



2019

Annual Report

Putting families
and children first

We're for children, not profit.



goodstart
early
learning

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88 Goodstart is not just Australia's largest not-for-profit provider of high quality early learning, but an ongoing example of what a for-purpose social enterprise can achieve. 99

Chair Michael Trill - Page 8, The story of our year

Goodstart Early Learning acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Custodians of all Lands on which we come together. We recognise Aboriginal and Torres Strait Islander cultures as enduring, living cultures and pay our respects to Elders, past and present.

For purpose; not for profit

Who we are

As a not-for-profit, Goodstart exists purely to create positive social change by giving Australia's children, especially our most vulnerable, the best possible start in life – access to high quality early learning.

We're the largest early learning and care provider in Australia, and the nation's largest non-government provider of preschool and kindergarten programs across 646 centres.

Our vision is for Australia's children to have the best possible start in life.

Our purpose is to ensure children have the learning, development and wellbeing outcomes they need for school and life.

As a not-for-profit social enterprise, everything we earn is dedicated to delivering on our purpose. Our Strategic Plan 2015-2020 sets six strategic goals to achieve this.

Our Strategic Plan 2015-2020

Financial Sustainability

Generate a surplus to reinvest in our network, our people and our Purpose

High Quality

Ensure all our centres deliver high quality early learning and care in a safe environment

Inclusion

Enhance outcomes for children in vulnerable circumstances

Great People

Build a capable, aligned and engaged workforce

Influence

Increase public commitment to high quality early learning and care

Evidence

Embed evidence-informed practice and strengthen the Australian evidence base



646 centres
70,700 children
59,200 families
15,000 employees

Goodstart was created by a partnership of four of Australia's leading charities, who recognised a child's early years experiences as having a huge influence on the rest of their lives – The Benevolent Society, The Brotherhood of St Laurence, Mission Australia and Social Ventures Australia.

2018-19 Summary of our achievements

Our achievements reflect our ongoing focus to deliver upon our strategic priorities.

Launch into Learning

Goodstart was part of a national campaign on the importance of early learning in the lead up to the 2019 Federal Election, **securing new policy commitments from the major parties.**

Quality **93% of centres meet or exceed**

the National Quality Standards, higher than the average of the long day care and preschool/ kindergarten sectors.

Early Learning Fund

Additional financial help and family support for children facing disadvantage to access early learning supported by **philanthropic funding and Giving@Goodstart**, our new workplace giving program.

70,700 children

Attendances increased for the **third year in a row**, with children attending more days on average.

Affordability

For the fourth year in a row, fee increases were kept below the sector average.



Accessibility **\$3.4 million**

was forgone to ensure 3,800 children from low income families who did not meet the activity test **could access two days of early learning.**

Flexibility

Successful implementation of the **Child Care Subsidy** gave families flexible session options to suit their needs.

Language-rich environments



Book corners established in every room of every centre to promote language and communication as the cornerstone of learning.



New Centres

Ten new centres opened reflecting the latest thinking in quality learning environments.



More teachers

300 additional early childhood teachers were employed and a new mentoring program established to support them.



Child Outcomes

Quality of practice now being regularly assessed in all centres as we develop our outcomes framework.



Focus on children

Key Educator Relationships established in all Goodstart centres giving every child connection to a key educator to help individualise their learning.

Intensive emotional support

New support programs in place for children with behavioural and emotional issues, supporting Goodstart's policy of never excluding a child.



Supporting educators

We invested \$16.7 million to give our educators access to professional development, and supported more than 1,000 educators studying towards Certificate III, Diploma and Bachelor qualifications.

Focus on employee and family experience

Established an experience function to focus on employee and family experience from their first contact with Goodstart to their last.



Reconciliation

Deeper connection with **First Nations peoples and culture** with a community of practice model established, **403 centres on Reconciliation Action Plan (RAP) journeys** and **89 published RAPs** on the Narragunnawali website.

The story of our year

A message from our Chair and Chief Executive Officer

It has been another very successful year for Goodstart and our team can take great pride in what they have achieved. Goodstart is not just Australia's largest not-for-profit provider of high quality early learning, but an ongoing example of what a for-purpose social enterprise can achieve.



© 2018 Graham Jepson. Courtesy of AICD.

In an often oversupplied market, our occupancy is up for the third year in a row, fee increases have been kept below the sector average, and our quality ratings are well above the sector average.

Our vital social inclusion work is bearing fruit, with early evaluations showing that we are making a big difference to the lives of children facing disadvantage. Those impacts have helped encourage philanthropic investors to make significant investments in initiatives such as the Early Learning Fund to give more children access to quality early learning at Goodstart and our partners.

Goodstart is recognised as a national voice for children, families and the vulnerable – playing an important role in policy development, campaigning, building the evidence base and sector collaboration.

In our planning for the future, we have set ourselves even more challenging goals, developing a new strategy to take Goodstart from national best practice to world's best practice. Our great teams are embracing that task and the next stage of Goodstart's journey promises to be very exciting.

This year we have also farewelled some of our founding board members. I want to thank Wendy McCarthy, our deputy chair and Greg Hutchinson for their extraordinary contribution, for their energy and their passion.

We hosted an inaugural Goodstart alumni lunch which included Wendy and Greg to make sure we continue to tap into the goodwill, networks and expertise that they and other leading contributors to Goodstart have given us.

Sadly, I must also pay tribute to two founding directors who passed away this year. Goodstart would not exist without the remarkable commitment and inspiration of our founding chair Robin Crawford. His presence and legacy will stay with us, and his constant entreaty for Goodstart to 'change the sector' will not be forgotten.

Goodstart and Australia lost one of the country's fiercest advocates for children when Lynne Wannan passed away after a lengthy cancer battle this year. Lynne brought a grounded, committed and deeply authentic voice to the table that reflected her lifelong passion for access and opportunity to our most excluded citizens.

Finally, I want to simply say thank you to everyone at Goodstart, for the commitment and professionalism they bring to the organisation every day. Thank you all for putting the interests of our children at the heart of everything you do.

Michael Trill,
Chair

At Goodstart, children are central to everything we do. Fee increases have again been kept below sector average, quality ratings are significantly above the average, and child attendances at our centres have never been higher.

Our record occupancy has been achieved in an environment where unplanned development of new child care centres continues to outpace overall enrolment growth of children, causing oversupply issues in many local markets.

More centres are also competing for a finite number of qualified early childhood teachers and educators – making the attraction and retention of educators very challenging.

We're working to address this – creating an outstanding employee experience underpinned by a commitment to continuous learning for our educators.

Our focus on uplifting the quality of our practice, has had a strong emphasis this year on establishing Key Educator Relationships with children, building language-rich learning environments and starting to track the quality of practice and child outcomes in all of our centres.

Our work to improve our quality right across the network has been assisted by the appointment of highly respected international thought leader, Sue Robb OBE, who has joined us as the new general manager of pedagogy and practice.

Of course, we remain relentless in our work to improve the lives of children facing disadvantage. We've embedded new programs and expanded key initiatives, built the capacity of our people and found partners to help us provide intensive support.

We remain committed advocates for vulnerable families and continue to work for further improvements for more support for these families.

This year, we were able to offer families more flexible sessions under the new Child Care Subsidy arrangements. The new subsidy allowed many families to increase the number of days their children attend our centres, providing additional learning opportunities while supporting additional workforce opportunities for their parents.

The reforms have, however, been a mixed blessing for children facing disadvantage with a non-working parent, and Goodstart has continued to advocate to improve access for these children.

Congratulations to Goodstarters across Australia on your success and I look forward to working with you again this year as we commence the next stage of our journey – improving the experience of our children, their families and our team.

We want Goodstart to be a world leader. It is a big ambition, but we have the people and the passion to get there.

Julia Davison,
Chief Executive Officer





Financial Sustainability

Goodstart has achieved a remarkable outcome of increasing occupancy for the third year in a row despite difficult market conditions impacted by accelerating builds of new child care centres – contributing to oversupply in many parts of Australia.



Fee increases have been kept below the sector average for the fourth year in a row, while Goodstart's strategic investments in social purpose increased by 15 per cent to \$33 million.

The two biggest operational priorities for Goodstart have been the implementation of the new Child Care Subsidy and continuous attention to quality uplift across our centres.

Our offer to families was enhanced with flexible sessions which were embraced by most families. Many families used the savings to increase the number of days that their children access early learning in our centres.

Transition to the new subsidy was not smooth for all families, particularly for children at-risk, and Goodstart supported many families to navigate the approval process while advocating for improvements to the processes and policies causing the difficulties.

Families are our primary partners, and family engagement remains very high, with the likelihood to recommend score for Goodstart remaining at 8.8 out of 10.

Australia is a country of climatic extremes, and 2019 was a particularly difficult year, with floods in Townsville closing 18 centres, six of which were severely damaged. Goodstart did not charge fees for the days the centres were closed. All affected Townsville employees were issued with vouchers of up to \$500 to assist with home expenses and the purchase of new home appliances.

Ten new centres were added to the network this year, with each of them following our new design brief standards which reflect the latest thinking in pedagogical practice and the creation of enriching indoor and outdoor learning environments. We also exited eight centres during the year, three of which were replaced by new centres and two irreparably flood damaged.



Our new purpose-built centre in Baringa, Sunshine Coast, was opened in January 2019. The 126-place centre is part of Stockland's Aura development and is situated directly opposite a primary school offering a STEM focused-curriculum, complementing our Kindergarten program.

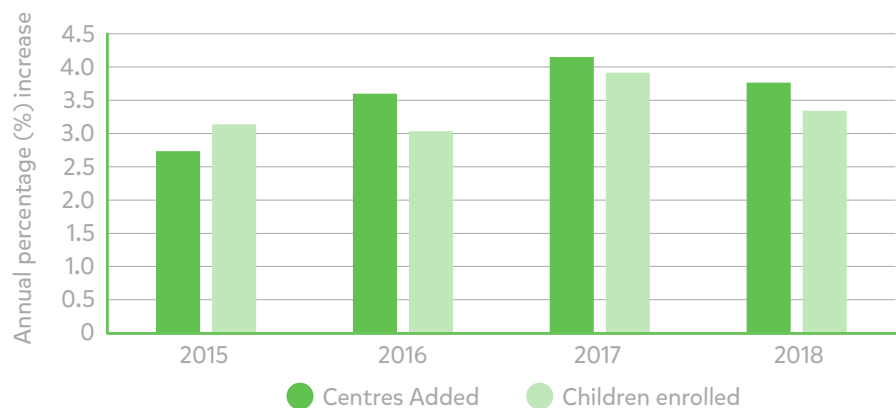
Financial sustainability (continued)

Consolidated statement of profit or loss for the year ended 30 June 2019

	2019 \$000	% Total Revenue	2018 \$000
Revenue from early learning centres	1,065,319	96.9%	985,313
Government grants	32,683	3.0%	30,209
Other income	1,621	0.1%	863
Total revenue	1,099,623		1,016,385
Employee costs	768,091	70.8%	716,069
Rent and other property expenses	181,735	16.7%	164,693
Centre consumables	50,629	4.7%	46,036
Depreciation and amortisation expenses	42,475	3.9%	40,523
Other expenses	42,275	3.9%	42,130
Total expenses	1,085,205		1,009,451
Strategic investments*	33,102		28,723
<i>Training and professional development</i>	16,744		14,773
<i>Early learning and research</i>	4,401		4,118
<i>Social inclusion</i>	11,957		9,832
Net finance (income)/cost	3,413		(1,075)
Net surplus for the year	11,005		8,009
Total comprehensive income for the year	11,005		8,009

