

2021

ANNUAL REPORT



We're stronger
TOGETHER

goodstart
early
learning

We're for children,
not profit.

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Acknowledgement of Country


Goodstart Early Learning acknowledges all Traditional Custodians across Australia and recognises First Nations peoples' continued cultural and spiritual connection to the land, sky and waterways that surround us. We pay our respects to Elders past, present and emerging.



About Goodstart

We're for children, not profit

We understand the power of early learning – it's why Goodstart makes every moment count for the children attending our centres. We advocate for greater access and participation, and we make it our business to be the best at getting better.

 For 11 years Goodstart, as a not-for-profit social enterprise, has been creating positive social change by giving Australia's children, especially our most vulnerable, the best possible start in life through access to high quality early learning.

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

Today, Goodstart is Australia's largest provider of early learning and care and Australia's largest non-government provider of preschool and kindergarten programs.

Key facts

15,639 employees, including 1,500+ teachers

67,670 children **56,800 families**

664 early learning centres

15,000 families using our **online learning platform Goodstart@Home**

A third of our centres are in **rural and regional areas**

A quarter of our centres are in **low socio-economic areas**

Note: these figures do not include Big Fat Smile, the details of which are included separately on page 11.



We're proud of our remarkable progress over the past 11 years, investing in Australia's future, our children.

\$54.5 million invested in social inclusion to **support some of Australia's most vulnerable children.**

\$120.3 million invested in **training and professional development** of our people.

\$43.6 million invested in **practice uplift and research.**

\$245.6 million invested in **upgrading our indoor and outdoor learning environments.**

What we stand for

Our **vision** is for Australia's children to have the best possible start in life and our **purpose** is to ensure children have the learning, development and wellbeing outcomes they need for school and life.

Our Goodstarters are what set us apart – they are guided by our principles and inspired to set new benchmarks for a child's learning and development in the years that count most – the first five years.

Our guiding principles

- 1 Children** are central to everything we do.
- 2 Our people** make the difference.
- 3 Families** are our primary partner.
- 4** Being a valued part of each unique **community**.

We're for all children

Goodstart believes all of Australia's children should have access to affordable, quality early learning and care.

Safety, health and wellbeing

Safety underpins everything we do at Goodstart. Safety starts with each of us – but at Goodstart it is more than that. Being safe is who we are and what we do. It's part of being a Goodstarter.

Reconciliation

Reconciliation is woven through everything we do – guided by our ambition for a socially just and equitable Australia that is free of racism. We recognise our enormous opportunity every day, to shape the next generation of Australia's children to recognise and respect Aboriginal and Torres Strait Islander cultures and heritage as a proud part of a shared identity.

Our Ambition

Our Strategic Direction 2021 – 2025 represents the next phase in our journey to further deliver on our purpose and be the most rewarding and inclusive place to work.

Strategic Direction 2021 – 2025

Exceptional Quality

Our practice will be world class; we will deliver 'best practice' and discover 'next practice'.

Amazing Goodstarter Experience

We will be known as a place where our people learn, grow and have a real voice.

Inclusion for Everyone

We will be a place of opportunity where all children, families and Goodstarters feel safe to belong.

Personalised Family Experience

We will value each of our families for who they are and what they bring.

Impact beyond Goodstart

We will create an unstoppable force for change in the early years ecosystem.

Thriving Organisation

We will be a financially thriving organisation that reinvests to improve children's outcomes in and beyond Goodstart.

Summary of our achievements

Quality continues to improve: **98% of centres assessed as 'Meeting' or 'Exceeding' the National Quality Standards** and a further **two centres achieved the coveted 'Excellent' rating**



Practice uplift informed by tracking child outcomes with environmental rating scales self-assessment in all centres, Early Years Toolbox embedded in 293 centres and enhancing the role of educational leaders

Continued to refine best practice with new communication and language development tools and a **new practice guide for birth to three-year-olds**



Expansion of reconciliation activities with 289 centres with approved Reconciliation Action Plans, 6.7 per cent of children identifying as Aboriginal or Torres Strait Islander, and appointment of a dedicated Torres Strait Islander Liaison Officer



Support for children with challenging behaviours enhanced with 175 Intensive Individual Support Plans

Families supported to access Additional Child Support increased by 31 per cent in a year, and 53 per cent over two years



Sustainability measures to reduce carbon footprint by installing solar energy and LED lighting in our centres and centre support offices and moving to hybrid cars



