

ASX Announcement

G8 Education Limited
(ASX:GEM)



22 August 2024

The Manager
Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir / Madam

In accordance with ASX Listing Rule 4.2A, I enclose the 2024 Interim Financial Report (including the Appendix 4D) for the half year ended 30 June 2024 for G8 Education Limited.

A briefing will be held at 9.00am on Thursday, 22 August 2024. You can register for this briefing as follows:

Participants can register for the conference by navigating to:
<https://s1.c-conf.com/diamondpass/10040249-gw7p74.html>

Please note that registered participants will receive their dial in number upon registration.

The webcast can be viewed on the day by navigating to:
<https://ccmediaframe.com/?id=c0relhW>

Yours sincerely

Tracey Wood
Chief Legal, Quality & Risk Officer
G8 Education Limited

Authorised for release by G8 Education Limited's Board of Directors.

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G8 Education^{ltd}

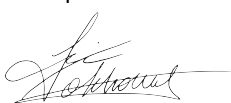
Appendix 4D

Name of Entity:	G8 Education Ltd
ABN:	95 123 828 553
Current Financial Period Ended:	Half-Year ended 30 June 2024
Previous Corresponding Reporting Period	Half-Year ended 30 June 2023

Results for Announcement to the Market

	Percentage change			
	Up or Down	%		\$'000
Revenue from ordinary activities	Up	6%	to	\$483,337
Profit from ordinary activities after tax attributable to members	Up	34%	to	\$20,033
Profit for the period attributable to members	Up	34%	to	\$20,033

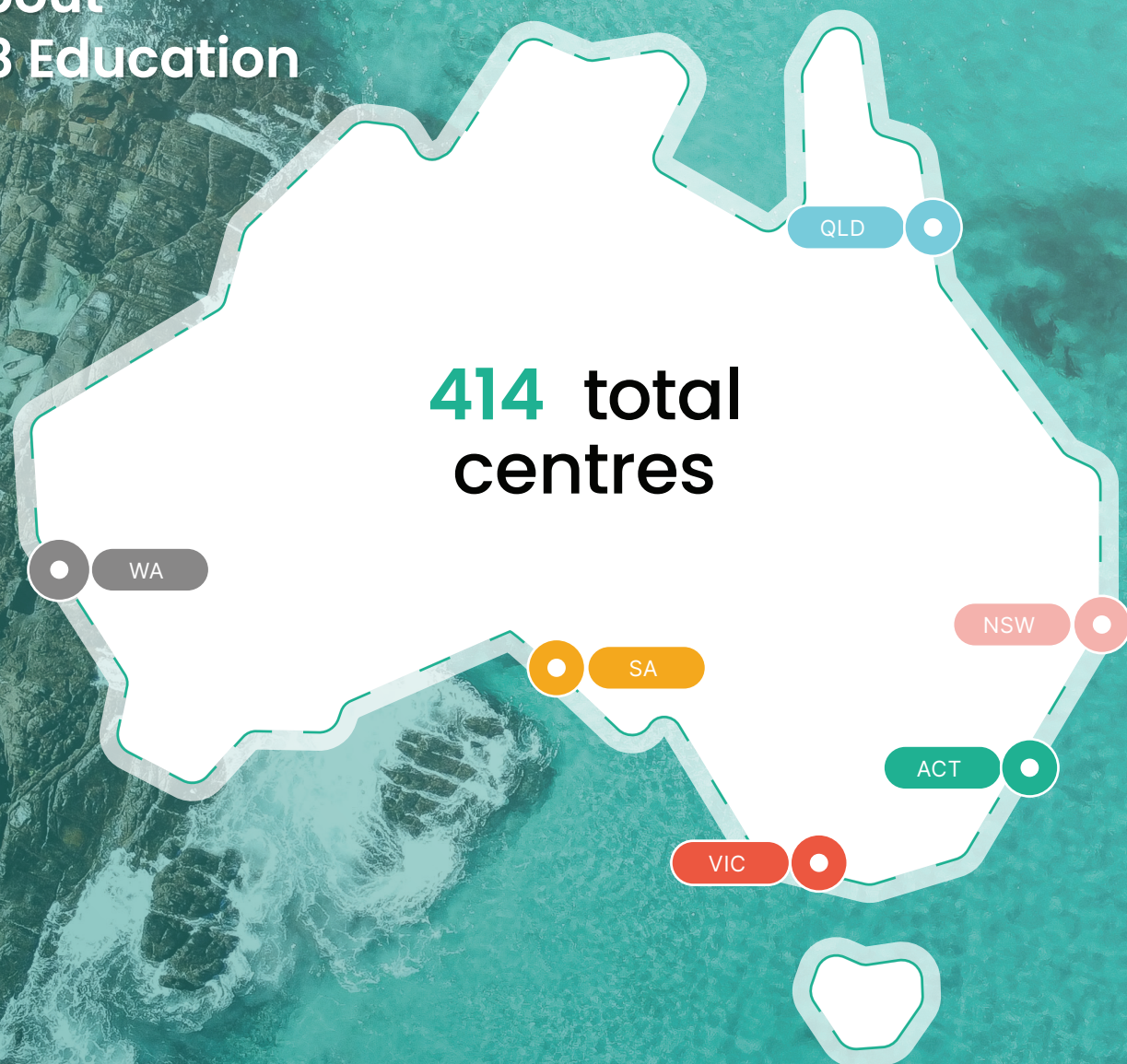
	June 2024	June 2023
Net Tangible Assets (Liabilities) per Security	(31) Cents	(34) Cents

