

Annual Report 2018





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About Goodstart

Goodstart is Australia's largest provider of early learning and care. As a not-for-profit social enterprise, we exist purely to improve the lives of Australia's children and their families.

Goodstart was formed in 2009 thanks to a unique combination of private, public and leading community sector organisations — The Benevolent Society, The Brotherhood of St Laurence, Mission Australia and Social Ventures Australia.

We deliver social impact on a national scale by offering evidence-informed early learning and care in hundreds of centres nationally, supporting families and influencing the broader community through our advocacy work, which aims to increase investment in the early years to ensure all children have access to quality early learning.

Goodstart is a social enterprise with social purpose at its heart, but our head operates with business discipline to deliver healthy operating margins for continued investment in centres, people and programs to deliver on our vision and purpose.

We operate 644 early learning centres in all states and territories of Australia, caring for 70,900 children from 59,500 families and employing 14,900 people.

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.







A message
from our Chair,

Michael Traill

Creating change in organisations at scale can be hard work. For the past eight years the team at Goodstart Early Learning has made impressive gains, improving every element of our organisation.

Our educators are providing high quality early learning and care, our commitment to children more pronounced in every decision we take, the connection to our families is stronger and our determination to innovate and improve more determined than ever.

The facts and figures on our improving performance are impressive — higher occupancy, improved quality, and below sector fee increases, but dig a little deeper, and the story is also about passion, about every educator, every centre and every centre support team contributing to our gains.

Goodstart's people are facing a challenging operating environment — increasing oversupply in many markets and competitive pressure for most centres; emerging shortages of quality staff, particularly of teachers; and families and communities under

more pressure. Add the demands of implementing a fundamental overhaul of the national child care subsidy system and the organisation's achievements are even more profound.

Goodstart has played a big role in the long development of the Child Care Subsidy, in the six years from political promise to reality, and has developed a comprehensive implementation strategy. As big as the child care subsidy reform is, there is so much more to be done. The subsidy addresses directly affordability of child care, but more investment is needed to underpin access to early learning that is high quality.

Great quality requires great teachers, yet, a Bachelor qualified early childhood teacher is currently paid 28 per cent less than an identical teacher in a school, fully funded by the Government. Governments must invest much more in the early childhood workforce — parents should not be expected to foot the bill. A national early years workforce strategy is urgently required to ensure there is an adequate supply of quality educators for our children.

From the Board's perspective we must also look up from the immediate and ensure that we are always scanning the horizon for opportunity.

Further investment is needed in Australia in early childhood education to significantly improve the preparedness of children for school and significantly enhance their later educational outcomes.

The national debate about educational outcomes has been assisted by the commissioning by all State and Territory Governments of a review of early childhood education by Susan Pascoe and Professor Deborah Brennan. Envisaged as a companion to the Gonski blueprint, State and Federal Governments are in the early stages of developing a response, and Goodstart is actively advocating for the adoption of the report's vital recommendations.

“As big as the child care subsidy reform is, there is so much more to be done.”

We know that waiting until a child begins formal schooling is the least effective intervention if a child's development is falling behind their peers, both for the individual and from a return on investment point of view. If as a nation we begin to place an emphasis on early learning — as nations as diverse as Finland, China and New Zealand are already doing — we will reap the rewards for this and the following generations.

That's why we support a variety of advocacy approaches from inviting our political leaders to see early learning for themselves, bringing leading sector thinkers to Australia to share their knowledge and by supporting organisations like The Front Project to raise awareness of the early years among business leaders.

We are working to ensure that the policy building blocks laid down in the last year will become a foundation for a greater public policy commitment to the early years. Goodstart is determined to do everything we can to facilitate that, and to live up to our mission of giving all of Australia's children the best possible start in life.

Michael Traill
Chair, Goodstart Early Learning

A message
from our CEO,

Julia
Davison

By any measure, Goodstart has had a good year. For the second year in a row, our quality ratings have improved, our occupancy levels have increased and we have kept our fee increases below the sector average.

Measures of family satisfaction and staff retention continue to improve, and we have been able to invest more in social inclusion and the quality of educational practice and environments.

We have achieved this in a challenging competitive environment driven by accelerating openings of new centres, with many providers reporting falling occupancy. Our success is a credit to the hard work and dedication of our educators and centre support teams and their commitment to children and families.

Having played a significant role in securing Parliament's approval of the \$2.5 billion Child Care Subsidy, our challenge this year was to prepare for implementation on 2 July 2018. The new subsidy will make access to child care and early learning more affordable for most working families, but brings with it new compliance challenges for both providers and families.

We developed a sessional offer to give families more flexibility to optimise their Child Care Subsidy utilisation, supported by an online estimator tool for families used by 52,000 Goodstart families and 66,000 non-Goodstart families. More than 60 per cent of our families opted for a shorter session offer.

However, the new rules make it harder for children with a non-working parent to access

early learning. We continue to lobby for this to be changed, while investing \$3 million to enable affected families to access two six-hour sessions per week. We are also helping families find volunteering opportunities to help meet the activity test.

The hard work our people put into preparation paid off, with a marked increase in attendance with the implementation of the new subsidy on July 2.

Goodstart continues to prioritise improving the quality of early learning in our centres. 91 per cent of our services meet the National Quality Standards, and more than 40 per cent of services assessed in the past year were found to Exceed the standards. Our Parafield Gardens centre was awarded an Excellent rating by the Australian Children's Education and Care Quality Authority, one of just 47 services nationwide afforded that honour.

Our investment of \$14.8 million in professional development has underpinned our continuous improvement approach to quality. A key focus has been the rollout of the Key Educator Relationships initiative, recognising that relationships and emotional support is at the foundation of quality early learning. The Goodstart Institute was restructured to provide development opportunities to educators in more flexible ways and when they need it.

Goodstart is committed to adding to the evidence base on the impact of early learning and has developed a research framework and committed funds to support it.

We convened our Thought Leaders Advisory Group of international and Australian experts to advise on measuring child outcomes from early learning, and set out developing and testing our outcomes framework and assessment tools for successful use across our network.

We expanded our network of centres in disadvantaged communities in our Enhancing Child Outcomes program from 30 to 40 centres. We also expanded our Family Connections program which since its inception in 2012 has been run in 430 Goodstart centres and non-Goodstart services in disadvantaged communities in Perth and western Sydney with philanthropic support.

The Early Learning Fund, delivered in partnership with The Benevolent Society, is supporting 125 vulnerable and disadvantaged children to attend

“ Goodstart is well on the way to taking to the next level our vision to give Australia’s children the best possible start in life. ”

early learning in our services, and we plan to expand this fund in future years with philanthropic support.

Our centres also welcomed 1,175 children with additional needs related to a disability, condition or cultural factors and 4,271 children in very vulnerable circumstances relating to abuse and neglect and maintained our commitment of not excluding any child.

Professional wrap-around support is also available for services dealing with children with challenging behaviours.

Goodstart’s network continues to be transformed, with 506 of our 644 centres upgraded or painted in the past three years. Four new centres were added to our network this year.

We have continued to play an active role in advocacy for the benefits of the early years through our membership of the Early Learning and Care Council, working with other partners across the sector and our 27,000-strong Smart Start campaign database. With the bedding down of the Child Care Subsidy, our focus has shifted to securing access for all children to at least two years of quality early learning in the years before school.

Looking to the future, we have asked our centres to imagine different ways of working that better connect with families and support children for the skill-based society of the future through our GoodFuture program.

Goodstart is well on the way to taking to the next level our vision to give Australia’s children the best possible start in life.

Julia Davison
Chief Executive Officer



Delivering on our purpose

We are working to build stronger connections with our families, the communities in which they live, and the broader early learning sector with the aim of giving all children the chance to become successful, healthy and productive adults.

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

Our **strategic direction** sets six strategic goals for the 2015–2020 period to help achieve our purpose.

Our **guiding principles** underpin everything that we do, providing focus for the way in which we deliver social impact, at scale and locally in each and every community.

Our people bring our guiding principles to life each and every day.



Our 2020 Strategic Direction

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.

Our Guiding Principles



Children are central to everything we do.



Families are our primary partner.



Being a valued part of each unique **community**.

Financial sustainability



Goodstart is one of Australia's largest not-for-profit social enterprises, with turnover exceeding \$1 billion, the proceeds of which are re-invested into providing quality early learning and delivering on our vision of giving Australia's children the best possible start in life.

Goodstart delivered a solid business performance in 2018, with occupancy rising 1.2 per cent despite increasing oversupply in the child care sector, and fee increases below the sector average for the third year in a row on the back of the second year in a row of reduced overheads.

This strong business performance has generated a trading surplus that Goodstart has been able to re-invest into social investment that will make a difference.

Investment in social inclusion programs rose by 59.6 per cent to \$9.8 million, while investment in improving the quality of early learning rose by 3.9 per cent to \$18.9 million. Goodstart's capital expenditure exceeded \$53 million in the past year (and more than \$200 million over the past four years), with 506 centres receiving an upgrade in the past three years.

We continue to realign our network across Australia, with four new centres added to our network, nine centres exited, and a strong pipeline of new centres under development. Our new centre in Brisbane's CBD is our largest with 207 places, and won a prestigious landscaping award for the design of its play spaces.

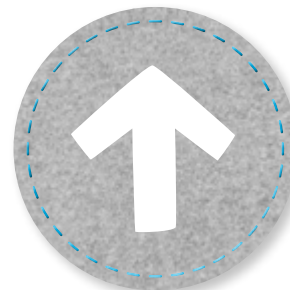
Goodstart pays its educators above award rates, and funds other above award conditions such as additional programming time, staff discounts on child care and access to professional development and study leave.



