ASX Announcement

G8 Education Limited
(ASX:GEM)

24 August 2020

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 2020 Interim Financial Report (including the Appendix 4D) for the half year ended 30 June 2020 for G8 Education Limited.

A briefing will be held at 9.00am on Monday 24 August 2020. You can register for this briefing as follows:

Participants can register for the conference by navigating to:
https://s1.c-conf.com/DiamondPass/10008687-invite.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://services.choruscall.com.au/webcast/g8-200824.html

Yours sincerely

Tracey Wood
General Counsel & Company Secretary
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 2020
Previous Corresponding Reporting Period	Half-Year ended 30 June 2019

Results for Announcement to the Market

	Percentage change Up or Down	**%**		**$'000**
Revenue from ordinary activities	Down	28%	to	309,032
Profit from ordinary activities after tax attributable to members	Down	1359%	to	(239,069)
Profit for the period attributable to members	Down	1359%	to	(239,069)

	June 2020	**June 2019**
Net Tangible Assets (Liabilities) per Security*	**(32) Cents**	**(79) Cents**

Dividends	**Amount per Security**	**Franked amount per security**

Brief explanation of any figures reported above necessary to enable the figures to be understood

Refer to attached Directors report.

Compliance Statement

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

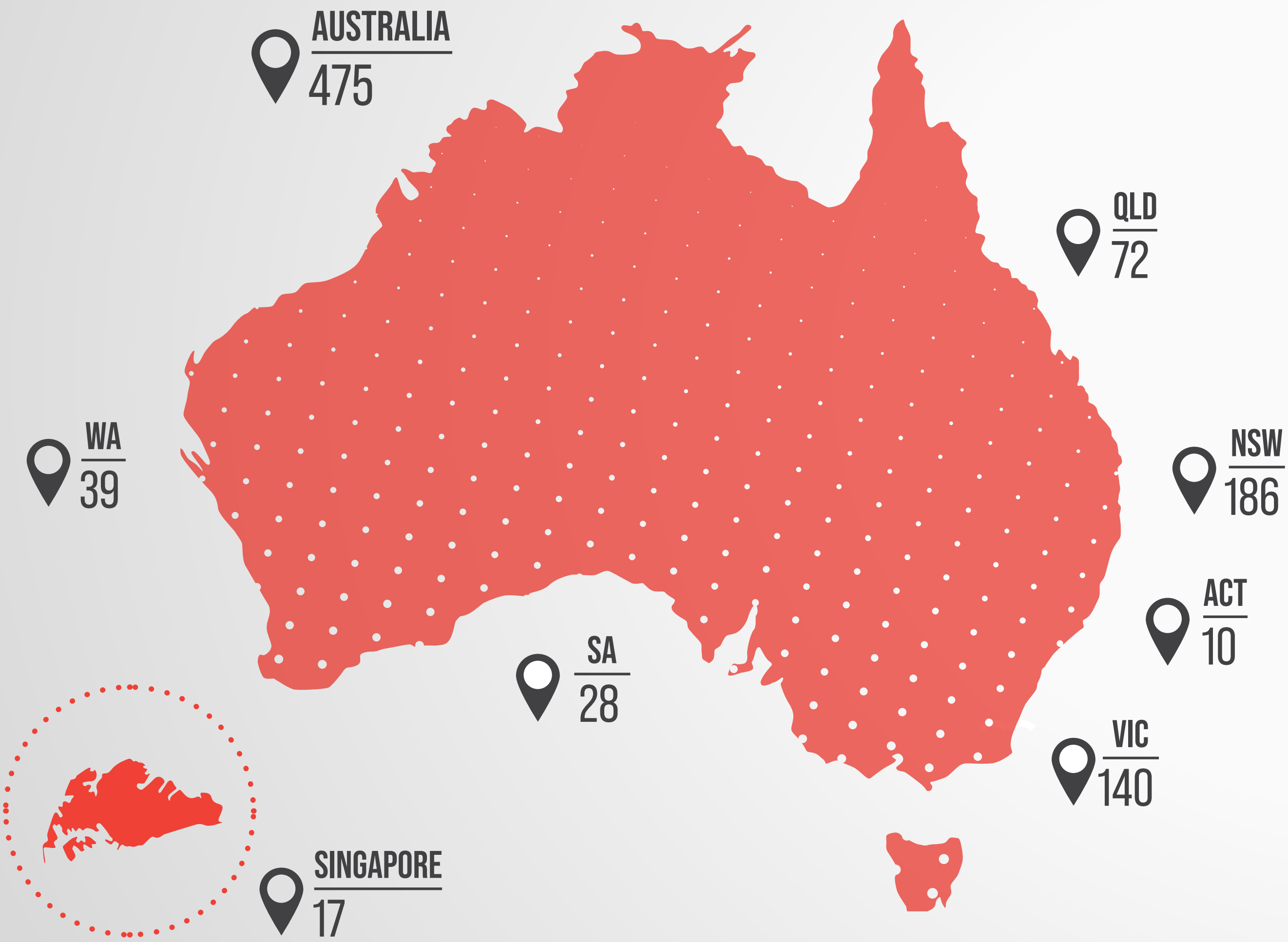
Gary Carroll
Managing Director
22 August 2020

G8 Education ltd

INTERIM FINANCIAL REPORT

2020

OUR BUSINESS



CENTRES BY BRAND

Bambino's	11	Creative Garden Early Learning Centre	19	FirstGrammar Early Education Centre	27	headstart Early Learning Centres	16
buggles early learning and kindy	11	Community Kids	82	Great Beginnings Early Education for Life	40	jellybeans Child Care & Kindy	11
Casa Bambina	5	Early Learning Services Committed to Child Care	46	Greenwood Early Education Centres	26	Kinder Haven	16
Kindy Patch Kids	34	Pelicans Learning for Life	3	Sandcastles	6	Bright Juniors	10
Kool Kids early learning centres	10	Pelican Childcare Early Learning Centres	9	The Learning Sanctuary	19	Cherie Hearts	3
NurtureOne "Nurturing Enquiring Minds"	22	Penguin Childcare Early Learning Centres	5	World of Learning	57	Our Juniors schoolhouse	4

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Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of G8 Education Limited (G8 Education) and the entities it controlled at the end of, or during, the half-year ended 30 June 2020.