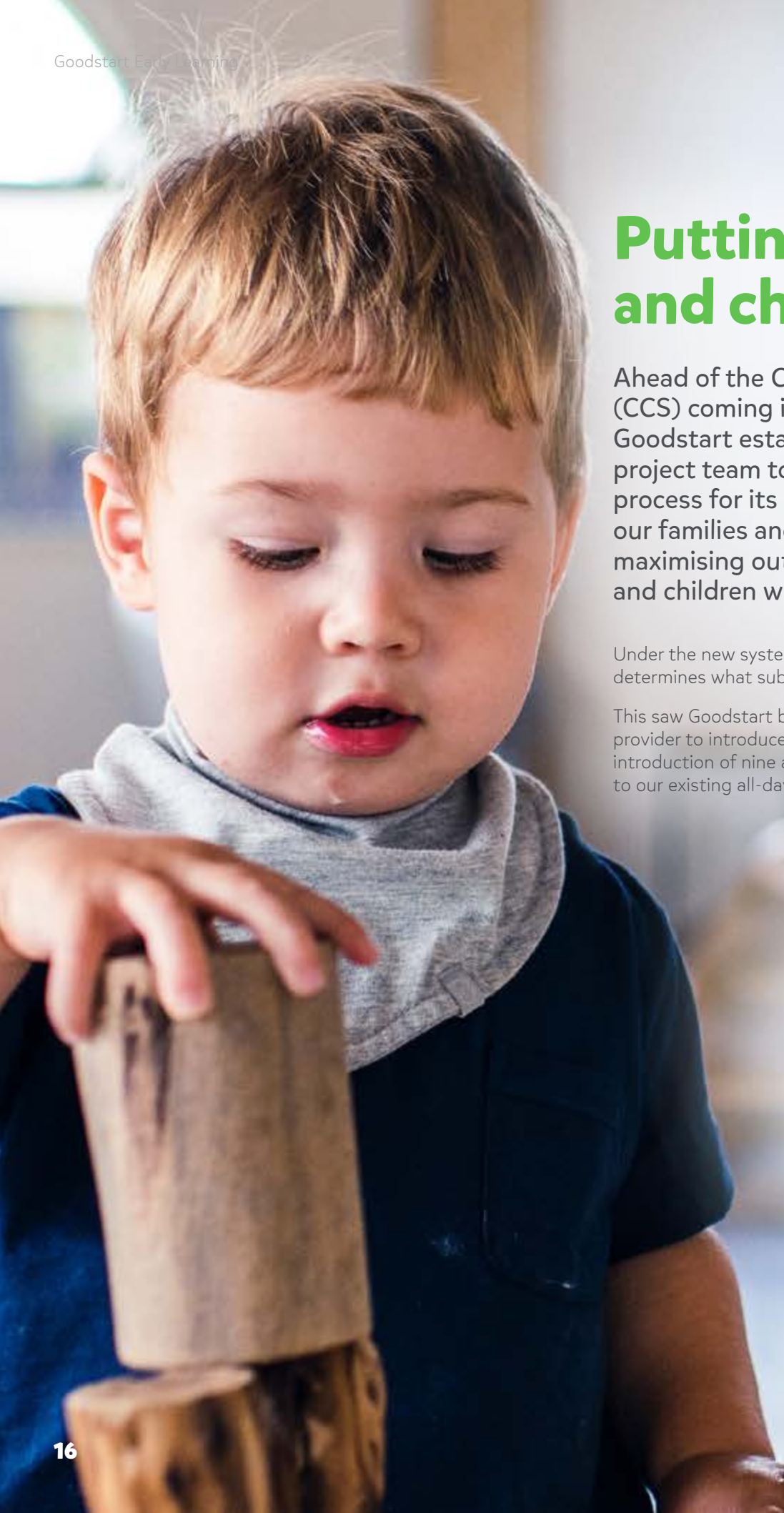
*Strategic investments in social purpose activities (included in expenses above)

New centres across the sector are opening faster than children are enrolling



(Source: Dept. of Education & ACECQA data, 2018. Child enrolments reflect the year to September 2018.)





Putting families and children first

Ahead of the Child Care Subsidy (CCS) coming into effect in July 2018, Goodstart established a dedicated project team to create a streamlined process for its introduction to support our families and people - while maximising outcomes for families and children wherever possible.

Under the new system, a parent's level of activity determines what subsidy they are eligible for.

This saw Goodstart become the first long day care provider to introduce greater flexibility - with the introduction of nine and 10-hour sessions, in addition to our existing all-day option.



CCS: Making early learning more accessible

The Australian Government's new Child Care Subsidy was the biggest change in assistance in two decades, and significantly reduced out-of-pocket costs for most working families. Goodstart was determined to do everything we could to support our centres and families to make a smooth transition to the new subsidy.

To help families optimise the new subsidy, Goodstart developed an offer of flexible sessions, with most families choosing to move to shorter sessions. Around 22 per cent of families then used the savings from the subsidy to purchase additional days of care, increasing early learning opportunities for children and work opportunities for parents.

Goodstart developed a menu of tools and supported our centre directors to engage with each family on their options. Our online estimators were used by more than 216,000 families during the year, including many families outside Goodstart.

While around 85 per cent of families were better off, 15 percent ended up worse off due to the effects of the new activity test, tighter means testing and caps on hourly subsidies.

A key priority was maintaining access for children facing disadvantage, with 3,900 successful applications for Additional Child Care Subsidy processed, and 3,800 low-income families taking up our subsidised offer of two six-hour sessions per week.



What one of our families had to say about Goodstart's flexible hours

"We're entitled to 50 hours a week for Aston's childcare (two-years-of-age), so now that we have enrolled him in the 10-hour sessions, we are saving an entire days fees and not going over our allotted subsidised hours. We are really grateful we can make these kinds of savings; it's really helping us get back on our feet."

Nicky Hanson, Goodstart family

What our people had to say about Goodstart's CCS support

"The package of tools, resources and advice was really helpful. What was very complex, was made very straight forward by the support of Goodstart's CCS project team and made simple for families to understand as well."

Melissa Howley, Administration Assistant, Goodstart Murarrie



High Quality

Goodstart is focused on continually raising the quality of early learning pedagogy and practice across all our centres.

Research tells us that the quality of self-regulation and early communication and language are key predictors of later learning outcomes at school and have been key focuses of our quality priorities.

This year, we set an expectation that every child would start their year with a named key educator. An ongoing focus on embedding the Key Educator Relationship approach is a key part of our focus on high quality practice and ensuring every child has an appropriate learning program that suits their individual needs.

We had a strong focus on increasing the availability of books, early literacy and storytelling opportunities in our centres, backed by new professional development modules for educators to learn how to create language-rich learning environments.

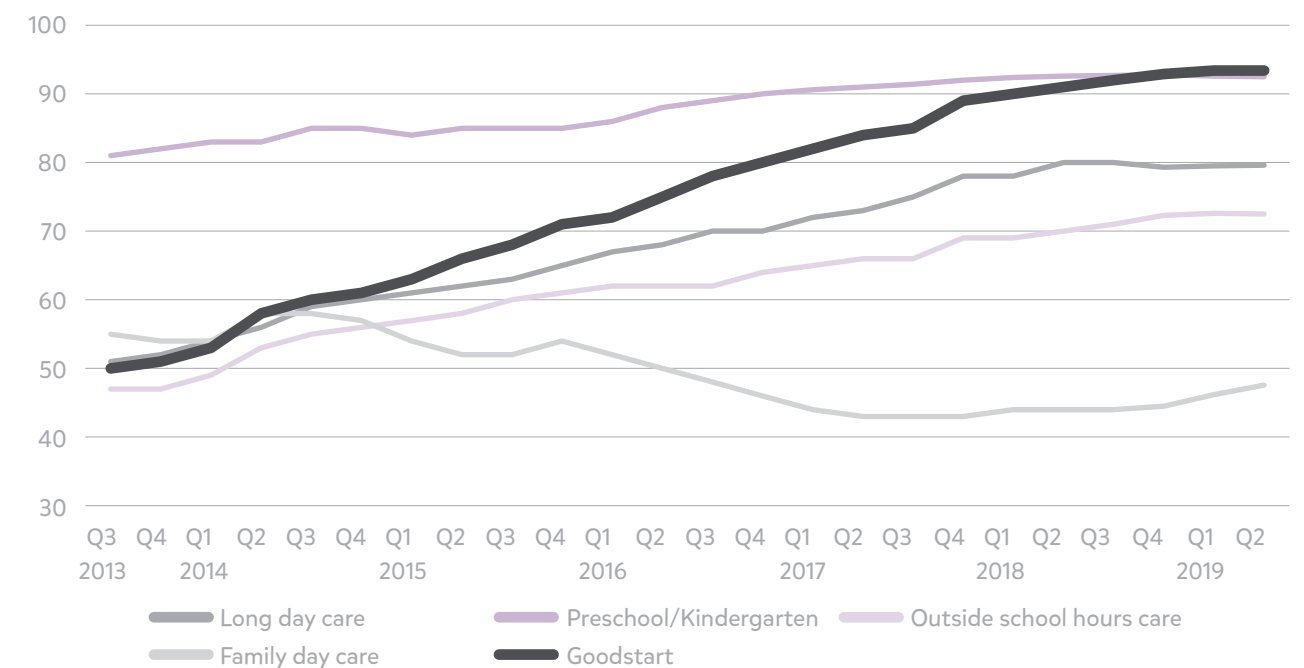
We continued to embed our three-to-five year-old Practice Guide, backed by the rapid increase in the number of qualified early childhood teachers now deployed in our three-year-old rooms.

Overall, centres assessed as meeting or exceeding the National Quality Standard rose from 91 per cent to 93 per cent over the year, and now exceeds the national average for both the long day care sector (80 per cent) and the standalone preschool/kindergarten sector (92.5 per cent).

Thirty four per cent of all Goodstart centres are now rated as exceeding with Bathurst, New South Wales, and Heatley - Fulham Road, Queensland, centres achieving the remarkable result of an exceeding rating on all seven quality areas during the year, joining 40 other Goodstart centres with that result. Our Parafield Gardens centre, South Australia, holds the rare excellent rating awarded by the national regulator to a handful of outstanding centres across Australia.

We are determined to achieve world best practice in early learning, and with the appointment and leadership of our general manager of pedagogy and practice Sue Robb OBE, projects have been launched in both the birth-to-three and three-to-five year age groups to further improve quality of practice at scale.

Services meeting/exceeding the National Quality Standard (%)



Teacher-led kindy programs make a difference

Goodstart is Australia's largest non-government preschool/kindergarten provider, with more than 20,000 four-to-six-year-olds enrolled in programs delivered by an early childhood teacher. We are well on track to ensuring that all of our three-year-old programs are delivered by degree qualified teachers.

Giving children access to two years of quality preschool programs delivered by teachers has been a key longer-term advocacy and program delivery objective for Goodstart.

This is because the evidence is compelling that preschool programs delivered by teachers make a big difference to children's development and later learning outcomes, and that two years has a bigger impact than one.

Recognising the importance of the role of teachers, Goodstart uses its government funding for preschool to provide additional programming time and a professional support program for our teachers. The program provides wrap-around support throughout a teacher's learning progression, including mentoring, networking and professional development opportunities.

Teachers can draw on Goodstart's Practice Guide for working with three-to-five year-olds and online learning support tools to build their programs. Our teachers enjoy additional programming time and professional development days above that of sector standards.

In the past year, 300 additional teachers were employed by Goodstart despite a national shortage of early childhood teachers. Australia needs around 5,800 new early childhood teachers each year, but only 3,079 graduated in 2017 (down 20 per cent in two years) and new course commencements have also been falling. The attraction and retention of quality teachers remains an ongoing challenge for Goodstart and the sector.

Key educators deepening bonds with children and families

Key Educator Relationships ensure children have a secure attachment with a dependable educator within the service. In 2019, Goodstart rolled out the Key Educator initiative across all centres after a successful trial in New South Wales.

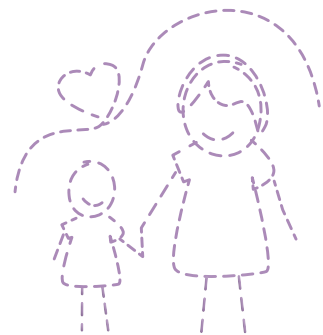
Embedding Key Educator Relationships results in children who were more settled and engaged, families who were more connected with the educator and the centre and educators feeling more personally involved in the learning journeys of their children.

Educators have been encouraged to work as a team to reflect, consider and make informed relationship-based decisions before acting.

Madlen Corey, an educator in Tamworth, said she found that Key Educator Relationships create a powerful bond between each child and educator.

"As a key educator, I am the child's "go to person", their co-regulator, a shoulder to cry on, a friendly smile. I am a child's morning cuddle and the first person they see when they wake up," Ms Corey said.

"I am a problem solver, working out individual children's cues to cater for their needs. A listener and someone they can confide in. I am that one person in the centre who is crazy about them, who truly knows them and their potential. Every child deserves to have this."





LET'S GET
WILD
ABOUT SAFETY!

Great People

Great people are central to delivering high quality early learning. With a tightening labour market, Goodstart has been working harder to identify and attract great people to work in our centres, as well as ensuring our people have access to opportunities to grow as professionals.

This year, Goodstart invested more than \$16.7 million in giving our educators access to professional development opportunities. We fund our own training college, the Goodstart Institute, and more than 600 employees were enrolled in Certificate III and Diploma level courses.

More than 170 educators are studying towards a Bachelor teacher qualification with access to funded study leave, and during the year 212 educators graduated with a Bachelor teacher qualification.

Our Teacher Professional Program supported teachers employed in our centres with access to professional development, mentoring and networking opportunities. A Graduate Teacher Program was added this year, supporting new teachers in their first 18 months of employment.

Goodstart has been proactively working to be ready for the 2020 National Quality Framework requirement to employ a second teacher in centres. The number of teachers employed in the network rose from 1,066 to 1,380 in the course of the year. An early priority was to employ additional teachers in centres in highly disadvantaged communities.

Great centre directors are the throbbing heart of great centres. As a result of the GoodFuture program, which fostered educator-led innovation, Goodstart is developing different ways to support and mentor centre directors, and to give them more opportunities to collaborate with each other at a local level.

We are also working to grow more great centre directors, with our Assistant Directors Development Program in its second year of operation providing a great pipeline of new leaders.

With increasing demand for educators and teachers, we continue to improve our working conditions, offering above award wages and conditions.

Our educators have been supported to attend professional conferences in Australia and overseas, and to participate in secondments to other learning environments, such as the Baya Gaway Buga yani Jandu yani u Centre in Fitzroy Crossing, Western Australia – supporting both cultural immersion and community outreach.

Our people share our ambition for high quality practice

Evidence continues to show that high quality early learning is pivotal for lifting children's outcomes, and that quality early education is dependent upon highly skilled and supported educators and teachers.

This year:

- **More than 845 employees** upgraded their qualifications in early learning.
- **More than 210 educators and senior educators** obtained Bachelor degrees in early learning, with an additional **170 educators and senior educators** continuing their tertiary studies.
- **More than 185 educators completed** courses through our Goodstart Institute.

