within the Group.

The Group undertook performance evaluations for the management team and senior executives in November 2014.

Principle 2: Structure the Board to add value

The Board operates in accordance with the broad principles set out below:

Board Composition

The Board is to be comprised of both Executive and Non-Executive Directors.

Non-Executive Directors bring perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management.

The Chairperson is elected by the full Board and is required to meet regularly with key executives. The Board is to establish measurable Board gender diversity objectives and assess annually the objectives and progress in achieving them. The Group is to maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience.

The Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

The Board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external or fresh perspective;
- the size of the Board is conducive to effective discussion and efficient decision-making.

Board Members

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' Report. The Board consists of five Directors, four of whom are Non-Executive and all four (J Hutson, B Bailison, A Kemp and S Forrester) are considered independent under the principles set out below.

Directors Independence

The Board has adopted specific principles in relation to Directors' independence. These state that to be independent, a Director must be a Non-Executive and:

- not be a substantial shareholder of the Group or an Officer of, or otherwise associated directly with, a substantial shareholder of the Group;
- within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a Director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided;
- not be a material supplier or customer of the Company or any other Group member, or an Officer of or otherwise associated directly or indirectly with a material supplier or customer;
- must have no material contractual relationship with the Company or a controlled entity other than as a Director of the Group; and
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors ability to act in the best interests of the Company.

Materiality for these purposes is determined on both a quantitative and qualitative basis.

In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the Directors' performance. Recent thinking on corporate governance has introduced the view that a Director's independence may be perceived to be impacted by lengthy service on the Board. To avoid any potential concerns, the Board has determined that a Director will not be deemed independent if he or she has served on the Board of the Company for more than ten years.

Term of Office

The Company's Constitution specifies that all Directors, other than a Managing Director, must retire from office no later than the third annual general meeting following their last election. Where eligible, a Director may stand for re-election.

Chairperson and Managing Director

The Chairperson is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives. In accepting the position, the Chairperson has acknowledged the significant time commitment that will be required and confirmed that other positions will not hinder their effective performance in the role of Chairperson.

The Managing Director is responsible for implementing Group strategies and policies.

Induction

The induction provided to new Directors and senior managers enables them to actively participate in Board decision making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations, culture, values and risk management policies. It also explains the respective rights, duties, responsibilities, interaction and roles of the Board and senior executives and the Company's meeting arrangements.

Commitment

The Board held 11 Board meetings during the year.

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 31 December 2014, and the number of meetings attended by each Director is disclosed on page 15.

It has been the Company's practice to allow executive Directors to accept appointments outside the Company with approval of the Board. There are currently no Executive Directors with outside appointments.

The commitments of Non-Executive Directors are considered by the Nomination Committee prior to the Directors' appointment to the Board of the Company and are to be reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each Non-Executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Conflict of interests

There were no conflicts of interests during the year ended 31 December 2014.

Independent professional advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairperson is required, but this will not be unreasonably withheld.

Nominations

The Board established a Nomination Committee in August 2014.

The committee operates under a charter approved by the Board. Prior to this date nomination matters were managed by the Board of Directors.

The Nomination Committee comprises the following members:

- S Forrester (Chair)
- J Hutson
- B Bailison

For details of Directors' attendance at meetings of the Nomination Committee, please refer to page 15 of the Directors' Report.

The Charter of the Nomination Committee is publicly available on the Company's website:

www.g8education.edu.au/about-us/corporate-governance

The main responsibilities of the Nomination Committee include:

- To conduct an annual review of the membership of the Board having regard to present and future needs of the Company;
- To make recommendations on Board composition and appointments;
- To conduct an annual review of and conclude on the independence of each Director;
- To propose candidates for Board vacancies;
- To oversee the annual performance assessment program;
- To oversee Board succession, including the succession of the Chair, and reviewing whether succession plans are in place to maintain an appropriately balanced mix of skills, experience and diversity on the Board;

- To manage the processes in relation to meeting Board diversity objectives; and
- To assess the effectiveness of the induction process.

Board Performance Assessment

The Board has developed an annual self assessment process for its collective performance and the performance of the Chairperson and its committees. A questionnaire is to be completed by each Director, evaluating his or her individual performance, that of other Board members and of the Board as a whole. The results and any action plans are to be documented together with specific performance goals which are to be agreed for the coming year.

The Board performance assessment was completed in December 2014.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors and employees.

The Code is available at www.g8education.edu.au or by contacting the registered office.

The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

Trading in Company Securities

The purchase and sale of Company securities by Directors and employees is only permitted in accordance with the Company's Securities Trading Policy.

The Company's Securities Trading Policy is available at www.g8education.edu.au/wp-content/uploads/2013/09/Securities-Trading-Policy-2013.pdf or by contacting the registered office.

The Directors are satisfied that the Directors and Employees have complied with its policies on ethical standards, including trading in securities.

Diversity Policy

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has developed a diversity policy, a copy of which can be found on the Company's website. This policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity.

It includes requirements for the Board to establish measurable objectives for achieving diversity and for the Board to assess annually both the objectives and the Company's progress in achieving them.

The table below illustrates the number of women employees and percentage of total workforce in the entire organisation, senior executive positions and on the Board.

The Board set measurable objectives for achieving gender diversity during 2014. G8 Education Limited currently has two women on the Board from a total of five Directors, and five women in the executive management team, from a total of nine.

The measurable objective set by the Board for 2014 are as follows:

	Actual	
	Number	%
Number of women employees in the whole organisation	9,440	97
Number of women in senior management positions	5	55
Number of women on the Board	2	40

	Target		Actual	
	No.	%	No.	%
Non-Executive Directors and Executives in leadership roles will be women [1]	N/A	> 40%	N/A	55%
Continually grow number of women in senior management	> 23	N/A	52	N/A

[1] Defined as head office Executive Management team

In accordance with the requirements of the Workplace Gender Equality Act 2012, G8 Education Group workplace profile for Australia only is set out in the tale below:

Workplace Profile - G8 Education

Men

	Reporting level to CEO (for Managers only)	Full time permanent	Full time contract	Part Time permanent	Part time contract	Casual
CEO/Head of business in Australia	0	1	-	-	-	2
Key Management Personnel (KMP)	-1	2	-	-	-	-
Other Executives / General Managers	-2	-	-	-	-	-
Senior managers	-3	4	-	-	-	-
Other managers	-4	4	-	-	-	-
Professionals		9	-	-	-	-
Technical and trade		3	-	-	-	-
Community and personal service		12	-	53	-	43
Clerical and administrative		-	-	-	-	-
Sales		-	-	-	-	-
Machinery operators and drivers		-	-	-	-	-
Labourers		-	-	-	-	-
Other		-	-	-	-	-
Total		35	-	53	-	45

Workplace Profile - G8 Education

Women

	Reporting level to CEO (for Managers only)	Full time permanent	Full time contract	Part Time permanent	Part time contract	Casual	Total Staff	Women %	Men %
CEO/Head of business in Australia	0	-	-	-	-	2	5	40%	60%
Key Management Personnel (KMP)	-1	3	-	-	-	-	5	60%	40%
Other Executives / General Managers	-2	3	-	-	-	-	3	100%	0%
Senior managers	-3	26	-	-	-	-	30	87%	13%
Other managers	-4	200	-	73	-	3	280	99%	1%
Professionals	-	6	-	8	-	-	23	61%	39%
Technical and trade	-	-	-	-	-	-	3	0%	100%
Community and personal service	-	688	-	3,112	-	1,595	5,503	98%	2%
Clerical and administrative	-	15	-	20	-	1	36	100%	0%
Sales	-	-	-	-	-	-	-	0%	0%
Machinery operators and drivers	-	-	-	-	-	-	-	0%	0%
Labourers	-	-	-	-	-	-	-	0%	0%
Other	-	-	-	-	-	-	-	0%	0%
Total		941	-	3,213	-	1,601	5,888	98%	2%

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management Committee

The Audit and Risk Management Committee (ARM Committee) consists of the following Non-Executive Directors:

- A Kemp (Chair);
- J Hutson; and
- B Bailison

Details of these Director's qualifications and attendance at audit committee meetings are set out in the Directors' Report on pages 13 and 15 respectively.

All members of the ARM Committee are financially literate and have an appropriate understanding of the industry in which the Group operates.

The ARM Committee operates in accordance with a charter which is available on the Company's website.

The main responsibilities of the committee are to:

- review, assess and approve the annual report, the half year financial report and all other financial information published by the Company or released to the market;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting; and
  - compliance with applicable laws and regulations.
- oversee the effective operation of the risk management framework;
- recommend to the Board the appointment, removal and remuneration of the external auditors and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the Board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the ARM Committee:

- receives reports from management and the external auditors;
- meets with external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the Managing Director and Chief Financial Officer have in place to support their certifications to the Board; and
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved.

The ARM Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External Auditors

The Company policy is to appoint external auditors who clearly demonstrate quality and independence.

The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. HLB Mann Judd was appointed as the external auditor in 2010.

An analysis of fees paid to the external auditors, including a break down of fees for non-audit services, is provided in the Directors' Report and in note 24 to the financial statements. The external auditors provide an annual declaration of their independence to the ARM Committee in accordance with the requirements of the Corporations Act 2001.

The external auditor attends the annual general meeting to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material impact on the price of the Company's securities.

These policies and procedures also include the arrangements the Group has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means via the Company's website. A copy of the Company's Constitution and main Corporate Governance documents, have been posted to a dedicated section of the Company's website at www.g8education.edu.au.

Principle 7: Recognise and manage risk

Risk assessment and management

The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the ARM Committee and reviewed by the full Board.

The ARM Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks.

In providing this oversight, the committee:

- reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for auditing and evaluation of the Company's risk management system;
- reviews Group wide objectives in the context of the above mentioned categories of corporate risk;
- reviews and where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk;
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis; and
- reviews compliance with agreed policies.

The committee recommends any actions it deems appropriate to the Board for its consideration.

Responsibility for risk management and internal control is delegated to the appropriate level of management within the Group, with the Managing Director having ultimate responsibility to the Board for the risk management and internal control framework.

The Group has a Risk Management policy to formally document the policies and procedures already in place to manage risk. The Company's Risk Management policy is available at www.g8education.edu.au or by contacting the registered office.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The Company's risk management policy and the operation of the risk management and compliance system are managed by the Company's risk management group which consists of senior executives chaired by the Chief Financial Officer. The Board receives quarterly reports from this group as to the effectiveness of the Company's management of material risks that may impede meeting business objectives.

Corporate Reporting

In complying with recommendation 7.3, the Managing Director and Chief Financial Officer have made the following certifications to the Board:

- the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards;
- the above statement is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Group's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects in relation to financial reporting risks.

The Company does not currently have an internal audit function. The Board has considered this and as result implemented appropriate operational audits within the Group. This ensures key internal controls and processes are operating effectively to mitigate the risks identified by the risk committee.