Occupancy
has risen



506 centres have
been upgraded in the
past three years



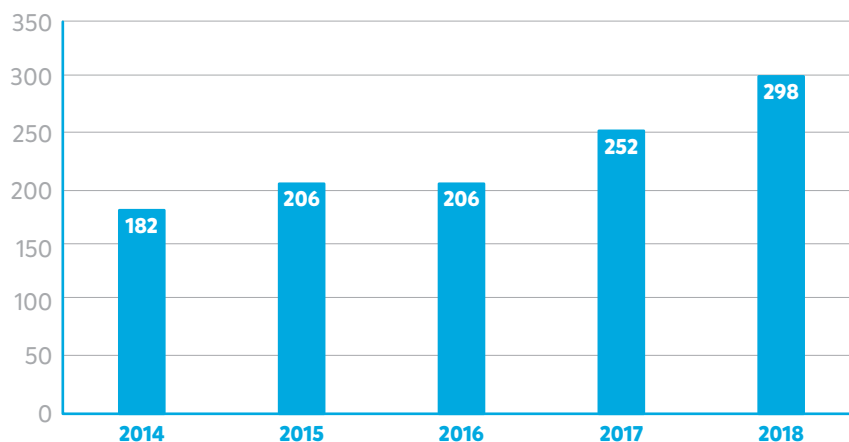
Our educators are
paid above award
rates



Investment in
social inclusion
programs

Financial sustainability (continued)

Growth in long day care centres per annum



Year to March: Source Dept. of Education & ACECQA public data

Preparations for the Child Care Subsidy have included developing and offering a broader suite of flexible sessions of either a full long day (11-12 hours) or a shorter nine or 10-hour day, with a very positive response from families.

Goodstart has also offered two six-hour sessions to low-income families entitled only to the 24 hours a fortnight base entitlement. This offer will cost Goodstart about \$3 million per annum, and is reflective of our commitment to social inclusion.

Our centres are under pressure from increased competition and oversupply, with increased openings of new centres pushing down occupancy rates across the sector.

Consolidated statement of profit or loss for the year ended 30 June 2018

| | 2018 \$000 | % Total Revenue | 2017 \$000 |
|--|------------------|--------------------|----------------|
| Revenue from early learning centres | 985,313 | 96.9% | 933,220 |
| Government grants | 30,209 | 3.0% | 29,269 |
| Other income | 863 | 0.1% | 1,299 |
| Total revenue | 1,016,385 | | 963,788 |
| Employee costs | 716,069 | 70.9% | 669,576 |
| Rent and other property expenses | 164,693 | 16.3% | 172,556 |
| Centre consumables | 46,036 | 4.6% | 49,894 |
| Depreciation and amortisation expenses | 40,523 | 4.0% | 33,903 |
| Other expenses | 42,130 | 4.2% | 37,980 |
| Total expenses | 1,009,451 | | 963,909 |
| Strategic investments* | 28,723 | | 24,336 |
| <i>Training & professional development</i> | 14,773 | | 14,083 |
| <i>Early learning & research</i> | 4,118 | | 4,091 |
| <i>Social inclusion</i> | 9,832 | | 6,162 |
| Net finance (income)/cost | (1,075) | | (2,734) |
| Net surplus for the year | 8,009 | | 2,613 |
| Total comprehensive income for the year | 8,009 | | 2,613 |
| Accumulated surplus | 91,909 | | 83,900 |

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



Centre profile

Goodstart Wagga Wagga
Morgan Street, NSW

Strengthening family engagement for sustainability

Taking a deeper look at the needs of families today and into the future has enabled Goodstart's Morgan Street centre to establish a stronger foothold in the Wagga Wagga community.

Family engagement has been a key focus for the centre in the past two years, capitalising on its reputation for high quality early learning with an Exceeding National Quality Standard rating to improve family retention and grow occupancy from 73 per cent to 93 per cent.

Centre director Veronica Scott said the major refurbishment of the centre played a role in enhancing its service and family retention, along with using feedback to address family needs.

"Not only do we have stimulating indoor and outdoor learning environments, the refurbishment allowed us to smartly reconfigure our rooms, with a particular focus on our preschool room," Ms Scott said.

"The reconfiguration of the preschool room allowed for additional toddlers to be co-located in the room, and we're now achieving the highest retention of families we've ever seen from toddlers to kindergarten."

Ms Scott said in parallel to the upgrade, the service has been looking deeper into ways opportunities can be embraced for everyday family feedback which has supported continual quality practice improvement, family engagement and child outcomes across the centre.

"Ensuring our sustainability means not losing sight of fostering long-term relationships with all families — it starts the moment they enrol infants into our nursery until the time their child leaves our preschool program to head to school.

"With this firmly in mind, we've embraced Goodstart's Key Educator Relationships. Dedicating educators to every child is playing a big role in supporting smooth transitions for children moving from room to room, and it has had a positive impact on family retention."



High quality



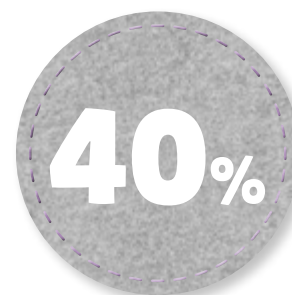
Goodstart is now recognised as one of Australia's leading providers of high quality early learning, and is now striving to move from national best practice to world best practice in the provision of early learning.



91% of Goodstart centres have been assessed as meeting or exceeding the National Quality Standards



8,123 Educators engaged in professional learning workshops or webinars



In the past two years, more than 40 per cent of centres have been assessed as Exceeding

91 per cent of Goodstart centres have been assessed as meeting or exceeding the National Quality Standards, nine per cent higher than the long day care sector average and just one per cent below the preschool sector average.

In the past two years, more than 40 per cent of centres have been assessed as Exceeding the National Quality Standards. Fourteen centres were assessed as Exceeding in all seven quality areas in the past year: Blacktown, Haberfield, Hassall Grove, Heatley, Hurstville (Millet Street), Little Mountain (Mark Road West), Myaree, North Sydney (Berry Street), Plumpton, Red Hill, The Crescent (Sydney city), Turner, Woodcroft and Yass.

Our commitment to quality improvement is demonstrated by all services that were reassessed in the past two years improving their quality rating.

Quality in our centres is underpinned by the Goodstart Practice Guide, which encompasses our 'ISTEP' framework. Our learning and development effort has focused in recent years on deep dives on both relationships and experiences as key components of good practice.

Goodstart has commenced the national rollout of the Key Educator Relationships initiative, starting with an educators' summit in Sydney. This practice change recognises that consistent relationships between educators and children are fundamental indicators of structural quality in early learning.

The Family Connections program also has a strong emphasis on relationships with children and their families. Early literacy and numeracy remains a key focus of our pedagogy, with a new language and literacy resource hub supporting centre-based initiatives around reading to enrich learning experiences.

High quality (continued)

Goodstart invested \$14.8 million into professional development in 2018, with 8,123 educators engaging in 380 professional learning workshops or live webinars, and 34,144 instances of self-directed learning, choosing from 202 learning modules — more than double the number available last year.

The Goodstart Institute was restructured to create a multi-disciplinary team with high-level digital learning skills, reconceptualising the way it designs, develops and delivers professional learning strategy that supports high quality practice and develops great people. More than 570 new students enrolled into its Certificate III and Diploma courses, with 1,038 total active enrolments.

Goodstart is Australia's largest non-government provider of kindergarten/preschool programs, with 18,272 four to six-year-olds enrolled and 1,066 early childhood teachers. Our programs receive public funding in Victoria, Queensland, South Australia and New South Wales. Our Hobart West centre became the first long day care centre in Tasmania to become a funded preschool.

We are working to improve the quality of our kindergarten/preschool programs with a dedicated program to support early childhood teachers and developing a practice guide specific to three to five-year-olds.

Goodstart is preparing to move to the next level of quality in early learning, with the selection of a new general manager of pedagogy and practice following an international search, an outcomes framework being developed and centres being encouraged to develop innovative responses to children's and families' needs through the GoodFuture² program.

² Refer update on GoodFuture on page 44





Centre profile
Goodstart
Parafield Gardens, SA

Raising the sector's quality benchmark

Goodstart Parafield Gardens, which services one of Adelaide's most disadvantaged communities, this year became one of just 47 services nationwide to receive the coveted 'Excellent' quality rating from the Australian Children's Education and Care Quality Authority (ACECQA).

South Australia state manager Paula Pittam said the centre has been recognised as setting new benchmarks in early learning and care while caring for children, the majority of whom are at risk of starting school developmentally vulnerable.

"The centre's high quality practice is testament to hard work spanning five years by the centre's leadership team to establish the existing team culture and Goodstart's Enhanced Children's Outcomes program which supports additional specialist support at the centre," Ms Pittam said.

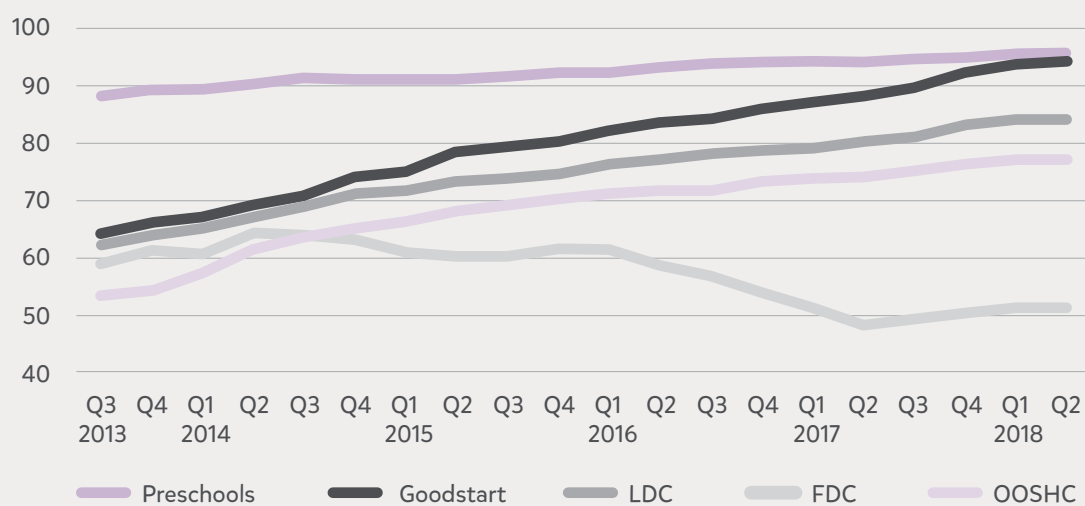
Centre leadership has led change in a purposeful way to firstly establish the team culture centred on boosting curiosity in children, and creating a safe place to 'give things a go'.

As a result, the centre has built educators' confidence in themselves as leaders of change and practitioners of education, flipping the switch on historically thinking of themselves as childcare workers.

"The centre is acutely aware of how much vulnerable children gain from accessing high quality early learning and care and it has fuelled the passion and drive of educators to improve practice each and every day."

The centre stands at 100 per cent occupancy.