Safety, Health and Wellbeing

Goodstart has deepened its focus on supporting employee health and wellbeing by introducing a range of initiatives to improve safety engagement and create a happier, healthier workforce.

Our 'Let's Get Wild About Safety' campaign which highlighted five major hazards in the workplace to help prevent and reduce child and adult injuries was awarded 'highly commended' in the International Safety Media Awards. Ongoing campaigns on safety, hazard identification and reduction, and employee wellness have featured during the year including the introduction of a monthly Safety Snapshot for employees. We have also broadened our hazard identification programs to reflect our zero-tolerance approach to any threat to child safety.

Sharing Goodstart's safety expertise within the sector remains a focus for the team to support safety uplift across the early learning sector, and beyond.

Goodstart's Employee Assistance Program has been extended to support employees not just in the workplace but in their personal lives, and centre directors, specialist support teams and area managers were offered an accredited Mental Health First Aid course in partnership with BUPA.



Nurturing our people; our Goodstart difference

Our people are passionate and are drawn to Goodstart, because of our purpose-driven approach that places children first.

We cultivate their skills and passion to make a difference, with ongoing career opportunities and professional development – from secondments and study tours to specialist training.

Our scale provides our people unrivalled opportunity for relocations and career advancement, and our wrap-around support, including practice support for pedagogy and practice, and inclusion supports our people to make the most impact to the children in their care.

Pulse Survey: What some of our people had to say about us as an employer and what they value about Goodstart

“It’s a company that truly puts children first!” **Assistant Director**

“I like the way Goodstart is set up with many support networks and many centres I can draw help from with any issue I am facing.” **Centre Director**

“Goodstart cares about employees a lot.” **Educator**

“The fact that we get training based on new research.” **Educator**

“Recognition and freedom to explore and grow in professional development.” **Assistant Director**

“Being respected as an ECT and the support for professional development.” **Early Childhood Teacher**

The Goodstart Offer

As a not-for-profit social enterprise, Goodstart invests heavily in its people, recognising that great people are necessary to deliver high quality early learning. Our people enjoy:

- Above award wages and conditions
- Flexible working conditions
- Salary packaging opportunities
- Discounted child care
- Access to bulk-buying discount schemes
- Professional development opportunities
- Additional programming time
- Online and in-centre support for improving practice
- Programs and advice to better support children and families facing disadvantage

Goodstarter Experiences



Teaching career off to a good start

When Elynn Yong graduated with a Master of Education (Early Years and Primary) from Deakin University, she wanted to work for an organisation that would help boost her teaching career and put children first, and she became part of Goodstart’s Graduate Teacher Program in 2019.

“Working for Goodstart means working for a company where my personal philosophy as a teacher falls perfectly in line with the company’s values, allowing me to focus on the children and teach with confidence. Not only does Goodstart give all children a good start, it also gives graduate teachers a good start into their careers.”



A love for children and people, sees Jelka flourish at Goodstart

A passion for children and being open to opportunity, has seen Jelka Trepic’s career with Goodstart go from strength-to-strength since starting four years ago as an assistant educator, with no qualifications.

After completing her Certificate III and Diploma of Early Childhood Education Care through the Goodstart Institute, Jelka has progressed from an educator, educational leader to assistant director and now centre director at Goodstart Semaphore Park.

“What I love most about Goodstart is the avenues and support for personal development and continuous improvement. I’m a living example that you can start off with no qualifications and four years later be fully qualified and a centre director.”



Inclusion

Goodstart is committed to ensuring all children can access early learning and get the support that they need to flourish and grow.

Our investment in social inclusion has trebled in three years to almost \$12 million, and is underpinned by our social inclusion strategy offering universal approaches across all of our centres, targeted support in selected centres supporting disadvantaged communities, developing new service models and initiatives and advocacy regarding the needs of children and families who are vulnerable.

High quality, inclusive practice is at the heart of our offer in all of our centres. Goodstart committed to provide two days of early learning to 3,800 children from low-income families who did not meet the activity test, at a cost of \$3.4 million. We supported families and carers of more than 3,300 children at-risk to navigate complex new approval processes to access Additional Child Care Subsidy, and we have embraced more than 4,000 children with additional needs who attend our centres.

We continue to deliver our universal Family Connections program building the capability of educators to support children facing disadvantage and their families. Two thirds of our centres have completed the program and, with philanthropic support, we have also been able to offer the program to centres outside Goodstart in New South Wales and Western Australia.

Our Intensive Emotional Support Plans offer children with high emotional support needs intensive assistance and intervention, supporting both their educators and families. This approach is crucial given our core principle of not excluding children from access to our centres, a practice sadly too common in our sector.

The Early Learning Fund, a collaboration between Goodstart, the Benevolent Society and Uniting (NSW/ACT), has supported more than 500 children experiencing vulnerability to access early learning in our centres. The fund is now expanding and the detailed data and evaluations collected through the Fund will help to build the case for further investment from philanthropists and governments.

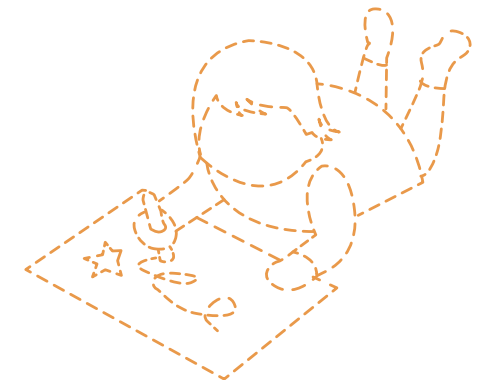
Through the GoodFuture initiatives, centres have been encouraged to develop new and innovative ways to support their children and families both in their centres and in their homes.

We continue to provide additional resources for 39 centres in disadvantaged communities through our Enhancing Child Outcomes (EChO) program, supported by a team of speech pathologists, occupational therapists, psychologists, social workers and additional early childhood teachers.

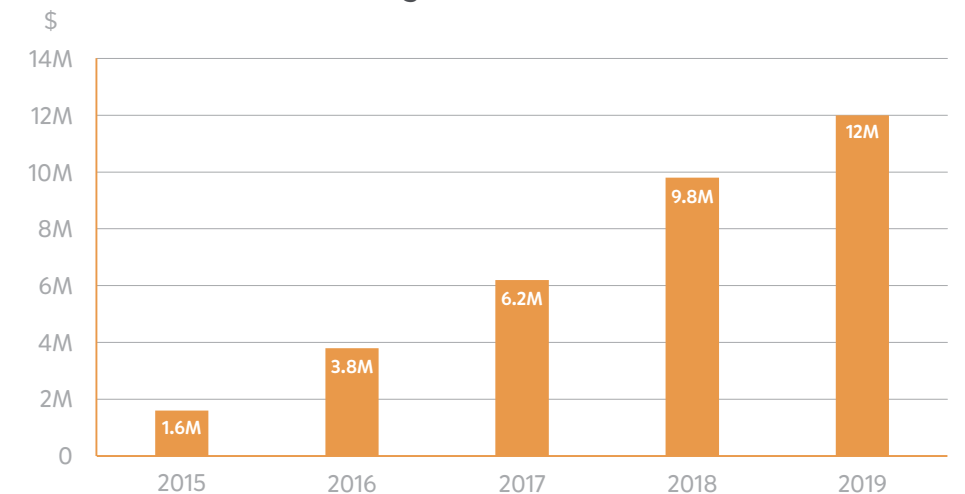
We also have provided professional supervision to 165 centre directors in disadvantaged and complex communities to support the resilience and wellbeing of them and their teams.

We continue to build our partnerships and collaborations with other partners including state governments to support vulnerable children.

We are working with Victoria to increase access for three-year-old children known to child protection in Early Start kindergarten, with Tasmania to pilot the Working Together for 3 Year Olds initiative to expand access for children facing disadvantage, with Queensland and The Benevolent Society in the delivery of the Integrated Early Years Place in Redlands City, and with South Australia to deliver a supported playgroup for Aboriginal children.



Goodstart is increasing its investment on social inclusion



Progressing reconciliation with First Australians

More than 35 centres progressed their reconciliation journeys after becoming involved in Goodstart’s Engaging Aboriginal & Torres Strait Islander Educators Community of Practice model, with more centres set to join the model.

The Community of Practice aims to increase workforce participation by Aboriginal and Torres Strait Islander people and overcome barriers to Indigenous children participating in early learning. The model enables solutions to be created and addressed locally, aiming to create culturally safe and competent early learning centres, strengthening local community connections and relationships.

Since February 2018, when the model was introduced, participating centres have welcomed an additional 100 Indigenous children and 23 Indigenous educators and employees. Workforce pathways, partnerships and diversity manager Simone Miller, together with cultural liaison Melody Ingra presented on the Community of Practice model at the Aboriginal Early Childhood Conference in June 2019.

Local Reconciliation Action Plan: in action

After connecting with an Aboriginal health service, "Nunkawarrin Yunti" (located in Elizabeth, SA), Goodstart Elizabeth Vale, South Australia, identified a need for a culturally safe place for Indigenous mums and families – and created the Nunga playgroup. The playgroup has been running successfully since May 2018 – initially held each Tuesday during the school terms with about four to six families. Now it’s run weekly year-round, with up to 20-30 families attending each week with the team providing transport to and from the centre, to improve community accessibility. Many families have since enrolled their children into our centre for early learning and care.

Reconciliation: 2018-19 snapshot

- **403** centres continue their reconciliation journey with Narragunnawali
- **89** centres have published Reconciliation Action Plans
- **500** employees have undertaken non-mandated Arrilla Cultural Competency Training since it became available in October 2018
- **A continued focus on creating employment pathways for Aboriginal and Torres Strait Islanders, with 15** trainees, **13** internships, and four school-based traineeships working across our network, in addition to welcoming an additional **74 Indigenous educators and employees**

Inclusion programs: making a difference



From traumatised to successful learner

A young four-year-old boy was enrolled at one of our Western Australian centres by his foster parent after he was excluded from a local Kindergarten. The child had experienced significant trauma in his home environment from birth to age three and 12 foster family placements in 18 months. He presented with volatile behaviours – stemming from grief and anxiety.

Goodstart’s national manager, child and family service, Alma-Jane O’Donnell, said that many early learning providers often exclude these children, because they are unable to support them and no government funding is available unless they have a diagnosis.

“Children who’ve experienced severe trauma, often operate in a constant state of fight or flight, and this was the case for this child resulting in poor self-regulation skills and volatile big behaviours,” Ms O’Donnell said.

He was enrolled in a 12-week Goodstart Intensive Emotional Support Plan which focused first on building his sense of safety and security with predictable routines and a dedicated, over-ratio, educator, and social inclusion team support.

The program supports the educator to enter the child’s world and become attuned to their behavioural triggers. By the end of the program, he had learnt self-regulation strategies for high-risk times and displayed a stronger sense of self and limited escalations.

Following the program, and transition to school, the child’s learning, development and wellbeing has gone from strength to strength – he successfully integrated into the schooling community and won a citizenship award in his first term. He now remains permanently in his foster parent’s care, who continue to contact our centre and shares his many school and life successes.

The centre and child’s name have not been identified to protect the child’s rights. His foster parent is fully supportive of Goodstart sharing the success of the program, and support provided.

Family Connections expands regionally thanks to Woodside Development Fund

Thanks to the generous funding of Woodside, our foundational social inclusion program, Family Connections, is reaching more communities in regional and remote areas, including early learning centres and community partners from the towns of Wickham, Roebourne and Karratha in Western Australia’s Pilbara region.

Through engagement with the local Early Years Network and input from local service providers, Goodstart has modified its program to be locally and culturally responsive to community needs to ensure the best outcomes for children and families.

Goodstart’s social inclusion team have travelled to Karratha to present modules from Family Connections and demand for this program has been high. Funding has supported the participation of seven non-Goodstart early learning centres, a local Indigenous playgroup as well as staff from health, inclusion and family support services in the City of Karratha. Enabling organisations beyond the Goodstart network to access our Family Connections program has increased the scale and positive impact for vulnerable children in WA.





Evidence

Goodstart is working to build the evidence base on what works in early learning, embedding it in our centres and monitoring the quality and impact of early learning in every centre, every day.

We took the next big step in developing a network-wide outcomes framework by producing network-wide systems to provide detailed centre level reports about individual children's attendance and participation. These reports will help us to ensure children are accessing enough early learning to make a positive difference.

This year also saw significant progress in two other key planks of our outcomes framework, the use of Environmental Ratings Scales and the Early Years Toolbox.

Collectively, the information from these tools will be crucial in working with educators and centres to improve practice in the future. As part of this work, we are continuing to work with researchers on how we can best use these tools to monitor the impact of early learning on children's development.

Goodstart is committed to evaluating our own work and has commissioned independent evaluations of our Family Connections universal professional development program and the targeted centre-based Enhancing Child Outcomes (EChO) programs. While the EChO evaluation is still underway, Family Connections was found to deliver a statistically significant improvement in educator outcomes, which helped us secure philanthropic funding to take Family Connections beyond Goodstart and to fund additional access to early learning for children facing disadvantage.

We are building an evaluation and research component into the rollout of the Early Learning Fund to be able to report back to funders and policy makers on the barriers and impact of access to early learning for children facing disadvantage.

The evidence-informed Goodstart Practice Guide and its companion guide for working with three-to-five year-olds continues to be embedded in our centres and refined through ongoing feedback through communities of practice and other forums.