Principle 8: Remuneration fairly and responsibly

Remuneration Committee

The Board established a Remuneration Committee in August 2014 that operates under a charter approved by the Board. Prior to this date nomination matters were handled by the Board of Directors.

The Remuneration Committee comprised the following members:

- S Forrester (Chair)
- J Hutson
- B Bailison

For details of Directors' attendance at meetings of the Remuneration Committee, please refer to page 15 of the Directors' Report.

The Charter of the Remuneration Committee is publicly available on the Company's website:

www.g8education.edu.au/about-us/corporate-governance

The Remuneration Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other Senior Executives and Non-Executive Directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The contract includes a specific formal job description.

This job description is reviewed by the Board on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration Report'', which is disclosed on pages 16 - 21.

Non-Executive Directors do not receive options or bonus payments and are not provided with retirement benefits other than superannuation.

The committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions. This includes overseeing processes in relation to meeting diversity objectives for executives and staff below Board level.

SECTION 02

Financial Report

Consolidated Income Statement

For the year ended 31 December 2014

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
Revenue			
Revenue from continuing operations	5	482,110	274,615
Other income	6	9,178	550
Total Revenue		**491,288**	**275,165**
Expenses			
Employee benefits		(269,993)	(159,586)
Occupancy		(56,086)	(33,323)
Direct costs of providing services		(40,147)	(22,191)
Amortisation	7	(1,650)	(381)
Depreciation	7	(5,076)	(3,129)
Insurance		(1,074)	(698)
Other expenses		(10,061)	(6,468)
Finance costs	7	(34,640)	(4,790)
Total expenses		**(418,727)**	**(230,566)**
Profit before income tax		72,561	44,599
Income tax expense	8	(19,830)	(13,527)
Profit for the year attributable to members of the parent entity		**52,731**	**31,072**
		Cents	**Cents**
Basic earnings per share		16.15	11.28
Diluted earnings per share		16.15	11.28

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
Profit for the year		**52,731**	**31,072**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	21	1,225	3,215
Effective portion of changes in fair value of cash flow hedges	21	-	58
Reclassification of effective portion of changes in hedge fair value from comprehensive income to the consolidated income statement	21	171	-
Total other comprehensive income		**1,396**	**3,273**
Total comprehensive income for the year		**54,127**	**34,345**

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

Consolidated Balance Sheet

For the year ended 31 December 2014

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	120,804	114,043
Trade and other receivables	10	14,164	9,613
Other current assets	11	13,642	4,424
Total current assets		**148,610**	**128,080**
Non-current assets			
Receivables	23	-	1,640
Property plant and equipment	12	29,575	18,069
Deferred tax assets	13	15,448	7,320
Goodwill	14	809,162	326,857
Total non-current assets		**854,185**	**353,886**
Total assets		**1,002,795**	**481,966**
LIABILITIES			
Current liabilities			
Trade and other payables	15	75,567	39,825
Borrowings	16	-	3,778
Employee entitlements	17	18,110	11,214
Derivative financial instruments	18	230	283
Current tax liabilities		9,655	8,910
Total current liabilities		**103,562**	**64,010**
Non-current liabilities			
Borrowings	16	352,944	110,436
Other payables		652	760
Provisions	19	3,628	1,974
Total non-current liabilities		**357,224**	**113,170**
Total liabilities		**460,786**	**177,180**
Net assets		**542,009**	**304,786**
EQUITY			
Contributed equity	20	548,374	302,001
Reserves	21	8,877	18,884
Retained earnings	21	(15,242)	(16,099)
Total equity		**542,009**	**304,786**

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

Consolidated	Notes	Contributed Equity $'000	Cash Flow Hedge Reserve $'000	Foreign Currency Reserve $'000	Share Based Payments Reserve $'000	Profits Reserve $'000	Retained Earnings $'000	Total $'000
Balance 1 January 2013		**180,160**	**(229)**	**72**	**59**	**8,146**	**(5,900)**	**182,308**
Profit for the year		-	-	-	-	-	31,072	31,072
Other comprehensive income		-	58	3,215	-	-	-	3,273
Total comprehensive income for the year		-	**58**	**3,215**	-	-	**31,072**	**34,345**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction cost	20	121,587	-	-	-	-	-	121,587
Transfer of profits reserve	21	-	-	-	-	41,271	(41,271)	-
Dividends provided for or paid	22	-	-	-	-	(33,649)	-	(33,649)
Employee share options expense	21	-	-	-	(59)	-	-	(59)
Employee share options exercised	20	254	-	-	-	-	-	254
		121,841	-	-	**(59)**	**7,622**	**(41,271)**	**88,133**
Balance 31 December 2013		**302,001**	**(171)**	**3,287**	-	**15,768**	**(16,099)**	**304,786**
Balance 1 January 2014		**302,001**	**(171)**	**3,287**	-	**15,768**	**(16,099)**	**304,786**
Profit for the year		-	-	-	-	-	52,731	52,731
Other comprehensive income		-	171	1,225	-	-	-	1,396
Total comprehensive income for the year		-	**171**	**1,225**	-	-	**52,731**	**54,127**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction cost	20	246,373	-	-	-	-	-	246,373
Transfer of profits reserve	21	-	-	-	-	51,874	(51,874)	-
Dividends provided for or paid	22	-	-	-	-	(63,277)	-	(63,277)
		246,373	-	-	-	**(11,403)**	**(51,874)**	**183,096**
Balance 31 December 2014		**548,374**	-	**4,512**	-	**4,365**	**(15,242)**	**542,009**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	Consolidated 2014 $'000	Consolidated 2013 $'000
Cash flows from Operating Activities			
Receipts from customers		494,744	274,595
Payments to suppliers and employees		(383,483)	(218,783)
Interest received		2,919	1,481
Interest paid		(14,240)	(2,039)
Income taxes paid		(25,224)	(12,219)
Net cash inflows from operating activities	33	**74,716**	**43,035**
Cash flows from Investing Activities			
Payments for purchase of businesses (net of cash acquired)		(447,751)	(98,536)
Repayment of loans		1,642	277
Proceeds from sale of property, plant and equipment		-	557
Payments for property plant and equipment		(16,508)	(10,500)
Net cash outflows from investing activities		**(462,617)**	**(108,202)**
Cash flows from Financing Activities			
Share issue costs		(7,249)	(4,440)
Debt issue costs		(7,845)	(1,495)
Dividends paid		(33,273)	(19,232)
Proceeds from issue of corporate notes		272,963	70,000
Proceeds from issue of shares		216,499	115,854
Repayment of borrowings		(46,579)	(3,514)
Net cash inflows from financing activities		**394,516**	**157,173**
Net increase in cash and cash equivalents		**6,615**	**92,006**
Cash and cash equivalents at the beginning of the financial year		114,029	21,777
Effects of exchange rate changes on cash		(465)	246
Cash and cash equivalents at the end of the financial year	9	**120,179**	**114,029**

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

Index to Notes to the Financial Statements

Note 1: Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (AASB), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Company is a listed for profit public Company, incorporated in Australia and operating in Australia and Singapore. The Company's principal activities are operating child care centres and ownership of franchised child care centres.

The financial statements were authorised for issue on 16 February 2015.

Compliance with IFRS

Compliance with AASB ensures that the financial report of G8 Education Limited and the Group complies with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention as modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and liabilities (including derivative instruments).

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of G8 Education Limited ("Company" or "parent entity") as at 31 December 2014 and the results of all subsidiaries for the year then ended.

G8 Education Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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 effect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h).

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Seasonality

The child care industry has a distinct seasonal pattern.

In January and February pre school children transition out of day care into the primary schooling system.

Enrolments subsequently trend lower in this period before commencing a steady increase over the balance of the year peaking in October and November.

As a consequence revenue and profit patterns are weighted towards the second half of the year.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is G8 Education Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency and are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

2. income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

3. all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate.

(e) Revenue recognition

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

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

(i) Child care fees

Fees paid by families and/or the Australian Government (Child Care Benefit and Child Care Tax Rebate) are recognised as and when a child attends a child care service.

(ii) Royalty Income

Royalty fees paid by franchisees are recognised in accordance with the franchise agreement and once the operational support service has been performed.

(iii) Government Funding/Grants

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

(iv) Deferred income

Revenue received in advance from parents and the Government, is recognised as deferred income and classified as a current liability. This amount is recorded as income when the service has been provided.

(v) Interest income

Interest income is recognised using the effective interest method.

(f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

G8 Education and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the year of the lease.

(h) Business combinations

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

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

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the Income Statement.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is calculated based on the discounted cash flows of the child care centres over the lease period including a terminal value calculation, which is assessed on a segment level.

(j) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables represent child care fees receivable from families and/or the Australian Government.

Under the Child Care Management System (CCMS), implemented in July 2008, Child Care Benefit is generally paid weekly in arrears by the Australian Government based on the actual attendance and entitlement of each child attending the child care centre.

Parent fees are required to be paid one week in advance.

Therefore, the parent fees receivable relate to amounts past due.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of comprehensive income within other expenses. When a trade receivable is uncollectable, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(l) Non-current assets (or disposal Groups) held for sale

Non-current assets (or disposal Groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal Group) to fair value less costs to sell.

Non-current assets (including those that are part of a disposal Group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal Group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the balance sheet.

(m) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and held-to-maturity investments.

The classification depends on the purpose for which the investments were acquired and their characteristics.

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with settlements greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) in the balance sheet.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through the profit or loss are expensed in the profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depend on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(i) Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedge); or

(ii) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 18. Movements in the hedging reserve in shareholders' equity are shown in note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(o) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the reporting year in which they are incurred.

Depreciation for vehicles is calculated using the diminishing value method and on other assets calculated using the straight-line method to allocate their cost net of their residual values, over their estimated lives, as follows:

- Buildings: 40 years
- Vehicles: 3 - 12 years
- Furniture, fittings and equipment: 2 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Income Statement.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(q) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are capitalised to the loan and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(r) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to Key Management Personnel. Information relating to this is set out in note 23.

The Company may issue loans to Key Management Personnel to acquire shares in the Company as part of the remuneration and retention planning of Key Management Personnel. If the market value of the shares on issue date is higher than the value of the shares prescribed in the loan agreement then the difference is expensed to the income statement and corresponding increase in equity.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(s) Contributed equity

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.

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

(u) Earnings Per Share

(i) Basic Earnings Per Share

Basic Earnings Per Share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) 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 shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the balance sheet.

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 taxation authority, are presented as operating cash flows.