Invested over **\$22m in quality improvement and professional learning initiatives**

Ongoing advocacy for children with additional needs at both levels of government, including securing funding to support 600 children known to child protection to access early learning in Victoria and South Australia

New research and policy development partnerships to build the evidence base

Helped raise awareness of the importance of access to affordable early learning working with campaign partners to secure new policy commitments from both sides of politics

1,000 children accessed the **Early Learning Fund**



An **award-winning COVID-Safe plan** kept children, families and employees safe



Continued improvement in child and adult safety with a new national safety plan reinforcing our safety focus and the appointment of a new Chief Safety Officer

PERSONALISED FAMILY EXPERIENCE



Quality of our data and analytics enhanced including Family Feedback and Employee Voices surveys and Staying Connected to track and support children with additional needs

Centre leadership supported with Centre Connect, Lead2Learn and Professional Supervision initiatives

Appointed a Chief Learning Officer to rejuvenate our learning and leadership programs for all Goodstarters



AMAZING GOODSTARTER EXPERIENCE



Supported 583 educators to upgrade their qualifications

Finalised a **new Enterprise Agreement offering above award wages and conditions** for Goodstart employees in a new single national salary structure

Supported our employees dealing with the pandemic with over 10,000 hours of special leave, an additional leave day, counselling and wellness programs, safety and hygiene training, free flu vaccination and flexible work options

The story of our year

Message from Paul Robertson, Chair

Goodstart Early Learning is a dynamic organisation which supports 67,670 children from 56,800 families in 664 centres across every state and territory in Australia. Our in-centre educators and teams are a vital part of the days and lives of the children and families who rely upon them. Their successes are our joys and their challenges and losses, are ours too.

COVID-19 has given us new insight into the strength of our organisation, the rich diversity of experience in the communities we are a part of; the courage and resilience of our people and the passion Goodstarters bring to our purpose.

Last year, in my first report as Chair, I predicted that we would emerge even stronger from the rigours of the pandemic, and I am proud that Goodstart has done just that.

We did so with unparalleled support from the Federal Government. The Commonwealth's Job-Keeper and ECEC funding schemes ensured our centres remained open and that our in-centre teams were able to support children and families throughout the peaks of the pandemic last year.

State and Territory governments continue to support children attending our centres with a range of grants and programs which help us to support children according to their needs.

Despite the unprecedented government support we remained extremely concerned about the medium-term impacts of the pandemic on our families and on centre attendance.

Budgets were tightly held during the reporting period with all but essential spending ceasing, as it remained unclear for several months whether families would be able to return to work and their children to early learning and care at pre-pandemic levels.

In recent months we have been able to start easing our conservative approach, but the ongoing outbreaks and the new variants spread across the world demand ongoing financial vigilance.



Our teams are growing and thriving, although a shortage of educators, teachers and cooks in some parts of the nation continues to impact the early learning sector, including Goodstart. We continue to explore innovative internal solutions and work with peak bodies to elevate the issue with all levels of government and educational institutions.

The courage and commitment of our front-line teams are matched only by agility and innovation across Goodstart. Over the past 12 months we've continued to improve the quality of our early learning practice while helping our teams to stay COVID-safe and we've increased our investment in our centre teams to ensure they have the ongoing training, resources and environments they need to really excel.

Wages are increasing for our in-centre teams as we've collaborated to create a new Enterprise Agreement which also improves conditions and flexibility for our people and sets a new benchmark for the sector.

Goodstart draws on its scale, diversity, geographic spread and the data and evidence we generate to continue to inform and advise governments and sector partners as we lobby for greater support for our most vulnerable children and families.

As families returned to our centres in increasing numbers, we have been able to lift our spending to acknowledge the extraordinary work of our centre teams, thanking them via the "You Make the Difference" campaign which included gift cards and thank you payments and a great number of new resources.

To support the work being done to ensure our children, families and teams are as safe as they can be, the Board has created a Safe Work and Wellbeing Committee to oversee continuing focus on this vital area.

On behalf of the Board, I want to thank every Goodstarter for again making Goodstart a safe place for children as they learn, grow and develop.

Paul Robertson
Goodstart Chair

Message from Julia Davison, CEO

In the shadow of the COVID-19 pandemic, Goodstart has continued progress towards our goal of becoming a world leading early learning organisation that puts children first.

I wish to thank our 15,639 Goodstarters who, in the most trying of times, have never wavered from putting the interests of children first and continued to deliver high quality early learning and care.