% Services meeting NQA1 Educational Practice quality area



LDC: Long day care; FDC: Family day care; OOSH/C: Out of school care

Source: ACECQA NQS Snapshot

Families are our primary partner

Building deeper relationships with families is a key foundation for improved child outcomes. Goodstart actively encourages feedback from families as part of a continuous improvement loop and is encouraging our centres to think of more innovative ways of supporting families and their evolving needs.

Families' likelihood to recommend Goodstart (out of 10)

8.3
FY 2015

8.5
FY 2016

8.7
FY 2017

8.8
FY 2018

What our families have to say

“It takes a tribe to raise a family and our children. Together families and your team make that happen. The early learning framework and how outcomes are linked with learning and play have great impact and are effective. Outcomes speak a thousand words.”

Chelsea, Canning Vale, WA

“I enrolled my grandson under emotional circumstances and from that day on I have found the director and her staff members to be absolutely wonderful. They have shared our ups and supported us in our downs. The centre feels like extended family.”

Terrena, Brown Plains, Qld

“Goodstart is not just an ordinary daycare. It's like a home away from home for our kids with fantastic curriculum, dedicated and qualified educators plus beautiful 'homey' classroom settings and spacious outdoor playground facilities.”

Meyna, East Perth, WA

“My daughter has special needs and the staff always made us feel as though her differences were a positive opportunity to learn about and appreciate diversity.”

Emily, Kingston, ACT

“They are creative in the learning experiences they provide and genuinely care about each individual child. The centre provides a strong sense of community and the educators take the time to find out how each child responds to different things and treat them accordingly.”

Amy, Braybrook, Vic

“After much hesitation, I returned to work when my son was seven months old. Looking at all the child care centres in town, I decided to enrol my son into Goodstart... this was the best decision I made.”

Natalia, Cowra, NSW

We're for **families**



“Amazing, wonderful team that have given my eldest the best experience and grounding for her start to Preparatory this year.”

Caterina, Currumbin, Qld

“...the communication between educators and parents has been consistently really good which really feels like (we're) working together in partnership.”

Maria, Fairfield Heights, NSW

“Since moving from another centre, both my boys have made leaps and bounds in social interactions, communication and with my eldest, he has shown the biggest improvements such as being able to read numbers, say the alphabet, spell his name as well as write it.”

Bronwyn, Heatley, Qld

“My special needs children are well catered for, loved and supported in an environment that is supportive and encouraging. The staff go above and beyond to work with myself to bring the best out of my children and are supportive in any crisis we are facing.”

Caroline, Kuluin, Qld

“Very happy with the outcomes of my son, so many friendly faces and caring workers. Thank you for what you have helped my son achieve — greatness — and allowing us to be part of your extended family.”

Craig, Traralgon, Vic

“The centre is top notch. The staff are wonderful, friendly and compassionate. I have never left the centre unhappy. My daughter loves her educators.”

Daniel, Cameron Park, NSW

“When I drop off my son we are greeted by every educator in a way that makes me feel part of the family. Goodstart gives my son a wonderful second home where he has developed new friendships and skills in an environment where he feels 100 per cent comfortable.”

Bev, Semaphore, SA

“I always said ‘my child won't go to daycare, they won't be one of those kids’. I must take those words back and say that sending my child to daycare has been incredible for his development and offered experiences he probably would not have got with me at home.”

Melanie, Drysdale, Vic

Great people



Great early learning requires great people and Goodstart is committed to employing the best possible people and giving them opportunities to develop to be the best they can be – giving children the best possible start in life.

Goodstart has a committed and highly-engaged workforce, with employee-initiated turnover almost halving in eight years. With an increasingly sophisticated talent acquisition strategy, we have been able to reduce the time needed to fill positions while focusing more on identifying applicants' performance potential.

While these achievements are worthy of celebration, we need to maintain this momentum. Goodstart and the wider early childhood education and care sector face talent shortages in critical roles and multigenerational workforces with diverse expectations of their employers and career paths. Shortages are exacerbated by the rapid expansion of new child care centres.

These trends add impetus to the work already in train to attract, develop and retain the best people to Goodstart, and to understand what drives employee engagement and organisational culture.

Recognising the importance of the role of centre director, we are working to create a pipeline with an Assistant Director Development Program as well as improving the induction programs for new centre directors. Centre directors and early childhood teachers were included along with senior managers in this year's intake into our Leadership Development Program run by the Australian Graduate School of Management.

We employ 1,066 early childhood teachers and are developing a proactive recruitment campaign to ensure we can meet the National Quality Standard of employing at least two teachers in each of our centres by 2020. This is a very challenging target because there is a critical shortage of early childhood teachers, with 34,000 additional teachers needed nationwide over the next five years. Our universities are set to produce less than half of that number.



More than 9,000 of our educators are active participants in our online discussion forums on practice



1,066 early childhood teachers employed



Goodstart invested \$14.8 million into professional development

To improve the employee experience of teachers in our centres, Goodstart's Teacher Professional Program runs induction programs, supports networking of our teachers and hosts a professional conference of teachers.

Goodstart's spend of \$14.8 million in professional development was enthusiastically embraced by educators, contributing to both higher quality practice and employee engagement.

Great people (continued)

Our educators and centres are passionate participants in the Family Connections program, which supports the capacity of educators to engage with more vulnerable children and their families.

More than 9,000 of our educators are active participants in our online discussion forums on practice, and communities of practice are developing across the network.

We have worked to improve the support provided to centres with a single-entry Solutions Centre and have also been experimenting with different models of leadership and centre support to empower centres more and increase collaboration between them.

Safety

Goodstart continues to focus on further reducing the rate of injuries across our centres, creating optimum education and care environments. Our injury rates for both children and adults have reached an all-time low, driven by innovative, creative campaigns bringing safety to life in a way that people can relate and connect to. We have also shared our specialist skills and knowledge with the sector, championing improvement for educators and children everywhere.

Goodstart has developed a safety dashboard for our centres to help focus effort where it matters, identifying injury trends and patterns and acting on these proactively to mitigate future risks.

The “First 48” program for injured employees amplified the importance of responses in the first 48 hours of a workplace injury to ensure a safe and sustainable return to work. Employees were encouraged to take control of their rehabilitation, in partnership with centre leadership teams and Injury Management Specialists.





Centre profile

Goodstart
Kingsley, WA

Children central to recruitment

Mapping out family needs to support child outcomes has strengthened the recruitment approach at Goodstart Kingsley creating a strong team of 16 educators and growing centre occupancy to 100 per cent.

After centre renovations, centre director Danika Dixon said the time was right to tackle the centre's occupancy which had been stagnant at about 80 per cent.

"As occupancy grew and additional educators were required, we took a different tack with our recruitment," Mrs Dixon said.

"While we have always looked for the best candidate, from our involvement in GoodFuture³ and Key Educator Relationships, we had a greater understanding of what support our families needed for child outcomes but also beyond the centre.

"This meant we could pinpoint in a more refined way the desired qualities and capabilities we required to complement our existing skill-set and fulfil family needs."

Mrs Dixon believes the resulting recruitment approach has led to a team of educators possessing the highest level of commitment to the children, families and the centre.

"Finding the right person meant not looking just at what the centre needs, but which educators will best fulfil our desired child outcomes. It means the voice of the child is at the forefront of our mind when filling our vacancies."

Since this approach has been undertaken, the centre has built its team from six to 16, all employees have been retained, family retention is at its strongest in years and occupancy remains at 100 per cent.

³ Refer to update on Goodfuture on page 44.

We're for people



Great educators are the foundation for quality early learning and Goodstart is committed to becoming an employer of choice and being an organisation where educators get to be the best they can be working with children and families.

We value our people and offer:

\$14.8m

Access to \$14.8 million of professional development including backfill

Flexibility
to move between 644 centres



Wages above the award rate

Discounted Childcare

Salary Supplements
for Educational Leaders and teacher graduates

Additional programming time

What our people have to say

“The vision of Goodstart is one I am completely aligned to — but more, I see actual evidence every day of that vision being actioned with incredible work that really makes a difference to the lives of children and their families. My role allows me to play a part in that, which is a strong motivator for me.”

Simone Miller, Workforce Partnerships, Pathways & Diversity Manager

“I love how I genuinely feel that I can make a difference in someone’s life. On any given day, I could be supporting a family with fussy eating, reassuring anxious parents about how we’re managing a food allergy or simply sharing a recipe that a child loved — and I enjoy every part of it.”

Roisin Richardson, Cook

“My centre has many children and families facing disadvantage. By being able to engage the children and families in the outdoors and nature I feel that I am already making a positive difference. Also, we get to work closely with specialists to improve practise and create a place that improves everyone’s wellbeing — I feel very well supported professionally.”

Peter Greed, Early Childhood Teacher

“The most valued element of my role as centre director, and being part of such a large organisation, is the people. I feel lucky to have access to such passionate and innovative experts. Being part of exciting projects such as GoodFuture are boosting my skills, knowledge and experience for my career and ‘life’ and exploring my particular passion for employee well-being, empowerment and self-care.”

Amy Meatchem, Centre Director

“I am passionate about Indigenous culture and history and Goodstart has actively supported me to make cultural diversity a living and breathing aspect of the work we do, embracing special days and events such as NAIDOC Week and involving our families and the community. I know the work we’re doing at the centre is positively shaping young minds in support of our reconciliation journey and I’m proud to be part of it.”

Rhiannon Jackson, Educator

“Being a large organisation, I feel we are able to influence on a bigger scale to contribute to quality outcomes for children. And I take great pride in the fact that we invest in Australia’s evidence base while also imparting our experience with the sector, to ensure all Australia’s children benefit from high quality early learning.”

Jacqui Langford, Operations Manager

“Goodstart’s Early Childhood Teacher Upskill Program supported me throughout my studies. I felt like a very valued employee as Goodstart supported my work life balance and I didn’t have to use any of my annual leave during studies. I became the early childhood teacher within our preschool room and I’ve since become centre director.”

Deb Kennedy, Centre Director

Inclusion



Goodstart is fundamentally committed to being an inclusive organisation where children, families and people are valued and feel they belong and can make a contribution. In 2018, our investment in inclusion programs rose 59.6 per cent to \$9.8 million, with 2,500 employees involved in the delivery of social inclusion programs.

We expanded our network of designated EChO (Enhancing Children's Outcomes) centres in disadvantaged communities from 30 to 40. These centres offer enhanced services to children and their families beyond education and care including supporting playgroups, visiting service providers, food rescue and re-distribution, coaching of educators and teachers by allied health practitioners, and scholarships.