Dividends	Amount per Security	Franked amount per security
Subsequent to the half year, G8 Education Ltd declared an interim dividend, being 2.0 cents per share, fully franked, to be paid on 30 September 2024. The record date for entitlement to the dividend is 9 September 2024.		
Brief explanation of any figures reported above necessary to enable the figures to be understood Refer to attached interim financial report		
Compliance Statement This report is based on the interim financial report that has been reviewed by our external auditors.		
 Pejman Okhovat Managing Director 22 August 2024		

2024 Interim Financial Report



About G8 Education



Queensland

60 centres
1,820 team members

New South Wales

147 centres
3,293 team members

ACT

2 centres
64 team members

Victoria

134 centres
3,460 team members

South Australia

25 centres
549 team members

Western Australia

46 centres
1,164 team members

35,000+

Total licensed places

40,000+

Children per week

10,300+

Total team members

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Directors' Report

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of G8 Education Limited (G8 Education or G8) and the entities it controlled at the end of, or during, the half-year ended 30 June 2024.

Directors

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

- Debra Singh (Chair)
- Pejman Okhovat (Managing Director)
- Professor Julie Cugin
- David Foster (resigned 7 May 2024)
- Stephen Heath (appointed 3 June 2024)
- Toni Thornton¹
- Peter Trimble
- Margaret Zabel

¹Full name Antonia Thornton

Principal activities

The principal continuing activity of the Group during the half-year was the operation of early education centres owned by the Group.

Review of operations

The Group reported a net profit after tax of \$20.0 million, 33.6% higher than the prior comparative period (pcp) driven by increased revenues and strategic procurement activity, along with ongoing cost disciplines, resulting in improved earnings and margins.

Revenue growth in the period was primarily driven by occupancy improvements, the realisation of fee increases from the prior year offset by reduced revenues from centres divested during the half. Occupancy was above the pcp supported by a solid enrolment and transition period, which led to a positive start to occupancy for the period, higher average bookings per child per week and the divestment of lower occupancy centres. Occupancy remains a key focus area for the Group with the sector seeing softening from May 2024 with this trend expected to continue in the second half.

Strategic procurement activity continues to deliver benefits to the cost base mainly in childcare and property expenses during the period. In terms of ongoing cost disciplines, workforce optimisation continues to deliver efficient wage results and improved retention rates and vacancy rates reduced the dependence on agency usage during the period when compared to the pcp.

In relation to network optimisation, the Group divested 15 centres, surrendered three centres and opened two new centres during the half-year ended 30 June 2024. The Group also had one lease assignment of a non-operational centre during the period. Divestments have contributed to positive earnings and margin outcomes during the period.

The Investor Presentation for the half-year ended 30 June 2024, released 22 August 2024, outlines further detail on the Group's performance.

Matters subsequent to the end of the half-year

Refer Note 14 of the Financial Statements.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the half-year ended 30 June 2024.

Rounding amounts

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

Audit

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

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 6.

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



Pejman Okhovat

Managing Director

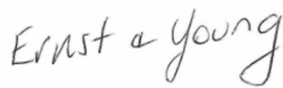
22 August 2024

Auditor's independence declaration to the directors of G8 Education Limited

As lead auditor for the review of the half-year financial report of G8 Education Limited for the half-year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of G8 Education Limited and the entities it controlled during the financial period.