Goodstart conducted a full census of children in our centres this year, providing us with a much deeper understanding of our children and families and how best to support them. The census found that Goodstart's network, which includes 149 centres in lower socio-economic communities, had a much higher proportion of children from most additional needs groups than the sector as a whole. This highlights the vital importance of giving every child the best possible opportunity to flourish, based on the best possible understanding of their individual needs and what is likely to work best.

Children likely to be vulnerable attending Goodstart

Knowing more about the children attending our centres allows us to ensure every child gets the individualised learning they need. Our 2019 census showed that children likely to be vulnerable are more likely to be enrolled in Goodstart than in the rest of the early learning sector, reflecting our inclusive culture and strong connections to community.

(Source: Productivity Commission Report on Government Services 2019 - data for children aged 0-5 years. *Dept. of Education quarterly data children aged 0-12 years.)

Equity group	Goodstart (% all children)	Child care sector (% all children)	Community (% all children)
Aboriginal or Torres Strait Islander	5.0%	2.9%	5.7%
Language other than English	19.0%	21.2%	22.3%
With a disability	5.6%	3.4%	4.3%
Regional & remote	32.0%	23.0%	24.9%
Low-income family	24.3%	20.5%	14.5%
At risk of abuse or neglect	3.3%	1.2%*	n.a.
Multiple risk factors	9.2%	n.a.	n.a.

Early childhood education and care workforce study findings published

The findings of a major study into the early childhood education and care workforce conducted in Goodstart and C&K centres in Queensland was published during the year, identifying the key motivations of why teachers and educators stay and leave the sector. The Australian Research Council Linkage Project,

"Identifying effective strategies to grow and sustain a professional early years workforce", with Professor Karen Thorpe as Lead Chief Investigator, involved a multi-disciplinary research team from the Queensland University of Technology and Charles Sturt University, in collaboration with the Queensland Department of Education and Training, C&K Queensland, and Goodstart. Goodstart's early learning consultant Sharon McKinlay completed a Master's in Education as part of the project, conducting a case study on what is needed to keep early childhood teachers working in the sector.



Ensuring all children have access to at least two years of quality early learning was a key policy objective in the lead up to the federal and three state elections in the past year. Building on the 'Lifting our Game' report, the sector secured commitments to fund improved access to two years of preschool from the Victorian, Tasmanian and New South Wales governments and from the Federal Labor Opposition and the Greens. We also met with all federal, state and territory ministers for education.

We developed the 'Launch into Learning' campaign to further this objective. In the lead up to the Federal Election, the Early Learning and Care Council of Australia adopted the campaign sharing it with more than 2,000 early learning services, with 48,000 families using its resources and Goodstart's online supporters base through the Smart Start campaign growing to nearly 30,000 families. More than 100 of our centres participated in the campaign, hosting more than 95 visits from Federal MPs and candidates.



Our award winning First Five Years website providing evidence-based parent-facing articles on raising young children received more than 288,900 visits from parents looking for advice.

With the implementation of the Federal Government's new Child Care Subsidy, we worked hard to ensure that children facing vulnerability continued to have access to early learning. Using our data, we were able to make the case for continued refinement of policy and processes. This important work is ongoing.

Our advocacy and policy team continues to work with multiple sector partners to amplify our efforts, with the sector running well aligned messaging across multiple campaigns.



Influence

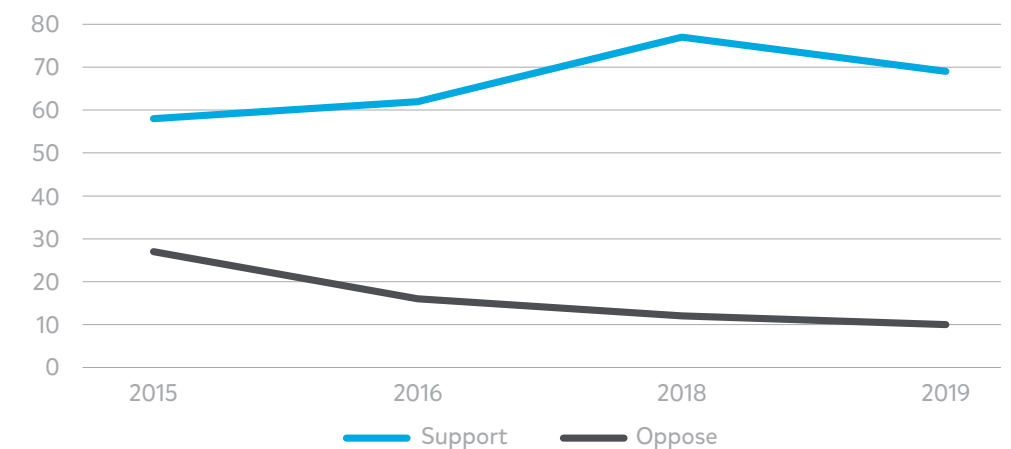


Goodstart is an active participant in national policy debates about the importance of early learning, working with our sector partners and families to promote policies to give all of Australia's children access to early learning.

Community support for early learning rising

Goodstart regularly commissions research on community attitudes to early learning, which has risen markedly over the past four years:

All children should have access to at least two years of early learning (% support/oppose)



(Essential Media poll of general voters, question not polled in 2017)



Championing the first five years

Emma Lewis, Goodstart Wynnum West centre director, was one of 27 Launch into Learning champions across our network who helped amplify the importance of two years quality early learning ahead of the May 2019 Federal Election.

In doing so, Emma said she was most proud of the positive impact the campaign had on families' perspectives about early learning and the professional roles of educators and teachers.

“We were overwhelmed by the response of families. The campaign allowed for conversations that we hadn't had before and enabled greater recognition about our profession,” Ms Lewis said.

“One of many wins is observing families move to a place of becoming ‘educators’ themselves – gaining a better understanding of the importance of the first five years with a deeper appreciation for what we do to support children’s learning, development and wellbeing.”

“It’s important that we bring our families and the wider community on this journey towards championing the first five years and building their support on why more investment in the early years is needed.”

Championing children going through rough times

Goodstart is strongly committed to supporting children facing disadvantage as part of our advocacy efforts. As well as pushing for policy changes, we have been working with multiple partners through the Early Learning Fund (ELF) to give more children going through rough times access to early learning.

Jazz was supported through the fund to attend Goodstart Braybrook, where the centre seized the opportunity to help her development, especially her social and emotional wellbeing.

Jazz was unable to self-regulate or understand her emotions causing multiple outbursts and challenging behaviours. ELF funding and wellbeing plans have helped educators, and her father, Jack to work together, build strong relationships and plan goals for Jazz to achieve throughout the year.

Her father, Jack, a single parent, said ELF was a life-changing moment and that the changes in his little girl were just about immediate.

“Because she was going a couple of days a week, there was major improvement in her speaking and the way she can talk about things,” he said.

He also said that she’s better able to handle her emotions and play with other kids.

“I reckon it’s (the fund) a brilliant idea because it could help out a lot more people and a lot more kids...to be ready for school when they need to be.”



Julia Davison at Goodstart Heatley - Fulham Road during the Launch into Learning campaign.

Looking ahead: where next for Goodstart



Left to Right: Tracey McFarland, Sue Robb and Julia Davison.

From nation leading to world beating

Goodstart is laying down the building blocks to move the organisation from one of the nation's leading early learning providers to one of the world's best.

As Goodstart completes its current five-year strategic plan, we are thinking about where we want to be in 2025 and what we need to do to get there.

CEO Julia Davison says the organisation will have 'stretch targets' to give every child a great learning experience every minute of every day in every centre.

"As a not-for-profit with a healthy balance sheet, we can continue to make the investments to continue to lift the quality of practice by investing in our people's capability and partnering more effectively with families and the community," Ms Davison said.

Goodstart is putting in place the strategy, the team and the tools to drive this ambitious agenda.

Sue Robb OBE, an internationally recognised thought leader, joined Goodstart this year as general manager of pedagogy and practice and is playing a key role in improving the quality of practice across the network.

"Goodstart has achieved so much and educators I meet are very keen to do more. We have pockets of excellence right across the network, but our ambition is to have excellent practice everywhere," Ms Robb said.

"Our primary focus will be to improve both the level and consistency of quality and service delivery, through a focus on both practice upskilling and child outcomes," she said.

A key initiative is assessing the quality of practice and child outcomes regularly and using that as a base for professional reflection and learning for educators.

"Every child, every day, should have access to the best possible learning experience personalised to their individual stage of development. Educators need to know that what they are doing is having an impact on the child's learning, development and wellbeing," she said.

Goodstart appointed its first chief experience officer this year in a new function bringing together the former functions of people and culture, communications and marketing and offer design.

Tracey McFarland, who was appointed to the role having worked in both the commercial and not-for-profit sectors, said the focus on the experience of families and employees while they are with Goodstart will result in very different ways of thinking and delivering.

She said the experience of employees, families and children was interlinked.

"If employees have a good experience in terms of growing professionally with a strong sense of belonging within the organisation, then children will experience impactful, quality early learning," Ms McFarland said.

"If children are being nurtured, then our families will have a good experience, and they will spread the word, making it easier for Goodstart to attract more families and employees."

"We want to create irresistible, impactful and distinctive offers for families and employees that make Goodstart the place that they want to be," she said.

Technology and data will be harnessed to support a listening and learning ecosystem for employees, evidence-informed practice for children and ever improving advice and support for their families.

Annual Financial Report

**Goodstart Early Learning
Ltd**

ABN 69 139 967 794
30 June 2019

We're for children, not profit.

Directors' Report

for the year ended 30 June 2019.

The directors present their report on the consolidated entity (the "Group"), consisting of the financial report of Goodstart Early Learning Ltd ("Goodstart" or the "company") and the entity it controlled for the financial year ended 30 June 2019 and the auditor's report thereon.

A Directors

The directors of the company at any time during or since the end of the financial year are set out below:



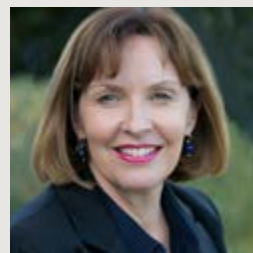
Michael Trail AM

BA (Hons); MBA

Non-executive Chair. Member, Audit and Risk Committee. Chair, Talent and Remuneration Committee. Member, Quality and Social Purpose Committee

Appointed 13 October 2009

Michael was Chief Executive of Social Ventures Australia (SVA) for 12 years from 2002 to 2014. Prior to that he spent 15 years as a co-founder and Executive Director of Macquarie Group's private equity arm, Macquarie Direct Investment. Michael is also a director of MH Carnegie & Co, Sunsuper (where he Chairs the Investment Committee) Australian Philanthropic Services, Assetic and the Paul Ramsay Foundation. He is an Adjunct Professor at the Centre for Social Impact at UNSW and Chair of the Federal Government Social Impact Investing Task Force. He is the author of 'Jumping Ship' which won the Ashurst Business Literature Prize in 2017. In 2010 Michael was made a Member of the Order of Australia in recognition of his services to not-for-profit organisations.



Julia Davison

BSc (Hons); MPA; MAICD

Director and Chief Executive Officer

Appointed 29 June 2011

Prior to joining Goodstart as its Chief Executive Officer in February 2011, Julia had extensive senior management experience in the human services sector in Australia and the UK. Between 1999 and 2004 she was CEO at Flinders Medical Centre, a large teaching hospital in Adelaide. From 2004 to 2010 Julia was CEO of WorkCover SA, a statutory authority which manages the South Australian Workers Rehabilitation and Compensation Scheme, extending protection to 430,000 employees in SA. Julia is on the Board of Cape York Girl Academy and has held a number of non-executive roles including Chair of Catherine House, a not-for-profit working to solve women's homelessness, Director of Territory Insurance Office, NT and Director of Business SA.



Lynelle Briggs AO

B Econ; GAICD

Non-executive Director. Member, Audit and Risk Committee

Appointed 15 December 2015

Lynelle is a Commissioner on the Royal Commission into Aged Care Quality and Safety. She is also an Independent Director with Maritime Super, Independent Chairperson of the General Insurance Code Governance Committee, and independent member of the Government's Aid Governance Board. She was Chairperson of NSW's Planning Assessment Commission. Prior to joining Goodstart, Lynelle was a Councillor with the Royal Australian College of General Practitioners and a non-executive director with the Australian Rail Track Corporation. Lynelle is a former Australian Public Service Commissioner and former chief executive of Medicare Australia. She has extensive experience in the Australian Public Service, working in a wide range of fields, including social security, health and community services, transport, external territories, employment and labour market support and veterans' affairs. Lynelle became an Officer in the General Division of the Order of Australia in 2013 for distinguished service to public administration, particularly through leadership in the development of public service performance and professionalism.



Professor Sir Kevan Collins

Ed.D

Non-executive Director. Member, Quality and Social Purpose Committee. Member, Talent and Remuneration Committee

Appointed 01 December 2018

Sir Kevan Collins has worked in the UK public service for more than 30 years becoming the first Education Endowment Foundation (EEF) chief executive in October 2011, having previously been chief executive in the London Borough of Tower Hamlets. Prior to this role he led a varied and distinguished career in education – starting off as a primary school teacher in London, leading the English

Primary Strategy as national director, and then serving as director of Children's Services at Tower Hamlets. Sir Kevan has international experience working in Mozambique, supporting the development of a national literacy initiative in the USA and advising on the development of a national early years initiative in Australia. He completed his doctorate focusing on literacy development at Leeds University in 2005. He is a visiting professor at the University of London and was knighted for services to education in 2015.