At the heart of our inclusion strategy is our foundational social inclusion program Family Connections. This financial year the program has been delivered in 314 centres involving 800 educators directly. The program is also delivered to non-Goodstart centres in WA and Mt Druitt, NSW, through the generous funding of Woodside Development Fund and the Department of Housing NSW.

Goodstart welcomed more than 5,400 children who were at risk (i.e. eligible for Special Child Care Benefit) or with additional needs (i.e. eligible for Inclusion Development Fund support), a number that has doubled in six years. We are proud of the connections our centres continue to build with local community services and the willingness of those services to refer vulnerable children and their families to our centres.

Goodstart has made an organisational commitment not to exclude any child and provides additional support to our centres and children to achieve this. We have developed an intensive, 12-week program to support children with very high emotional support needs who are frequently excluded from services, with 23 children, all highly vulnerable, participating in the program. The approach leads to better



2,500 employees
involved in the
delivery of social
inclusion programs



125 scholarships
were provided for
vulnerable children



In 2018, our investment
in inclusion programs rose
59.6 per cent to \$9.8 million

Inclusion (continued)

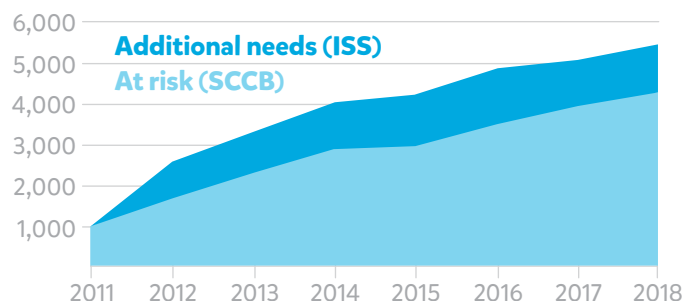
relationships with educators and other children and has helped them make more successful transitions to school.

The Early Learning Fund, which is supported by The Benevolent Society, provided 125 scholarships in 2018 for children in vulnerable circumstances to access two days of early learning per week while also addressing non-cost barriers such as transport, financial distress, domestic violence, child safety, parenting support and other risk factors.

Goodstart partnered with The Benevolent Society and the Queensland Government to open an early years hub in Redland City providing support in inclusive practice for educators and services. We partner with the Brotherhood of St Laurence and the City of Whittlesea in the management of the Jindi Kindergarten, combining high quality early learning with child and family support services. And we continued our partnership with Marninwarntikura in Fitzroy Crossing, WA supporting Goodstart educators to live and work in this remote community.

To support access to early learning for children from low-income families, Goodstart committed to offer two six-hour sessions of care for low-income families who do not meet the activity test even though the subsidised hours do not fully cover the cost of the service. A volunteering program has also been launched to help families to meet the activity test for the Child Care Subsidy.

Children at risk or with additional needs in Goodstart centres



Engaging with First Australians

Goodstart is committed to actions that support and celebrate Aboriginal and Torres Strait Islander culture. In December we engaged our first Cultural Liaison Officer — Melody Ingra — to work with centres and external stakeholders to share in the delivery of the next steps in our Reconciliation journey.

Goodstart is partnering with Arilla, an Indigenous business, to deliver cultural competency training for the whole organisation. Thirteen centres from throughout the country are participating in a Community of Practice focusing on engaging Aboriginal and Torres Strait Islander employees. This year, we supported 23 Aboriginal traineeships and internships and nine school-based traineeships.

Our partnership with Marninwarntikura in Fitzroy Crossing, WA, which has been running since January 2016 supports two Goodstart educators to spend 12 weeks at a time at Baya Gawiy, living and working in this remote community in the Kimberley. Our educators get to bring back their learnings about Aboriginal ways of learning and being to enhance Goodstart’s cultural knowledge and teaching practices while Baya Gawiy benefits from having consistent staffing and our experienced educators sharing their knowledge with local educators.

Goodstart has delivered our first Stretch Reconciliation Plan and more than 265 centres are now using Narragunnawali resources to develop centre Reconciliation Action Plans with 25 centre Reconciliation Action Plans being published on the Reconciliation Australia Website.



Centre profile

Goodstart
Harristown, Qld

Goodstart Harristown supporting all children to learn

Providing every single child that walks through the doors with the best possible start in life is at the heart of Goodstart Harristown in the regional city of Toowoomba. The centre became an Enhancing Children's Outcomes (EChO) centre in June 2016.

Centre staff receive specialist training in areas such as speech pathology and occupational therapy and they receive on-the-job coaching on how to apply these disciplines in practical ways to support a child's individual needs.

Early childhood teacher Jane Whitney said the centre was attended by many children who were vulnerable.

"In our kindergarten class last year, 30 of the 40 children were classed as at risk," Ms Whitney said.

"We work really hard to improve the outcomes of these children by supporting the children with language development and managing their emotions even before they get to kindergarten.

"We found by focussing this work on the pre-kindergarten children they are better prepared for kindergarten which means we can spend more time focussing on getting them ready for school."

The centre has a dedicated speech pathologist, a child and family practitioner and an occupational therapist.

"We are always trying to find new and practical ways of helping children learn that supports their unique needs and development."

Being a valued part of each unique community

Our centres are encouraged to respond to the needs of their local communities to support child outcomes and positively contribute to their unique social fabric.

Connecting and supporting fathers

With studies showing fathers struggling to balance work and life, feeling socially isolated and with limited support networks available, Goodstart Tuggerah decided to set up a fathers' support network. A fathers' group is held every fortnight, along with social events once a month. It has provided fathers a safe space for discussions and support on topics that impact their families and their own wellbeing. It also offers an avenue to discuss the importance of fathers participating in child-led play to support their child's development.

Embracing our Australian history among kindergarten children

Every month, kindergarten children at Goodstart Mildura Matthew Flinders Drive head out on their bush kindergarten excursions. They are joined there by friends and families from the local Aboriginal community, who share their wealth of knowledge about the surrounding bushes, holes, footprints, climbing rocks and trees. The initiative is providing an enriching learning experience for children while building connections with the local community.

Supporting vulnerable children

Goodstart Campbelltown has established a strong relationship with the local domestic violence shelter to support the participation of vulnerable children in early learning. Families are provided fee-relief and access to a bus service, and the centre works closely with their social workers to assist in addressing each family's and child needs to support their learning, development and wellbeing.

Trial telecare program

When educators at Goodstart Bundaberg Takalvan Street observed that children were presenting with speech and development delays, they decided to reach out to health practitioners in the community. They set up a trial telecare program for children needing help and support, organising specialist appointments within early learning hours to access speech pathologists, occupational therapists and psychologists via the internet. Each child receives a 20-minute session when needed and feedback is sent to the families via email.

Supporting children with special needs

More than 1,000 children with special needs attend Goodstart centres. Goodstart Pimpama's educators were nominated by a mother for an award in recognition of their support for her three children, who have a combination of autism, obsessive compulsive disorder, attention deficit hyperactivity disorder, sensory processing sensitivities and severe developmental delay. The centre has created an environment to support each of their learning and development needs, connecting with relevant specialists to ensure each child can fully participate in the early learning program.

Linking across generations

Goodstart Busselton has tapped into the unique and far-reaching impact of intergenerational relationships with monthly visits by children to their local aged care home. Residents and children spend time singing together and reading books, and activities such as balloon play which is coordinated by on-site physiotherapists to support residents' physical therapy. The community connection is positively impacting the lives of both the children and the aged.

We're for **community**



Goodstart Blackmans Bay the heartbeat of their community

When a child enrolled at Goodstart Blackmans Bay who suffered from a childhood heart disease that kills four Australian children each week, educators found out that access to a defibrillator within the first few minutes of cardiac arrest made a huge difference in survival rates. They received a grant from Kingborough Council to purchase a defibrillator and training for all educators from St John First Aid. Now the centre is registered with Ambulance Tasmania, which means that if a cardiac arrest occurs nearby, educators will be alerted to take their defibrillator to the scene to help the patient.

Community advocates for support agencies

Goodstart's Tamworth centres linked together to work closer with local family support agencies, becoming community advocates for the available services to assist vulnerable families. Families have been able to access assistance such as transport to medical appointments, dental care, hearing checks, and eye examinations, and connecting directly with Liberty Food Store in Tamworth to access discounted food.

Evidence



Goodstart has an ambitious strategic goal to strengthen the Australian evidence base by proving what makes the biggest difference for children's development, and then improving outcomes by embedding best practice into our centres.

Our research efforts during the past year have focussed on how best to support educators to understand the impact they are having on children's learning and development so they can adjust and tailor practice to individuals and groups of children.

Following the advice of our Thought Leaders Advisory Group of international experts, we have identified the first steps of an Outcomes Framework for Goodstart measuring what works best for child outcomes.

Goodstart is committed to using Environmental Ratings Scales (ERS) to assess the process quality in our centres. After piloting of options, we commenced the training of 35 of our early childhood teachers as ERS assessors, with the assistance of Iram Siraj from the University College London (UK) and the University of Wollongong.

We are also working with the University of Wollongong on the development of the Early Years Toolkit to support educators in assessing child outcomes in centres.

Goodstart has improved its internal research processes to encourage and participate in high quality projects and collaboration on research.

Goodstart has continued its collaboration with Early Start at the University of Wollongong on the Researching Effective Early Learning (REEL) Study on the role of effective professional development.

We are also partnering in research that investigates interventions that support children's self-regulation, children's wise use of mobile technology and developing National Heart Foundation endorsed policy and guidelines for movement in early learning.

Following on from the release of the Goodstart Practice Guide in 2017, Goodstart has commenced the development of a three to five years supplement, involving early learning experts across the country under the guidance of Professor Jane Bertrand.



Evidence (continued)



Experts guide outcomes measurement

Finding ways to better measure the impact of the work of our educators in supporting child outcomes was the focus of Goodstart's Thought Leaders Advisory Group forum in October 2017.

Leading local and international academics were brought together with the aim of identifying the best available research to strengthen the development of the Goodstart Outcomes Framework.

The framework identifies tools, instruments and new approaches to give us better ways of ensuring that children are benefitting from our work and that educators and centre directors receive useful advice on what is working for children.

After the forum, many thought leaders participated in an engagement program with sector, business and government leaders to drive evidence-informed policy change for the benefit of children and families.