Ernst & Young



Kellie McKenzie
Partner
22 August 2024

Consolidated Income Statement For the half-year ended 30 June 2024

		Consolidated	
		Half-year 2024 \$'000	Half-year 2023 \$'000
	Notes		
Continuing operations			
Revenue	1	480,390	455,339
Other income	2(a)	2,947	1,869
Total revenue		483,337	457,208
Expenses			
Employment costs		(301,667)	(288,351)
Property, utilities and maintenance costs		(28,023)	(25,526)
Direct costs		(16,409)	(16,419)
Software development expenses		(88)	(4,627)
Depreciation and amortisation	4,5,6	(51,104)	(50,660)
Impairment expense	4,5	(1,293)	-
Other expenses		(28,608)	(24,955)
Finance costs	2(c)	(27,056)	(25,253)
Total expenses		(454,248)	(435,791)
Profit before income tax		29,089	21,417
Income tax expense		(9,056)	(6,424)
Profit for the half-year attributable to members of the parent entity		20,033	14,993
		Cents	Cents
Basic earnings per share		2.47	1.85
Diluted earnings per share		2.46	1.84

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

Consolidated Statement of Comprehensive Income For the half-year ended 30 June 2024

	Consolidated	
	Half-year 2024 \$'000	Half-year 2023 \$'000
Profit for the half-year	20,033	14,993
Total comprehensive income for the half-year	20,033	14,993

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

Consolidated Balance Sheet

As at 30 June 2024

		Consolidated	
	Notes	30 June 2024 \$'000	31 December 2023 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		45,470	40,253
Trade and other receivables		23,874	23,754
Other current assets		24,679	14,401
Assets classified as held for sale	3(b)	5,517	-
Total current assets		99,540	78,408
Non-current assets			
Property, plant and equipment	4	132,793	138,781
Right of use assets	5(a)	529,769	527,965
Deferred tax assets		104,565	101,566
Intangible assets	6	1,049,002	1,049,342
Investment in an associate		904	812
Other non-current assets		4,574	5,920
Total non-current assets		1,821,607	1,824,386
Total assets		1,921,147	1,902,794
LIABILITIES			
Current liabilities			
Trade and other payables		63,654	72,207
Contract liabilities		21,651	11,400
Current tax liability		5,485	13,022
Borrowings	8	6,017	1,311
Lease liabilities	5(b)	77,142	81,278
Provisions	9	112,851	106,115
Liabilities classified as held for sale	3(b)	10,678	-
Total current liabilities		297,478	285,333
Non-current liabilities			
Borrowings	8	114,000	99,000
Lease liabilities	5(b)	591,639	596,546
Provisions	9	15,845	16,412
Total non-current liabilities		721,484	711,958
Total liabilities		1,018,962	997,291
Net assets		902,185	905,503
EQUITY			
Contributed equity	10	897,761	897,761
Reserves		107,654	108,489
Retained earnings		(103,230)	(100,747)
Total equity		902,185	905,503

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

Consolidated Statement of Changes in Equity For the half-year ended 30 June 2024

		Contributed Equity	Share Based Payment Reserve	Profits Reserve	Retained Earnings	Total
Consolidated	Notes	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1 January 2023		1,174,419	1,218	72,079	(364,353)	883,363
Profit / (loss) for the half-year		-	-	21,126	(6,133)	14,993
Total comprehensive income / (loss) for the half-year		-	-	21,126	(6,133)	14,993
Transactions with owners in their capacity as owners						
Buy back of equity, including transaction costs and net of tax	10	(5,152)	-	-	-	(5,152)
Purchase of treasury shares	10	(1,470)	-	-	-	(1,470)
Issue of treasury shares to employees	10	1,444	(1,444)	-	-	-
Share based payment expense		-	1,086	-	-	1,086
Dividends provided for or paid	11	-	-	(16,190)	-	(16,190)
Share capital reduction	10	(271,500)	-	-	271,500	-
Total		(276,678)	(358)	(16,190)	271,500	(21,726)
Balance 30 June 2023		897,741	860	77,015	(98,986)	876,630
Balance 1 January 2024		897,761	793	107,696	(100,747)	905,503
Profit / (loss) for the half-year		-	-	22,516	(2,483)	20,033
Total comprehensive income / (loss) for the half-year		-	-	22,516	(2,483)	20,033
Transactions with owners in their capacity as owners						
Share based payment expense		-	934	-	-	934
Dividends provided for or paid	11	-	-	(24,285)	-	(24,285)
Total		-	934	(24,285)	-	(23,351)
Balance 30 June 2024		897,761	1,727	105,927	(103,230)	902,185