Our centres worked hard to keep children, families, and educators safe as cities and regions went in and out of COVID-19 restrictions and lockdowns while we stayed open as a service recognised as essential to working families and the economy. We worked closely with the Australian Government and our sector partners to tailor support to keep the sector financially viable, and with State Governments to meet public health requirements.

Our national COVID-safe plan, developed in consultation with our network, public health officials and unions, won a national workplace health and safety award for excellence in leadership in July 2021.

Safety continues to be a key focus for Goodstart with a new National Safety Plan approved and a new Chief Safety Officer appointed to strengthen our safety efforts, which continue to deliver improving outcomes in child and workplace safety.

This year, we commenced a new five-year strategic direction focusing on continuing to improve quality, amazing experiences for our people and families, and social inclusion to build a thriving organisation and achieve impact beyond Goodstart.

Empowering centres and centre leaders is a crucial part of our new strategic direction, and was a particular focus for professional learning and organisational redesign in the past year.

Quality continues to improve, with 98 per cent of centres now meeting or exceeding the national quality standard, well above sector averages. Two centres – Tuggerah and Bathurst – were awarded the coveted Excellent rating by the national regulator.

Practice uplift is now a continuous process, with environmental rating scales used by centres to reflect on and improve practice. We have elevated the role of Educational Leaders to drive practice uplift, and

released new tools targeted at the things that make the most difference to children's development, such as early language and communication, and addressing challenging behaviours.

The deepening of our data analytical capacity has given us a richer understanding of the diversity of the children attending our centres and of the educators responsible for their learning and care. It allowed us to identify and stay connected with children at risk of exclusion during this challenging year.

We have supported thousands of families to access additional support, with children supported by Additional Childcare Subsidy increasing by 31 per cent this year and a thousand children attending Goodstart centres through the support of our Early Learning Fund.

The early childhood sector is facing a shortage of qualified educators and teachers. Our new 2021 Enterprise Agreement has substantial improvements to wages and conditions to better recognise the quality and professionalism of early childhood teachers and educators and support attracting and retaining great people to work in the sector. Teachers in Goodstart centres will now be paid the same starting wages as teachers in public schools, and all Goodstarters will enjoy access to paid parental leave.

We continue to deepen our reconciliation efforts, aspiring to be a welcoming place for Aboriginal and Torres Strait Islander children, families and employees. We appointed our first Torres Strait Islander Cultural Liaison this year and expanded access to cultural awareness training for all employees.

To manage risks associated with COVID-19, we have deferred many capital and project expenditures to next year, absorbed a two percent reduction in occupancy rates (compared to pre-COVID levels) and increased overall staffing investment. In an aim to maintain affordability for families, our fee increase was kept as low as possible.

Children are at the heart of everything we do, and I wish to thank our 56,800 families for continuing to entrust the learning and care of their children to our centres as we strive to deliver high quality, inclusive and affordable early learning and care.

Julia Davison
Goodstart CEO





Thriving Organisation

This year has been dominated by managing the effects of COVID-19. We started the year with early learning and care being offered as free for families underpinned by government funding, then returned to a fee regime, supported our Victorian centres and families through a second and third lockdown, responded to rapidly changing economic and health conditions and finished with Sydney entering another extended lockdown.

In such uncertain times, Goodstart has taken a cautious approach to managing risks and contingencies. Where possible, spending has been deferred to the next financial year or avoided altogether to build a strong balance sheet as a contingency against future shocks, and to support deferred expenditure (particularly capital) when they can finally be made. A small operating surplus of 2 per cent of revenue was achieved, reversing the operating deficit of -1.1 per cent from last year.

Goodstart achieved \$38 million of savings in FY20 that continued into FY21, including a freeze on senior staff wage increases and bonuses and significant cuts to travel and other programs. Approximately \$50 million in capital expenditure has been deferred over the last two years which will need to be incurred in the next few years. Around \$4.7 million of social inclusion program funding was deferred this year and face to face delivery of professional learning programs reduced, with program delivery hopefully returning to normal next year.

Goodstart wishes to acknowledge the ongoing support of the Australian Government and State Governments which, recognising that early learning and care is an essential service, have worked closely with the sector to ensure that operations can continue in these difficult times.