Members of the 2017 Thought Leaders Advisory Group were: W. Steven Barnett and Ellen Frede, National Institute for Early Education Research (USA), Jane Bertrand, McCain Family Foundation (Canada), Sir Kevan Collins, Educational Endowment Foundation (UK), Marc de Rosnay, University of Wollongong, Sharon Goldfeld Murdoch Children's Research Institute (Australia), Linda Harrison, Charles Sturt University (Australia), Paul Leseman, Utrecht University (Netherlands), June McLoughlin, Colman Foundation (Melbourne), Edward Melhuish, Oxford University (UK) and University of Wollongong, Charles E Pascal, University of Toronto (Canada), Iram Siraj, University College London (UK) and University of Wollongong, and Steven Howard University of Wollongong.



Children are central to everything we do

Helping children thrive starts by building effective relationships with families and the ongoing delivery of high quality practice by our talented educators and teachers to support each child's learning, development and wellbeing.

Child Outcomes

The introduction of Environmental Ratings Scales into our centres will give educators and teachers a clear picture of what high quality early learning looks like at room levels, supporting the delivery of high quality early learning outcomes for children.

Family Connections

The Family Connections program aims to strengthen practice and relationships between educators, children and families by focusing on their strengths, resources and aspirations to generate improved child outcomes.

Educator Relationships

Key Educator Relationships is founded on the latest evidence, and supports developing secure relationships between a child and their educator — promoting a strong sense of belonging for children in our care as the foundation for successful learning.





We're for **children**

Influence



As Australia's largest provider of early learning and care, Goodstart takes seriously the need to work to increase public commitment to high quality early learning and care. We are an active participant in national policy debates, and work with our sector partners to make the case for early learning.



27,000+

27,000 parents and educators have signed up to the Smart Start campaign



500

500 of our centres have active Facebook pages



220

We have produced 220 online stories on early learning sourced from our centres and externally

Dominating the year have been preparations for the implementation of the Child Care Subsidy reforms. Goodstart has worked through the Early Learning and Care Council and with other partners to influence the rollout of the reform and its subordinate legislation.

Key wins include confirming an exemption to the activity test for all children in preschool programs in the year before school, making access for children at risk to Additional Child Care Subsidy as broad as possible, and minimising the additional compliance burden for families and providers for claiming the subsidy.

Goodstart has started working on the next big campaign, which is securing access and long term funding for all children to two years of quality early learning in the years before school. We provided input into the development of the 'Lifting Our Game' report, a blueprint for raising the quality of early learning commissioned by

all State and Territory Governments. We have also participated in sector wide responses urging governments to now implement the report.

Goodstart worked with multiple partners to raise the profile of early learning during state elections in Queensland, Tasmania and South Australia, and has worked behind the scenes to influence the policy development of all major parties for the next Federal election. Our centres have hosted visits by a growing number of Federal and State parliamentarians.

27,000 parents and educators have signed up to the Smart Start campaign to promote the benefits of early learning. We are a partner in the Early Learning Everyone Benefits campaign led by Early Childhood Australia, and have been working with The Front Project, unions, academic and philanthropic organisations keen to promote the early years.

Influence (continued)

Goodstart is actively engaged in social media to promote the benefits of early learning. We are creating a new digital library of resources free for advocates across the nation, some featuring our Thought Leaders, which have been shared and widely used across the sector.

We have produced 220 online stories on early learning sourced from our centres and externally, and built a strong social media presence across multiple platforms. 500 of our centres have active Facebook pages and all centres participate in Storypark which is an online platform allowing educators to share children's learning with families easily.

Goodstart launched the firstfiveyears.org.au website in May 2018, to help parents meet the challenges of raising young children by providing credible and reliable information and to help extend early learning into the home. In its first two months, the site had 8,100 users.

Many Goodstart educators — with Goodstart's support — have been actively involved in the Big Steps campaign calling for government funding to support pay equity for early childhood educators, which is gaining considerable momentum.



Fund the future. Quality early learning.





Centre profile

Goodstart Hobart West, Tas

Enhancing child outcomes in Tasmania

Goodstart's Hobart West centre has become the first long day care centre in Tasmania to complete the government registration process to offer a government-funded preschool program, with a second Goodstart centre expected to complete the process shortly.

Hobart West's subsidised preschool is creating a pathway for more children of working families to access and participate in early learning before school, which previously did not exist, said Tasmanian state manager Chris Symons.

"Our program is complementing the school's preschool system by giving more families access to a flexible and affordable preschool program in a long day care setting than better meets the needs of working families," Mr Symons said.

"Our high quality programming, which is recognised with an Exceeding National Quality Standard rating, coupled with our social inclusion programs means we are targeting vulnerability in the community."

The Tasmanian Government has announced it will fund the Working Together for 3 Year Olds initiative, offering, from 2020, access for three-year-old children from low-income families to government-subsidised quality preschool programs for 10 hours a week (400 hours a year).

"Evidence tells us that two years of preschool are better than one, particularly for vulnerable children who we know benefit the most from access to high quality early learning", Mr Symons said.

"A big credit to our centre, and recognition of what Goodstart stands for as a not-for-profit social enterprise, is our invitation to join the Tasmanian Early Years Reference Group to help shape the government's targeted preschool initiative for three-year-olds."

GoodFuture

A different way of working

At Goodstart, we recognise the world is changing rapidly for children and families. Last year we launched GoodFuture to ensure we continue evolving and improving what we do.

To enable our educators to respond to the unique needs of their unique communities, we are fostering educator-led innovation across our organisation.

More than 40 centres participated in our innovation incubator and were encouraged to use a variety of creative and innovative techniques to gain a deeper understanding of their families to develop irresistible new offers that create better outcomes for children in the centre and for the whole family unit beyond the centre.

To further amplify the impact of this work, centres have begun to support others across our network to explore how the offers might be adapted for their local community.

Helping children thrive

Goodstart Browns Plains — Redgum Drive were told by their families that they were concerned about their children's social and emotional wellbeing and their ability to name and cope with their feelings.

Centre staff worked closely with families and developed a new program combining arts and music therapy, yoga, storytelling and critical discussions, to help develop children's social and emotional regulation skills.

Individualised take-home bags for children were created including activities to help them recognise and name their emotions, with families encouraged to capture and reflect on how their child interacted in a journal.

By developing the foundations for positive emotional wellbeing, the centre is helping children to develop the resilience they will need for their future emotional wellbeing.

Supporting stronger family units

Goodstart Virginia recognised that families believe quality time for parents is essential for keeping the family unit strong, but that parents were feeling socially isolated as they struggled to balance the demands of work and life.

The centre introduced a monthly 'date night', giving parents the opportunity to spend a few hours together, or support quality 'me time', while children enjoy pizza and a movie with each other in a safe environment with qualified educators at the centre.

Feedback has been overwhelming positive and the 'date night' concept has resulted in even deeper connections between educators and parents.

Other Goodstart centres have moved to adopt the 'date night/me-time' concept to support their families.

Building more connected communities

Goodstart Wangaratta — Moore Street found many of their parents did not have strong family networks to help them navigate every day issues such as challenging behaviour, sleep, toilet training and food and nutrition, and would appreciate support in these areas from people they trusted.

The centre decided to offer their expertise to families at home. Educators undertook specialist training and then met with families wanting support to help them develop strategies to address the things they find challenging.

This proactive approach to supporting families outside of the centre is building stronger family and community connections, and making a positive difference to families' overall health and wellbeing.

Other centres have now joined Wangaratta to prototype how this idea could be supported at scale.

Strengthening family relationships

Goodstart Hughesdale, reflecting on feedback from families, has introduced an array of new family offerings to address the changing needs of their families with a goal of making life easier for families.

Some of the new offerings include dentist and GP visits at the centre, play dates for families with children not currently attending the centre, take-away breakfast stations for parents, extending opening hours to support families with long commutes, and date nights which have been embraced by many of the multicultural families who have extended family living away.

By implementing new offers focused around making life easier, relationships with families have strengthened, with uplifts in both family satisfaction and centre occupancy. Employee culture and engagement has also improved.



Annual Financial Report

**Goodstart Early Learning
Limited**

ABN 69 139 967 794
30 June 2018



Directors' Report

for the year ended 30 June 2018.

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 2018 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

**BA (Hons); MBA
Non-executive Chair
Member, Audit and Risk Committee
Member, Early Learning and Care Reference
Committee
Chair, Talent and Remuneration 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 currently an Executive Director of MH Carnegie (AFSL holder of For Purpose Investment Partners); and non-executive director of: Sunsuper (where he is Chair of the Investment Committee); Australian Schools Plus; Australian Philanthropic Services; Paul Ramsay Foundation and the National Museum of Australia.

In 2010 Michael was made a Member of the Order of Australia in recognition of his services to not-for-profit organisations. He is author of 'Jumping Ship – from the world of corporate Australia to the heart of social investment' which won the 2017 Ashurst Business Literature Prize.

Wendy McCarthy AO

BA; Dip Ed; FAICD

**BA; Dip Ed; FAICD
Non-executive Deputy Chair
Chair, Early Learning and Care Reference
Committee
Member, Talent and Remuneration Committee**

Appointed 21 September 2010

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 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.

Lynelle Briggs AO

Bec: GAICD

**Non-executive Director
Member, Audit and Risk Committee**

Appointed 15 December 2015

Lynelle is an Independent Director with Maritime Super and Foreign Affairs' Aid Governance Board and is the Independent Chairperson of the General Insurance Code Governance Committee. Lynelle was previously a Councillor with the Royal Australian College of General Practitioners and a non-executive director with the Australian Rail Track Corporation.

Lynelle was the Chairperson of NSW's Planning Assessment Commission. She is a former 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.

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.

Directors' Report (continued)



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.

Greg Hutchinson AM

BA (Hons); MSc

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

Appointed 28 May 2010

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.

Rob Koczkar

B Eng (Hons)

**Non-executive Director
Chair, Audit and Risk Committee**

Appointed 28 May 2010

Rob Koczkar is the Chief Executive Officer of Social Ventures Australia (SVA) and Managing Director of Adamantem Capital. Rob has extensive experience in investing and

management consulting along with a deep understanding of the social purpose sector.

Before these roles, Rob was a Managing Director of Pacific Equity Partners for 10 years. Prior to that he was a Principal at Texas Pacific Group in Europe, and a strategic consultant with Bain & Company.