Rob Koczkar

B Eng (Hons)

Non-executive Director. Chair, Audit and Risk Committee

Appointed 28 May 2010

Rob Koczkar is a Managing Director of Adamantem Capital and was until recently the CEO of Social Ventures Australia. He has extensive experience in social impact and private equity investing along with a deep understanding of the social purpose sector. He was previously a Managing Director of Pacific Equity Partners, Principal at Texas Pacific Group in Europe and started his career as a strategy consultant with Bain & Company. Rob is a member of the Australian Government's Cities Reference Group to support delivery of the Smart Cities Plan. He currently serves on the boards of Melior Investment Management, Hygain, Zenitas and Servian. He previously served on the board of Energy Developments Limited.



Chris Harrop

MBA (Hons); B Comm (Hons)

Non-executive Director. Member, Talent and Remuneration Committee

Appointed 01 January 2019

Chris Harrop is a Director in the Melbourne office of Bain & Company, where he has worked for 25 years in the US, UK and Australia, and currently serves on the global Board of Directors. Bain is a global strategy consulting firm with over 8,000 staff across 56 offices in 36 countries. Chris has worked with clients in many industries, with a focus on services businesses. He has specialised in projects addressing corporate strategy, customer experience improvement and broad-based transformational change. Chris is a Non-executive Director at Social Ventures Australia, and was a long-serving board member of the Australian Brandenburg Orchestra. He is a co-founder of Restacking the Odds, a not-for-profit partnership between Bain, SVA and MCRI that is working to address inter-generational disadvantage in Australia. Chris earned an MBA with

Directors' Report (continued)

Honours from IMD in Lausanne, Switzerland, and a Bachelor of Commerce with First Class Honours in Marketing from Otago University in New Zealand.



Greg Hutchinson AM

BA (Hons); MSc

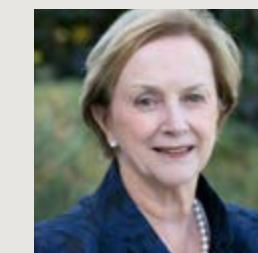
Non-executive Director, Member, Early Learning and Care Reference Committee, Member, Talent and Remuneration Committee

Appointed 28 May 2010
Retired 30 September 2018

Greg is an Advisory Partner and former Partner/Director at consultancy firm Bain & Company. He has 30 years' experience leading major strategic and operational change programs for global corporations in Asia, Europe and North America.

He is currently Chairman of Paul Ramsay Foundation, Deputy Chairman of Workplace Giving Australia (founder CEO from 2000-05) and a director of Brandenburg Foundation. He is also a former Director of Women's Community Shelters, Centre for Social Impact, Bell Shakespeare, ShareGift and Australian Brandenburg Orchestra.

In 2014 Greg was appointed a Member of the Order of Australia for service to the community, business and social enterprise.



Wendy McCarthy AO

BA; Dip Ed; FAICD

Non-executive Deputy Chair, Chair, Early Learning and Care Reference Committee, Member, Talent and Remuneration Committee

Appointed 21 September 2010
Retired 31 December 2018

Wendy McCarthy is an experienced manager and company director who began her career as a secondary school teacher. She moved out of the classroom into public life in 1968 and since then has worked for change across the public, private and community sectors.

She has held many significant leadership roles including eight years as Deputy Chair of the Australian Broadcasting Corporation, 10 years as Chancellor of the University of Canberra, and 12 years of service to Plan Australia as Chair, with three years as Global Deputy Chair for Plan International. In June 2016, she completed eight years as Chair of Headspace National Youth Mental Health Foundation Ltd. In October 2017, she retired from her role as Chair of Circus Oz, a 10-year commitment.

In 1989 Wendy was appointed an Officer of the Order of Australia for outstanding contributions to community affairs, women's affairs and the Bicentennial celebrations. She received an Honorary Doctorate from the University of South

Directors' Report (continued)

Australia in 1995 and in 2000 was awarded a Centenary of Federation Medal for business leadership. She is the inaugural inductee to the Women's Agenda Hall of Fame.

In March 2017, she was made a Life Fellow of AICD.



June McLoughlin

Dip EC; Dip ID; B.Ed; M.Ed

Non-executive Director. Chair, Quality and Social Purpose Committee

Appointed 15 December 2015

June is the Executive Director Services at Our Place a Colman Foundation Initiative. June is also a member of the WA Early Childhood Development and Learning Collaboration Advisory Board hosted by Telethon Kids. June has extensive experience in both policy and service development, research and practice in the early childhood, family support and children's services fields, which has given her a broad and deep understanding of issues relevant to the needs of parents and their children. June has managed many state and national projects designed to refocus early years services to provide more integrated support for families with young children with a particular interest in vulnerable children.



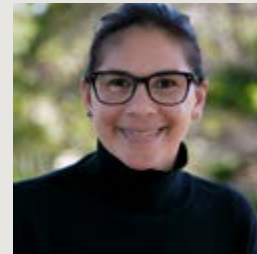
Tony Nicholson

BA; BSW

Non-executive Director. Member, Quality and Social Purpose Committee

Appointed 08 May 2018

Tony Nicholson has been a senior executive in the social services and policy sector with 27 years' experience in leadership of diverse and complex community organisations. This has involved a passion for, and a strong record in, service development and innovation, research and policy analysis and compelling advocacy on behalf of those disadvantaged in our community. Tony's advice has frequently been sought by governments, most notably as Chair of the Australian Government's White Paper on Homelessness, Chair of the Prime Minister's Council on Homelessness, Deputy Commissioner with the Victorian Government's Royal Commission into Family Violence and as member of the Victorian Metropolitan Planning Strategy Steering Committee. Most recently he was the Executive Director of the Brotherhood of St Laurence for thirteen years from 2004 to 2017.



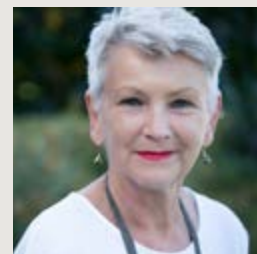
Natalie Walker

BA (Psych); LLB

Non-executive Deputy Chair (from 1 January 2019). Member, Quality and Social Purpose Committee. Member, Talent and Remuneration Committee

Appointed 01 December 2018

Natalie Walker is the founder and managing director, of Inside Policy, a privately-held boutique public consultancy and data analytics firm that advises government, corporates and not-for-profits on a range of social and economic policy matters. She is a committed advocate for reconciliation and was previously the chief executive officer of Supply Nation, a start-up greenfields company focused on increasing the participation of Indigenous business in the supply chain of Australia's largest companies. Ms Walker has held roles at KPMG Australia, the Australian Human Rights Commission and in the Queensland Government.



Lynne Wannan AM

BA; Dip Ed; GAICD

Non-executive Director, Member, Early Learning and Care Reference Committee, Member, Talent and Remuneration Committee

Appointed 21 September 2010
Retired 30 September 2018

Lynne was formerly a senior executive in the Victorian Government in the Departments of Health and Human Services and Planning and Community Development. She had extensive experience on Boards and Committees of Management and a background as a policy analyst, manager and as a consultant and community leader. She was an adviser to government at local, state and national levels for more than 25 years.

Previous positions Lynne held include Chair of the Victorian Government's Children's Council, Adult Community and Further Education Board and Victorian Community Support Fund Advisory Council. She was the founding Deputy Chancellor of Victoria University and a Commissioner on the Victorian Skills Commission and member of the Victorian Qualifications Authority.

Lynne was inducted as a Fellow of the Institute of Public Administration (IPAA - Victoria) and was appointed a Member of the Order of Australia in 2007 for leadership in community services and education. Lynne was also recognised on the Victorian Womens' Honour Roll.

Directors' Report (continued)

B Company Secretaries

Lois Aumuller AGIA was appointed to the position of Company Secretary on 23 August 2011. Lois is a corporate governance professional with over 20 years' experience gained through company secretarial and governance administration positions in not-for-profit, publicly listed and government owned organisations both in Australia and the United Kingdom.

Gavin Bartlett LLB was appointed to the position of Company Secretary on 28 May 2010. Gavin is a solicitor admitted in the States of Queensland and Victoria and to the High Court of Australia, and has 18 years' experience in leading Australian legal firms and in managing in-house legal teams across Australia and New Zealand.

C Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year ended 30 June 2019 were:

	Board of Directors		Audit and Risk Committee		Talent and Remuneration Committee		Early Learning and Care Reference Committee#		Quality and Social Purpose Committee#	
	A	B	A	B	A	B	A	B	A	B
L Briggs	4	3	4	3	-	-	-	-	-	-
K Collins***	3	3	-	-	1	1	-	-	3	3
J Davison	4	4	-	-	-	-	-	-	-	-
C Harrop****	2	2	-	-	1	1	-	-	-	-
G Hutchinson*	1	1	-	-	1	1	1	1	-	-
R Koczkar	4	4	4	4	-	-	-	-	-	-
W McCarthy**	2	2	-	-	1	1	1	1	-	-
J McLoughlin	4	4	-	-	-	-	1	1	3	3
T Nicholson	4	4	-	-	-	-	-	-	3	3
M Traill	4	4	4	3	2	2	1	1	3	2
N Walker***	3	3	-	-	1	1	-	-	3	3
L Wannan*	1	1	-	-	1	1	1	1	-	-

A Number of meetings held during the year while the director was a member of the Board or Committee

B Number of meetings attended by the director during the year while the director was a member of the Board or Committee

***** G Hutchinson and L Wannan retired from the Board on 30 September 2018

****** W McCarthy retired from the Board on 31 December 2018

******* K Collins and N Walker joined the Board on 1 December 2018

******** C Harrop joined the Board on 1 January 2019

The Early Learning and Care Reference Committee was reformed into the Quality and Social Purpose Committee with effect from 5 December 2018.

The Executive Director (CEO) attends the Audit and Risk Committee, Talent and Remuneration Committee and Quality and Social Purpose Committee at the invitation of those Committees.

There are no management representatives appointed as members of any Board Committee.

Directors' Report (continued)

D Principal activities

Goodstart is a not-for-profit company incorporated on 13 October 2009. The principal activity of the Company is the provision of early learning and childcare services in a manner consistent with the achievement of our company objectives. There were no significant changes in the nature of the activities of the Company during the year.

E Operating performance

The directors are pleased to report that Goodstart has continued to deliver a net surplus whilst increasing investments towards our strategic goals. In the year ended 30 June 2019, a net surplus of \$11.0 million (2018: \$8.0 million) was achieved and net assets increased to \$102.9 million (2018: \$91.9 million).

F Company objectives

Goodstart has set six goals that will drive the strategic direction of the organisation. They are:

High Quality

Ensure all our centres deliver high quality early learning and care in a safe environment

Great People

Build a capable, aligned and engaged workforce

Inclusion

Enhance outcomes for children in vulnerable circumstances

Evidence

Embed evidence-informed practice and strengthen the Australian evidence base

Financial Stability

Generate a surplus to reinvest in our network, our people and our purpose

Influence

Increase public commitment to quality early learning and care

Details of achievements and activities undertaken during the 2018/19 year are included on pages 6 to 35.

G Measurement of performance

Goodstart is committed to measuring its impact on children's lives. The following key performance indicators have been developed and are continually refined for each of Goodstart's Strategic goals:

High Quality

Ensure all our centres deliver quality early learning and care in a safe environment

- % of centres assessed as meeting or exceeding the National Quality Standards
- % of centres assessed as exceeding the National Quality Standards
- Number of reported child injuries per 10,000 attendances
- Lost time injury frequency rate
- % of Goodstart children accessing adequate early learning (at least 2 days per week) in the 2 years before school

Inclusion

Enhance outcomes for children in vulnerable circumstances

- Number of EChO Centres
- Number of children assisted by fee relief
- % of centres with more than one inclusion initiative
- Number of children excluded
- % of centres with families accessing assistance
- Number of children assisted by the Early Learning Fund
- % of vulnerable children accessing adequate early learning (at least 2 days per week) in the 2 years before school

Financial Stability

Generate a surplus to reinvest in our network, our people and our purpose

- Social purpose reinvestment
- Families likelihood to recommend (current families)
- Improved child retention:
 - Child turnover
 - Child turnover – kindergarten eligible
- Net increase in new centres opened since 1 July 2015
- Labour hours per attendance
- Configured occupancy
- EBITDA

Directors' Report (continued)

Great People

Build a capable, aligned and engaged workforce

- Centre Directors meeting or exceeding required standards
- Staff turnover
- Number of active Early Childhood Teachers

Evidence

Embed evidence informed practice and strengthen the Australian evidence base

- Centres supporting strategic research
- Centres with complete data

Influence

Increase public commitment to quality early learning and care

- Amount of public investment in early learning and care in Australia as a % of GDP
- National participation of 3 year olds in early learning and care

These key performance indicators are measured at a centre, state or national level, as applicable and are reported to the Board on a quarterly basis.

H Members' liability

In the event of the Company being wound up, its Constitution states each member is required to contribute a maximum of \$100 towards meeting any outstanding obligations of the company. At 30 June 2019, there were four members of Goodstart (The Benevolent Society, Brotherhood of St Laurence, Mission Australia and Social Ventures Australia Limited). The total of these guarantees was \$400 as at 30 June 2019 (2018: \$400).