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

Consolidated Statement of Cash Flows

For the half-year ended 30 June 2024

		Consolidated	
		Half-year 2024 \$'000	Half-year 2023 \$'000
	Notes		
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		486,972	456,764
Payments to suppliers and employees (inclusive of GST)		(374,867)	(358,051)
Interest received	2(a)	731	908
Interest paid (non-leases)		(4,660)	(5,656)
Interest paid (leases)		(21,606)	(17,822)
Income taxes paid (net of refunds)		(19,592)	310
Net cash inflows from operating activities		66,978	76,453
Cash flows from investing activities			
Payments for purchase of intangible assets	6	(111)	(392)
Payments for divestments and surrender fees		(6,109)	(9,367)
Proceeds from the sale of property, plant and equipment		-	75
Payments for property plant and equipment		(14,809)	(21,237)
Acquisition of investment in associate		(100)	-
Net cash outflows from investing activities		(21,129)	(30,921)
Cash flows from financing activities			
Dividends paid	11	(24,285)	(16,190)
Principal elements of lease payments		(36,053)	(39,303)
Buy back of equity (including transaction costs)	10(b)	-	(5,152)
Payments for purchase of treasury shares	10(b)	-	(1,470)
Net proceeds from borrowings	8	19,706	20,590
Net cash outflows from financing activities		(40,632)	(41,525)
Net increase in cash and cash equivalents		5,217	4,007
Cash and cash equivalents at the beginning of the half-year		40,253	37,826
Cash and cash equivalents at the end of the half-year		45,470	41,833

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

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Note 1: Revenue

	Consolidated	
	Half-year	Half-year
	2024	2023
	\$'000	\$'000
From continuing operations		
<i>Sales revenue</i>		
Revenue from child care centres	474,619	445,725
Funding relating to child care operations	5,771	9,614
	480,390	455,339

(a) Description of segments

The Executive Team (the Chief Operating Decision Maker) considers the business as one Group of services, and regularly reviews operating results as a portfolio, to assist with making decisions about the allocation of resources. The Executive Team has therefore identified one operating segment, being the operation of child care services. All revenue in this report relates to the single operating segment in Australia and the segment disclosure has not altered from the last Annual Report.

(b) Seasonality

The child care industry is normally seasonal as a large group of children leave child care to commence school at the beginning of the year and then revenue increases with new enrolments as the calendar year progresses. As such, historically, the second half of the year contributes more than half of the annual reported revenue and profit.

Note 2: Result for the Half-Year

(a) Other Income

	Consolidated	
	Half-year 2024 \$'000	Half-year 2023 \$'000
Other Income		
Interest	731	908
Gain on sale of centres	-	146
Gain on lease modifications	70	-
Gain on surrender / termination of leases	864	19
Insurance proceeds	1,116	317
Vendor rebates	166	479
Total other income	2,947	1,869

(b) Non-trading items

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

	Consolidated	
	Half-year 2024 \$'000	Half-year 2023 \$'000
Non-trading income		
Gain on sale of centres	-	146
Gain on lease modifications	70	-
Gain on surrender / termination of leases	864	19
Total non-trading income	934	165
Non-trading expenses		
Loss on sale of centres and disposal of assets / centres	(3,331)	(194)
Loss on lease modifications ¹	-	(1,637)
Net restructuring, regulatory and legal costs	(1,839)	(308)
Software development expenses	(88)	(4,627)
Impairment expense (notes 4 and 5)	(1,293)	-
Total non-trading expenses	(6,551)	(6,766)
Net non-trading items	(5,617)	(6,601)
Income tax benefit	1,685	1,980
Net non-trading items after tax	(3,932)	(4,621)

¹The loss on lease modifications in the prior corresponding period was primarily resulting from the increase in lease term recognised.

(c) Finance expenses

	Consolidated	
	Half-year 2024 \$'000	Half-year 2023 \$'000
Interest expense on lease liabilities and make good provision	21,860	19,555
Interest expense	4,867	5,370
Borrowing costs expense	329	328
Total finance expenses	27,056	25,253

Note 3: Divestments and disposal group classified as held for sale

During the half-year ended 30 June 2024 the Group completed the sale of 15 centres and one lease assignment of a non-operational centre, of a targeted 31 child care centres, to Abacus 49 Pty Ltd (formerly TAK Operations Pty Ltd). The divestments are part of a program of network optimisation, as announced on 26 October 2023, to improve group performance.

On 12 July 2024 the Group completed the sale of a further two centres to Abacus 49 Pty Ltd and a centre to another party. The assets and liabilities of the three centres have been classified as assets and liabilities held for sale as at 30 June 2024 as the conditions' precedent for these three centres had been satisfied as at that date. No other centres met the definition of held for sale as at 30 June 2024. Refer to note 14.

At the date of this report there have been in total 17 child care centre divestments and one lease assignment of a non-operational centre to Abacus 49 Pty Ltd and there will be no further child care centre divestments to Abacus 49 Pty Ltd.

None of the child care centre divestments or the child care centres held for sale met the definition of a discontinued operation under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

In addition to the aforementioned divestments there were three leases surrendered during the half-year ended 30 June 2024.