Rob is a member of the Australian Government's Cities Reference Group to support delivery of the Smart Cities Plan and is on the Board of SVN Holdco Pty Ltd (Servian) and HYG Holdco Pty Ltd (Hygain). He previously served on the boards of Spotless Group Holdings Limited, Energy Developments Limited and on Mission Australia's Corporate Advisory Council.

June McLoughlin

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

Appointed 15 December 2015

June currently holds positions as Director Early Years and Community Engagement at the Colman Foundation, and Director of Family and Children's Services at Doveton College. June has been appointed to 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

Appointed 8 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 a member of the Victorian Metropolitan Planning Strategy Steering Committee. Most recently he was the Executive Director of the Brotherhood of St Laurence for 13 years from 2004 to 2017.

Lynne Wannan AM

BA; Dip Ed; GAICD

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

Appointed 21 September 2010

Lynne was formerly a senior executive in the Victorian Government in the Departments of Health and Human Services and Planning and Community Development. She has extensive experience on Boards and Committees of Management and a background as a policy analyst, manager and as a consultant and community leader. She has been 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 has been 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 is also recognised on the Victorian Women's 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 2018 were:

| | Board of Directors | | Audit and Risk Committee | | Talent and Remuneration Committee** | | Early Learning and Care Reference Committee | |
|---------------------|--------------------|---|--------------------------|---|-------------------------------------|---|---|---|
| | A | B | A | B | A | B | A | B |
| L Briggs | 4 | 4 | 6 | 6 | - | - | - | - |
| J Davison | 4 | 4 | - | - | - | - | - | - |
| G Hutchinson | 4 | 4 | - | - | 2 | 2 | 2 | 2 |
| R Koczkar | 4 | 4 | 6 | 6 | - | - | - | - |
| W McCarthy | 4 | 4 | - | - | 2 | 2 | 2 | 2 |
| J McLoughlin | 4 | 4 | - | - | - | - | 2 | 2 |
| T Nicholson* | 1 | 1 | - | - | - | - | - | - |
| M Traill | 4 | 4 | 6 | 5 | 2 | 2 | 2 | 1 |
| L Wannan | 4 | 4 | - | - | 2 | 2 | 2 | 2 |

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.

* T Nicholson joined the Board on 8 May 2018.

** The name of the Talent and Remuneration Committee was changed from the Remuneration and Nominations Committee during the year.

The Executive Director (CEO) attends the Audit and Risk Committee, Talent and Remuneration Committee and Early Learning and Care Reference 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 2018, a net surplus of \$8.009 million (2017: \$2.613 million) was achieved and net assets increased to \$91.909 million (2017: \$83.900 million).

F Company objectives

Goodstart has set six goals that 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

Inclusion

Enhance outcomes for children in vulnerable circumstances

Financial Stability

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

Great People

Build a capable, aligned and engaged workforce

Evidence

Embed evidence-informed practice and strengthen the Australian evidence base

Influence

Increase public commitment to quality early learning and care

Details of achievements and activities undertaken during the 2017/18 year are included on pages 10 to 45.

Directors' Report (continued)

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

- a) % of centres assessed as at least meeting the National Quality Standards
- b) % of centres assessed as exceeding the National Quality Standards
- c) Number of reported child injuries per 10,000 attendances
- d) Lost time injury frequency rate

Inclusion

Enhance outcomes for children in vulnerable circumstances

- a) Number of EChO Centres
- b) Number of children assisted by fee relief
- c) % of centres with more than one inclusion initiative
- d) Number of children excluded
- e) % of centres with families accessing assistance
- f) Number of children assisted by the Early Learning Fund
- g) Average participation of vulnerable children

Financial Stability

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

- a) Social purpose reinvestment
- b) Families likelihood to recommend (current families)
- c) Improved child retention:
 - i. Child turnover
 - ii. Child turnover – kindergarten eligible
- d) Net increase in new centres opened since 1 July 2015
- e) Labour hours per attendance
- f) Configured occupancy
- g) EBITDA

Great People

Build a capable, aligned and engaged workforce

- a) Centre Directors meeting or exceeding
- b) Staff turnover
- c) Number of active Early Childhood Teachers

Evidence

Embed evidence informed practice and strengthen the Australian evidence base

- a) Centres reporting Practice Guide changing practice
- b) Number of large scale research projects
- c) Centres supporting strategic research
- d) Centres with complete data

Influence

Increase public commitment to quality early learning and care

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

Directors' Report (continued)

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 2018, 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 2018 (2017: \$400).

I Lead auditor's independence declaration

KPMG is Goodstart's external auditor and its independence declaration is set out on page 54. This forms part of the Directors' Report for the financial year ended 30 June 2018.

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

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 2018



**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 Limited**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2018 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.

A handwritten signature of 'KPMG' in black ink, written in a cursive, stylized font.

KPMG

A handwritten signature of 'Jillian Richards' in black ink, written in a cursive, elegant font.

Jillian Richards
Partner

Brisbane

26 September 2018





Financial Statements

Goodstart Early Learning Limited

ABN 69 139 967 794

30 June 2018

Goodstart Early Learning Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

| | | 2018 | 2017 |
|--|-------------|------------------|----------------|
| | <i>Note</i> | \$000 | \$000 |
| Revenue from early learning centres | 6 | 985,313 | 933,220 |
| Government grants | 7 | 30,209 | 29,269 |
| Other income | 8 | 863 | 1,299 |
| Total revenue | | 1,016,385 | 963,788 |
| Employee costs | 9 | 716,069 | 669,576 |
| Rent and other property expenses | 10 | 164,693 | 172,556 |
| Depreciation and amortisation expense | 16 & 17 | 40,523 | 33,903 |
| Catering and consumables expenses | | 46,036 | 49,894 |
| Travel and motor vehicle expenses | | 7,321 | 6,144 |
| Technology and communication expenses | | 10,819 | 9,907 |
| Marketing expenses | | 7,207 | 6,865 |
| Consulting and professional costs | | 6,824 | 6,169 |
| Impairment of assets | 16 & 17 | 2,724 | 3,184 |
| Other expenses | 11 | 7,235 | 5,711 |
| Total expenses | | 1,009,451 | 963,909 |
| Operating Surplus / (Defecit) | | 6,934 | (121) |
| Finance income | 12 | 3,175 | 3,971 |
| Finance costs | 12 | (2,100) | (1,237) |
| Net finance income | | 1,075 | 2,734 |
| Net surplus for the year | | 8,009 | 2,613 |
| Total comprehensive income for the year | | 8,009 | 2,613 |

The notes on pages 61 to 84 are an integral part of these consolidated financial statements.

Goodstart Early Learning Limited

Consolidated statement of financial position

As at 30 June 2018

| | Note | 2018 | 2017 |
|--------------------------------------|------|----------------|------------------------|
| | | \$000 | \$000 |
| | | | Restated |
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 13 | 58,600 | 21,787 |
| Trade and other receivables | 14 | 36,635 | 44,284 |
| Inventories | 15 | 642 | 487 |
| Financial assets | 18 | 42,000 | 72,000 |
| Total current assets | | 137,877 | 138,558 |
| Non-current assets | | | |
| Deposits and security bonds | | 128 | 128 |
| Property, plant and equipment | 16 | 181,831 | 172,437 ⁽¹⁾ |
| Intangible assets | 17 | 8,121 | 10,317 ⁽¹⁾ |
| Total non-current assets | | 190,080 | 182,882 |
| Total assets | | 327,957 | 321,440 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 19 | 63,404 | 65,584 |
| Loans and borrowings | 20 | 6 | 12 |
| Employee benefits | 21 | 61,501 | 55,191 |
| Provisions | 22 | 8,340 | 9,850 |
| Deferred income | 6b | 10,469 | 9,445 |
| Total current liabilities | | 143,720 | 140,082 |
| Non-current liabilities | | | |
| Trade and other payables | 19 | 33,615 | 43,252 |
| Loans and borrowings | 20 | 13,462 | 13,462 |
| Employee benefits | 21 | 15,051 | 12,772 |
| Provisions | 22 | 30,200 | 27,972 |
| Total non-current liabilities | | 92,328 | 97,458 |
| Total liabilities | | 236,048 | 237,540 |
| Net assets | | 91,909 | 83,900 |
| Equity | | | |
| Accumulated surplus | | 91,909 | 83,900 |
| Total equity | | 91,909 | 83,900 |

⁽¹⁾ Comparative information has been adjusted for changes in the acquisition accounting of a business combination during the provisional period. Refer to note 5 for further information.

The notes on pages 61 to 84 are an integral part of these consolidated financial statements.

Goodstart Early Learning Limited

Consolidated statement of cash flows

For the year ended 30 June 2018

| | 2018 | 2017 |
|---|-----------------|-----------------|
| Note | \$000 | \$000 |
| Cash flows from operating activities | | |
| Cash receipts from parents and guardians | 499,888 | 477,445 |
| Cash receipts from grants and government funding | 515,420 | 483,425 |
| Cash receipts from other income | 5,572 | 265 |
| Cash paid to suppliers and employees | (953,994) | (924,212) |
| Net cash from operating activities | 66,886 | 36,923 |
| Cash flows from investing activities | | |
| Proceeds from sale of plant and equipment | 1,424 | 28 |
| Purchase of plant & equipment and intangible assets | (33,410) | (48,526) |
| Term deposits transferred into cash | 30,000 | 48,000 |
| Interest received | 3,175 | 3,971 |
| Acquisition of centres | (28,955) | (30,250) |
| Net cash used in investing activities | (27,766) | (26,777) |
| Cash flows from financing activities | | |
| Repayment of borrowings | 20 | - |
| Interest paid | (2,307) | (2,687) |
| Net cash used in financing activities | (2,307) | (6,053) |
| Net increase in cash and cash equivalents | | |
| | 36,813 | 4,093 |
| Cash and cash equivalents at 1 July | 21,787 | 17,694 |
| Cash and cash equivalents at 30 June | 13 | 58,600 |
| | 21,787 | 21,787 |

The notes on pages 61 to 84 are an integral part of these consolidated financial statements.

Goodstart Early Learning Limited

Consolidated statement of changes in equity

For the year ended 30 June 2018

| | Accumulated Surplus | Total Equity |
|--|--------------------------------|-------------------------|
| | \$000 | \$000 |
| Balance at 30 June 2016 | 81,287 | 81,287 |
| Total comprehensive income for the year | | |
| Net surplus | 2,613 | 2,613 |
| 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 |

The notes on pages 61 to 84 are an integral part of these consolidated financial statements.