(w) Rounding Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(x) New accounting standards and interpretations for application in future periods

Financial Instruments

PRONOUNCEMENTS	AASB 9 Financial Instruments. AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009). AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures. AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments. AASB 2014-1 Amendments to Australian Accounting Standards.
NATURE OF THE CHANGE IN ACCOUNTING POLICY	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both *business model* and *cash flow characteristics* tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income. AASB 2013 - 9 adds chapter 6 Hedge Accounting to AASB 9 which supersedes the general hedge accounting requirements in AASB 139 Financial Instruments: Recognition and Measurement, which many consider to be too rules-based and arbitrary. Chapter 6 requirements include a new approach to hedge accounting that is intended to more closely align hedge accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from AASB 139 are as follows: • to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139); • changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and • modification of the requirements for effectiveness testing (including removal of the 'bright-line' effectiveness test that offset for hedging must be in the range 80-125%). Revised disclosures about an entity's hedge accounting have also been added to AASB 7 Financial Instruments: Disclosures. AASB 2013 – 9 also permits an entity to elect to apply the own credit risk provisions without applying the other requirements in AASB 9 (2010). If an entity does so, it is required to disclose that fact and provide the disclosures in paragraphs 10-11 of AASB 7 concerning financial liabilities designated at fair value. AASB 2014-1 defers the effective date to 1 January 2018 and contains consequential amendments to a number of standards as a consequence of the introduction of Chapter 6 Hedge Accounting to AASB 9.
EFFECTIVE DATE	Annual reporting periods beginning on or after 1 January 2018.

EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	The available-for-sale investments held will be classified as fair value through OCI and will no longer be subject to impairment testing. The impairment loss recognised in the current year financial statements in relation to these statements was nil. Hedge accounting is likely to be applied to more of the entity's transactions in future transactions – the impact on the reported financial position and performance is dependent on the volume and value of future derivatives. Other impacts on the reported financial position and performance have not yet been determined.
PRONOUNCEMENTS	AASB 2013 – 4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting.
NATURE OF THE CHANGE IN ACCOUNTING POLICY	This Standard amends AASB 139 to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.
EFFECTIVE DATE	Annual reporting periods beginning on or after 1 January 2014.
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	If an entity has been hedge accounting and a novation is in place as a consequence of a law or regulations then the entity should disclose the impact of this standard.

Annual Improvements Project

PRONOUNCEMENT	AASB 2014-1 Amendments to Australian Accounting Standards (2010 – 2012 cycle)
NATURE OF THE CHANGE IN ACCOUNTING POLICY	The following standards and changes are made under AASB 2014-1: • AASB 2 *Share-based Payments* – amendments to definitions. • AASB 3 *Business Combinations* – clarification that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date. • AASB 8 *Operating Segments* – amendments to disclosures. • AASB 3 *Business Combinations* – references to contingent consideration. • AASB 13 *Fair value measurement* – minor clarification re: measurement of short-term receivables and payables. • AASB 116 *Property, plant and equipment* – clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount. • AASB 124 *Related Party Disclosures* – clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. • AASB 138 *Intangible Assets* – clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
EFFECTIVE DATE	Annual reporting periods beginning on or after 1 July 2014.
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	There are not expected to be any changes to reported financial position or performance arising from the adoption of part A of AASB 2014-1.

IFRS Only Section

PRONOUNCEMENT	IFRS 15 Revenue from contracts with customers.
NATURE OF THE CHANGE IN ACCOUNTING POLICY	IFRS 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
EFFECTIVE DATE	Annual reporting periods beginning on or after 1 January 2017.
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	The changes in revenue recognition requirements in IFRS 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of IFRS 15 has not yet been quantified.

PRONOUNCEMENT	IFRS 9 *Financial Instruments.*
NATURE OF THE CHANGE IN ACCOUNTING POLICY	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both *business model* and *cash flow characteristics* tests. All investments in equity instruments using IFRS 9 are to be measured at fair value. Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income. Chapter 6 Hedge Accounting supersedes the general hedge accounting requirements in IAS 39 Financial Instruments: Recognition and Measurement, which many consider to be too rules-based and arbitrary. Chapter 6 requirements include a new approach to hedge accounting that is intended to more closely align hedge accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from IAS 39 are as follows: • to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under IAS 39); • changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and • modification of the requirements for effectiveness testing (including removal of the 'bright-line' effectiveness test that offset for hedging must be in the range 80-125%). Revised disclosures about an entity's hedge accounting have also been added to IFRS 7 Financial Instruments: Disclosures. Impairment of assets is now based on expected losses in IFRS 9 which requires entities to measure: • the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or • full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument.
EFFECTIVE DATE	Annual reporting periods beginning on or after 1 January 2018.
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	Given the late release of this standard (July 2014), the Company has not yet assessed the impact, if any on the financial position and performance of the Group.

Note 2: Financial Risk Management

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, foreign exchange 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 derivative financial instruments to hedge certain risk exposures.

Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments. 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 other risks, and ageing analysis for credit risk.

The risk management of the Group is conducted in a manner consistent with policies approved by the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, credit risk and investment of excess liquidity.

The Group holds the following financial instruments:

	Financial assets at amortised cost $'000	Total $'000
2014		
Financial Assets		
Cash and cash equivalents	120,804	120,804
Trade and other receivables	13,784	13,784
	134,588	**134,588**
2013		
Financial Assets		
Cash and cash equivalents	114,043	114,043
Trade and other receivables	9,071	9,071
Non-current receivables	1,640	1,640
	124,754	**124,754**

	Derivatives used for Hedging $'000	Liabilities at amortised cost $'000	Total $'000
2014			
Financial Liabilities			
Trade and other payables	-	63,496	**63,496**
Borrowings	-	352,944	**352,944**
Derivative financial instruments	230	-	**230**
	230	**416,440**	**416,670**
2013			
Financial Liabilities			
Trade and other payables	-	34,709	**34,709**
Borrowings	-	114,214	**114,214**
Derivative financial instruments	283	-	**283**
	283	**148,923**	**149,206**

(a) Foreign exchange risk

The Group has operations and borrowings in Singapore and is exposed to foreign exchange risk associated with the Singapore dollar.

Foreign exchange risk arises from future commercial transactions and from recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The foreign exchange risk associated with the Singapore operations is managed through a natural hedge as the cash flows from operations are denominated in Singapore dollars. The Singapore dollar denominated corporate notes are expected to be refinanced with new Singapore dollar corporate notes and the Company's analysis supports the position that over time the cost of the Australian dollars movement against the Singapore dollar will be acceptable. The foreign currency exposure of these corporate notes has therefore not been hedged.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Singapore dollars, was as follows:

	2014 SGD $'000	2013 SGD $'000
Cash and cash equivalents	3,579	2,811
Trade receivables	253	370
Borrowings	(254,773)	-
Trade payables	(149)	(284)
Total	**(251,090)**	**2,897**

The exchange rate at 31 December 2014 from SGD to AUD was 0.9261

Amounts recognised in profit or loss and other comprehensive income.

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

Amounts recognised in profit or loss	2014 $'000	2013 $'000
Exchange losses on foreign currency borrowings included in finance costs	18,619	-

Net gains recognised in other comprehensive income	2014 $'000	2013 $'000
Translation of foreign operations	1,225	3,215

Sensitivity

As shown in the table above, the Group's only foreign exchange risk relates to changes in SGD/AUD exchange rates.

The sensitivity of profit or loss to changes in the exchange rates arises mainly from SGD-dollar denominated borrowings.

The Group also has operations in Singapore which are treated as a net investment in a foreign operation.

As a result any exchange differences shall be recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Profit is more sensitive to movements in the AUD dollar/SGD dollar exchange rates in 2014 than 2013 because of the increase in SGD dollar denominated borrowings.

	Impact on post tax profit		Impact on Other components of equity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
SGD/AUD exchange rate - increase 5%	8,427	-	32	156
SGD/AUD exchange rate - decrease 5%	8,427	-	32	156

(b) Interest Rate Risk

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. Group policy is to maintain between 50% - 80% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2014 and 2013, the Group's borrowings at variable rates were denominated in Australian dollars only.

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. The corporate notes denominated in Singapore dollars are all fixed rate notes.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Instruments used by the Group

Swaps currently in place cover approximately 60% (2013 – 30%) of the variable loan principal outstanding. The fixed interest rates range between 4.75% and 7.65% per annum (2013 – 7.65% per annum) and the variable rates are 3.90% per annum above the 90 day bank bill rate which at the end of the reporting period was 2.82% per annum (2013 – 2.69% per annum).

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	31 December 2014			31 December 2013		
	Weighted avg interest rate %	Balance $'000	% of Total loans	Weighted avg interest rate %	Balance $'000	% of Total loans
Corporate Note	6.58	50,000	14	-	-	-
Bank Loan	-	-	-	5.43	46,420	40
Interest rate swaps (notional principal amount)	5.70	(30,000)		5.70	(30,000)	
Net exposure to cash flow interest rate risk		**20,000**	6		**16,420**	**14**

An analysis by maturities is provided in note 2 (d) following.

Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income in relation to interest rate swaps.

Amounts recognised in profit or loss	2014 $'000	2013 $'000
(Loss)/gain recognised in other comprehensive income	-	58
(Gains)/loss reclassified from other comprehensive income - to profit and loss	171	-

Group sensitivity

At 31 December 2014, if interest rates had changed by -0.75%/+ 0.25% absolute from the year end rates with all other variables held constant, post-tax profit for the year would have been $201,317 higher or $240,262 lower respectively (net profit for 2013: $94,091 higher or $31,364 lower respectively). Other components of equity would not have changed due to the Interest rate swap being ineffective (2013: $127,536 higher or $355,336 lower).

(c) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to trade and other debtors. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below.

Trade debtor credit risk is managed by requiring child care fees to be paid in advance. Outstanding debtor balances are reviewed weekly and followed up in accordance with the Group's debt collection policy. Credit risk is also minimised by federal government funding in the form of child care benefits, as they are considered to be a high quality debtor.

	Consolidated	
	2014 $'000	2013 $'000
Trade receivables		
Counterparties with external credit rating		
AAA	7,031	4,235
Counterparties without external credit rating		
Receivables (current and non-current)	7,133	4,836
Total receivables	**14,164**	**9,071**
Cash at bank and short term deposits		
Counterparties with external credit rating - AA	120,804	114,043

Analysis of the ageing of receivables is performed in note 10.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Details of financing arrangements are disclosed in note 16.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining term at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities	Consolidated 2014 $'000						
	0 to 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	>5 years	Total contractual cash flows	Carrying amount
Non Derivative							
Corporate note	10,334	10,618	22,120	436,635	-	479,707	360,786
Deferred centre acquisition	5,501	1,311	3,041	191	482	10,526	10,432
Trade and other payables	63,496	-	-	-	-	63,496	63,496
Derivatives							
Net settled (interest rate swaps)	-	-	230	-	-	230	230

Contractual maturities of financial liabilities	Consolidated 2013 $'000						
	0 to 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	>5 years	Total contractual cash flows	Carrying amount
Non Derivative							
Bank loan	2,516	2,580	44,108	-	-	49,204	46,420
Corporate note	2,749	2,749	5,498	16,495	74,625	102,116	70,000
Equipment loans	8	8	17	28	-	61	54
Deferred centre acquisition	422	1,658	3,187	225	1,050	6,542	6,085
Trade and other payables	34,819	-	-	-	-	34,819	34,819
Derivatives							
Net settled (interest rate swaps)	-	-	-	283	-	283	283

(e) Fair value measurements

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

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value:

At 31 December 2014 $'000	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives used for hedging	-	230	-	230

At 31 December 2013 $'000	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives used for hedging	-	283	-	283

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

Specific valuation techniques used to value financial instruments include:

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

Note 3: Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of goodwill have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions and the potential impact of changes to these assumptions.