(a) Divestments

Details of the sale of 15 centres and one lease assignment of a non-operational centre during the half-year ended 30 June 2024 to TAK Operations Pty Ltd are as follows:

	Consolidated
	Half-year
	2024
	\$'000
Payments for divestments ¹	(5,638)
Carrying amount of net liabilities sold	2,541
Loss on sale before income tax ²	(3,097)
Income tax benefit on loss	929
Loss on sale after income tax	(2,168)

¹Included in 'Payments for divestments and surrender fees' in the consolidated statement of cash flows along with surrender fees on child care centre closures.

²The loss on sale before income tax is included in 'other expenses' in the consolidated income statement and reflected within 'Loss on sale of centres and disposal of assets/centres' in note 2(b).

The carrying amounts of assets and liabilities as at the dates of sale were:

	Consolidated
	Half-year
	2024
	\$'000
Right of use assets	11,945
Property, plant and equipment	4,343
Trade and other receivables	116
Other assets	79
Total assets	16,483
Lease liabilities	17,382
Provisions	1,552
Contract liabilities	90
Total liabilities	19,024
Net liabilities	(2,541)

Note 3: Divestments and disposal group classified as held for sale (continued)

(b) Disposal group classified as held for sale

The followings assets and liabilities of the three centres divested on 12 July 2024 have been classified as assets and liabilities held for sale as at 30 June 2024:

	Consolidated
	30 June 2024
	\$'000
Assets classified as held for sale	
Right of use assets	5,303
Property, plant and equipment	196
Other assets	18
Total assets classified as held for sale	5,517
Liabilities directly associated with assets classified as held for sale	
Lease liabilities	10,340
Provisions	296
Contract liabilities	42
Total liabilities classified as held for sale	10,678

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

	Consolidated			
	Half-year ended 30 June 2024			
	Land and buildings	Leasehold improvements	Furniture, fittings and equipment	Total
	\$'000	\$'000	\$'000	\$'000
At 31 December 2023				
Cost	5,024	172,750	94,146	271,920
Accumulated depreciation and impairment	(1,274)	(69,309)	(62,556)	(133,139)
Net book amount	3,750	103,441	31,590	138,781
Half-year ended 30 June 2024				
Opening net book amount	3,750	103,441	31,590	138,781
Additions	-	10,492	3,069	13,561
Disposals ¹	-	(3,851)	(693)	(4,544)
Transfer to assets held for sale ²	-	(125)	(71)	(196)
Depreciation charge	(69)	(8,831)	(5,727)	(14,627)
Impairment expense	-	(120)	(62)	(182)
Closing net book amount	3,681	101,006	28,106	132,793
At 30 June 2024				
Cost	5,024	173,281	92,534	270,839
Accumulated depreciation and impairment	(1,343)	(72,275)	(64,428)	(138,046)
Net book amount	3,681	101,006	28,106	132,793

¹During the half-year, the Group disposed of property, plant and equipment of \$4.5 million which had a cost of \$11.2 million and accumulated depreciation and impairment of \$6.7 million.

²As at 30 June 2024 the Group transferred \$0.2 million to assets held for sale which had a cost of \$3.4 million and accumulated depreciation and impairment of \$3.2 million.

Impairment of property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment.

Property, plant and equipment (including leasehold improvements) are tested for impairment as part of the cash generating units (CGU) to which they relate, usually a child care centre.

At each balance date the Group reviews whether indicators of impairment exist. As a result of this review, the Group identified indicators of potential impairment for CGUs to which property, plant and equipment relate and tested the recoverable amounts of these CGUs. A property, plant and equipment impairment expense of \$0.2 million was recognised in the half-year ended 30 June 2024 (30 June 2023: Nil).

Note 5: Right of Use Assets and Lease Liabilities

Set out below are the carrying amounts and movements during the period:

(a) Right of use assets

	Consolidated		
	Half-year ended 30 June 2024		
	Leased property \$'000	Leased vehicle \$'000	Total \$'000
Consolidated			
At 31 December 2023			
Cost	915,736	1,803	917,539
Accumulated depreciation and impairment	(388,038)	(1,536)	(389,574)
Net book amount	527,698	267	527,965
Half-year ended 30 June 2024			
Opening net book amount	527,698	267	527,965
Additions	7,063	330	7,393
Remeasurement of make-good provision	208	-	208
Disposals ¹	(12,248)	(68)	(12,316)
Transfer to assets held for sale ²	(5,303)	-	(5,303)
Depreciation charge	(35,844)	(182)	(36,026)
Modification to lease terms	40,634	46	40,680
Variable lease payments reassessment	8,305	(26)	8,279
Net impairment expense	(1,111)	-	(1,111)
Closing net book amount	529,402	367	529,769
Cost	917,759	1,499	919,258
Accumulated depreciation and impairment	(388,357)	(1,132)	(389,489)
As at 30 June 2024	529,402	367	529,769

¹During the half-year, the Group disposed of right of use assets of \$12.3 million which had a cost of \$37.2 million and accumulated depreciation and impairment of \$24.9 million.