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:

- M Johnson (Chair)
- G Carroll (Managing Director)
- B Bailison (retired 20 May 2020)
- J Cogin
- S Forrester, AM
- D Foster
- P Trimble (appointed 13 May 2020)
- M Zabel

Principal activities

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

- Operation of early education centres owned by the Group; and
- Ownership of early education centre franchises.

There has been no significant change to the Group's activities during the half-year ended 30 June 2020.

Review of operations

The COVID-19 pandemic has had a profound impact on a global basis. Our focus during these extraordinary times has been in two primary areas:

- Our main priority being the safety and wellbeing of our team, and the children and families that attend our centres; and
- Business continuity, specifically our cash flow, liquidity and balance sheet.

The Group first observed the early impact of COVID-19 pandemic on attendance levels at our centres in late January/early February. This impact accelerated rapidly over the succeeding weeks as the Government escalated measures to slow the rate of virus infection. By late March, attendances across the sector were approximately half the level of those experienced in prior years, placing the viability of the sector at risk.

Recognising this risk, the Federal Government announced an initial sector-specific relief package on 2 April, intending to provide all sector participants with certainty of revenue to enable centres to remain open during the peak of the pandemic. That initial relief package was reviewed and updated with a transition phase package of support announced by the Government on 8 June, which came into effect from 13 July. These relief packages reinforced the Federal Government's view of the essential role our sector plays in the economy, in addition to the important role we play in the cognitive, social and emotional development of children in Australia.

Following the announcement of the Government's initial sector relief package, we raised $301 million via an underwritten institutional and retail entitlement offer. This capital raising provides the Group with the liquidity and financial flexibility to withstand a prolonged period of economic downturn as well as allowing the Group to pursue any sensible opportunities that may emerge from this challenging period. The Board also made the difficult but prudent decision to delay the payment of the Group's CY19 final dividend to October of this year, to provide more flexibility to deal with the unfolding pandemic, along with reducing Director fees and the salary of the Executive Leadership Team by 20% for a 6 month period.

During the half year, the Group enacted a number of initiatives designed to preserve cash and liquidity and improve efficiency through the period impacted by COVID-19, while continuing to prioritise the safety and health of children, their families and team members.

Main initiatives included:

- Implementation of a number of health and hygiene protocols and processes to protect the health and well-being of our children, families and team members. These included regular surface cleaning at centres and support offices, temperature checks and implementing working from home arrangements;
- Equity raising of approximately $301m which added approximately 377m new fully paid ordinary shares;
- Engaging with lenders to either, waive or adjust covenants through to 31 December 2021;
- Reducing annual capital expenditures by circa $15m by focusing on critical projects only. As part of this critical spend, work has continued on the roll-out of the Group's new Rostering and HR Information System, as well as the acceleration of upgraded learning environments in approximately 100 centres;
- Developing the new rostering system which will improve visibility, optimise rostering and automate award compliance, with a review of award and legislative requirements being undertaken as part of project implementation;
- Aligning operating costs to the prevailing environment, with reductions in centre operating costs, rent and support office wages and operating costs;
- The Group completed a strategic portfolio review and identified underperforming assets. The review considered the additional impacts of the COVID-19 pandemic operating environment, the risk of delays in economic recovery and subsequent impact on performance.

As a result of the strategic portfolio review and the impacts of COVID-19, the Group has recognised a non-cash impairment charge of $237.2m net of tax in its half year results.

The impairment is non-cash in nature and has no impact on the Group's debt facilities or compliance with its banking covenants. It also provides the Group with more flexibility with respect to how it manages those underperforming assets.

AASB 16 Leases impact and underlying result (Unaudited, Non-IFRS)

Given the material impact of the accounting standard implemented 1 January 2019, the Directors have included the following table which is considered to provide useful and meaningful information to the Group's stakeholders. This is non-IFRS information which is unaudited.

The table below also illustrates the reconciliation of reported net profit after tax ("NPAT") and reported earnings before interest and tax ("EBIT") to pre-AASB 16 underlying NPAT and EBIT. For pre-AASB 16 pro forma Balance Sheet and Statement of Cashflows refer to G8 Education's Investor Presentation released on the ASX on 24 August 2020.

The financial performance of the Group for the half-year resulted in an underlying EBIT of $28.7m (2019: $51.6m). The underlying result was impacted by the COVID-19 pandemic's effect on attendance levels and the temporary changes to the child care sector's funding model.

The Directors highlight that underlying earnings have not been adjusted to exclude a number of government incentives received during the period as such assistance was considered recompense for costs incurred in the year that form part of underlying earnings.

AASB 16 *Leases* Impact on Consolidated Income Statement (Unaudited, Non IFRS)

Consolidated Half Year	30 June 2020 Statutory $'000	30 June 2020 AASB16 Adjustment[1] $'000	30 June 2020 pre-AASB16 $'000	30 June 2019 Statutory $'000	30 June 2019 AASB16 Adjustment[1] $'000	30 June 2019 pre-AASB16 $'000
Revenue	**309,032**	**(377)**	**308,655**	**430,881**	**-**	**430,881**
Expenses						
Employment costs	(168,563)	-	(168,563)	(259,983)	-	(259,983)
Occupancy	(3,603)	(54,457)	(58,060)	(5,624)	(52,632)	(58,256)
Direct costs of providing services	(29,439)	-	(29,439)	(33,676)	-	(33,676)
Depreciation	(47,429)	36,312	(11,117)	(48,478)	38,032	(10,446)
Impairment loss	(274,757)	99,791	(174,966)	-	-	-
Other expenses	(25,790)	(727)	(26,517)	(19,028)	(867)	(19,895)
Finance costs	(33,564)	21,833	(11,731)	(36,242)	21,754	(14,488)
Total expenses	**(583,145)**	**102,752**	**(480,393)**	**(403,031)**	**6,287**	**(396,744)**
Profit / (loss) before income tax	**(274,113)**	**102,375**	**(171,738)**	**27,850**	**6,287**	**34,137**
Income tax benefit (expense)	35,044	(30,723)	4,321	(8,861)	(1,955)	(10,816)
Profit / (loss) for the half year	**(239,069)**	**71,652**	**(167,417)**	**18,989**	**4,332**	**23,321**