(ii) Deferred contingent consideration on acquisition of businesses

The Group includes the fair value of deferred contingent consideration as a liability for the acquisition of a business where it expects the earn-out target to be met during the measurement period. This judgement is based on operational due diligence and knowledge of the business trading conditions including location, occupancy and profitability at the time of settlement. If the earn out target is not met then the amount not paid of the deferred contingent consideration is taken to the income statement as a credit and the corresponding entry against the liability. The value of the deferred consideration is reviewed at each reporting date.

Note 4: Segment Information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board of Directors has been identified as the Chief Operating Decision Maker that makes strategic decisions.

The Board considers the business as one Group of centres and has therefore identified one operating segment, being management of child care centres. The Board believes that whilst the Singapore operations do not constitute a separate operating segment, applying the quantitative thresholds to the results and assets of Singapore further supports that the Singapore operations are not material. The following information is in respect of the single operating segment.

- All revenue in this report was derived from external customers and relates to the single operating segment; and
- The total profit represents the segment profit and all balance sheet items relate to the single operating segment.

The segment disclosure has not altered from the last Annual Report.

	Australia $'000	Singapore $'000	Total $'000
2014			
Revenue from external customers	479,435	11,853	491,288
Non-current assets	810,945	27,792	838,737
2013			
Revenue from external customers	264,496	10,669	275,165
Non-current assets	319,545	27,021	346,566

Note 5: Revenue

	Consolidated 2014 $'000	Consolidated 2013 $'000
From continuing operations		
Sales revenue		
Revenue from child care centres	476,934	270,704
Other revenue		
Royalties	2,290	1,872
Interest *	2,886	2,039
Total revenue from operations	**482,110**	**274,615**

*Includes interest earned from loans to Key Management Personnel as disclosed in note 23.

Note 6: Other Income

The deferred consideration is not payable due to certain centres not achieving some, or all of the earn-out EBIT hurdle for the earn-out period. As a result, in accordance with AASB 3 Business Combinations, the earn-out amount not payable which was disclosed as a liability in deferred consideration has been written back to the Consolidated Income Statement.

	Consolidated 2014 $'000	Consolidated 2013 $'000
Deferred consideration not payable	9,178	550
	9,178	**550**

Note 7: Expenses

	Consolidated 2014 $'000	Consolidated 2013 $'000
Profit before income tax includes the following specific expenses:		
Depreciation	5,076	3,129
Finance Costs		
Interest and finance charges paid/payable	16,021	4,790
Foreign exchange loss	18,619	-
	34,640	4,790
Rental expenses relating to operating leases		
Minimum lease payments	50,844	30,860
Amortisation		
Facility fees	1,650	381
Bad & doubtful debts	421	423

Note 8: Income Tax Expense

	Consolidated 2014 $'000	Consolidated 2013 $'000
(a) Income tax expense		
Current tax	25,783	15,953
Deferred tax	(5,953)	(2,426)
Income tax expense	**19,830**	**13,527**
Income tax expense is attributable to:		
Profit from continuing operations	19,830	13,527
	19,830	**13,527**
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets (refer note 13)	(5,952)	(2,443)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	72,561	44,599
Tax on operations at the Australian tax rate of 30% (2013:30%)	21,768	13,380
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	85	66
Net gain on disposals	-	(82)
Deferred consideration not payable	(2,753)	(165)
Business acquisition costs	743	408
Share based payments	32	62
Other non-allowable items	67	238
Difference in overseas tax rates	(112)	(380)
Income tax expense	**19,830**	**13,527**
Weighted average tax rate^	27%	30%
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting year and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax – debited (credited) directly to equity	2,176	1,319
(d) Tax expense (income) relating to items of other comprehensive income		
Cash flow hedges	15	(13)

^ The weighted average tax rate is less than the Group's corporate tax rate of 30% due to the permanent difference associated with the write back of deferred consideration in other income.

Note 9: Current Assets - Cash and Cash Equivalents

	Consolidated 2014 $'000	2013 $'000
Cash at bank and in hand	35,179	20,279
Deposits at call*	85,625	93,764
	120,804	**114,043**

*The effective average interest rate for the deposits at call was 3.46%. Included above is $625,133 used as security against the Company's bank guarantee facility (2013 - $13,840) as such this cash balance cannot currently be used for operating activities.

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

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

	Consolidated 2014 $'000	2013 $'000
Balance as per note 9	120,804	114,043
Term deposits held as security against bank guarantees	(625)	(14)
Balance as per Statement of Cash Flows	**120,179**	**114,029**

Note 10: Current Assets - Trade and Other Receivables

(a) Impaired trade receivables

	Consolidated 2014 $'000	2013 $'000
Trade and other receivables		
Trade receivables	11,891	7,140
Allowance for impairment of receivables	(423)	(258)
	11,468	**6,882**
GST receivable	380	542
Other debtors	2,316	2,189
Total trade and other receivables	**14,164**	**9,613**

As at 31 December 2014 current trade receivables of the Group with a nominal value of $846,104 (2013 - $515,216) were assessed as impaired. The amount of the allowance for impairment was $423,052 (2013 - $257,608).

The ageing of these receivables is as follows:

	Consolidated 2014 $'000	2013 $'000
Up to 3 months	846	515

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
Opening balance	258	148
Allowance for impairment recognised during the year	403	428
Receivables written off during the year as uncollectable	(238)	(318)
Closing balance	**423**	**258**

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering the cash.

(b) Past due but not impaired

As at 31 December 2014, trade receivables of $5,239,113 (2013 - $3,444,804) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default and for which full payment is expected. The ageing analysis of these trade receivables is as follows:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Up to 3 months	5,127	3,295
3 to 6 months	9	33
Over 6 months	103	117
	5,239	**3,445**

The amount past due but not impaired in 2014 is greater than that of 2013 due to the increased number of centres in the Group at year end compared to the prior year.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is considered to approximate their fair value.

Information concerning the credit risk of receivables is set out in note 2.

Note 11: Current Assets - Other

	Consolidated 2014 $'000	Consolidated 2013 $'000
Prepayments	3,481	3,005
Rental & utility security deposits	1,362	1,010
Deposits on acquisitions	8,799	409
Total other current assets	**13,642**	**4,424**

Note 12: Non-Current Assets – Property, Plant and Equipment

	Buildings $'000	Vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Consolidated				
Year ended 31 December 2014				
Opening net book amount	4,717	968	12,384	18,069
Additions through business combinations	-	906	990	1,896
Additions - other	-	583	15,445	16,028
Disposals	-	(1,335)	(31)	(1,366)
Depreciation charge	(115)	(171)	(4,790)	(5,076)
Exchange differences	-	-	24	24
Closing net book amount	**4,602**	**951**	**24,022**	**29,575**
At 31 December 2014				
Cost	5,046	1,634	37,065	43,745
Accumulated depreciation	(444)	(683)	(13,043)	(14,170)
Net book amount	**4,602**	**951**	**24,022**	**29,575**

	Buildings $'000	Vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
Consolidated				
Year ended 31 December 2013				
Opening net book amount	1,311	742	8,593	10,646
Additions through business combinations	-	24	265	289
Additions - other	3,546	370	6,801	10,717
Assets included in a disposal group classified as held for sale	-	(41)	(458)	(499)
Depreciation charge	(140)	(127)	(2,862)	(3,129)
Exchange differences	-	-	45	45
Closing net book amount	**4,717**	**968**	**12,384**	**18,069**
At 31 December 2013				
Cost	5,046	1,480	20,637	27,163
Accumulated depreciation	(329)	(512)	(8,253)	(9,094)
Net book amount	**4,717**	**968**	**12,384**	**18,069**

(a) Leasehold Improvements

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

	Consolidated 2014 $'000	2013 $'000
Cost	17,621	9,078
Accumulated depreciation	(5,111)	(2,775)
Net book amount	**12,510**	**6,303**

(b) Leased assets

Vehicles and furniture, fittings and equipment includes the following amounts where the Group is a lessee under a finance lease.

	Consolidated 2014 $'000	2013 $'000
Cost	-	84
Accumulated depreciation	-	(17)
Net book amount	**-**	**67**

(c) Non-current assets pledged as security

Refer to note 16 for information on the non current assets pledged as security by the Company and its controlled entities.

NOTE 13: Non-Current Assets – Deferred Tax Assets

	Consolidated 2014 $'000	Consolidated 2013 $'000
Deferred tax asset		
The balance comprises temporary differences attributable to:		
Employee benefits	6,502	3,935
Cash flow hedging	105	85
Share issue transaction costs	2,967	1,718
	9,574	**5,738**
Other		
Foreign exchange loss	5,386	-
Doubtful debts	114	68
Accrued expenses	910	1,773
Sub total other	**6,410**	**1,841**
Total deferred tax assets	**15,984**	**7,579**
Deferred tax assets to be recovered within 12 months	12,893	5,857
Deferred tax assets to be recovered after more than 12 months	3,091	1,722
	15,984	**7,579**
Deferred tax liability		
Prepayments	(536)	(259)
Total deferred tax liability	**(536)**	**(259)**
Net deferred tax asset	**15,448**	**7,320**

	Consolidated				
	Employee benefits $'000	Share issue transaction costs $'000	Foreign Exchange $'000	Other $'000	Total $'000
At 1 January 2013	**2,398**	**780**	**-**	**380**	**3,558**
Charged to the Consolidated Income Statement	1,536	(393)	-	1,300	2,443
Charged directly to equity	-	1,331	-	(12)	1,319
At 31 December 2013	**3,934**	**1,718**	**-**	**1,668**	**7,320**
Charged to the Consolidated Income Statement	2,569	(927)	5,386	(1,076)	5,952
Charged directly to equity	-	2,176	-	-	2,176
At 31 December 2014	**6,503**	**2,967**	**5,386**	**592**	**15,448**

Note 14: Non-Current Assets - Goodwill

	Consolidated	
	2014 $'000	2013 $'000
Goodwill		
Year ended 31 December		
Opening net book amount	326,857	201,814
Additions	482,771	125,172
Adjustment in respect of prior year acquisition	(652)	516
Disposals	(843)	(1,017)
Exchange differences	1,029	372
Closing net book amount	**809,162**	**326,857**
At 31 December		
Cost	820,214	337,909
Accumulated impairment	(11,052)	(11,052)
Net book amount	**809,162**	**326,857**

(a) Impairment tests for goodwill

Goodwill is tested for impairment on an operating segment level as outlined in note 1(i). The recoverable amount of the child care centre assets is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets for 2015 and then extrapolated using estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business. For the purposes of goodwill impairment testing, the recoverable amount is compared to the carrying amount of the assets of the Group, which aside from goodwill, also includes the fixed assets of the child care centres.