²As at 30 June 2024 the Group transferred \$5.3 million to assets held for sale which had a cost of \$17.6 million and accumulated depreciation and impairment of \$12.3 million.

(b) Lease liabilities

	Consolidated	
	30 June 2024 \$'000	31 December 2023 \$'000
Current lease liabilities	77,142	81,278
Non-current lease liabilities	591,639	596,546
Total lease liabilities	668,781	677,824
		Total \$'000
At 31 December 2023		677,824
Additions		7,270
Disposals		(18,852)
Interest expense: accretion of interest		21,606
Payments		(57,659)
Transfer to liabilities held for sale		(10,340)
Modification to lease terms		40,680
Variable lease payments reassessment		8,252
Closing net book amount as at 30 June 2024		668,781

Note 5: Right of Use Assets and Lease Liabilities (continued)

(c) Impairment of right of use assets

Right of use assets are tested for impairment as part of the CGU to which they relate, usually a child care centre.

At each balance date, the Group assesses for indicators of impairment. During the current period the Group assessed that indicators for impairment did exist for certain CGUs, to which right of use assets related. If such indication exists, the Group estimates the asset's or CGU's recoverable amount, being the higher of fair value less cost of disposal or value-in-use. The value-in-use calculations are based on cashflow projections which are a function of each of the following key assumptions: occupancy, wages and other centre expenses. A right of use asset impairment expense of \$3.0 million was recognised in the half-year ended 30 June 2024 (30 June 2023: Nil).

In addition, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount, being the higher of fair value less cost of disposal or value-in-use. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. The assessment resulted in a \$1.9 million reversal of impairment losses during the half-year ended 30 June 2024 (30 June 2023: Nil).

(d) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that effects its ability to exercise (or not to exercise) the option to renew.

Note 6: Non-current assets - Intangibles

	Consolidated		
	Half-year ended 30 June 2024		
	Goodwill \$'000	Software \$'000	Total \$'000
At 31 December 2023			
Cost	1,196,686	4,495	1,201,181
Accumulated amortisation and impairment	(150,497)	(1,342)	(151,839)
Closing net book amount	1,046,189	3,153	1,049,342
Half-year ended 30 June 2024			
Opening net book amount	1,046,189	3,153	1,049,342
Additions	-	111	111
Amortisation	-	(451)	(451)
Closing net book amount	1,046,189	2,813	1,049,002
Cost	1,196,686	4,606	1,201,292
Accumulated amortisation and impairment	(150,497)	(1,793)	(152,290)
Net book amount	1,046,189	2,813	1,049,002

Note 6: Non-Current Assets – Intangibles (continued)

(a) Impairment tests for goodwill

Goodwill and software are monitored and tested for impairment on an operating segment level. The recoverable amount of the child care centre assets is determined based on value-in-use calculations. These calculations use cash flow projections based on forecasts for the remainder of 2024 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 intangible assets 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 and right of use assets of the child care centres and working capital.

(b) Impairment

Management assessed asset balances for impairment and concluded no impairment was required. There was no significant change in key assumptions or the expected cash flows relative to those used in the impairment assessment at 31 December 2023.

Note 7: Contractual Commitments

Contractual maturities of financial liabilities

	Consolidated 30 June 2024 \$'000						
	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	>5years	Total contractual cash flows	Carrying amount
Non derivative							
Syndicated debt facilities	3,905	3,912	118,325	-	-	126,142	114,000
Other unsecured borrowings	5,539	615	-	-	-	6,154	6,017
Trade and other payables ¹	42,513	-	-	-	-	42,513	42,513
Lease liabilities	57,811	54,649	107,402	286,778	348,722	855,362	668,781

	Consolidated 31 December 2023 \$'000						
	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	>5years	Total contractual cash flows	Carrying amount
Non derivative							
Syndicated debt facilities	3,378	3,402	106,015	-	-	112,795	99,000
Other unsecured borrowings	1,338	-	-	-	-	1,338	1,311
Trade and other payables ¹	54,456	-	-	-	-	54,456	54,456
Lease liabilities	58,492	57,274	111,796	299,009	329,077	855,648	677,824

¹Excludes employee related payables

Note 8: Current and Non-Current Liabilities - Borrowings

	Consolidated		
	Half-year ended 30 June 2024		
	Current ¹ \$'000	Non-current \$'000	Total \$'000
At 31 December 2023			
Total unsecured borrowings	1,311	-	1,311
Total secured borrowings	-	99,000	99,000
Total borrowings	1,311	99,000	100,311
Half-year ended 30 June 2024			
Opening net book amount	1,311	99,000	100,311
Drawings	6,017	20,000	26,017
Repayments	(1,311)	(5,000)	(6,311)
Total borrowings	6,017	114,000	120,017
At 30 June 2024			
Total unsecured borrowings	6,017	-	6,017
Total secured borrowings	-	114,000	114,000
Total borrowings	6,017	114,000	120,017

¹Current borrowing relates to insurance premium funding.