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

Net Profit / (loss) after income tax			**(167,417)**			**23,321**
Add/(Less) non-operating transactions:						
Contingent consideration not paid			-			(681)
Acquisition related expenses[2]			2,515			2,840
Borrowing costs expense[3,4]			-			1,646
(Gain)/loss on disposal of assets/centres			1,292			1,092
Foreign currency translation (gain)/loss[3,4]			-			(1,971)
Impairment loss and non-trading expenses[4]			175,167			-
Underlying net profit after tax			**11,557**			**26,247**
Underlying EPS (cents per share)			**1.80**			**5.08[5]**
Net Profit / (loss) before income tax			**(171,738)**			**34,137**
Add Finance costs[6]			11,360			14,167
Add/(Less) non-operating transactions:						
Contingent consideration not paid			-			(681)
Acquisition related expenses[2]			2,515			2,840
(Gain)/loss on disposal of assets/centres			1,292			1,092
Impairment loss and non-trading expenses			185,278			-
Underlying earnings before interest and tax			**28,707**			**51,555**

[1] AASB 16 adjustments include impairment of right of use assets. Pre AASB 16, the assessment of cash generating units may have resulted in a provision for onerous leases and a corresponding expense being required. The Group did not make an assessment of onerous leases in the current period, to be booked in the pre-AASB 16 proforma consolidated income statement.
[2] Includes stamp duty, legal fees, establishment costs and abandoned acquisition costs
[3] These items ceased to be removed from underlying from CY20 onwards following the repayment of the SGD bonds
[4] These items have been adjusted for tax
[5] Restated to reflect bonus element included in share issuance
[6] Excludes interest income of $0.4m from revenue and included in financing costs (2019: $0.3m)

Non-IFRS financial information

The 2020 half-year report contains certain non-IFRS financial measures of historical financial performance, balance sheet or cash flows that are used by management and the Directors as the primary measures of assessing the financial performance of the Group. Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards and may not be directly comparable with other companies' measures but are common practice in the industry in which G8 Education operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures.

The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by Australian Security and Investments Commission (ASIC) in December 2011 to promote full and clear disclosure for investors and other users of financial information and minimise the possibility of being misled by such information. Non-IFRS measures are not subject to audit or review.

Matters subsequent to the end of the half-year

- The Government's assistance received during the reporting period (Child care relief package and JobKeeper subsidy) ceased after the balance sheet date, on 12 July 2020. Instead, the Group will receive a Transition Payment for the period 13 July 2020 to 27 September 2020. The Transition Payment is 25 per cent of fee revenue in the relevant reference period that has been used during the Relief Package.
- On 2 August 2020, in response to increased COVID-19 cases, regions within the state of Victoria entered into either Stage 3 or Stage 4 lockdowns, for a 6-week period. The Government has increased the transition payment from 25% to 30% for impacted centres. In addition, a "parent gap waiver" for COVID-19 related non-attendances has been introduced. The waiver ensures the Group will still receive CCS subsidy funding for bookings where there is no attendance. The Group has 141 centres within the lockdown regions.
- Completed negotiations with lenders to adjust covenants through to 31 December 2021.

Significant changes in the state of affairs

In addition to the COVID-19 pandemic impact noted above, significant changes in the state of affairs of the Group during the half-year were as follows:

- Acquisition of an additional 4 centres, which completes the committed greenfield pipeline, and closure of 3 centres;
- Issuance of approximately 377m new shares through a capital raising of $301m;
- Classification of the Group's operation in Singapore as held for sale; and
- Net repayment of $95m debt facilities through the utilisation of equity raised.

Rounding amounts

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

Auditor

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

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 9.

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

Gary Carroll
Managing Director
22 August 2020

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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 2020, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ric Roach
Partner
22 August 2020

Consolidated Income Statement
For the half-year ended 30 June 2020

	Notes	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Revenue	3	308,290	429,878
Other income		742	1,003
Total		**309,032**	**430,881**
Expenses			
Employment costs	1(a)	(168,563)	(259,983)
Occupancy		(3,603)	(5,624)
Direct costs of providing services		(29,439)	(33,676)
Depreciation	6,7	(47,429)	(48,478)
Impairment loss	1(c),7,9	(274,757)	-
Other expenses		(25,790)	(19,028)
Finance costs		(33,564)	(36,242)
Total expenses		**(583,145)**	**(403,031)**
Profit (loss) before income tax		**(274,113)**	**27,850**
Income tax benefit (expense)[1]		35,044	(8,861)
Profit (loss) for the half year attributable to members of the parent entity		**(239,069)**	**18,989**
		Cents	**Cents**
Basic earnings (loss) per share		(37.16)	3.67[2]
Diluted earnings (loss) per share		(37.16)	3.67[2]

[1] Includes income tax benefit associated with impairment loss of $37.6m.

[2] Restated to reflect bonus element included in share issuance.

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 2020

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Profit (loss) for the half year	(239,069)	18,989
Other comprehensive income (loss), net of income tax		
Items that are or may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(506)	391
Effective portion of changes in fair value of cash flow hedges	-	(1,885)
Total other comprehensive income (loss)	**(506)**	**(1,494)**
Total comprehensive income (loss) for the half year	**(239,575)**	**17,495**

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

Consolidated Balance Sheet
As at 30 June 2020

	Notes	Consolidated 30 June 2020 $'000	Consolidated 31 December 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents		237,486	40,603
Trade and other receivables		37,625	29,936
Other current assets	5	8,924	11,232
Current tax asset		2,343	1,938
Assets classified as held for sale	2	14,538	-
Total current assets		**300,916**	**83,709**
Non-current assets			
Property plant and equipment	6	91,441	103,864
Right of use assets	7	479,612	606,219
Deferred tax assets		92,371	53,966
Intangible assets	9	1,044,593	1,193,160
Other non-current assets	5	1,653	5,894
Total non-current assets		**1,709,670**	**1,963,103**
Total assets		**2,010,586**	**2,046,812**
LIABILITIES			
Current liabilities			
Trade and other payables		86,485	54,840
Contract liabilities		15,719	7,148
Lease liabilities	7	69,938	68,482
Provisions		38,313	34,264
Liabilities classified as held for sale	2	6,180	-
Total current liabilities		**216,635**	**164,734**
Non-current liabilities			
Other payables		696	696
Borrowings	11	293,939	387,750
Lease liabilities	7	618,014	640,655
Provisions		15,166	13,087
Total non-current liabilities		**927,815**	**1,042,188**
Total liabilities		**1,144,450**	**1,206,922**
Net assets		**866,136**	**839,890**
EQUITY			
Contributed equity	12	1,200,687	907,255
Reserves		43,723	63,080
Accumulated losses		(378,274)	(130,445)
Total equity		**866,136**	**839,890**