(b) Key assumptions used for value-in-use calculation

The value-in-use calculation is based on forecast EBITDA which is a function of occupancy, child care fees and centre expenses. Occupancy and child care fees are based on the current market conditions plus anticipated annual increases. Centre expenses include the following key items:

- Centre wages – based on industry award standards and forecast to increase by a 3% index annually;
- Centre occupancy expenses – based on current operating leases and increased by a 4% index annually; and
- Other child care expenses – driven by historical expenditure and future occupancy growth.

The anticipated occupancy reflects seasonal factors and underlying growth in occupancy achieved from the implementation of the Group's strategies. Economic occupancy levels represent the key to financial success for the Group given the largely fixed cost-base of child care centres.

The impairment model has the following key attributes:

- Pre-tax discount rate of 13%;
- Full head office costs allocation; and
- Forecast period of 5 years plus a terminal growth calculation with a growth rate of 0%.

(c) Impairment charge

As a result of the value in use calculations described above it was determined that no impairment was required to be recognised.

The Group has completed a sensitivity analysis on its impairment model and no reasonably possible movement in the key assumptions would give rise to an impairment loss.

Note 15: Current Liabilities - Trade and other payables

	Consolidated 2014 $'000	2013 $'000
Trade payables	6,971	4,627
Deferred centre acquisitions	9,781	4,984
Dividends payable	21,221	10,511
Centre enrolment advances	8,002	4,257
Other payables and accruals	20,317	10,330
Income received in advance	9,275	5,116
	75,567	**39,825**

Note16: Current and Non-Current Liabilities - Borrowings

	2014			2013		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans	-	-	-	3,778	41,931	45,709
Total secured borrowings	-	-	-	**3,778**	**41,931**	**45,709**
Unsecured						
Corporate Notes (a)	-	352,944	352,944	-	68,505	68,505
Total unsecured borrowings	-	**352,944**	**352,944**	-	**68,505**	**68,505**
Total Borrowings	-	**352,944**	**352,944**	**3,778**	**110,436**	**114,214**

(a) Corporate Notes

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

Issue Date	Face Value in Issue Currency $'000	Issue Currency	Repayment Date	Interest Rate %	Floating or Fixed
7 August 2013	70,000	AUD	7 August 2019	7.65	Fixed
3 March 2014	50,000	AUD	3 March 2018	390 bps + 90 day Bank Bill rate	Floating
12 May 2014	175,000	SGD	19 May 2017	4.75	Fixed
25 August 2014	85,000	SGD	19 May 2017	4.75	Fixed

G8 Education Limited has complied with the financial covenants relating to the Corporate Notes during 2013 and 2014 reporting periods.

(b) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on debt are set out in note 2(b).

(c) Fair value disclosures

The carrying amounts and fair values of the corporate notes at balance dates are as reflected in the Balance Sheet.

(d) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2014 $'000	2013 $'000
Bank loan	-	45,709
Total secured liabilities	**-**	**45,709**

On 24 June 2014 the Group repaid its secured finance facility with Bank of Western Australia, it continues to maintain a secured facility for the provision of bank guarantees to landlords of premises leased by the Group.

(e) Assets pledged as security

The facility is secured by:

- First ranking registered mortgages over all leasehold assets owned by the Group;
- An unlimited guarantee in favour of the Company from its subsidiaries; and
- A right of entry in relation to certain leased premises.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

		Consolidated	
Current	**Notes**	**2014 $'000**	**2013 $'000**
Floating charge			
Cash and cash equivalents	9	120,804	114,043
Trade and other receivables	10	14,164	9,613
Other current assets	11	13,642	4,424
Total current assets pledged as security		**148,610**	**128,080**
Non-current			
First mortgage			
Buildings	12	4,602	4,717
Floating charge			
Vehicles, plant and equipment	12	24,973	13,352
Other receivables	23	-	1,640
Total non-current assets pledged as security		**29,575**	**19,709**
Total assets pledged as security		**178,185**	**147,789**

(f) Financing arrangements

As at 31 December 2014 the following lines of credit were in place:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Credit standby arrangements		
Total facilities		
Credit cards	500	500
Asset finance leasing	-	250
	500	**750**
Used at balance date		
Credit cards	145	86
Asset finance leasing	-	54
	145	**140**
Unused at balance date		
Credit cards	355	414
Asset finance leasing	-	196
	355	**610**
Bank loan facilities		
Total facilities	-	50,000
Used at balance date	-	(46,420)
Unused at balance date	**-**	**3,580**
Bank Guarantee facilities		
Total facilities	25,000	15,000
Used at balance date	(22,082)	(13,974)
Unused at balance date	**2,918**	**1,026**
Corporate Note		
Total note face value	360,786	70,000
Used at balance date	(360,786)	(70,000)
Unused at balance date	**-**	**-**

(g) Fair value

The carrying amounts and fair values of borrowings at balance dates are as reflected in the Balance Sheet.

Note 17: Employee Entitlements

	Consolidated	
	2014 $'000	2013 $'000
Employee benefits	18,110	11,214
	18,110	**11,214**

(a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave, it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the annual leave provision is presented as current since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated	
	2014 $'000	2013 $'000
Leave obligation expected to be settled after 12 months	1,122	538
	1,122	**538**

Note 18: Derivative Financial Instruments

	Consolidated	
	2014 $'000	2013 $'000
Non-Current Liability		
Interest rate swap contracts - cash flow hedges (a)	230	283
Total non-current derivative financial instrument liability	**230**	**283**

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 2).

Interest rate swap contracts – cash flow hedges

In October 2012 the Group entered into an interest rate swap contract under which it is obligated to receive interest at variable rates and to pay interest at fixed rates. The interest rate swap was entered into to protect the Group against unfavourable interest rate movements and hedge the impact against the variable secured loan with Bank of Western Australia. The Group repaid the secured variable bank debt on 24 June 2014. The Group has kept the interest rate swap in place to assist in mitigating interest rate risk on the variable AUD bonds issued in March 2014.

As the variable bank debt has been repaid during the year the gain or loss from re-measuring the hedging instruments at fair value is recognised in the income statement as the hedge is no longer considered effective. In the year ended 31 December 2014 $53,000 was recognised in the profit and loss (2013 : Nil).

Note 19: Non-Current Liabilities - Provisions

	Consolidated	
	2014 $'000	2013 $'000
Employee benefits	3,628	1,974
	3,628	**1,974**

Note 20: Contributed Equity

(a) Share capital

	Consolidated		Consolidated	
	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Ordinary shares fully paid	353,691,630	300,302,719	548,374	302,001

(b) Movements in ordinary share capital

Details	Number of shares	$'000
31 December 2012 Balance	**246,048,593**	**180,160**
Share placement to institutions and professional investors	50,137,931	115,600
Fair value adjustment on shares issued to Key Management Personnel	-	223
Exercise of options	200,000	298
Dividend reinvestment plan	3,916,195	8,829
Transaction costs of shares issued	-	(4,440)
Deferred tax credit recognised directly in equity	-	1,331
31 December 2013 Balance	**300,302,719**	**302,001**
31 December 2013 Balance	**300,302,719**	**302,001**
Share placement to institutions and professional investors	42,105,685	200,000
Shares issued to vendors during the year	3,066,206	15,546
Fair value adjustment on shares issued to Key Management Personnel	-	107
Share purchase plan to retail investors	3,586,818	16,499
Dividend reinvestment plan	4,630,202	19,294
Transaction costs of shares issued	-	(7,249)
Deferred tax credit recognised directly in equity	-	2,176
31 December 2014 Balance	**353,691,630**	**548,374**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares. Shares are issued under the plan. The Company advises the market at the time of announcing the dividend if there will be a discount applied to the market price.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at 31 December 2014 were as follows:

		Consolidated	
	Notes	2014 $'000	2013 $'000
Borrowings	16	352,944	114,214
Trade and other payables	15	75,567	39,825
Less: cash and cash equivalents		(120,804)	(114,043)
Net debt		307,707	39,996
Total equity		542,009	304,786
Total capital		**849,716**	**344,782**
Gearing ratio		**36%**	**12%**

Note 21: Reserves and retained earnings

	Consolidated	
	2014 $'000	2013 $'000
Reserves		
Share-based payments		
Opening balance	-	59
Employee share options exercised	-	-
Employee share option expense	-	(59)
Closing balance	-	-
Foreign currency translation		
Opening balance	3,287	72
Currency translation differences arising during the year	1,225	3,215
Closing balance	**4,512**	**3,287**
Profit reserves		
Opening balance	15,768	8,146
Transfer from retained earnings	51,874	41,271
Dividends	(63,277)	(33,649)
Closing balance	**4,365**	**15,768**
Cash flow hedges		
Opening balance	(171)	(229)
Revaluation - gross	171	45
Deferred tax	-	13
Closing balance	-	**(171)**
Total reserves	**8,877**	**18,884**

	Consolidated	
	2014 $'000	2013 $'000
Retained earnings movements		
Opening balance	(16,099)	(5,900)
Profit for the year	52,731	31,072
Transfer to profits reserve	(51,874)	(41,271)
Closing balance	**(15,242)**	**(16,099)**

(a) Nature and purpose of reserves

(i) Share-based payments

The share-based payments reserve is used to recognise the expensing of the grant date fair value of options issued to employees but not exercised.

(ii) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(iii) Cash flow hedges

The hedging reserve is used to record gains or losses on hedging instruments in cash flow hedges that are recognised in other comprehensive income, as described in note 1(n). Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

(iv) Profits reserve

The profits reserve comprises the transfer of net profit for the current and previous years and characterises profits available for distribution as dividends in future years. Dividends amounting to $63.3 million (2013: $33.6 million) were distributed from the profits reserve during the year.