(a) Syndicated debt facilities

The Group had \$114.0 million drawn from the \$270.0 million syndicated debt facilities as at 30 June 2024.

	Consolidated	
	30 June 2024	31 December 2023
	\$'000	\$'000
Syndicated debt facilities		
Total facilities	270,000	270,000
Used at balance date	(114,000)	(99,000)
Unused at balance date	156,000	171,000

Note 9: Current and Non-Current Liabilities - Provisions

	Consolidated	
	30 June 2024	31 December 2023
	\$'000	\$'000
Current provisions		
Employee benefits	44,351	46,615
Make good	4,500	4,500
Regulatory, legal and other provisions (note (a))	64,000	55,000
Total current	112,851	106,115
Non-current provisions		
Employee benefits	4,804	5,142
Make good	11,041	11,270
Total non-current	15,845	16,412

(a) Regulatory, legal and other provisions

There are outstanding regulatory issues and legal actions between the Company and other parties relating to a number of historical issues including a class action and litigation in the normal course of business.

Employee Payments Remediation Program

Regulatory, legal and other provisions includes the Employee Payments Remediation Program. During 2020, as part of implementing a new Human Resources Information System ("HRIS") and rostering system, the Group conducted a review of award and legislative requirements. This review identified inadvertent non-compliance with some requirements of the Children's Services Award and the Educational Services (Teachers) Award for a number of the Group's team members in Australia.

Payments have been made to current and former team members amounting to \$41.5 million to date. Payments have also been made in regards to payroll tax and legal fees.

There remained at reporting date approximately \$2.0 million of wages, super and interest payable to former G8 employees who have been unable to be located. The Company continues to engage with the Fair Work Ombudsman on the Employee Payments Remediation Program and the final outcome remains uncertain.

Legal matters

Regulatory, legal and other provisions also includes legal claims. Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

There are outstanding legal actions between the Company and third parties as at 30 June 2024.

In 2020, G8 Education Limited was served with a class action filed by Slater and Gordon in the Supreme Court of Victoria. The claim alleged breaches of the company's continuous disclosure obligations between 23 May 2017 and 23 February 2018. On 25 March 2024 it was announced that G8 had reached a binding agreement to settle the class action. The settlement was without admission of liability, with G8's Board determining that a commercial settlement was in the best interests of G8 and its shareholders. The total full and final settlement amount agreed in respect of all of the shareholders' claims in the class action was \$46.5 million. As at 30 June 2024 the settlement remained subject to Court approval. An insurance reimbursement asset of \$11.5 million was recognised as at 30 June 2024 (reflected in 'other current assets' in the balance sheet) as the recovery was considered to be virtually certain as at that date. Refer to note 14.

Note 10: Contributed Equity

(a) Share capital

	Consolidated		Consolidated	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	No. of Shares	No. of Shares	\$'000	\$'000
Ordinary shares fully paid	809,506,134	809,506,134	897,761	897,761

(b) Movements in ordinary share capital

	Consolidated		Consolidated	
	Half-year 2024	Half-year 2023	Half-year 2024	Half-year 2023
	No. of Shares	No. of Shares	\$'000	\$'000
31 December balance	809,506	813,837	897,761	1,174,419
Share buyback, including transaction costs net of tax	-	(4,331)	-	(5,152)
Purchase of treasury shares	-	(1,180)	-	(1,470)
Issue of treasury shares to employees	-	1,180	-	1,444
Share capital reduction	-	-	-	(271,500)
30 June balance	809,506	809,506	897,761	897,741

Note 11: Dividends

	CPS	Total dividend \$'000
Dividends		
Financial year 2024		
2023 final fully franked dividend (paid in cash on 4 April 2024)	3.0	24,285
Franked dividend paid during the half-year ended 30 June 2024		24,285
Financial year 2023		
2022 final franked dividend (paid in cash on 6 April 2023)	2.0	16,190
Franked dividend paid during the half-year ended 30 June 2023		16,190

Note 12: Commitments

Capital commitments

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

Note 13: Other Matters

Class Action

Refer to notes 9 and note 14.