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 2020

Consolidated	Notes	Contributed Equity $'000	Hedging Reserve $'000	Cost of Hedging Reserve $'000	Translation Reserve $'000	Share Based Payment Reserve $'000	Profits Reserve $'000	Accumulated losses $'000	Total $'000
Balance 1 January 2019		**893,567**	**1,615**	**270**	**8,326**	**131**	**46,188**	**(56,613)**	**893,484**
Adjustment on adoption of AASB 16		**-**	**-**		**-**	**-**	**-**	**(68,420)**	**(68,420)**
Profit / (loss) for the half year		-	-	-	-	-	21,009	(2,020)	18,989
Other comprehensive income (net of tax)		-	(1,615)	(270)	391	-	-	-	(1,494)
Total comprehensive income for the year		**-**	**(1,615)**	**(270)**	**391**	**-**	**21,009**	**(2,020)**	**17,495**
Transactions with owners in their capacity as owners									
Contributions of equity, net of transaction cost	12	9,347	-	-	-	-	-	-	9,347
Dividends provided for or paid	13	-	-	-	-	-	(36,430)	-	(36,430)
Total		**9,347**	**-**	**-**	**-**	**-**	**(36,430)**	**-**	**(27,083)**
Balance 30 June 2019		**902,914**	**-**	**-**	**8,717**	**131**	**30,767**	**(127,053)**	**815,476**
Balance 1 January 2020		**907,255**	**-**	**-**	**8,998**	**-**	**54,082**	**(130,445)**	**839,890**
Profit / (loss) for the half year		-	-	-	-	-	8,760	(247,829)	(239,069)
Other comprehensive income (net of tax)		-	-	-	(506)	-	-	-	(506)
Total comprehensive income for the year		**-**	**-**	**-**	**(506)**	**-**	**8,760**	**(247,829)**	**(239,575)**
Transactions with owners in their capacity as owners									
Contributions of equity, net of transaction cost	12	293,432	-	-	-	-	-	-	293,432
Dividends provided for or paid	13	-	-	-	-	-	(27,611)	-	(27,611)
Total		**293,432**	**-**	**-**	-	**-**	**(27,611)**	**-**	**265,821**
Balance 30 June 2020		**1,200,687**	**-**	**-**	**8,492**	**-**	**35,231**	**(378,274)**	**866,136**

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 2020

	Notes	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		337,855	433,264
Payments to suppliers and employees (inclusive of GST)		(246,919)	(317,019)
Interest received		371	321
Interest paid		(32,884)	(36,682)
Income taxes received / (paid)		502	(16,798)
Net cash inflows from operating activities		**58,925**	**63,086**
Cash flows from investing activities			
Payments for purchase of businesses (net of cash acquired)		(11,122)	(31,612)
Net proceeds / (payments) for divestments		(509)	(712)
Payments for property plant and equipment		(15,175)	(15,871)
Net cash outflows from investing activities		**(26,806)**	**(48,195)**
Cash flows from financing activities			
Share issue costs	12	(11,119)	(12)
Dividends paid		-	(27,072)
Principal portion of lease payments		(30,178)	(31,248)
Repayment of corporate notes		-	(269,892)
Proceeds from issue of shares	12	301,215	-
Inflows from borrowings		65,000	305,000
Outflows of borrowings		(160,006)	(2,007)
Net cash inflows / (outflows) from financing activities		**164,912**	**(25,231)**
Net increase in cash and cash equivalents		197,031	(10,340)
Cash and cash equivalents at the beginning of half year		40,603	55,521
Effects of exchange rate changes on cash		(148)	23
Cash and cash equivalents at the end of the financial year		**237,486**	**45,204**

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

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Note 1: Material events during the reporting period

December 2019 saw the start of an unfolding event with global health, social and macroeconomic consequences in the form of the spread of the COVID-19 pandemic, which in March 2020 was declared a global pandemic in most countries in the world. Following the outbreak, the Australian Government applied significant steps to cope with, and delay, the spread of the pandemic.

Since mid-March 2020 actions have been taken to eradicate the pandemic, which include, among others, restrictions on the movement of citizens and gatherings, closure of international and interstate borders and a reduction in the number of employees attending their workplace.

These steps have had extensive implications on the Australian economy and businesses across all industries, including that of the Group. The effects of the consequent economic downturn as well as the measures introduced by the federal government (and foreign governments) specifically in the child care sector has had a significant impact on the business of the Group.

The Group is vigilantly managing the impact of this event and continues to assess the risks on an ongoing basis since, due to its nature, this is an unfolding event that is changing constantly. In the context of managing the impact of the COVID-19 pandemic, the Group focused on two primary areas:

- The safety and wellbeing of the Group's team and the children and families that attend the Group's centres; and
- Business continuity, specifically the Group's cashflow, liquidity and balance sheet.

Recognising this risk, the Federal Government announced an initial child care relief package in April 2020, to continue to keep services viable and to provide care for families of essential workers and vulnerable children. That initial relief package was reviewed and updated with a transition phase package of support announced by the Government on 8 June 2020, which came into effect after the balance sheet date.

Following the announcement of the Government's initial sector relief package, the Group raised $301 million via an underwritten institutional and retail entitlement offer. This capital raising provides the Group with the liquidity and financial flexibility to withstand a prolonged period of economic downturn as well as allowing the Group to pursue any sensible opportunities that may emerge from this challenging period.

As at the date of this report, all the Group's child care centres have continued to operate normally except for minor interruptions. Subsequent to balance sheet date, the Group's child care centres in Victoria were required to operate under strict restrictions. For additional information refer note 15. The Group has examined the implications of the COVID-19 pandemic on its financial statements and on the assumptions and estimates used in preparing the financial statements, as follows:

- The Group examined whether there has been a negative effect on its results, which may be indicative of signs of impairment of cash-generating units.
- The Group reviewed and revised the estimated credit risks of receivables and increased the provision for expected credit losses where the credit risk has increased.
- The Group reviewed its ability to meet debt facilities' covenants. As a result of this review and discussions with the Group's lending syndicates, the Group's debt facilities were amended to waive or adjust covenants through to December 2021, whilst the Group operates through the COVID-19 effected period.