Note 22: Dividends

(a) Ordinary Shares

	2014 $'000	2013 $'000
Dividend for the quarter ended 31 March 2014 of 3.5 cents per share (2013: 2.5 cents per share) paid on 10 April 2014 (2013: Paid on 11 April 2013).	10,560	6,773
Dividend for the quarter ended 30 June 2014 of 4.5 cents per share (2013: 3.0 cents per share) paid on 9 July 2013 (2013: Paid on 10 July 2013).	14,892	8,165
Dividend for the quarter ended 30 September 2014 of 5.0 cents per share (2013: 3.0 cents per share) paid on 10 October 2013 (2013: Paid on 11 October 2013).	16,604	8,202
Dividend for the quarter ended 31 December 2014 of 6.0 cents per share (2013: 3.5 cents per share) paid on 21 January 2015 (2013: Paid 10 January 2014).	21,221	10,509
	63,277	**33,649**

	2014 $'000	2013 $'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2014 and 2013 were as follows:^		
Paid in cash	39,764	21,859
Satisfied by issue of shares	23,513	11,790
	63,277	**33,649**

(b) Franked credits

The franked portions of the December 2014 quarterly dividend will be franked out of existing franking credits.

	Consolidated		Parent Entity	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)	7,327	8,532	7,327	8,532

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

a) Franking credits that will arise from the payment of the amount of the provision for income tax;

b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

c) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if the distributable profits of subsidiaries were paid as dividends.

Note 23: Key Management Personnel Disclosures

(a) Directors

The following persons were directors of G8 Education Limited during the financial year:

(i) Chairperson –Independent Non-Executive

- J Hutson

(ii) Executive Directors

- C Scott

(iii) Non-Executive Directors

- B Bailison
- A Kemp
- S Forrester

(b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position
J Roberts	Chief Executive Officer (appointed 1 April 2014)
C Sacre	Company Secretary & Chief Financial Officer
J Fraser	General Manager –Operations (resigned 29 August 2014)

(c) Key Management Personnel compensation

	Consolidated	
	2014	2013
	$	$
Short term employee benefits	1,669,647	1,146,321
Post employment benefits	152,788	69,706
Share based payments	106,649	223,155
Termination payments	70,791	50,000
	1,999,875	**1,489,182**

The relevant information on detailed remuneration disclosures can be found in the Remuneration Report on pages 16 to 21.

(d) Equity instrument disclosures relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Nil options were issued to Directors or other Key Management Personnel during 2014 (2013: Nil).

(ii) Option holdings

Nil options were outstanding during 2014 (2013: Nil).

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each Director of G8 Education Limited and other Key Management Personnel of the Group, including their associates, are set out below. There were no shares issued during the reporting year as compensation.

2014	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of G8 Education Limited				
Ordinary Shares				
J Hutson	1,650,000	-	150,000	1,800,000
C Scott*	-	-	-	-
B Bailison	-	-	-	-
A Kemp	103,043	-	-	103,043
S Forrester	-	-	-	-
Other Key Management Personnel of the Group				
Ordinary Shares				
C Sacre	1,285,714	-	(685,714)	600,000
J Fraser (resigned 29 August 2014)	860,488	-	(584,345)	276,143

* C Scott guaranteed the repayment of a loan made by the Company to J Scott. The loan related to the purchase of two million G8 Education Limited shares in 2010. The shares are owned by J Scott but the loan was guaranteed by C Scott. The loan has been repaid in full and the guarantee is at an end.

2013	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of G8 Education Limited				
Ordinary Shares				
J Hutson	800,000	-	850,000	1,650,000
C Scott*	2,000,000	-	-	2,000,000
B Bailison	-	-	-	-
A Kemp	103,043	-	-	103,043
S Forrester	-	-	-	-
M Reynolds (retired 30 April 2013)	14,695	-	-	14,695
Other Key Management Personnel of the Group				
Ordinary Shares				
K Lacey (Resigned 16 January 2013)	-	200,000	-	200,000
C Sacre	1,285,714	-	-	1,285,714
J Fraser	860,488	-	-	860,488

* C Scott guaranteed the repayment of a loan made by the Company to J Scott. The loan related to the purchase of two million G8 Education Limited shares in 2010. The shares are owned by J Scott but the loan was guaranteed by C Scott. The loan has been repaid in full and the guarantee is at an end.

(e) Loans to Key Management Personnel

Details of loans made to directors of G8 Education Limited and other Key Management Personnel of the Group, including their associates, are set out below.

(i) Aggregates for Key Management Personnel

Group	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Number in Group at the end of the year
2014	1,640,000	19,405	-	-	-
2013	1,865,034	102,408	-	1,640,000	3

(ii) Individuals with loans above $100,000 during the financial year

2014 Name	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest Indebtedness during the year $
J Scott*	140,000	1,799	-	-	140,000
C Sacre	900,000	8,729	-	-	908,729
J Fraser (resigned 29 August 2014)	600,000	8,877	-	-	608,877

*C Scott guaranteed the repayment of this loan made by the Company to J Scott.

As at 31 December 2014 all loans to key management personnel had been repaid to the Company.

2013

Name	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest Indebtedness during the year $
J Scott*	342,349	9,450	-	140,000	342,349
C Sacre	913,611	54,000	-	900,000	913,611
J Fraser	609,074	38,958	-	600,000	609,074

*C Scott guaranteed the repayment of this loan made by the Company to J Scott.

(f) Other transactions with Key Management Personnel

Details of material transactions and their impact on the financial statements exclusive of GST at year end that Key Management Personnel and their related entities had with the Group during the year are as follows:

Mr C Scott (Managing Director) who as guarantor to the loan to J Scott had the following transactions:		2014 $	2013 $
a) Interest charged on share loan agreement	Revenue interest income	1,799	9,450
b) Loan granted to nominee of Mr C Scott to purchase 2,000,000 shares G8 Education Limited for a total amount of $700,000 plus accrued interest less repayments	Non-current receivables	-	140,000

A loan was granted to issue 2,000,000 shares to Mr C Scott's nominee on 18 May 2010 at $0.35. The loan was for a period of 2 years at 6% per annum. The loan was extended for a further three year term to expire in April 2015. The extension of the loan was approved by shareholders at the Annual General Meeting held in April 2012. The interest on the loan is to be capitalised and repaid at the end of the three year extended term. Dividend payments from the Group will be utilised to repay interest repayments and/or debt reduction. The loan was repaid in in full in 2014.

Mr C Sacre (Company Secretary and Chief Financial Officer) who had the following transactions:		2014 $	2013 $
a) Interest charged on share loan agreement	Revenue interest income	8,729	54,000
b) Loan granted to nominee of Mr C P Sacre to purchase 1,285,714 shares G8 Education Limited for a total amount of $900,000 plus accrued interest less repayments	Non-current receivables	-	900,000
c) Share based payment expense for the difference in market price of the shares issued in (b) above compared to loan value	Employment expenses and equity	58,000	133,893

A loan was made to enable subscription for 1,285,714 shares by Mr C Sacre's nominee on 14 June 2012 at $0.70 per share. The loan is for a period of three years at 6% per annum. The interest on the loan is to be capitalised and repaid at the end of the three year term. Dividend payments from the Group will be utilised to repay interest repayments and/or debt reduction. The fair value of the shares on issue date was $0.95 and as a result the difference between the agreed price of $0.70 and the price on issue date has been taken to employment expenses and equity as a share based payment. The loan was repaid in in full in 2014.

Mr J Fraser (General Manager of Operations) - resigned 29 August 2014, who had the following transactions:		2014 $	2013 $
a) Interest charged on share loan agreement	Revenue interest income	8,877	38,958
b) Loan granted to nominee of Mr J Fraser to purchase 857,143 shares G8 Education Limited for a total amount of $600,000 plus accrued interest less repayments	Non-current receivables	-	600,000
c) Share based payment expense for the difference in market price of the shares issued in (b) above compared to loan value	Employment expenses and equity	48,649	89,262

A loan was made to enable subscription for 857,143 shares by Mr J Fraser's nominee on 14 June 2012 at $0.70 per share. The loan is for a period of three years at 6% per annum. The interest on the loan is to be capitalised and repaid at the end of the three year term. Dividend payments from the Group will be utilised to repay interest repayments and/or debt reduction. The fair value of the shares on issue date was $0.95 and as a result the difference between the agreed price of $0.70 and the price on issue date has been taken to employment expenses and equity as a share based payment. The loan was repaid in in full in 2014.

(g) The aggregate value of transactions with Key Management Personnel:

	Consolidated	
	2014 $	2013 $
Revenue		
Interest income	19,405	102,408
Expenses		
Employment expense	106,649	223,155
Non-current assets		
Receivables	-	1,640,000

Note 24: Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	Consolidated	
	2014	2013
	$	$
1. Audit services		
HLB Mann Judd		
Audit and review of financial reports – half year	70,000	57,750
Audit and review of financial reports – year end	120,000	102,500
Total remuneration for audit services	**190,000**	**160,250**

	Consolidated	
	2014	2013
	$	$
2. Non-audit services		
HLB Mann Judd		
Advisory services	41,000	-
Taxation services	7,495	23,330
Total remuneration for non-audit services	**48,495**	**23,330**

It is the Group's practice to employ HLB Mann Judd on assignments additional to their statutory audit duties where HLB Mann Judd's expertise and experience with the Group are important. These assignments are principally tax advice, or where HLB Mann Judd is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Note 25: Contingencies

(a) Contingent liabilities

As at 31 December 2014 the Group had no contingent liabilities.

Note 26: Commitments

(a) Capital commitments

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

(b) Lease commitments: Group as lessee

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

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

	Consolidated	
	2014 $'000	2013 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:		
Payable:		
Within one year	66,229	37,240
Later than one year but no later than five years	213,865	121,340
Later than five years	191,428	76,666
	471,522	**235,246**
Representing:		
Non-cancellable operating leases	471,522	235,246

(ii) Finance Leases

	Consolidated	
	2014 $'000	2013 $'000
Commitments in relation to vehicle finance leases are payable as follows:		
Within one year	-	17
Later than one year but no later than five years	-	45
Minimum lease payments	-	**62**
Future finance charges	-	(8)
Total lease liabilities	-	**54**
Representing lease liabilities:		
Current	-	14
Non-current	-	40
	-	**54**

Note 27: Related Party Transactions

(a) Parent entity

The parent entity within the Group is G8 Education Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 30.

(c) Key Management Personnel

For details of transactions that Key Management Personnel and their related entities had with the Group during the year refer note 23.

(d) Outstanding balance arising from transactions with related parties

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

	Consolidated	
	2014 $'000	2013 $'000
Non-current receivables (share purchase loan)		
Key Management Personnel	-	1,640
Current payables (purchase of goods and services)		
Key Management Personnel	-	23

No allowance for doubtful debts was raised in relation to any outstanding balances, and no expenses were recognised in respect of bad or doubtful debts due from related parties. All transactions with related parties during the year were made on normal commercial terms and conditions. Outstanding balances were secured and are repayable in cash.