I Lead auditor's independence declaration

KPMG is Goodstart's external auditor and its independence declaration is set out on page 46. This forms part of the Directors' Report for the financial year ended 30 June 2019.

J Rounding off

The Group is of a kind referred to in ASIC Corporation (Rounding in Financial/Directors' Report) Instrument 2016/191 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

K Subsequent events

Subsequent to 30 June 2019, the Group has entered into an agreement for the purchase of 19 Long Day Care services and 4 Kindergarten services operated by Mission Australia Early Learning. The transition to the Group was finalised by 16 September 2019.

The Group also increased its term loan facility to \$25 million subsequent to 30 June 2019. At the date of signing the annual report, the term loan facility remains undrawn.

Other than that as described above, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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



Michael Traill
Chair

Dated at Brisbane this 26 September 2019



**Auditor's Independence
Declaration under subdivision
60-C section 60-40 of Australian
Charities and Not-for-profits
Commission Act 2012**

**To: the Directors of Goodstart
Early Learning Ltd**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Jillian Richards

Jillian Richards
Partner

Brisbane
26 September 2019

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Financial Statements

Goodstart Early Learning Ltd

ABN 69 139 967 794
30 June 2019



Goodstart Early Learning Ltd Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

		2019	2018
	Note	\$000	\$000
Revenue from early learning centres	6a	1,065,319	985,313
Government grants	7	32,683	30,209
Other income	8	1,621	863
Total revenue		1,099,623	1,016,385
Employee costs	9	768,091	716,069
Rent and other property expenses	10	181,735	164,693
Depreciation and amortisation expense	16 & 17	42,475	40,523
Catering and consumables expenses		50,629	46,036
Technology and communication expenses		12,238	10,819
Travel and motor vehicle expenses		7,709	7,321
Marketing expenses		6,754	7,207
Consulting and professional costs		7,018	6,824
Net impairment loss / (reversal)	16 & 17	(922)	2,724
Other expenses	11	9,478	7,235
Total expenses		1,085,205	1,009,451
Operating Surplus / (Defecit)		14,418	6,934
Finance income	12	1,793	3,175
Finance costs	12	(5,206)	(2,100)
Net finance (cost) / income		(3,413)	1,075
Net surplus for the year		11,005	8,009
Total comprehensive income for the year		11,005	8,009

The notes on pages 53 to 76 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd Consolidated statement of financial position

As at 30 June 2019

	Note	2019	2018
		\$000	\$000
Assets			
Current assets			
Cash and cash equivalents	13	62,226	58,600
Trade and other receivables	14	39,827	36,635
Inventories	15	619	642
Financial assets	18	7,000	42,000
Total current assets		109,672	137,877
Non-current assets			
Deposits and security bonds		122	128
Property, plant and equipment	16	237,321	181,831
Intangible assets	17	15,304	8,121
Total non-current assets		252,747	190,080
Total assets		362,419	327,957
Liabilities			
Current liabilities			
Trade and other payables	19	70,267	63,404
Loans and borrowings	20	-	6
Employee benefits	21	70,255	61,501
Provisions	22	7,521	8,340
Deferred income	6b	9,025	10,469
Total current liabilities		157,068	143,720
Non-current liabilities			
Trade and other payables	19	45,158	33,615
Loans and borrowings	20	13,462	13,462
Employee benefits	21	11,114	15,051
Provisions	22	32,703	30,200
Total non-current liabilities		102,437	92,328
Total liabilities		259,505	236,048
Net assets		102,914	91,909
Equity			
Accumulated surplus		102,914	91,909
Total equity		102,914	91,909

The notes on pages 53 to 76 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd Consolidated statement of cash flows

For the year ended 30 June 2019

	2019	2018
Note	\$000	\$000
Cash flows from operating activities		
Cash receipts from parents and guardians	413,927	499,888
Cash receipts from grants and government funding	684,377	515,420
Cash receipts from other income	533	5,572
Cash paid to suppliers and employees	(1,027,481)	(953,994)
Net cash from operating activities	71,356	66,886
Cash flows from investing activities		
Proceeds from sale of plant and equipment	85	1,424
Purchase of plant & equipment and intangible assets	(57,915)	(33,410)
Proceeds from term deposits	35,000	30,000
Interest received	1,793	3,175
Acquisition of centres	(44,380)	(28,955)
Net cash used in investing activities	(65,417)	(27,766)
Cash flows from financing activities		
Interest paid	(2,313)	(2,307)
Net cash used in financing activities	(2,313)	(2,307)
Net increase in cash and cash equivalents		
Cash and cash equivalents at 1 July	58,600	21,787
Cash and cash equivalents at 30 June	62,226	58,600

The notes on pages 53 to 76 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd Consolidated statement of changes in equity

For the year ended 30 June 2019

	Accumulated Surplus	Total Equity
	\$000	\$000
Balance at 30 June 2017	83,900	83,900
Total comprehensive income for the year		
Net surplus	8,009	8,009
Balance at 30 June 2018	91,909	91,909
Total comprehensive income for the year		
Net surplus	11,005	11,005
Balance at 30 June 2019	102,914	102,914

The notes on pages 53 to 76 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd

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Goodstart Early Learning Ltd

Notes to the consolidated financial statements for the year ended 30 June 2019

1 Reporting entity

Goodstart Early Learning Ltd (the “Company”), a not-for-profit entity, is a company limited by guarantee. The consolidated financial statements of the Company as at, and for the year ended 30 June 2019, comprise the Company and its subsidiary (together referred to as the “Group”).

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements are a Tier 2 general purpose financial report which has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Australian Charities and Not-for-profits Commission Act 2012.

From 1 July 2018, the Group applied for the first time AASB 9 Financial instruments (2014), which has no material impact on the Group’s financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Changes to accounting policies are described in note 4.

The consolidated financial statements were authorised for issue by the Board of Directors on 26 September 2019. Details of the Group’s accounting policies, including changes during the year, are included in notes 3 and 4.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company’s functional currency.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Report) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial report and directors’ report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards – Reduced Disclosure Requirements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgements in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 3 (i) – (i) Property, plant & equipment, (ii) depreciation (iii) impairment
- Note 3 (j) – Impairment of non-financial assets
- Note 3 (l) – Leased assets
- Note 14 – Trade and other receivables
- Note 17 – Intangible assets
- Note 22 – Provisions

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

2 Basis of preparation (continued)

(e) Working capital

These consolidated financial statements have been prepared on the basis that Goodstart Early Learning Ltd is a going concern and is able to realise assets and settle liabilities in the ordinary course of business.

The Group has a consolidated net asset position of \$102.9 million (2018: \$91.9 million). Current liabilities exceed current assets by \$47.4m (2018: \$5.8 million). This is mainly due to \$70.3 million (2018: \$61.5 million) in employee benefits being recorded within current liabilities. These employee benefits are not expected to be paid in a lump sum at any point during the next 12 months. The Company has prepared a 2020 financial year cash flow forecast which demonstrates that the Company has sufficient cash to pay its liabilities when they fall due.

For these reasons, it is the opinion of the Directors that the Group will generate cash flow from its operations and have sufficient banking facilities available to continue its operations and fulfil all of its financial obligations as and when they fall due.

3 Significant accounting policies

Except as outlined in note 4, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group. Certain comparative amounts have been reclassified to conform to the current year's presentation.

(a) Basis of consolidation

i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Where the initial accounting for a business combination is determined only provisionally by the first reporting date after acquisition date, the business combination is accounted for using those provisional values. Any subsequent adjustments to those provisional values are recognised within 12 months of the acquisition date and are applied effective from the acquisition date.

ii) Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding or membership of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

A subsidiary is consolidated from the date on which control commences until the date that control ceases.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are eliminated in preparing the consolidated financial statements. Accounting policies of a subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

The financial information for the investments in a subsidiary are accounted for at cost in the financial statements of Goodstart Early Learning Ltd (the parent entity). However, no additional disclosures have been presented for the parent entity, as the investments in a subsidiary are not considered material, and the consolidated financial statements are materially consistent with the parent entity financial statements.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

3 Significant accounting policies (continued)

(b) Revenue recognition

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

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

i) Revenue from early learning centres

Fee subsidies paid by the government (Child Care Subsidy) or fees paid by parents and guardians are recognised as revenue as and when the early learning service is provided.

ii) Deferred income

Revenues received in advance from parents, guardians and the government are recognised as deferred income and classified as a current liability.

iii) Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all conditions associated with the grant as follows:

- Income from non-reciprocal grants is recognised when the Group obtains control of the grant or the right to receive the grant; it is probable that the economic benefits comprising the grant will flow to the Group; and the amount of grant can be measured reliably. Income from such grants is therefore recognised on receipt as the revenue recognition criteria are met when the Group receives those grants.
- Government grants which are reciprocal in nature i.e. those grants which are received on the condition that specified services are delivered or conditions are fulfilled and have to be returned if the Group fails to meet the attached conditions, are initially recognised as deferred revenue (liability) with revenue recognised as the services are performed or conditions are fulfilled.
- Where the Group receives a non-reciprocal contribution of an asset from a government or other party for no nominal consideration, the asset is recognised at fair value and a corresponding amount of revenue is recognised.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and short term deposits with original terms of 90 days or less. Restricted call deposits are pledged as cash security for the Group's rental guarantees provided by our financier in favour of landlords of properties from which the Group operates its early learning centres, and WorkCover authorities in states where the Group has entered into retro-paid loss premium arrangements.

(d) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the consolidated statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis where applicable. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2019****3 Significant accounting policies (continued)****(e) Trade and other receivables**

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

The Group has applied the AASB 9 simplified approach to measuring expected credit losses whereby the loss allowance is measured at an amount equal to lifetime expected credit losses. The Group assesses expected credit losses based on the Group's historic credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The Group assesses impairment of receivables on a collective basis, by grouping together receivables with similar risk characteristics and uses historical trends of the probability of default. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The carrying amount of the receivable is deemed to reflect fair value.

The amount of the impairment loss is recognised in profit and loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit and loss.

(f) Financial assets**Term Deposits**

Bank term deposits greater than three months to maturity are those term deposits that do not meet the Group's accounting policy in relation to cash and cash equivalents as set out in note 3(c). Bank term deposits are initially recognised at fair value. Subsequent to initial recognition the bank term deposits are measured at amortised cost using the effective interest method.

(g) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities are capitalised, offset against the liability and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the contractual obligations are discharged, are cancelled, or expire.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

The carrying amount of trade and other payables is deemed to reflect fair value.

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2019****3 Significant accounting policies (continued)****(i) Property, plant and equipment****i) Recognition and measurement**

Items of property, plant and equipment include land, buildings, plant and equipment, leasehold improvements, computer equipment and motor vehicles. Also included are building improvements and operating rights, and leasehold improvements and operating rights that represent economic benefits arising from the use of tangible assets as a result of a business combination. These are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed as they are incurred.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within other income /other expenses in profit or loss.

ii) Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

In the case of leasehold improvements, expected useful lives are determined by the estimated useful lives or over the term of the lease, if shorter.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	40 years
Motor vehicles	4 - 7 years
Plant and equipment	3 - 10 years
Building improvements and operating rights	10 years
Leasehold improvements and operating rights	Lowest of lease life or 7 - 10 years

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

iii) Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Refer to note 3(j) for further information.

(j) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the non-financial asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (cash-generating units).

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

3 Significant accounting policies (continued)

(j) Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

(k) Intangible assets

i) Brand

Brands that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 4 years (2018: 4 years), from the date that they are available for use.

Amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

ii) Other intangibles

Other intangibles are identifiable assets that represent the economic benefits arising from the rights and obligations of a contractual obligation, such as the renewal or transfer of an operating lease.

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation, and any accumulated impairment losses. Amortisation is recognised in the profit and loss from the date the assets are available for use on a straight line basis over the lower of the remaining lease term or 10 years, which reflects the pattern in which the economic benefits of other intangibles assets are consumed.

Amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

iii) Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised as software. Costs capitalised include external direct costs of materials and services plus direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over 3-5 years.

iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

3 Significant accounting policies (continued)

(l) Leased assets

Leases in which substantially all of the risks and rewards of ownership are not transferred to the Group are classified as operating leases (note 23) and are not recognised in the consolidated statement of financial position. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight line basis over the term of the lease, which reflects the pattern in which economic benefits from the leased asset are consumed. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

The Group has no finance lease obligations.

(m) Inventories

Inventories relate to staff uniforms and children welcome packs for distribution. These are measured at the lower of cost and current replacement cost. Any write down in the value of inventory due to obsolescence is booked as an expense when the inventory becomes obsolete. Current replacement cost is the cost the Group would incur to acquire or replace inventories held for distribution at balance date.

(n) Employee benefits

i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled wholly within 12 months after the end of the reporting period and accumulating rostered days off and time off in lieu are measured on an undiscounted basis at the amounts expected to be paid when the liabilities are settled and are expensed as the related service is provided.