The COVID-19 outbreak had a material impact on the financial statements of the Group as discussed below.

(a) Government assistance

The Group received government assistance during the reporting period, due to the adverse impact the COVID-19 pandemic had on its operation. The government assistance the Group received and the impact on the financial statements is discussed below.

Child care relief package

A funding arrangement for the early childhood education and care sector in response to the COVID-19 pandemic and its impact on child care enrolments and attendance. The funding arrangement made child care services fee-free for families for a period of 14 weeks starting 6 April 2020.

The weekly payment under this government assistance was approximately 50% of the Group revenue in the fortnight preceding 2 March 2020. Payments received are presented as revenue in the period they relate to.

As at 30 June 2020, child care relief received in advance is presented as a contract liability.

JobKeeper subsidy

A government grant has been received in the form of financial support provided by the Federal Government under the JobKeeper wage subsidy scheme. The scheme was to support businesses affected by the significant economic impact of the COVID-19 pandemic, for a period of 16 weeks starting 30 March 2020. This government grant has been recognised as an offset to employment costs.

As at 30 June 2020, JobKeeper subsidy receivable for wages paid in the period is presented as other debtors.

The Group recognised the following government assistance during the period:

	Consolidated 30 June 2020 $'000
Income	
Revenue from child care centres	89,316
Expenses	
Employment costs	86,398
Total	**175,714**

(b) Rent concessions

The Group sought rent concessions from lessors of child care centres during the period. The rent concessions received were in various forms and include one-off rent reductions, rent waivers or deferral of lease payments.

Refer to note 19 for impact of rent concessions during the period.

(c) Impairment

During the period, the Group completed a strategic portfolio review. The review considered the additional impacts of the COVID-19 pandemic operating environment, the risk of delays in economic recovery and subsequent impact on performance. The review involved a detailed assessment of the Group's tangible and intangible assets, right of use assets, and the recoverability of trade and other debtors. As a result, the Group recognised the following impairment loss:

	Consolidated 30 June 2020 $'000
Expenses	
Impairment of goodwill and intangible assets[1]	145,285
Impairment of right of use assets[2]	100,697
Impairment of property, plant and equipment[3]	16,823
Impairment of trade debtors and other debtors due to expected credit losses	7,662
Impairment of disposal group classified as held for sale	4,290
Total non-cash impairment loss	**274,757**
Tax benefit	(37,555)
Total non-cash impairment loss, net of tax	**237,202**

[1]Refer note 9 for impairment of goodwill and intangible assets
[2]Refer note 7 for impairment of right of use assets
[3]Refer note 6 for impairment of property plant and equipment

(d) Capital raising and repayment of borrowings

During the period the Group completed a capital raising of $301.2m ($290.1m net of transaction costs) to provide additional liquidity to support the continuation of the Group's operations through the period impacted by COVID-19, while also strengthening the balance sheet to position the Group for further growth opportunities during the recovery phase, refer note 12.

The Group used $95.0m of the capital raising to repay syndicated debt.

(e) Going concern

Despite the Group recognising a net loss after tax of $239.1m (of which $248.8m is non-cash impairment loss and non-trading expenses), the Directors have concluded that there are reasonable grounds to believe that the going concern basis is appropriate. Management expect the cash reserves, together with operational measures to preserve cash, adjusted finance facilities' covenants and the expected profits to be derived from operations, will allow the Group to overcome the adverse impact of the COVID-19 pandemic.

The assets are likely to be realised, and liabilities are likely to be discharged at the amounts recognised in the financial statements in the ordinary course of business. As a result, the financial statements have been prepared on a going concern basis.

Note 2: Disposal group classified as held for sale

The Group entered an agreement for the sale of the operation in Singapore. The sale is conditional upon several conditions' precedent being satisfied. Some of the conditions have been met recently and others are highly probable to be met within the next year. As a result, the assets and liabilities of the Group's operation in Singapore have been classified as assets and liabilities held for sale.

	Consolidated 30 June 2020 $'000
Trade and other receivables	854
Other current assets	754
Property, plant and equipment	445
Right of use assets	4,000
Intangible assets[1]	8,485
Total assets classified as held for sale	**14,538**
Trade and other payables	774
Contract liabilities	918
Tax liability	104
Lease liabilities	4,312
Provisions	72
Total liabilities classified as held for sale	**6,180**

[1]The Group recognised an impairment loss on assets of the disposal group classified as held for sale, as the carrying amount exceeded the fair value less costs to sell of the disposal group. Refer note 1(c).

Note 3: Segment information

(a) Description of segments

The Executive Team (the Chief Operating Decision maker) considers the business as one Group of centres and regularly reviews operating results at this level in order to assist and make decisions about the allocation of resources. The Executive Team has therefore identified one operating segment, being the management of child care centres. All revenue in this report relates to the single operating segment and the segment disclosure has not altered from the last Annual Report. During the reporting period a portion of Group revenue was derived from government assistance (refer note 1(a)).

	Australia $'000	Foreign Country $'000	Total $'000
30 June 2020			
Revenue from external customers	212,268	6,706	218,974
Government assistance	89,316	-	89,316
Total revenue	301,584	6,706	308,290
Non-current assets[1]	1,617,299	-	1,617,299
30 June 2019			
Revenue from external customers	422,521	7,357	429,878
Non-current assets[1]	1,872,539	40,258	1,912,797

[1]Non-current assets exclude deferred tax assets and derivative financial instruments. At 30 June 2020, assets in a Foreign Country are classified as current assets held for sale.

(b) Seasonality

The child care industry normally has a distinct seasonal pattern. 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 delivers significantly more than half of the annual reported revenue and profit, however COVID-19 may impact this in the current year.

Note 4: Result for the half-year

Profit/(loss) for the half-year includes the following post-tax items that are unusual because of their nature, size or incidence. Underlying earnings have not been adjusted to exclude a number of government incentives received during the period as such assistance was considered recompense for costs incurred in the year that form part of underlying earnings.