Note 14: Events Occurring After the Balance Sheet Date

The following material matters have taken place after the balance sheet date:

- Subsequent to 30 June 2024 the Group completed:
 - the sale of a further two child care centre divestments to Abacus 49 Pty Ltd (formerly TAK Operations Pty Ltd) taking the total at the date of this report to 17 child care centre divestments and one lease assignment of a non-operational centre to Abacus 49 Pty Ltd. There will be no further child care centre divestments to Abacus 49 Pty Ltd;
 - the sale of a child care centre to another party and exited a child care centre lease.
- On 8 August 2024 the Federal Government announced a proposal to fund from December 2024 a 15% award rate pay increase for Early Childhood Education and Care (ECEC) workers over a two-year period (10% on top of the current national award rate in the first year and 15% above the current national award rate in the second year). The payment will be conditional on providers limiting fee growth by no more than 4.4% from 8 August 2024 over the next 12 months. Grant applications are expected to open in October 2024 and the Group intends to apply for the worker retention payment grant.
- In relation to the settlement of the class action filed by Slater and Gordon in the Supreme Court of Victoria, on 29 July 2024 an insurance contribution of \$11.5 million was paid by the Group's insurers direct to a settlement fund trust account and the remaining settlement amount of \$35.0 million (net after tax impact estimated to be \$24.5 million) was paid by G8 in August 2024. As at the date of this report the settlement remains subject to Court approval. The settlement was without admission of liability, with G8's Board determining that a commercial settlement was in the best interests of G8 and its shareholders.
- On 22 August 2024 the Board declared a 2.0 cent fully franked dividend to be paid on 30 September 2024.
- On 22 August 2024 the Board announced an on-market buyback of up to 5% of issued capital is to be implemented as part of the Group's capital management strategy.

Note 15: Related Party Transactions

(a) Parent entity

The parent entity within the Group is G8 Education Limited.

(b) Key management personnel

Related party transactions are consistent with 31 December 2023, no material related party transactions occurred during the half-year ended 30 June 2024.

Note 16: Other Significant Accounting Policies

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

(a) Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 30 June 2024 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with IAS 134 *Interim Financial Reporting*.

This consolidated interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, it is to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcements made by G8 Education Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX listing rules.

Note 16: Other Significant Accounting Policies (continued)

(b) Going concern basis of accounting

The Group recognised a net profit after tax of \$20.0 million for the half-year ended 30 June 2024 (2023: \$15.0 million) while current liabilities exceed current assets by \$197.9 million as at 30 June 2024 (31 December 2023: \$206.9 million). Cashflows from operating activities were \$67.0 million for the half-year ended 30 June 2024 (2023: \$76.5 million).

Management expects the cash reserves and undrawn debt facilities, together with the forecast cash flow generation from operations will allow the Group to fulfil the Group's obligations and meet its debts for the 12 months from the date of this report. On this basis, the Directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate.

Further, the Group expects to realise its assets, and extinguish its liabilities in the ordinary course of business. As a result, the financial statements have been prepared on a going concern basis.

Note 17: Changes in Accounting Policies

(a) Accounting standards and interpretations applied from 1 January 2024

The accounting policies adopted in the preparation of the interim consolidated financial report are consistent with those followed in the preparation of the Group's annual report for the year ended 31 December 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2024, but do not have a significant impact on the interim condensed consolidated financial statements of the Group.

(b) Standards issued but not yet effective

Certain amendments to accounting standards have been published that are not mandatory for 30 June 2024 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 to 24 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standard *AASB 134 Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the half-year ended on that date.

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

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



Pejman Okhovat
Managing Director
22 August 2024

Independent auditor's review report to the members of G8 Education Limited

Conclusion

We have reviewed the accompanying half-year financial report of G8 Education Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2024, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

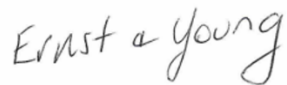
Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards



and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'K McKenzie'.

Kellie McKenzie
Partner
Brisbane
22 August 2024

Corporate Directory

Directors

D Singh, Chair

P Okhovat, Managing Director and Chief Executive Officer

Prof J Cugin, Non-Executive Director

S Heath, Non-Executive Director

A Thornton, Non-Executive Director

P Trimble, Non-Executive Director

M Zabel, Non-Executive Director

Company Secretary

T L Wood

Principal registered business office in Australia

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

159 Varsity Parade, Varsity Lakes

Telephone: 07 5581 5300

Facsimile: 07 5581 5311

www.g8education.edu.au

Share registry:

Link Market Services Limited

Level 21, 10 Eagle Street

Brisbane QLD 4000

Auditor:

Ernst & Young

111 Eagle Street

Brisbane QLD 4001

Lawyers:

Allens Linklaters Lawyers

Level 26, 480 Queen Street

Brisbane QLD 4000

Securities exchange listing:

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