All short-term employee benefits are presented as current liabilities.

ii) Long-term employee benefits

The liabilities for annual leave and long service leave not expected to be settled wholly within 12 months after the end of the reporting period are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting date, plus related on-costs. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

iii) Defined contributions plans

The Group pays contributions to certain defined contribution plans. Contributions are recognised in profit or loss in the periods during which services are rendered by employees.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

3 Significant accounting policies (continued)

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

i) Lease obligation provision

- **Make good provisions**

Costs required to restore certain leased premises to their original condition at the end of the respective lease terms as set out in the lease agreements are recognised as a provision in the consolidated financial statements. The provision has been calculated as the present value of the estimated future costs. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

- **Mid-lease and end of lease repair and maintenance provisions**

Estimated costs required to repair and maintain leasehold improvements where the Group is required by the lessor to repair areas identified and notified in accordance with the lease agreement are recognised as a provision in the consolidated financial statements. The provision has been calculated as an estimate of future costs. All other repairs and maintenance costs are expensed when incurred.

ii) Onerous contracts provision

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on relevant assets associated with that contract.

(p) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and unwinding of discounts on provisions. Borrowing costs are recognised in profit or loss using the effective interest method.

(q) Income tax

The Group (excluding GS Admin Services No.1 Pty Ltd) is a charitable institution for the purposes of Australian Taxation Legislation and is therefore exempt from income tax. The Group as a charitable institution has access to charity concessions under the income tax, FBT and GST laws. A charitable institution is defined by the Australian Taxation Office.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

4 Change in accounting policy

This note explains the impact of the adoption of AASB 9 Financial Instruments on the Group's consolidated financial statements.

The Group has initially applied AASB 9 Financial Instruments, including any consequential amendments to other standards, from 1 July 2018 but they do not have a material effect on the Group's consolidated financial statements.

i) AASB 9 Financial Instruments

Classification - Financial assets and financial liabilities

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 contains three principal classification categories for financial assets: measured at Amortised Cost, Fair Value Through Other Comprehensive Income (FVOCI), and Fair Value Through Profit and Loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

Based on the Group assessment, the new classification requirements of the standard did not have a material impact on the Group's existing financial assets, including cash and cash equivalents and trade and other receivables.

At initial recognition, the Group measures a financial asset at its fair value. Measurement of cash and cash equivalents and trade and other receivables are at amortised cost. AASB 9 requires financial liabilities to be measured on the same basis as AASB 139. As a result, the accounting for the Group's financial liabilities remains the same as it was under AASB 139.

Impairment - Financial assets

AASB 9 includes revised guidance on the measurement of financial assets, including a new expected credit loss model. AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model for calculating impairment on financial assets not held at FVTPL. To assess for any expected credit losses under AASB 9, there is consideration around the probability of default upon initial recognition of the asset.

For trade and other receivables, the Group has applied the standard's simplified approach whereby a loss allowance is measured at an amount equal to lifetime expected credit losses which include the Group's historic credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

On transition, the Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 has not resulted in any additional allowance for impairment. Due to the nature of the Group's trade and other receivables (i.e. short-term nature of debtors, childcare fees paid in advance and debtors settled by government subsidies), there was no material change to the allowance for impairment of trade and other receivables. For additional information about the Group's accounting policies relating to trade and other receivables, see note 3 (e) for details.

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2019****5 New standards and interpretations not yet adopted**

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of those which may be relevant are set out below.

i) AASB 16 Leases

AASB 16 introduces a single, on-balance sheet lease accounting model for the lessee.

A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items, where the lease payments are expensed in the period incurred.

The Group will recognise right-to-use assets and lease liabilities for its leases of childcare centres and motor vehicles. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payment and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous as described in note 22. Instead, the Group will include the payments due under the lease in the lease liability.

Based on the information currently available, the Group intends to apply the modified retrospective approach with no restatement of comparative information. The Group estimates that:

- It will recognise additional lease assets and liabilities of \$1.1bn as at 1 July 2019;
- The straight-lining accrued liability on transition will reduce the right-of-use asset by \$45.2 million;
- It will recognise a depreciation charge of \$81.0 million for right-of-use assets and interest expense of \$44.2 million on lease liabilities for FY2020; and
- Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities.

ii) AASB 15 Revenue from Contracts with Customers

AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time, or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognised. It replaces AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programmes.

The application of AASB 15 by not-for-profit entities has been deferred to financial years beginning on or after 1 January 2019.

Based on the Group's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the consolidated financial statements when it is first adopted for the year ending 30 June 2020.

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2019****5 New standards and interpretations not yet adopted (continued)****iii) AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit entities, in conjunction with AASB 15 Revenue from Contracts with Customers. These standards supersede all the income recognition requirements relating to private sector non-for-profit 'NFP' entities, and the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions.

Under AASB 1058, the timing of income recognition depends on whether a not-for-profit transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

This standard applies when a not-for-profit entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. In the latter case, the entity will recognise and measure the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

Based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

iv) AASB 2018-3 Amendments to Australian Accounting Standards - Reduced Disclosure Requirements

Amendments to AASB 16 and AASB 1058 Income of Not-for-Profit Entities establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards - Reduced Disclosure Requirements (Tier 2).

The amendments applied for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

Based on the Group's preliminary assessment, the amendments are not expected to have a material impact on the Group's consolidated financial statements.

v) AASB 2018-8 Amendments to Australian Accounting Standards - Right-of-Use Assets of Not-for-Profit Entities

AASB 2018-8 provides a temporary option for not-for-profit entities to measure a class or classes of right-of-use assets arising from the application of the new leases standard, AASB 16, to 'peppercorn' or concessionary leases at fair value or cost.

The option applies both on transition to AASB 16 and for new leases entered into after initial application of the standard.

Additional disclosures are required where right-of-use assets are measured at cost.

This standard is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted, provided that AASB 1058 is also applied at the same time.

The Group intends to apply the deferral option to measure at fair value its 'peppercorn' leases until further guidance has been provided and further financial reporting requirements have been finalised.

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2019**

6	Revenue	2019	2018
		\$000	\$000

(a) Revenue from early learning centres

Fees from parents and guardians	411,912	500,226
Government funding - fee subsidies	653,407	485,087
Total revenue from early learning centres	1,065,319	985,313

(b) Deferred income

Deferred income	9,025	10,469
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Deferred revenue represents the fair value of that portion of the consideration received in respect of parent fees received in advance.

7 Government grants

Recovered special needs funding	6,657	6,862
Recovered trainees funding	195	115
Kindergarten and associated funding	23,521	21,084
State and Federal training funding	2,310	2,148
Total government grants	32,683	30,209

8 Other income

Insurance recoveries	683	580
Sublease income	103	80
Other income	835	203
Total other income	1,621	863

9 Employee costs

Wages and salaries	662,764	619,893
Other associated personnel expenses	47,509	42,725
Contributions to defined contribution plans	57,818	53,451
Total employee costs	768,091	716,069

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2019**

10	Rent and other property expenses	<i>Note</i>	2019	2018
			\$000	\$000

Rental expenses*		118,300	97,220
Repairs and maintenance		35,488	32,701
Other direct property expenses		31,900	34,912
Onerous contracts	22	(3,953)	(140)
Total rent and other property expenses		181,735	164,693

* Elements of rental expenses are contingent upon factors such as CPI or fixed % increases (as contained in the lease agreement) and centre performance turnover. Total rental expenses contain all elements of rent, including those that are contingent, to the extent known including increases and/or decreases in lease straight line adjustments.

11 Other expenses

Net loss on disposal of property, plant and equipment		71	260
Insurance premiums expense		1,881	1,691
Bank charges		325	352
Impairment loss on trade receivables	14	3,080	1,565
Other expenses		4,121	3,367
Total other expenses		9,478	7,235

12 Finance income and finance costs

Interest income on bank deposits		1,793	3,175
Total finance income		1,793	3,175
Interest expense on financial liabilities measured at amortised cost		(2,329)	(2,299)
Unwinding of discount of make good & onerous provisions	22	72	72
Changes in discount rates of make good & mid-lease provisions		(2,949)	127
Total finance costs		(5,206)	(2,100)
Net finance income recognised in profit or loss		(3,413)	1,075

13 Cash and cash equivalents

Cash and cash equivalents		39,226	38,597
Call deposits		23,000	20,003
Total cash and cash equivalents		62,226	58,600

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

14 Trade and other receivables

	Note	2019 \$000	2018 \$000
Trade receivables		31,346	27,433
Allowance for impairment of receivables	(note (a) below)	(5,739)	(3,059)
Trade receivables net		25,607	24,374
Prepayments		9,534	8,457
Goods and services tax (GST) recoverable		3,546	3,386
Other receivables		1,140	418
Total trade and other receivables		39,827	36,635

(a) Impaired trade receivables

As at 30 June 2019 current trade receivables of the Group were assessed for impairment. The allowance for expected credit losses recognised during the year was \$5.7 million (2018: \$3.1 million).

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

Balance at 1 July	3,059	2,829
Receivables written off during the year as uncollectible	(400)	(1,335)
Allowance for impairment recognised during the year	3,080	1,565
Balance at 30 June	5,739	3,059

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

15 Inventories

Uniforms & children welcome packs	619	642
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Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

16 Property, plant and equipment

	Note	2019 \$000						Total
		Land and buildings	Building improvements & operating rights	Leasehold improvements & operating rights	Plant and equipment	Motor vehicles	Work in progress	
Year ended 30 June 2019								
Opening net book amount		48,414	2,929	84,534	31,906	1,067	12,981	181,831
Additions		34,037	-	17,017	19,644	309	19,495	90,502
Increase in make good asset		-	-	2,045	-	-	-	2,045
Transfers	17	2,141	-	(628)	1,592	73	(3,826)	(648)
Disposals		(4)	-	(123)	(50)	(213)	-	(390)
Work in progress expensed		-	-	-	-	-	(321)	(321)
Net impairment reversal / (loss)		-	-	1,636	-	-	-	1,636
Depreciation expense		(1,233)	(319)	(23,600)	(12,121)	(61)	-	(37,334)
Closing net book amount		83,355	2,610	80,881	40,971	1,175	28,329	237,321

Year ended 30 June 2019								
Cost		85,200	3,183	175,149	99,000	2,216	28,329	393,077
Accumulated depreciation & impairment losses		(1,845)	(573)	(94,268)	(58,029)	(1,041)	-	(155,756)
Net book amount		83,355	2,610	80,881	40,971	1,175	28,329	237,321

	Note	2018 \$000						Total
		Land and buildings	Building improvements & operating rights	Leasehold improvements & operating rights	Plant and equipment	Motor vehicles	Work in progress	
Year ended 30 June 2018								
Opening net book amount		22,950	2,500	80,765	27,639	1,945	36,638	172,437
Additions		21,056	-	11,111	13,297	143	5,932	51,539
Acquisition through business combination		-	683	158	200	31	-	1,072
Increase in make good asset		-	-	70	-	-	-	70
Transfers	17	4,542	-	17,632	4,927	-	(28,395)	(1,294)
Disposals		-	-	(613)	(43)	(1,028)	-	(1,684)
Work in progress expensed		-	-	-	-	-	(1,194)	(1,194)
Net impairment (loss) / reversal		-	-	(2,724)	-	-	-	(2,724)
Depreciation expense		(134)	(254)	(21,865)	(14,114)	(24)	-	(36,391)
Closing net book amount		48,414	2,929	84,534	31,906	1,067	12,981	181,831

Year ended 30 June 2018								
Cost		49,268	3,183	179,130	75,735	2,367	12,981	322,664
Accumulated depreciation & impairment losses		(854)	(254)	(94,596)	(43,829)	(1,300)	-	(140,833)
Net book amount		48,414	2,929	84,534	31,906	1,067	12,981	181,831

Security

Refer to note 20 for information on non-current assets pledged as security by the Group.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

17 Intangible assets

		2019				
		\$000				
	Note	Software	Brand	Other intangibles	Work in progress	Total
Year ended 30 June 2019						
Opening net book amount		6,379	-	1,742	-	8,121
Other acquisitions		5,284	-	1,749	5,357	12,390
Transfers from work in progress	16	648	-	-	-	648
Impairment loss		(714)	-	-	-	(714)
Amortisation charge		(4,892)	-	(249)	-	(5,141)
Closing net book amount		6,705	-	3,242	5,357	15,304
Year ended 30 June 2019						
Cost		22,255	400	3,750	5,357	31,762
Accumulated amortisation and impairment		(15,550)	(400)	(508)	-	(16,458)
Net book amount		6,705	-	3,242	5,357	15,304
Year ended 30 June 2018						
Opening net book amount		8,231	144	1,942	-	10,317
Other acquisitions		642	-	-	-	642
Transfers from work in progress	16	1,294	-	-	-	1,294
Amortisation charge		(3,788)	(144)	(200)	-	(4,132)
Closing net book amount		6,379	-	1,742	-	8,121
Year ended 30 June 2018						
Cost		16,322	400	2,000	-	18,722
Accumulated amortisation and impairment		(9,943)	(400)	(258)	-	(10,601)
Net book amount		6,379	-	1,742	-	8,121

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

18 Financial assets

	2019	2018
	\$000	\$000
Current		
Term deposits	7,000	42,000

The term deposits have maturity terms of less than one year and carry a weighted average fixed interest rate of 2.17% (2018: 2.59%). Due to their short-term nature their carrying value is assumed to approximate their fair value.

The Group has \$30.0 million (2018: \$55.0 million) in term deposits and call deposits (note 13) that have been pledged as security for the Group's guarantees provided by our financier as set out in note 25.