(a) Non-trading items (after tax)

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Non-trading expenses		
Impairment loss (refer note 1(c))	237,202	-
Increase in other provisions[1]	5,500	-
Acquisition related expenses	2,515	2,840
Increase in employee provisions[2]	1,501	-
Loss on disposal of assets/centres	1,292	1,092
Impairment of inventory[3]	817	-
Total non-trading expenses	**248,827**	**3,932**
Non-trading income		
Foreign currency translation gain	-	1,971
Gain on divestment of leases	265	-
Contingent consideration not paid	-	477
Total non-trading income	**265**	**2,448**
Total non-trading items	**248,562**	**1,484**

[1] Included in other expenses
[2] Included in employment expenses
[3] Included in direct costs of providing services

(b) Government assistance and rent concessions (after tax)

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Child care relief package (refer note 1(a))	62,521	-
JobKeeper subsidy (refer note 1(a))	60,479	-
Rent concessions (refer note 1(b))	1,738	-
Total government assistance and rent concessions	**124,738**	**-**

(c) Finance expenses (after tax)

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Interest expense on lease liabilities	15,283	15,228
Interest and finance charges	8,212	12,112
Total finance expenses	**23,495**	**27,340**

Note 5: Current assets – other

	Consolidated	
	30 June 2020 $'000	31 December 2019 $'000
Current		
Prepayments	6,543	8,679
Inventory	1,915	1,507
Deposits	466	1,046
Total other current assets	**8,924**	**11,232**
Non-current		
Deposits on acquisitions	335	2,669
Prepayments	212	356
Inventory	-	1,762
Deposits	1,106	1,107
Total other non-current assets	**1,653**	**5,894**
Total other current and non-current assets	**10,577**	**17,126**

Note 6: Non-current assets – property, plant and equipment

	Consolidated			
	Buildings $'000	Vehicles $'000	Furniture, fittings and equipment $'000	Total $'000
At 31 December 2019				
Cost	5,189	1,394	183,895	190,478
Accumulated depreciation	(1,209)	(1,126)	(84,279)	(86,614)
Net book amount	**3,980**	**268**	**99,616**	**103,864**
Half-year ended 30 June 2020				
Opening net book amount	3,980	268	99,616	103,864
Additions through business combinations (refer note 8)	-	-	190	190
Additions - other	-	-	16,119	16,119
Disposals	-	-	(657)	(657)
Depreciation charge	(83)	(42)	(10,679)	(10,804)
Impairment loss	-	(37)	(16,786)	(16,823)
Effect of foreign exchange	-	-	(3)	(3)
Transfer to assets held for sale	-	-	(445)	(445)
Closing net book amount	**3,897**	**189**	**87,355**	**91,441**
At 30 June 2020				
Cost	5,189	661	195,750	201,600
Accumulated depreciation	(1,292)	(472)	(108,395)	(110,159)
Net book amount	**3,897**	**189**	**87,355**	**91,441**

(a) Leasehold improvements

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

	Consolidated	
	30 June 2020 $'000	31 December 2019 $'000
Cost	103,363	98,999
Accumulated depreciation and impairment	(50,918)	(37,785)
Net book amount	**52,445**	**61,214**

(b) 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.

During the period, the Group completed a strategic portfolio review. The review considered the additional impacts of the COVID-19 pandemic operating environment, the risk of delays in economic recovery and subsequent impact on performance. As a result of this review, the Group identified indicators of impairment for CGUs to which property, plant and equipment relate and recognised an impairment loss, refer Note 1(c).

Note 7: Right of use assets and lease liabilities

The right of use assets and lease liabilities have arisen upon adoption of AASB 16 *Leases* from 1 January 2019.

(a) Right of use assets

	Consolidated		
	Leased property $'000	Leased vehicle $'000	Total $'000
At 31 December 2019			
Cost	682,403	3,097	685,500
Accumulated depreciation	(77,674)	(1,607)	(79,281)
Net book amount	**604,729**	**1,490**	**606,219**
Additions through business combinations	16,571	-	16,571
Additions - other	2,566	-	2,566
Disposals	(1,306)	(4)	(1,310)
Depreciation charge	(35,905)	(720)	(36,625)
Modification to lease terms	(86)	504	418
Variable lease payments reassessment	(3,504)	-	(3,504)
Impairment loss	(100,643)	(54)	(100,697)
Effect of foreign exchange	(26)	-	(26)
Transfer to assets held for sale	(4,000)	-	(4,000)
Closing net book amount	**478,396**	**1,216**	**479,612**
Cost	689,332	3,596	692,928
Accumulated depreciation and impairment	(210,936)	(2,380)	(213,316)
As at 30 June 2020	**478,396**	**1,216**	**479,612**

(b) Lease liabilities

	Consolidated	
	30 June 2020 $'000	31 December 2019 $'000
Current lease liabilities	69,938	68,482
Non-current lease liabilities	618,014	640,655
Total lease liabilities	**687,952**	**709,137**

(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. The related lease liability is also included in the carrying amount of the CGU.

During the period, the Group completed a strategic portfolio review. The review considered the additional impacts of the COVID-19 pandemic operating environment, the risk of delays in economic recovery and subsequent impact on performance. As a result of this review, the Group identified indicators of impairment for CGUs to which right of use assets relate and recognised an impairment loss, refer Note 1 (c).

(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 is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Due to the impact COVID-19 and following a strategic review of the portfolio, the Group re-assessed the lease term of some leases which include renewal option. The Group remeasured the lease liability and adjusted the right of use asset to reflect the change in assessment.

Note 8: Business combinations

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

During the reporting period the Group purchased 4 centres as outlined below:

Number of centres	4
	$'000
Purchase consideration	
Cash consideration	9,931
Purchase price adjustments (to cash)	-
Total purchase consideration	**9,931**
Assets and liabilities acquired at fair value	
Property, plant & equipment	139
Right of use assets	16,571
Lease liabilities	(16,571)
Net identifiable assets/(liabilities) acquired	139
Goodwill	9,792
Total	**9,931**

Number of centres	4
	$'000
Revenue	48
Profit/(loss) before tax[1]	(1,328)

[1] The loss for the period was $1.3m. The centres were not operating prior to acquisition.

Acquisition costs of $2.5m (2019 $2.8m) are included in other expenses in the consolidated income statement.