Note 28: Business Combinations

Current Period

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

State	NSW/ VIC/ SA/ QLD/ WA	NSW	WA	WA	NSW	NSW	QLD	WA	NSW	WA
Number of centres	69	2	21	7	4	13	6	22	5	5
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Purchase consideration										
Cash consideration	88,758	5,853	43,830	18,099	9,639	26,249	23,743	51,677	11,537	8,483
Contingent consideration	3,820	-	-	-	-	-	-	-	-	-
Purchase price adjustments	(2,059)	-	-	3675	-	171	5	-	-	1,221
Total purchase consideration	**90,519**	**5,853**	**43,830**	**21,774**	**9,639**	**26,420**	**23,748**	**51,677**	**11,537**	**9,704**
Assets & liabilities acquired at fair value										
Property, plant & equipment	234	5	267	250	-	134	63	585	9	65
Payables	(500)	-	-	-	-	(2)	-	-	-	-
Employee benefit liabilities	(2,310)	(33)	(159)	(154)	(110)	(695)	(125)	(369)	(47)	(12)
Net identifiable assets / (liabilities) acquired	(2,576)	(28)	108	96	(110)	(563)	(62)	216	(38)	53
Goodwill	93,095	5,881	43,722	21,678	9,749	26,983	23,810	51,461	11,575	9,651
	90,519	**5,853**	**43,830**	**21,774**	**9,639**	**26,420**	**23,748**	**51,677**	**11,537**	**9,704**
Revenue & profit contribution										
Revenue	32,766	3,466	25,716	5,739	2,900	8,558	6,988	12,063	3,269	2,166
Profit before tax	6,204	858	6,806	2,133	1,011	2,637	2,629	4,464	873	339

State	ACT	VIC	VIC	QLD	NSW	VIC	WA	VIC	VIC	TOTAL
Number of centres	1	8	2	9	5	6	14	2	2	203
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Purchase consideration										
Cash consideration	5,645	17,997	11,415	56,260	16,287	15,560	37,296	13,000	6,835	468,163
Contingent consideration	-	-	-	-	-	-	-	-	4,163	7,983
Purchase price adjustments	-	(590)	(458)	(456)	(606)	(275)	(39)	-	-	589
Total purchase consideration	**5,645**	**17,407**	**10,957**	**55,804**	**15,681**	**15,285**	**37,257**	**13,000**	**10,998**	**476,735**
Assets & liabilities acquired at fair value										
Property, plant & equipment	23	21	-	-	-	-	-	-	240	1,896
Payables	-	(126)	(294)	(394)	(350)	(106)	-	-	-	(1,772)
Employee benefit liabilities	(8)	(795)	(164)	(642)	(256)	(244)	-	-	(37)	(6,160)
Net identifiable assets / (liabilities) acquired	15	(900)	(458)	(1,036)	(606)	(350)	-	-	203	(6,036)
Goodwill	5,630	18,307	11,415	56,840	16,287	15,635	37,257	13,000	10,795	482,771
	5,645	**17,407**	**10,957**	**55,804**	**15,681**	**15,285**	**37,257**	**13,000**	**10,998**	**476,735**
Revenue & profit contribution										
Revenue	1,874	7,034	3,436	5,494	2,754	3,216	3,398	655	1,974	133,466
Profit before tax	430	1,451	972	2,383	809	506	929	239	385	36,058

Contingent Consideration

Where the Group has a contingent consideration in the table above the Group has a contractual liability to pay the former owner of the centre a deferred cash payment in the event that the centre based EBIT exceeds the contractual threshold for the 12 months post settlement refer to note 15.

Note 29: Parent Entity Disclosures

As at, and throughout the financial year ended 31 December 2014 the parent entity of the Group was G8 Education Limited.

	Consolidated 2014 $'000	Consolidated 2013 $'000
Result of parent entity		
Profit for the year after tax	47,401	41,436
Other comprehensive income	171	45
Total comprehensive income for the year	**47,572**	**41,481**
Financial position of parent entity at year end		
Current assets	129,941	144,397
Non-current assets	837,182	326,341
Total assets	**967,123**	**470,738**
Current liabilities	90,282	59,811
Non-current liabilities	357,224	113,152
Total liabilities	**447,506**	**172,963**
Total equity of parent entity comprising of:		
Contributed equity	548,374	302,001
Reserves	56	15,761
Accumulated losses	(28,813)	(19,987)
Total equity	**519,617**	**297,775**

Parent entity contingencies

Refer to note 25 for parent entity contingent liabilities .

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 31.

Note 30: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of Entity	Country of incorporation	Class of Shares/ Units	Equity Holding 2014 %	Equity Holding 2013 %
Subsidiaries of Company				
Grasshoppers Early Learning Centre Pty Ltd	Australia	Ordinary	52	52
Togalog Pty Ltd	Australia	Ordinary	100	100
RBWOL Holding Pty Ltd**	Australia	Ordinary	100	100
Ramsay Bourne Holdings Pty Ltd**	Australia	Ordinary	100	100
Bourne Learning Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.1) Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.2) Pty Ltd**	Australia	Ordinary	100	100
RBL No. 1 Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Licences Pty Ltd	Australia	Ordinary	100	100
Sydney Cove Children's Centre Pty Ltd	Australia	Ordinary	100	100
Sydney Cove Children's Centre B Pty Ltd	Australia	Ordinary	100	100
Sydney Cove Children's Centre C Pty Ltd	Australia	Ordinary	100	100
Sydney Cove Property Holdings Pty Ltd	Australia	Ordinary	100	100
World Of Learning Pty Ltd**	Australia	Ordinary	100	100
World Of Learning Acquisitions (No.1) Pty Ltd	Australia	Ordinary	100	100
World Of Learning Acquisitions Pty Ltd	Australia	Ordinary	100	100
World Of Learning Licences Pty Ltd	Australia	Ordinary	100	100
G8 KP Pty Ltd**	Australia	Ordinary	100	100
Sterling Early Education Finance Pty Ltd	Australia	Ordinary	100	-
Sterling Early Education Holdings Pty Ltd**	Australia	Ordinary	100	-
Woodland Education Operations Pty Ltd	Australia	Ordinary	100	-
Kindy Kids Operations Pty Ltd	Australia	Ordinary	100	-
CG Operations Pty Ltd **	Australia	Ordinary	100	-
Kool Kids Operations Pty Ltd **	Australia	Ordinary	100	-
North Shore Childcare Pty Ltd**	Australia	Ordinary	100	-
Ooorama Operations Pty Ltd**	Australia	Ordinary	100	-
Jacaranda Operations Pty Ltd**	Australia	Ordinary	100	-
Huggy Bear Operations Pty Ltd**	Australia	Ordinary	100	-
Jellybeans Operations Pty Ltd**	Australia	Ordinary	100	-
Janes Place Operations Pty Ltd	Australia	Ordinary	100	-
Jolimont Private Education Pty Ltd	Australia	Ordinary	100	-
WTTS Operations Pty Ltd	Australia	Ordinary	100	-
BUI Investments Pty Ltd	Australia	Ordinary	100	-
Derafi Pty Ltd	Australia	Ordinary	100	-
Alfoom Investments Pty Ltd	Australia	Ordinary	100	-
Shemlex Pty Ltd**	Australia	Ordinary	100	-
Kindy Kids Village Pty Ltd	Australia	Ordinary	100	-
Kindy Kids Long Day Care and Preschool Pty Ltd	Australia	Ordinary	100	-
Three Little Pigs Pty Ltd	Australia	Ordinary	100	-
A.C.N 078 042 378 Pty Ltd	Australia	Ordinary	100	-
ES5 Pty Ltd	Australia	Ordinary	100	-
Kindy Patch Unit Trust	Australia	Ordinary	100	100

Name of Entity	Country of incorporation	Class of Shares/ Units	Equity Holding 2014 %	2013 %
Subsidiaries of Company				
Sydney Cove Children's Centre Trust	Australia	Ordinary	100	100
Sydney Cove Children's Centre B Trust	Australia	Ordinary	100	100
Shemlex Investment Unit Trust **	Australia	Ordinary	100	-
Shemlex Investments Freehold Trust No 1**	Australia	Ordinary	100	-
Morley Perth Unit Trust	Australia	Ordinary	100	-
Kindy Kids Village Trust	Australia	Ordinary	100	-
Kindy Kids Long Day Care and Preschool Trust	Australia	Ordinary	100	-
G8 Singapore Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts Corporate Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts Holdings Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ KK Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ SK Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ Gombak Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ YS Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ TM Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ PGL Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ SC Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors Pte Ltd	Singapore	Ordinary	100	100
Our Juniors Schoolhouse Pte Ltd	Singapore	Ordinary	100	100
Subsidiaries of Togalog Pty Ltd				
Grasshoppers Early Learning Centre Pty Ltd	Australia	Ordinary	48	48

* The proportion of ownership interest is equal to the proportion of voting power held.

** These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investment Commission. For further information please refer to note 31.

Note 31: Deed of Cross Guarantee

G8 Education Limited, Grasshoppers Early Learning Centre Pty Ltd, Togalog Pty Ltd, RBWOL Holding Pty Ltd (Formerly Payce Child Care Pty Ltd), Ramsay Bourne Holdings Pty Ltd, Bourne Learning Pty Ltd (Formerly Ramsay & Bourne Pty Ltd), Ramsay Bourne Acquisitions (No.1) Pty Ltd, Ramsay Bourne Acquisitions (No.2) Pty Ltd, Rbl (No. 1) Pty Ltd, Ramsay Bourne Licences Pty Ltd, World Of Learning Pty Ltd, World Of Learning Acquisitions (No.1) Pty Ltd, World Of Learning Acquisitions Pty Ltd, World Of Learning Licences Pty Ltd, G8 KP Pty Ltd, Sydney Cove Children's Centre Pty Ltd, Sydney Cove Children's Centre B Pty Ltd, Sydney Cove Children's Centre C Pty Ltd, Sydney Cove Property Holdings Pty Ltd, Cg Operations Pty Ltd, Huggy Bear Operations Pty Ltd, Jacaranda Operations Pty Ltd, Jellybeans Operations Pty Ltd, Jellybeans Attadale Pty Ltd Kindy Kids Operations Pty Ltd, Kindy Kids Village Pty Ltd, Kindy Kids Long Day Care and Preschool Pty Ltd, Kool Kids Operations Pty Ltd, North Shore Childcare Pty Ltd, Oorama Operations Pty Ltd, Jane's Place Pty Ltd, Sterling Early Education Finance Pty Ltd, Sterling Early Education Holdings Pty Ltd, Derafi Pty Ltd, WTTS Operations Pty Ltd, Jolimont Private Education Pty Ltd, Bui Investments Pty Ltd, Three Little Pigs Pty Ltd, Alfoom Investments Pty Ltd, Shemlex Pty Ltd, ES5 Pty Ltd, and A.C.N 078 042 378 Pty Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the Deed RBWOL Holding Pty Ltd, World of Learning Pty Ltd, G8 KP Pty Ltd, Ramsay Bourne Holding Pty Ltd, Ramsay Bourne Acquisitions (No 2) Pty Ltd, Shemlex Pty Ltd, Shemlex Investments Unit Trust, Shemlex Investments Freehold Trust No1, Sterling Early Education Holdings Pty Ltd, CG Operations Pty Ltd, Kool Kids Operations Pty Ltd, North Shore Childcare Pty Ltd, Oorama Operations Pty Ltd, Jacaranda Operations Pty Ltd, Huggy Bear Operations Pty Ltd and Jellybeans Operations Pty Ltd have been relieved from the requirement to prepare a Financial Report And Directors' Report Under Class Order 98/1418 (As Amended) issued by the Australian Securities and Investments Commission.