Goodstart Early Learning Limited**Index to notes to the consolidated financial statements for the year ended 30 June 2018**

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Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

1 Reporting entity

Goodstart Early Learning Limited (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 2018, 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. These consolidated financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

The consolidated financial statements were authorised for issue by the Board of Directors on 26 September 2018. 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) ii) – Property, Plant & Equipment – Depreciation
- 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 Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

3 Significant accounting policies

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) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding 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 Limited (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.

(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.

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

3 Significant accounting policies (continued)

(b) Revenue recognition (continued)

Revenue is recognised for the major business activities as follows:

i) Revenue from early learning centres

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

ii) Deferred income

Revenue received in advance from parents and guardians and government is recognised as deferred income and classified as a current liability.

iii) Government grants

Training incentives and employee education funding is recognised as revenue when there is reasonable assurance that the incentive will be received and when the relevant conditions have been met.

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.
- Grants related to assets are government grants whose primary condition to qualifying for them, is that the Group should purchase, construct or otherwise acquire long-term assets. Other conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held. These types of grant 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.

(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 NAB 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 Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

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 less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments (more than 60 days overdue) are considered objective evidence that the trade receivable is impaired.

The Group considers evidence of impairment for receivables on a collective basis, by grouping together receivables with similar risk characteristics and uses historical trends of the probability of default.

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

Bank term deposits greater than three months to maturity/ Term Deposits

Bank term deposits greater than three months to maturity are those term deposits that do not meet the Group 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 Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

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 (note 5). 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 Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

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 (2017: 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 Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

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's 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 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 Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

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 return certain leased premises to their original condition as set out in the lease agreements are recognised as a provision in the financial statements. The provision has been calculated as an estimate of future costs and discounted to present value.

- **Mid-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 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 Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

4 New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 30 June 2018 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 9 Financial Instruments (2014)

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Based on the Group's assessment, it is expected that the first-time adoption of AASB 9 for the year ending 30 June 2019 will not have a material impact on the transactions and balances recognised in the financial statements.

ii) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

Based on the Group's assessment, it is expected that the first-time adoption of AASB 15 for the year ending 30 June 2020 will not have a material impact on the transactions and balances recognised in the financial statements.

iii) AASB 16 Leases

AASB 16 removes the lease classification test for lessees and requires all the leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time.

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet;
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses; and
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities.

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

4 New standards and interpretations not yet adopted (continued)

iv) AASB 1058 Income of Not-for-Profit Entities

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 Revenue from Contracts with Customers. These Standards supersede all the income recognition requirements relating to private sector 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 NFP 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 NFP 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).

The Group is yet to undertake a detailed assessment of the impact of AASB 1058. However, based on the entity'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.

5 Business combination – acquisition of childcare centres

During the year, the Group acquired two centres in Australia. The centres transitioned to the Group when the lease was assigned as at acquisition date.

On 30 June 2017, the Group acquired centres in Australia for \$5.488 million in cash. The fair value of other intangible assets were measured provisionally at the end of the previous financial year. Subsequent adjustments have been made to those provisional values recognised within 12 months of the acquisition date. As a result, changes to the fair value and classification of tangible and intangible assets have been applied from the acquisition date, resulting in a restatement of comparatives in the previous financial year.

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2018**

6 Revenue

| | 2018 | 2017 |
|--|--------------|--------------|
| | \$000 | \$000 |

(a) Revenue from early learning centres

| | | |
|--|----------------|----------------|
| Fees from parents and guardians | 500,226 | 478,047 |
| Government funding - fee subsidies | 485,087 | 455,173 |
| Total revenue from early learning centres | 985,313 | 933,220 |

(b) Deferred income

| | | |
|-----------------|---------------|--------------|
| Deferred income | 10,469 | 9,445 |
|-----------------|---------------|--------------|

Deferred revenue represents the fair value of that portion of the consideration received or receivable in respect of parent fees received in advance.

7 Government grants

| | | |
|-------------------------------------|---------------|---------------|
| Recovered special needs funding | 6,862 | 6,514 |
| Recovered trainees funding | 115 | 177 |
| Adult education revenue | 31 | 125 |
| Kindergarten and associated funding | 21,084 | 21,098 |
| State and Federal training funding | 2,117 | 1,355 |
| Total government grants | 30,209 | 29,269 |

8 Other income

| | | |
|---------------------------|------------|--------------|
| Insurance recoveries | 580 | 715 |
| Sublease income | 80 | 94 |
| Other income | 203 | 490 |
| Total other income | 863 | 1,299 |

9 Employee costs

| | | |
|---|----------------|----------------|
| Wages and salaries | 615,887 | 576,868 |
| Other associated personnel expenses | 42,725 | 37,464 |
| Contributions to defined contribution plans | 57,457 | 55,244 |
| Total employee costs | 716,069 | 669,576 |

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2018**

| 10 Rent and other property expenses | <i>Note</i> | 2018 \$000 | 2017 \$000 |
|---|-------------|-----------------------|-----------------------|
| Rental expenses* | | 97,220 | 106,282 |
| Repairs and maintenance | | 32,701 | 30,267 |
| Other direct property expenses | | 34,912 | 34,632 |
| Onerous contracts | 22 | (140) | 1,375 |
| Total rent and other property expenses | | 164,693 | 172,556 |

* Elements of rental expenses are contingent upon factors such as CPI or fixed % increases (as contained in the lease agreement) and individual site 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 | | 260 | 80 |
| Insurance premiums expense | | 1,691 | 1,629 |
| Bank charges | | 352 | 365 |
| Impairment loss on trade receivables | 14 | 1,565 | 743 |
| Other expenses | | 3,367 | 2,894 |
| Total other expenses | | 7,235 | 5,711 |

12 Finance income and finance costs

| | | | |
|--|----|----------------|----------------|
| Interest income on bank deposits | | 3,175 | 3,971 |
| Total finance income | | 3,175 | 3,971 |
| Interest expense on financial liabilities measured at amortised cost | | (2,299) | (2,818) |
| Unwinding of discount of make good & onerous provisions | 22 | 72 | 115 |
| Changes in discount rates of make good provision | | 127 | 1,466 |
| Total finance costs | | (2,100) | (1,237) |
| Net finance income recognised in profit or loss | | 1,075 | 2,734 |

13 Cash and cash equivalents

| | | | |
|--|--|---------------|---------------|
| Cash and cash equivalents | | 38,597 | 21,787 |
| Call deposits | | 20,003 | - |
| Total cash and cash equivalents | | 58,600 | 21,787 |

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2018****14 Trade and other receivables**

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$000 | \$000 |
| Trade receivables | 27,433 | 30,906 |
| Allowance for impairment of receivables | (3,059) | (2,829) |
| Trade receivables net | 24,374 | 28,077 |
| Prepayments | 8,457 | 11,520 |
| Goods and services tax (GST) recoverable | 3,386 | 4,262 |
| Other receivables | 418 | 425 |
| Total trade and other receivables | 36,635 | 44,284 |

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

| | | |
|--|--------------|--------------|
| Balance at 1 July | 2,829 | 2,999 |
| Receivables written off during the year as uncollectible | (1,335) | (913) |
| Provision for impairment recognised during the year | 1,565 | 743 |
| Balance at 30 June | 3,059 | 2,829 |

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the statement of comprehensive income.

15 Inventories

| | | |
|-----------------------------------|------------|------------|
| Uniforms & children welcome packs | 642 | 487 |
|-----------------------------------|------------|------------|

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

16 Property, plant and equipment

| Note | 2018 \$000 | | | | | | |
|---|--------------------|--|---|---------------------|----------------|------------------|----------------|
| | Land and buildings | Building improvements & operating rights | Leasehold improvements & operating rights | Plant and equipment | Motor vehicles | Work in progress | Total |
| 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 | 5 | - | 683 | 158 | 200 | 31 | 1,072 |
| Increase in make good asset | - | - | 70 | - | - | - | 70 |
| Transfers | 17 | 4,542 | - | 17,632 | 4,927 | - | (28,395) |
| Disposals | - | - | (613) | (43) | (1,028) | - | (1,684) |
| Work in progress expensed | - | - | - | - | - | (1,194) | (1,194) |
| Net impairment loss | - | - | (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 |
| 2017 \$000 restated ⁽¹⁾ | | | | | | | |
| | Land and buildings | Building improvements & operating rights | Leasehold improvements & operating rights | Plant and equipment | Motor vehicles | Work in progress | Total |
| Year ended 30 June 2017 | | | | | | | |
| Opening net book amount | 5,385 | - | 79,861 | 26,223 | 2,363 | 10,495 | 124,327 |
| Additions | 17,700 | - | 14,301 | 9,782 | 33 | 35,911 | 77,727 |
| Acquisition through business combinations | 5 | - | 2,500 | 2,558 | 342 | - | 5,400 |
| Decrease in make good asset | - | - | (530) | - | - | - | (530) |
| Transfers | 17 | - | 4,998 | 4,261 | - | (9,497) | (238) |
| Disposals | - | - | (24) | (4) | (80) | - | (108) |
| Work in progress expensed | - | - | - | - | - | (271) | (271) |
| Net impairment loss | - | - | (3,184) | - | - | - | (3,184) |
| Depreciation expense | (135) | - | (17,215) | (12,965) | (371) | - | (30,686) |
| Closing net book amount | 22,950 | 2,500 | 80,765 | 27,639 | 1,945 | 36,638 | 172,437 |
| Year ended 30 June 2018 | | | | | | | |
| Cost | 23,253 | 2,500 | 162,850 | 65,635 | 4,771 | 36,638 | 295,647 |
| Accumulated depreciation & impairment losses | (303) | - | (82,085) | (37,996) | (2,826) | - | (123,210) |
| Net book amount | 22,950 | 2,500 | 80,765 | 27,639 | 1,945 | 36,638 | 172,437 |

Security

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

⁽¹⁾ Comparative information has been adjusted for changes in the acquisition accounting of a business combination during the provisional period. Refer to note 5 for further information.