As at 30 June 2020, accounting for 2020 acquisitions are provisional in nature due to the finalisation of determining the fair value of all assets and liabilities acquired.

During the half-year, accounting adjustments were made to provisional amounts recognised in 2019 as outlined below:

	2019 Adjustments Australia
	$'000
Purchase consideration	
Purchase price adjustments (to cash)	101
Allocation to property, plant and equipment	(51)
Total purchase consideration	**50**
Goodwill increase	**50**

The above amounts relate to accounting adjustments for assets and liabilities taken on at acquisition date but not finalised at 31 December 2019.

Note 9: Non-current assets – intangibles

	Consolidated			
	6 months ended 30 June 2020			12 months ended 31 December 2019
	Goodwill	Intellectual property	Total	Total
	$'000	$'000	$'000	$'000
Opening net book amount	1,189,910	3,250	1,193,160	1,134,456
Transfer to assets held for sale	(12,582)	-	(12,582)	-
Additions	9,792	-	9,792	64,877
Adjustments in respect of prior year acquisitions	50	-	50	936
Disposal of centres[1]	-	-	-	(7,747)
Impairment	(142,035)	(3,250)	(145,285)	-
Effect of foreign exchange	(542)	-	(542)	638
Closing net book amount	**1,044,593**	**-**	**1,044,593**	**1,193,160**
			-	
Cost	1,197,680	3,250	1,200,930	1,204,212
Accumulated impairment	(153,087)	(3,250)	(156,337)	(11,052)
Net book amount	**1,044,593**	**-**	**1,044,593**	**1,193,160**

[1]The Group closed 3 centres during the period ended 30 June 2020. No goodwill was attributed to the closed centres.

(a) Impairment tests for goodwill

Goodwill is monitored and tested for impairment on an operating segment level. The recoverable amount of the child care centre assets is determined based on value-in-use calculations. These calculations use cash flow projections based on forecasts for 2020 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 net assets of the Group, which aside from goodwill and intellectual property, also includes the fixed assets of the child care centres and working capital.

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

The value-in-use calculation is based on forecast EBITDA which is a function of each of the following key assumptions: occupancy, child care fees and centre expenses.

The Group included in the assumptions an allowance for the ongoing negative impacts of the COVID-19 pandemic, refer note 1. The Group also made assumptions, with reference to external economic forecasts, about long term recovery from COVID-19 and changes in the market as a result, e.g. unemployment rates.

Occupancy has been impacted by COVID-19 and is expected to gradually return to pre-COVID-19 levels within the next three years. 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 the historically established wage cost as a percentage of revenue which is driven by future growth in occupancy;
- Centre occupancy expenses – based on current rental payments and increased by a forecast annual rental growth percentage; 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 12% (2019: 12%);
- Full support office costs allocation; and
- Forecast period of 5 years plus a terminal growth calculation with a growth rate of 2% (2019: 3 years, 2%). The change from a 3-year to a 5-year forecast period is to account for a forecast gradual return to pre-COVID-19 market conditions, prior to calculating terminal growth.

(c) Impairment Charge

Based on the carrying values, an impairment loss of $145.3m has been recognised as the calculated value in use exceeded the carrying amount of the net assets.

Sensitivity

As disclosed in note 1, the directors have made judgements and estimates in respect of the impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- An increase of 0.5% in discount rate would increase the impairment loss by $72.9m.
- A reduction of 1pp in forecast occupancy would increase the impairment loss by $35.7m.
- A reduction in terminal growth rate of 1% would increase the impairment loss by $104.1m.

Note 10: Fair value measurements

(a) Contractual maturities of financial liabilities

	Consolidated 30 June 2020 $'000						
	0 to 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	>5years	Total contractual cash flows	Carrying amount
Non-derivatives							
Syndicated debt facilities	6,013	6,008	12,016	271,329	55,112	350,478	300,000
Contingent consideration	797	-	75	225	600	1,697	1,493
Trade and other payables[1]	70,354	-	-	-	-	70,354	70,354
Lease liabilities	57,036	57,037	113,036	311,322	429,438	967,869	687,952

[1]Includes dividends payable $27.6m

	31 December 2019 $'000						
	0 to 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	>5years	Total contractual cash flows	Carrying amount
Non-derivatives							
Syndicated debt facilities	8,716	8,716	111,797	278,107	56,675	464,011	395,000
Contingent consideration	722	75	75	225	600	1,697	1,493
Trade and other payables	36,762	-	-	-	-	36,762	36,762
Lease liabilities	56,091	55,935	111,718	318,972	465,800	1,008,516	709,137

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

(b) Fair value classifications

The following table presents the Group's assets and liabilities measured and recognised at fair value on a recurring basis as at 31 December 2019 and 30 June 2020:

At 30 June 2020 $'000	Level 1	Level 2	Level 3	Total
Asset				
Deposit on acquisitions[1]	-	-	335	335
Liabilities				
Contingent consideration	-	-	1,493	1,493

At 31 December 2019 $'000	Level 1	Level 2	Level 3	Total
Asset				
Deposit on acquisitions[1]	-	-	2,669	2,669
Liabilities				
Contingent consideration	-	-	1,493	1,493

[1]Deposits on acquisitions are fully refundable

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

Specific valuation techniques used to value financial instruments include:

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

Note 11: Current and non-current liabilities – borrowings

	30 June 2020			31 December 2019		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Secured						
Syndicated debt facilities (b)	-	300,000	**300,000**	-	395,000	**395,000**
Total secured borrowings	-	**300,000**	**300,000**	-	**395,000**	**395,000**
Borrowing costs	-	(6,061)	**(6,061)**	-	(7,250)	**(7,250)**
Total borrowings	**-**	**293,939**	**293,939**	**-**	**387,750**	**387,750**

(a) Syndicated debt facilities

The Group had $300m drawn from the $500m syndicated debt facilities as at 30 June 2020. During the period, the Group repaid net $95m of the syndicated debt, using equity raising funds.

(b) Fair value

Carrying value is equal to fair value for all borrowings.