G8 Education Limited, RBWOL Holding Pty Ltd, World of Learning Pty Ltd, G8 KP Pty Ltd, Ramsay Bourne Holding Pty Ltd, Ramsay Bourne Acquisitions (No 2) Pty Ltd, Shemlex Pty Ltd, Shemlex Investments Unit Trust, Shelmex Investments Freehold Trust No1, Sterling Early Education Holdings Pty Ltd, CG Operations Pty Ltd, Kool Kids Operations Pty Ltd, North Shore Childcare Pty Ltd, Oorama Operations Pty Ltd, Jacaranda Operations Pty Ltd, Huggy Bear Operations Pty Ltd and Jellybeans Operations Pty Ltd represent a 'closed group' for the purposes of the Class Order. The other parties to the deed of cross guarantee listed above do not require relief from Class Order 98/1418 as they do not meet the threshold to prepare a financial report and Directors' Report. All parties to the deed of cross guarantee (as listed above) are wholly owned subsidiaries of G8 Education Limited and the entire Group represent the 'extended closed group'.

Set out below is a consolidated statement of comprehensive income for the year ended 31 December 2014 of the closed Group.

(a) Consolidated statements of comprehensive income

	2014 $'000	2013 $'000
Revenue from continuing operations	449,453	260,550
Other income	9,186	550
Expenses		
Employee benefits expense	(249,190)	(152,272)
Occupancy	(50,448)	(30,691)
Direct costs of providing services	(36,034)	(20,342)
Amortisation	(1,650)	(381)
Depreciation expense	(4,448)	(2,894)
Insurance	(1,026)	(669)
Other expenses	(9,577)	(5,961)
Finance costs	(34,640)	(4,790)
Total expenses	**(387,013)**	**(218,000)**
Profit before income tax	71,626	43,100
Income tax (expense)	(19,684)	(13,619)
Profit for the year	**51,942**	**29,481**
Other comprehensive income for the year, net of tax	171	45
Total Comprehensive income for the year	**52,113**	**29,526**

(b) Balance Sheets

Set out below is a consolidated balance sheet as at 31 December 2014 of the closed Group.

	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	117,193	110,500
Trade and other receivables	14,281	9,246
Other current assets	32,097	25,297
Total current assets	**163,571**	**145,043**
Non-current assets		
Receivables	-	1,640
Investments in extended Group	114,832	9,010
Property, plant and equipment	24,632	16,960
Deferred tax assets	15,447	7,320
Intangible assets	668,921	290,101
Total non-current assets	**823,832**	**325,031**
Total assets	**987,403**	**470,074**
Current liabilities		
Trade and other payables	72,164	38,135
Borrowings	-	3,778
Provisions	18,047	11,088
Derivative liability	230	283
Current tax liabilities	9,525	8,865
Total current liabilities	**99,966**	**62,149**
Non-current liabilities		
Borrowings	352,944	110,436
Other payables	1,307	760
Borrowings from extended Group	4,115	-
Provisions	3,628	1,954
Total non-current liabilities	**361,994**	**113,150**
Total liabilities	**461,960**	**175,299**
Net assets	**525,443**	**294,775**
Equity		
Contributed equity	548,374	302,001
Reserves	56	15,761
Accumulated losses	(22,987)	(22,987)
Total equity	**525,443**	**294,775**

Note 32: Events occurring after the balance sheet date

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

The Group announced the proposed acquisition of 12 child care centres for $36.0 million with $29.9m payable at settlement and a further payment of $6.1 million conditional upon the centre based EBIT target being achieved in the 12 month post settlement.

Note 33: Reconciliation of profit after tax to net cash inflow from operating activities

	Consolidated	
	2014 $'000	2013 $'000
Profit for the year	52,731	31,072
Depreciation and amortisation	6,726	3,510
Foreign exchange loss on Singapore corporate notes	13,033	-
Fair value adjustment to derivatives	118	-
Write back of deferred consideration not payable	(9,178)	(550)
Increase in borrowing cost prepayments	(566)	30
Tax benefit on equity – non cash	2,176	1,319
(Increase) in trade and other debtors	(5,026)	(2,746)
(Increase) in deferred tax asset	(8,128)	(3,762)
Increase in trade and other payables	16,699	4,314
Increase in other provisions	2,390	4,644
Non-cash employee benefits expense - share based payments	107	208
Increase in provision for income taxes payable	745	3,734
Acquisition expenses	3,354	1,559
Interest income	-	(557)
Net exchange differences	(465)	260
Net cash inflows from operating activities	**74,716**	**43,035**

Note 34: Earnings per share

	Consolidated 2014 Cents	2013 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company	16.15	11.28
(b) Diluted earnings per share		
Profit from continuing operation attributable to the ordinary equity holders of the Company	16.15	11.28

	$'000	$'000
(c) Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	52,731	31,072
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	52,731	31,072

	Number	Number
d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	326,448,869	275,461,031
Adjustments for calculation of diluted earnings per share:		
Options	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	326,448,869	275,461,031

Note 35: Share–based payments

Details of options over ordinary shares in G8 Education Limited provided as remuneration to Key Management Personnel of the Group are set out below. Value of options at grant date is set out below. When exercisable, each option is convertible into one ordinary share of G8 Education Limited.

The weighted average remaining contractual life of share options outstanding at the end of the year was Nil.

No options were issued during 2014 or outstanding at 31 December 2014.

(a) Fair value of options granted

There were no options granted during the year ended 31 December 2014. The assessed fair value at grant date of the options issued during the year ended 31 December 2014 was nil.

(b) Expenses arising from share-based transactions

Expenses arising from share-based payment transactions recognised during the year as part of employee benefit expenses were as follows:

	Consolidated 2014 $'000	2013 $'000
Share-based payment expense on fair value adjustment on shares issued to nominees of C Sacre and J Fraser	(107)	(223)
	(107)	**(223)**

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 36 to 91 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial year ended on that date;

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 31 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Christopher Scott
Director
16 February 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

G8 Education Limited
ACN 95 123 828 553

INDEPENDENT AUDITOR'S REPORT

To the members of G8 Education Limited

Report on the Financial Report

We have audited the accompanying financial report of G8 Education Limited ("the company"), which comprises the consolidated balance sheet as at 31 December 2014, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

HLB Mann Judd

Accountants | Business and Financial Advisers

Independence

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

Opinion

In our opinion:

(a) the financial report of G8 Education Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 21 of the directors' report for the year ended 31 December 2014. 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 responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of G8 Education Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

C J M King
Partner

Brisbane, Queensland

Date: 16 February 2015

Shareholder Information

The total issued capital of the Company as at 31 December 2014 was 353,691,630. On 20 January 2015, 5,459,577 shares were issued pursuant to the dividend reinvestment plan. The total issued capital of the Company as at the date of this annual report is 359,151,207.

The Shareholder information set out below was applicable as at 10 February 2015.

(a) Distribution of equity securities

Analysis of number of equity security holders by size of holding is listed below.

	Class of equity security		
	Shares	**Holders**	**Options**
100,001 and Over	307,770,456	109	-
10,001 – 100,000	27,465,719	1,160	-
5,001 - 10,000	10,257,971	1,389	-
1,001 - 5,000	11,862,643	4,575	-
1 - 1,000	1,794,418	3,562	-
	359,151,207	**10,795**	-

There were 442 holders of less than a marketable parcel of ordinary shares.

(b) Quoted equity security holders

Twenty largest quoted equity security holders.

Name	Quoted ordinary shares held	Percentage of issued shares
HSBC Custody Nominees	77,838,294	21.67
National Nominees Limited	54,459,747	15.16
J P Morgan Nominees Australia Limited	49,999,389	13.92
BNP Paribas Noms Pty Ltd	30,125,138	8.38
Citicorp Nominees Pty Ltd	19,012,638	5.29
Perpetual Nominees Limited	13,181,519	3.67
Mrs Juwarseh Scott	6,940,919	1.93
Orchard Australia Holdings Pty Ltd	5,466,517	1.52
RBC Investor Services Australia Pty Ltd	4,510,928	1.26
Brazil Farming Pty Ltd	3,154,910	0.88
Warbont Nominees Pty Ltd	2,829,923	0.79
Mr Christopher Douglas Passfield & Mrs Rhonda Passfield	2,800,000	0.78
UBS Nominees Pty Ltd	2,513,215	0.70
VISS Holdings Pty Ltd	2,440,683	0.68
Mr Craig Graeme Chapman	2,300,000	0.64
Mr Duncan Fraser Forrest & Mrs Judy Marie Forrest	1,900,000	0.53
Gwynvill Trading Pty Ltd	1,677,730	0.47
Mr Garry Ronald Klye & Mrs Robyn Elizabeth Klye	1,565,000	0.44
Orchard Holdings Pty Ltd	1,500,000	0.42
National Nominees Pty Ltd	1,384,018	0.39
	285,600,568	**79.52**

(c) Substantial holders

Substantial holders as at 10 February 2015 in the Company are set out below:

Ordinary Shares	Number held	Percentage
Bennelong Funds Management Group Pty Ltd	28,291,421	7.87%
NAB Limited	19,576,569	5.45%
UBS Group AG	19,206,406	5.35%

(d) Voting rights

The voting rights attached to each class of equity securities are set out below.

(i) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share will have one vote.

(ii) Options

There are no voting rights attached to the options.

(iii) Unquoted securities

There are no unquoted securities on issue.

Corporate Directory

Directors

J Hutson, Non-Executive Director

C Scott, Managing Director

B Bailison, Non-Executive Director

A Kemp, Non-Executive Director

S Forrester, Non-Executive Director

Company Secretary

C Sacre

Principal registered business office in Australia

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

159 Varsity Parade, Varsity Lakes

Telephone: 07 5581 5300

Facsimile: 07 5581 5311

www.g8education.edu.au

Share registry:

Advanced Share Registry Limited
150 Stirling Hwy
Nedlands, WA 6009

Auditor:

HLB Mann Judd
Level 15, 66 Eagle Street
Brisbane, QLD 4000

Lawyers:

Minter Ellison Gold Coast
165 Varsity Parade
Varsity Lakes QLD 4217

Securities exchange listing:

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

G8 Education ltd

Investing in the future of childcare

www.g8education.edu.au