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

17 Intangible assets

| | | | | | 2018 |
|---|-------------|-----------------|--------------|--------------------------|-------------------------------|
| | | | | | \$000 |
| | <i>Note</i> | Software | Brand | Other intangibles | Total |
| 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 | <i>16</i> | 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 |
| | | | | | 2017 |
| | | | | | \$000 |
| | | | | | restated⁽¹⁾ |
| | | Software | Brand | Other intangibles | Total |
| Year ended 30 June 2017 | | | | | |
| Opening net book amount | | 10,053 | 244 | - | 10,297 |
| Other acquisitions | | 999 | - | 2,000 | 2,999 |
| Transfers from work in progress | <i>16</i> | 238 | - | - | 238 |
| Amortisation charge | | (3,059) | (100) | (58) | (3,217) |
| Closing net book amount | | 8,231 | 144 | 1,942 | 10,317 |
| Year ended 30 June 2017 | | | | | |
| Cost | | 14,386 | 400 | 2,000 | 16,786 |
| Accumulated amortisation and impairment | | (6,155) | (256) | (58) | (6,469) |
| Net book amount | | 8,231 | 144 | 1,942 | 10,317 |

⁽¹⁾ Comparative information has been adjusted for changes in the acquisition accounting of a business combination during the provisional period. Refer to note 5 and note 16 for further information.

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2018****18 Financial assets**

| | 2018 | 2017 |
|----------------|---------------|---------------|
| | \$000 | \$000 |
| Current | | |
| Term deposits | 42,000 | 72,000 |

The term deposits have maturity terms of less than one year and carry a weighted average fixed interest rate of 2.591% (2017: 2.673%). Due to their short-term nature their carrying value is assumed to approximate their fair value.

The Group has \$55.000 million (2017: \$52.000 million) in term deposits and call deposits (note 13) that have been pledged as security for the Group's guarantees provided by NAB as set out in note 25.

19 Trade and other payables

| | | |
|--------------------------------|---------------|---------------|
| Current | | |
| Enrolment bonds payable | 5,233 | 11,247 |
| Other trade payables | 15,578 | 10,229 |
| Accrued expenses | 42,593 | 44,108 |
| Total trade and other payables | 63,404 | 65,584 |
| Non-current | | |
| Lease straight-line liability | 33,615 | 43,252 |

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2018****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.

| | 2018 | 2017 |
|--|--------------|--------------|
| | \$000 | \$000 |

Current**Unsecured loans from related entities**

| | | |
|---|----------|-----------|
| Deeply subordinated loan - accrued interest * | 6 | 12 |
| Total unsecured loans from related entities | 6 | 12 |

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.

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

| | | | 30-Jun-18 | |
|--|--------------------------------------|-----------------------------|------------------------------|---------------------------|
| | | | \$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-Jun-17 | |
|--|--------------------------------------|-----------------------------|------------------------------|---------------------------|
| | | | \$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.

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

20 Loans and borrowings (continued)

Note

2018
\$0002017
\$000

Terms and conditions of borrowings:

The bank guarantee facility imposed certain covenants on the Group including, leverage ratio, fixed charged cover ratio, capital expenditure limits and occupancy rates which are customary to this type of loan.

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.

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

Current

Fixed and Floating charge

| | | | |
|---|----|----------------|----------------|
| Cash and cash equivalents | 13 | 58,600 | 21,787 |
| Trade and other receivables | 14 | 36,635 | 44,284 |
| Inventories | 15 | 642 | 487 |
| Financial assets | 18 | 42,000 | 72,000 |
| Total current assets pledged as security | | 137,877 | 138,558 |

Non-current

Mortgage

| | | | |
|-----------------------------|----|--------|--------|
| Freehold land and buildings | 16 | 48,414 | 22,950 |
|-----------------------------|----|--------|--------|

Fixed and Floating charge

| | | | |
|---|----|----------------|----------------|
| Deposits and security bonds | | 128 | 128 |
| Property, Plant and equipment | 16 | 133,417 | 149,487 |
| Intangibles | 17 | 8,121 | 10,317 |
| Total non-current assets pledged as security | | 190,080 | 182,882 |

| | | | |
|---|--|----------------|----------------|
| Total assets pledged as security | | 327,957 | 321,440 |
|---|--|----------------|----------------|

21 Employee benefits

Current

| | | | |
|-----------------------------|--|---------------|---------------|
| Employee leave entitlements | | 61,501 | 55,191 |
|-----------------------------|--|---------------|---------------|

Non-current

| | | | |
|-----------------------------|--|---------------|---------------|
| Employee leave entitlements | | 15,051 | 12,772 |
|-----------------------------|--|---------------|---------------|

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

22 Provisions

| | 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 |
| 2017 | | | |
| \$000 | | | |
| | Lease obligation provision | Onerous contracts provision | Total |
| Consolidated | | | |
| At 1 July 2016 | 34,390 | 5,173 | 39,563 |
| Provisions made during the year | 290 | 5,044 | 5,334 |
| Provisions utilised during the year | (449) | (750) | (1,199) |
| Provisions reversed during the year | (2,842) | (2,919) | (5,761) |
| Unwinding of discount | (230) | 115 | (115) |
| Balance as at 30 June 2017 | 31,159 | 6,663 | 37,822 |
| Current | 8,696 | 1,154 | 9,850 |
| Non-current | 22,463 | 5,509 | 27,972 |
| Total provisions | 31,159 | 6,663 | 37,822 |

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2018

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 \$10.097 million as at 30 June 2018 (2017: \$10.375 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 \$10.960 million as at 30 June 2018 (2017: \$10.426 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 2.795% (2017: 2.739%), 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 increase in the discount rate has reduced the provision by \$0.115 million (2017: \$1.466 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 \$10.960 million as at 30 June 2018 (2017: \$10.358 million).

The provision has been calculated using a discount rate of 2.057% (2017: 1.926%), 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 increase in the discount rate has reduced the provision by \$0.012 million (2017: Nil).

Onerous contracts provision

The Group has a number of underperforming centres where the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received.

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 after considering the Group's strategic objectives of stability, quality, social inclusion and access to services to the community. Management has estimated the provision based on the discounted future payments, net of expected cash inflows associated with the contracts. The economic benefits for each of the contracts have been assessed after taking into account the Group's strategic goals of quality, inclusion and stability, as well as trading results.

The provision has been calculated using a discount rate of 2.795% (2017: 2.739%), 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 increase in the discount rate has reduced the provision by \$0.012 million (2017: \$0.100 million).

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2018****23 Operating lease commitments**

| | 2018 | 2017 |
|--|--------------|--------------|
| | \$000 | \$000 |

Non-cancellable operating lease rentals are payable as follows:

| | | |
|--|------------------|------------------|
| Less than one year | 98,908 | 96,471 |
| Between one and five years | 394,289 | 389,025 |
| More than five years | 1,494,148 | 925,966 |
| Total operating lease commitments | 1,987,345 | 1,411,462 |

The Group leases 630 (2017: 647) 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 236 (2017: 166) 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 2018 \$97.564 million (2017: \$93.664 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 | 30,834 | 12,611 |

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 | 3,778 | 3,708 |

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 \$3.778 million for the next four years subject to CPI increases each year.

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2018****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

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$000 | \$000 |
| Bank guarantees issued in support of various rental arrangements | 44,536 | 43,829 |
| Bank guarantees issued in support of other arrangements | 8,803 | 8,704 |
| Total guarantees | 53,339 | 52,533 |

Total amount of the bank guarantee facility is \$55.000 million as at 30 June 2018 (2017: \$55.000 million). Refer to security disclosed in note 20.

26 Related parties**Key management personnel compensation**

| | 2018 | 2017 |
|---|------------------|------------------|
| <i>in whole dollars of AUD</i> | \$ | \$ |
| Directors' fees | 579,079 | 585,386 |
| Executive and Executive Director's remuneration | 3,152,233 | 3,091,992 |
| Total amount paid or payable to key management personnel | 3,731,312 | 3,677,378 |

| Parent and subsidiary information | Country of incorporation | Ownership interest | Ownership interest |
|--|---------------------------------|---------------------------|---------------------------|
| | | 2018 | 2017 |
| | | % | % |
| Parent entity | | | |
| Goodstart Early Learning Limited | Australia | Parent | Parent |
| Subsidiaries | | | |
| GS Admin Services No.1 Pty Limited | Australia | 100% | 100% |

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2018****26 Related parties (continued)****(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% |

(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:

in whole dollars of AUD

| 1) Unsecured loans from parties with significant influence over Goodstart Early Learning Limited | 2018 | 2017 |
|---|-------------------|-------------------|
| | \$ | \$ |
| i) Subordinated loan from founders | | |
| Balance at 1 July | - | 3,369,758 |
| Loan repayments made | - | (3,365,609) |
| Interest charged | - | 500,692 |
| Interest paid | - | (504,841) |
| Balance at 30 June | - | - |
| The terms and conditions of each category are set out in note 20. | | |
| ii) Deeply subordinated loan from founders | | |
| Balance at 1 July | 13,473,500 | 13,479,033 |
| Interest charged | 2,013,832 | 2,013,832 |
| Interest paid | (2,019,365) | (2,019,365) |
| Balance at 30 June | 13,467,967 | 13,473,500 |
| The terms and conditions of each category are set out in note 20. | | |
| iii) Other related party payables | | |
| Amounts payable to founding members * | - | 564 |

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2018****26 Related parties (continued)****(b) Outstanding balances and transactions with related parties (continued)***in whole dollars of AUD*

| 2) Other related party transactions | 2018 | 2017 |
|--|-------------|-------------|
| | \$ | \$ |
| i) Transaction values | | |
| Founding members - purchase of goods and services | 121,386 | 128,914 |
| Founding members - funding for services received | 200,801 | 1,169,490 |
| Subsidiary - administrative services provided | - | 260 |
| Subsidiary - disposal | - | 50,000 |
| Director related entities - purchase of goods and services | - | 16,750 |
| ii) Balance outstanding | | |
| Founding members - other receivables * | 3,529 | 1,357 |
| Director related entities - trade payable * | - | 8,745 |

* 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

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 Limited

Directors' declaration

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

- a. the Company is not publicly accountable;
- b. the consolidated financial statements and notes that are set out on pages 56 to 84 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 2018 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 2018



Michael Traill
Director



Independent auditor's report

To the members of Goodstart Early Learning Limited

Opinion

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

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

- i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance and its cash flows for the year ended on that date; and
- ii. 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:

- i. Consolidated statement of financial position as at 30 June 2018.
- ii. 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.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration.

The **Group** consists of the Company and the entity 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 2018, 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 Limited'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 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. Evaluate 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 registered 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. Evaluate 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 2018

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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 Benevolent Society

Woodside Development Fund

visit goodstart.org.au