19 Trade and other payables

	2019	2018
Current		
Enrolment bonds payable	4,377	5,233
Other trade payables	18,834	15,589
Accrued expenses	47,056	42,582
Total trade and other payables	70,267	63,404
Non-current		
Lease straight-line liability	45,158	33,615

20 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	2019	2018
Current		
Unsecured loans from related entities		
Deeply subordinated loan - accrued interest *	-	6
Total unsecured loans from related entities	-	6
Non-current		
Unsecured loans from related entities		
Deeply subordinated loan from founders (incl. capitalised interest) *	13,462	13,462
Total unsecured loans from related entities	13,462	13,462

Non-current

Unsecured loans from related entities

Deeply subordinated loan from founders (incl. capitalised interest) *	13,462	13,462
Total unsecured loans from related entities	13,462	13,462

* Fixed interest rate, with the ability of interest to be capitalised

Further details on loans from related entities are set out in note 26.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

20 Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

30 June 2019				
\$000				
	Nominal interest rate	Year of maturity	Utilised Facility	Total Facility
Unsecured loans from related entities				
Deeply subordinated loan from founders *	15%	2030	10,000	10,000
Total unsecured loans from related entities			10,000	10,000
30 June 2018				
\$000				
	Nominal interest rate	Year of maturity	Utilised Facility	Total Facility
Unsecured loans from related entities				
Deeply subordinated loan from founders *	15%	2030	10,000	10,000
Total unsecured loans from related entities			10,000	10,000

* Fixed interest rate, with the ability of interest to be capitalised.

Terms and conditions of borrowings:

During the year the Group entered into a revised financing agreement that includes bank guarantee, term loan, and working capital facilities. Covenants include leverage ratio, fixed charge cover ratio, capital expenditure limits, profitability and other requirements that are customary to these types of facilities. At balance date the Group has not established term loan or working capital facility limits.

Prior to the new agreement, the bank guarantee facility which continues to be utilised imposed certain covenants on the Group including those noted above.

Assets pledged as security

The bank guarantee facility of the Group is secured by:

- a fixed and floating charge over all assets and undertakings of the Group;
- real property mortgage over freehold property; and
- a mortgage or fixed charge over all rights in respect of any loans made between the Group.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

20 Loans and borrowings (continued)

The carrying amounts of assets pledged as security for the bank guarantee facility are:

	Note	2019	2018
		\$000	\$000
Current			
<i>Fixed and Floating charge</i>			
Cash and cash equivalents	13	62,226	58,600
Trade and other receivables	14	39,827	36,635
Inventories	15	619	642
Financial assets	18	7,000	42,000
Total current assets pledged as security		109,672	137,877
Non-current			
<i>Mortgage</i>			
Freehold land and buildings	16	83,355	48,414
<i>Fixed and Floating charge</i>			
Deposits and security bonds		122	128
Property, Plant and equipment	16	153,966	133,417
Intangibles	17	15,304	8,121
Total non-current assets pledged as security		252,747	190,080
Total assets pledged as security		362,419	327,957

21 Employee benefits

Current

Employee leave entitlements	70,255	61,501
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Non-current

Employee leave entitlements	11,114	15,051
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Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

22 Provisions

	2019		
	\$000		
	Lease obligation provision	Onerous contracts provision	Total
At 1 July 2018	32,017	6,523	38,540
Provisions made during the year	7,255	2,113	9,368
Provisions utilised during the year	(1,210)	(839)	(2,049)
Provisions reversed during the year	(336)	(5,227)	(5,563)
Unwinding of discount	(72)	-	(72)
Balance as at 30 June 2019	37,654	2,570	40,224
Current	6,861	660	7,521
Non-current	30,793	1,910	32,703
Total provisions	37,654	2,570	40,224
	2018		
	\$000		
	Lease obligation provision	Onerous contracts provision	Total
Consolidated			
At 1 July 2017	31,159	6,663	37,822
Provisions made during the year	4,523	2,726	7,249
Provisions utilised during the year	(2,196)	(1,198)	(3,394)
Provisions reversed during the year	(1,397)	(1,668)	(3,065)
Unwinding of discount	(72)	-	(72)
Balance as at 30 June 2018	32,017	6,523	38,540
Current	7,502	838	8,340
Non-current	24,515	5,685	30,200
Total provisions	32,017	6,523	38,540

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

22 Provisions (continued)

Lease obligation provision

Lease obligation provision comprises both provisions for make good and mid-lease repairs & maintenance provisions.

(a) Make good provisions

Provision is made for the make-good in respect of restoring leased premises to their original condition when the premises are vacated either due to closure or relocation. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements and reinstate the leased premises. This provision amounts to \$12.0 million as at 30 June 2019 (2018: \$10.1 million). These costs have been capitalised as part of the leasehold improvements and amortised over the term of the lease. These estimates may vary from actual costs incurred as a result of conditions existing at the date the premises are vacated.

The remaining lease obligation provision includes end of lease redecorations which have been recognised for the present value of the required end of lease conditions. The Group has estimated the provision based on data in relation to current prices available. This provision amounts to \$13.7 million as at 30 June 2019 (2018: \$11.0 million).

The lease redecoration provision includes the requirements for redecorations that are to be undertaken on termination of the lease only. Any other lease and repairs and maintenance obligations that are required more frequently are included in the mid-lease repairs and maintenance provision. This approach gives a more reasonable approximation of the timing of any lease obligation to be performed and is based on historical experience.

The provision has been calculated using a discount rate of 1.55% (2018: 2.79%), being the 15-year bond yield rate. This is a rate that most closely approximates the remaining life of the leases for the calculation of the present value of future cash flows. The decrease in the discount rate has increased the provision by \$4.9 million (2018: \$0.1 million).

(b) Mid-lease repairs and maintenance provisions

Provision is made for the repair and maintenance of leasehold improvements where the Group is required by the lessor to repair areas identified and notified in accordance with the lease agreements throughout the lease term. Management has estimated the provision based on recent invoices received and history of costs to rectify. This provision amounts to \$12.0 million as at 30 June 2019 (2018: \$11.0 million).

The provision has been calculated using a discount rate of 1.03% (2018: 2.06%), being the 3-year bond yield rate. This is a rate that most closely approximates the remaining years to carry out any due mid-lease repair and maintenance and redecoration obligations. The decrease in the discount rate has increased the provision by \$0.1 million (2018: \$0.01 million).

Onerous contracts provision

A provision is made for onerous contracts where the Group's unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it. Management has recognised a provision based on lease contracts where a decision has been made to terminate the lease where previously a provision was recognised for all loss making centres that did not meet certain internal social purpose benchmarks. As a result, the effect of this change is a decrease in the provision and rent and other property expenses by \$2.6 million. The obligation for the discounted future payments, net of expected cash inflows associated with the contracts, has been provided for.

The provision has been calculated using a discount rate of 1.03% (2018: 2.79%), being the 3-year bond yield rate. This is a rate that most closely approximates the remaining life of the leases for the calculation of the present value of future cash flows. The decrease in the discount rate has increased the provision by \$0.07 million (2018: \$0.01 million).

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

23 Operating lease commitments

2019
\$000

2018
\$000

Non-cancellable operating lease rentals are payable as follows:

Less than one year	100,722	98,908
Between one and five years	390,305	394,289
More than five years	1,449,774	1,494,148
Total operating lease commitments	1,940,801	1,987,345

The Group leases 622 (2018: 630) premises under operating leases. The leases typically run for a period of 10 years, then have one to three options. Each option enables the Group to renew the leases for a further 5 to 20 years. Included in these commitments are contingent payments, including escalation based on fixed dollar or percentage increases, as contained in the lease agreement.

Management has determined that all of the risk and rewards of ownership of these premises remain with the lessor and has therefore classified the leases as operating leases.

The Group leases 253 (2018: 236) motor vehicles under fully maintained operating leases. All leases are for a term of 36-72 months, commencing on delivery of the vehicle.

During the year ended 30 June 2019 \$98.8 million (2018: \$97.6 million) relating to lease rental payments was recognised as an expense in the statement of comprehensive income in respect of operating leases.

24 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as either assets or liabilities is as follows:

Contracted but not yet provided for and payable:		
Property, Plant and equipment	19,238	30,834

b) Contractual commitments

Expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Contracted but not yet provided for and payable:		
Commitments for medium-term service contracts	3,827	3,778

The Group has entered into a contract for the management and maintenance of the network of centres. This contract will give rise to annual expenses of \$3.8 million for the next year (2018: \$3.8 million).

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2019

25 Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

Guarantees

	2019 \$000	2018 \$000
Bank guarantees issued in support of various rental arrangements	44,765	44,536
Bank guarantees issued in support of other arrangements	5,858	8,803
Total guarantees	50,623	53,339

Total amount of the bank guarantee facility is \$55.0 million as at 30 June 2019 (2018: \$55.0 million). Refer to security disclosed in note 20.

26 Related parties

Key management personnel compensation

	2019 \$	2018 \$
<i>in whole dollars of AUD</i>		
Directors' fees	595,415	579,079
Executive and Executive Director's remuneration	3,333,754	3,152,233
Total amount paid or payable to key management personnel	3,929,169	3,731,312

Parent and subsidiary information	Country of incorporation	Ownership interest	Ownership interest
		2019 %	2018 %
Parent entity			
Goodstart Early Learning Ltd	Australia	Parent	Parent
Subsidiaries			
GS Admin Services No.1 Pty Limited	Australia	100%	100%

(a) Related party information

The Group has been formed by the following founding members with the following voting rights:

Mission Australia	25%
Benevolent Society	25%
Brotherhood of St Laurence	25%
Social Ventures Australia	25%

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2019****26 Related parties (continued)****(b) Outstanding balances and transactions with related parties**

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

<i>in whole dollars of AUD</i>	2019	2018
	\$	\$
1) Unsecured loans from parties with significant influence over Goodstart Early Learning Ltd		
i) Deeply subordinated loan from founders		
Balance at 1 July	13,467,967	13,473,500
Interest charged	2,013,832	2,013,832
Interest paid	(2,019,365)	(2,019,365)
Balance at 30 June	13,462,434	13,467,967

The terms and conditions of each category are set out in note 20.

2) Other related party transactions

i) Transaction values		
Founding members – purchase of goods and services	192,700	121,386
Founding members – funding for services received	452,365	200,801
Director related entities – purchase of goods and services	255,140	-
ii) Balance outstanding		
Founding members – other receivables *	150,093	3,529

* The payment terms and conditions are consistent with the accounting policies for trade receivables (note 3(e)) and trade payables (note 3(h)). These amounts are receivable/due as a result of transactions with related parties in the normal course of business.

27 Events subsequent to reporting date

Subsequent to 30 June 2019, the Group has entered into an agreement for the purchase of 19 Long Day Care services and 4 Kindergarten services operated by Mission Australia Early Learning. The transition to the Group was finalised by 16 September 2019.

The Group also increased its term loan facility to \$25.0 million subsequent to 30 June 2019. At the date of signing the annual report, the term loan facility remains undrawn.

Other than as described above, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**Goodstart Early Learning Ltd
Directors' declaration**

In the opinion of the directors of Goodstart Early Learning Ltd ("the Company"):

- a. the Company is not publicly accountable;
- b. the consolidated financial statements and notes that are set out on pages 47 to 76 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance, for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013; and
- c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Brisbane 26th day of September 2019



Michael Traill
Director



Independent Auditor's Report To the members of Goodstart Early Learning Ltd

Opinion

We have audited the **Financial Report**, of Goodstart Early Learning Ltd (the Company).

In our opinion, the accompanying **Financial Report** of the Group is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

giving a true and fair view of the **Group's** financial position as at 30 June 2019, and of its financial performance and its cash flows for the year ended on that date; and

- i. complying with Australian Accounting Standards– Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2019.
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Directors' declaration.

The Group consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

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

We are independent of the Group in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *ACNC Act 2012*, which has been given to the members of the Group on 26 September 2019, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

Other information

Other Information is financial and non-financial information in Goodstart Early Learning Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosures Requirements and the ACNC.

- ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Group's internal control.

- iii. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Group to cease to continue as a going concern.
- v. Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Jillian Richards
Partner

Brisbane
26 September 2019



Behind Goodstart

Goodstart was created by a partnership of organisations who saw the potential of early learning to transform Australia. They wanted to address one of the key sources of many future problems – poor early childhood experiences.

It made perfect sense for these groups to pool their energy and investment in early learning to fix the root cause of so many social problems.

The Benevolent Society

Formed in 1813, The Benevolent Society is Australia's first charity. It is a not-for-profit and non-religious organisation that helps people, families and communities achieve positive change through support and education.

The Brotherhood of St Laurence

The Brotherhood is a not-for-profit organisation that works to alleviate and prevent poverty through research, services and advocacy. It is a non-government, community-based organisation that supports people experiencing disadvantage at all stages of life to build a better future for themselves and their families.

Mission Australia

Mission Australia is a non-denominational Christian community service organisation that aims to reduce homelessness and strengthen communities across Australia. It works to help people secure jobs, receive an education, find housing and develop important life skills.

Social Ventures Australia

Social Ventures Australia is a non-profit organisation established to improve the lives of people in need. It focuses on keys to overcoming disadvantage including great education, sustainable jobs, stable housing and appropriate health, disability and community services.

Goodstart would like to acknowledge the funding and support provided by:

Australian Federal Government
Australian Capital Territory Government
New South Wales Government
Northern Territory Government
Queensland Government
South Australia Government

Tasmania Government
Victoria Government
Western Australia Government
The Paul Ramsay Foundation
Woodside Development Fund

visit goodstart.org.au