Note 12: Contributed equity

(a) Share capital

	Consolidated			
	June 2020 Shares	December 2019 Shares	June 2020 $'000	December 2019 $'000
Ordinary shares fully paid	836,695,987	460,176,931	1,200,687	907,255

(b) Movements in ordinary share capital

Details	Number of Shares '000	$'000
31 December 2018 balance	**455,380**	**893,567**
Dividend reinvestment plan	4,797	13,711
Transaction costs of shares issued	-	(33)
Deferred tax credit recognised directly in equity	-	10
31 December 2019 balance	**460,177**	**907,255**
31 December 2019 balance	**460,177**	**907,255**
Equity placement	376,519	301,215
Transaction costs of shares issued	-	(11,119)
Deferred tax credit recognised directly in equity	-	3,336
30 June 2020 balance	**836,696**	**1,200,687**

Note 13: Dividends

	CPS	Total dividend $'000
Ordinary shares		
2018 final dividend (paid on 5 April 2019)	8.0	36,430
2019 final dividend (payable 31 Oct 2020)[1]	6.0	27,611

[1]Included in Trade and other payables as at 30 June 2020

Note 14: Commitments and contingencies

(a) Capital commitments

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

(b) Contingent liabilities

The Group had no contingent liabilities as at 30 June 2020 (2019: Nil).

Note 15: Events occurring after the balance sheet date

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

- The Government's assistance received during the reporting period (Child care relief package and JobKeeper subsidy) ceased after the balance sheet date, on 12 July 2020. Instead, the Group will receive a Transition Payment for the period 13 July 2020 to 27 September 2020. The Transition Payment is 25 per cent of fee revenue in the relevant reference period that has been used during the Relief Package.
- On 2 August 2020, in response to increased COVID-19 cases, regions within the state of Victoria entered into either Stage 3 or Stage 4 lockdowns, for a 6-week period. The Government has increased the transition payment from 25% to 30% for impacted centres. In addition, a "parent gap waiver" for COVID-19 related non-attendances has been introduced. The waiver ensures the Group will still receive CCS subsidy funding for bookings where there is no attendance. The Group has 141 centres within the lockdown regions.
- The Group completed negotiations with lenders to adjust covenants through to 31 December 2021.

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Note 16: Share–based payments

G8 Education Executive Incentive Plan (GEIP)

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

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

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

During the reporting period, 256,374 performance rights granted in 2017 were forfeited as vesting conditions were not met.

In addition, 1.2m performance rights were issued to Key management personnel (KMP) during the reporting period. Performance rights vest on achievement of the following performance and service conditions by the vesting date.

<table>
<tr><td rowspan="5">Performance Conditions – Reported (Audited) Earnings per Share (EPS) with a Cumulative EPS measure</td><td colspan="2">The percentage of Performance Rights that vest for each cent of Cumulative EPS is based in the vesting schedule below:</td></tr>
<tr><td>Cumulative EPS</td><td>Percentage of Performance Rights that vest</td></tr>
<tr><td>Less than 14 cents</td><td>0%</td></tr>
<tr><td>14 cents to 17 cents</td><td>50% - 100% (pro-rata)</td></tr>
<tr><td>> 17 cents</td><td>100%</td></tr>
<tr><td>Service Condition</td><td colspan="2">Holders of Performance Rights must be continuously employed by the Group from the Grant Date to the Vesting Date.</td></tr>
<tr><td>Retesting</td><td colspan="2">Awards are not retested.</td></tr>
<tr><td>Dividend Policy</td><td colspan="2">Holders of Performance Rights are not entitled to receive dividends prior to vesting.</td></tr>
</table>

The table below lists the inputs used in the model:

	2020 Grant **30 June 20**
Share price on grant date	$0.89
Share price volatility	48%
Risk free rate	0.26%
Time to maturity	2.67 years
Annual dividend yield	6.96%
Model used	Black Scholes

The expiry of the performance rights as well as the grant of new performance rights had no impact on the profit for the period ended 30 June 2020 (30 June 2019: $nil).

Note 17: Related party transactions

(a) Parent entity

The parent entity within the Group is G8 Education Limited.

(b) Key management personnel

For details of share-based payment transactions that KMP and their related entities had with the Group during the year, refer note 16.

During the reporting period, the Directors and key management personnel, including the Group's managing director and CEO, G Carroll, the Group's Chief Financial Officer, S Williams and General Manager Operations, J Ball, agreed to 20% reduction to their base fixed remuneration for a 6 month period, effective 1 May 2020 through to 31 October 2020.

The Group receives services from a software provider which became a related party on 13 May 2020, as a result of the appointment of P Trimble as a director. The services received in the reporting period were made on terms equivalent to those that prevail in arm's length transactions. The amount recognised as an expense in the reporting period, for the services received, was immaterial.

There was nil outstanding at the reporting date in relation to transactions with related parties.

Note 18: 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 and its subsidiaries.

(a) Basis of preparation

This consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the C*orporations 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 2019 and any public announcements made by G8 Education during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX listing rules.

Note 19: Changes in accounting policies

(a) Accounting standards and interpretations applied from 1 January 2020

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 2019, except for the adoption of new standards, interpretations or amendments effective as of 1 January 2020.

Amendments to AASB 16 Leases

In response to the COVID-19 pandemic, the International Accounting Standards Board has issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

The Group applied the practical expedient to all rent concessions that meet the condition.

The Group recognised an amount of $2.3m in profit and loss to reflect changes in lease payments arising from rent concessions that meet the conditions of the practical expedient. This amount is presented as an offset to occupancy expenses.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 10 to 30 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date;

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

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

Gary Carroll

Gary Carroll
Managing Director
22 August 2020

Building a better
working world

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Independent Auditor's Review Report to the Members of G8 Education Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of G8 Education Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Ernst & Young

Ric Roach
Partner
Brisbane
22 August 2020

Corporate Directory

Directors

M Johnson, Chairman

G Carroll, Managing Director

J Cogin, Non-Executive Director

S Forrester, Non-Executive Director, AM

D Foster, Non-Executive Director

P Trimble, Non-Executive Director

M Zabel, Non-Executive Director

Company Secretary

T Wood

Principal registered business office in Australia

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

159 Varsity Parade, Varsity Lakes
Telephone: 07 5581 5300
Facsimile: 07 5581 5311
www.g8education.edu.au

Share registry:

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane QLD 4001

Auditor:

Ernst & Young
111 Eagle Street
Brisbane QLD 4001

Lawyers:

Allens
480 Queen Street,
Brisbane QLD 4001

Securities exchange listing:

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

G8 Education ltd