COVID-19 has left a lasting imprint on our sector. Attendances recovered in some states to pre-pandemic levels but were lower in others, particularly Victoria. Overall, Goodstart finished the year with occupancy down around 1 per cent compared with the beginning of the year, and 2 per cent below the comparable month in 2019.

The early childhood labour market has been disrupted, with shortages of qualified educators and teachers in all states, adding to the pressure on the remaining workforce and on market wage rates.

Additional health and safety measures were enacted across the network to keep educators and children safe, including no longer utilising rest period staffing concessions in Queensland, which added to daily staffing costs.

Goodstart has continued to adjust its network footprint, exiting 11 centres and acquiring four new centres. Many of our centres are aging and we have commenced a program of new builds, with new centres in Mentone, Vic, Willowdale, NSW, Rostrevor, SA and Griffin, Qld. Our capital program slowed in 2020 due to COVID-19 but will ramp up in the year ahead, including centre upgrades and some new centres.

Goodstart's fee increase for 2020-21 was delayed until October 2020 in all states except Victoria, where fees were frozen until June 2021 and was broadly in line with the sector average after taking into account the fee freeze in Victoria.

Quality assessments continue to improve, with 98 per cent of Goodstart centres 'Meeting' or 'Exceeding' the National Quality Standards. Two centres were awarded 'Excellent' ratings – Tuggerah and Bathurst in New South Wales.

Goodstart leverages its scale to support children facing vulnerability, supporting our families to receive \$79 million in Commonwealth Government funding to support inclusion of vulnerable children in our services, including Additional Child Care Subsidies and Inclusion Support Subsidies. In addition, Goodstart allocated \$12 million to support these children through our dedicated inclusion programs and one-on-one support by centre teams. We also supported access for children from low income families with our subsidy fee offers and financial assistance from the Early Learning Fund. From next year we

will report on our impact in delivering on our purpose using a globally recognised Social Return on Investment methodology.

Despite the difficult conditions, family and employee engagement remained high. We thank our families for their ongoing support and thank our educators and support team who worked so hard in this difficult year to support children in our care.

Big Fat Smile

2020 saw Big Fat Smile's merger with Goodstart Early Learning – an exciting alliance between two not-for-profit organisations.

Employing 613 people, Big Fat Smile cares for children from birth to five across 26 community preschools and operates 15 'Fun Clubs' for five to 12-year-olds offering before, after school and school holiday programs.

Financials

A surplus of \$3.408 million was achieved driven by solid increases in revenue, including additional government COVID-19 support.

Key Highlights

Quality: Sixteen centres **rated 'Exceeding'**.

Innovation: A new online learning program, **@Home with Big Fat Smile**, was launched in April 2020 in response to the pandemic attracting more than 8,500 users.

Inclusion Support: **More than 9,400 approvals were provided for additional educator support as part of its Include Me program** – to make quality early learning and family support accessible to all children and families in our communities.

Supporting school readiness: **More than 3,000 families joined Big Fat Smile's transition to school program** which helps to ensure children receive the best possible start to school, through information-sharing, community events and collaborating with support agencies. The program has a strong emphasis on supporting First Nations children and families in their transition to school, as well as engaging families and children from new and emerging communities.

Goodstart Financial and Operational Performance

	2021	2020
	\$000	\$000
Revenue from early learning centres	1,252,202	1,003,613
Government grants incl. JobKeeper	74,706	179,443
Other income	4,494	2,360
Total revenue	1,331,402	1,185,416
Employee costs	899,542	839,813
Rent and property expenses	99,204	75,671
Depreciation expense of right of use assets	91,561	87,206
Centre consumables	61,105	50,318
Depreciation and amortisation	40,606	41,971
Other expenses	44,239	51,872
Total expenses	1,236,257	1,146,851
Social purpose investments*	42,027	41,035
Quality improvement – professional development	15,581	15,441
Quality improvement – programs	6,435	5,247
Inclusion for everyone – programs	8,355	10,698
Inclusion – access & affordability	4,327	3,111
Inclusion – in support for children with additional needs	3,631	2,561
Reconciliation	1,143	611
Impact beyond Goodstart evidence & advocacy	2,555	3,366
Net finance cost/ (income)	2,649	2,024
Interest expense on application of AASB 16 leases	65,832	49,576
Net surplus / (deficit) for the year	26,664	(13,035)
Total comprehensive income / (loss) for the year	26,664	(13,035)

*Social purpose investments included in expenses above.

Note: Financial data for FY21 reflects the full year value of the merger with Big Fat Smile which was effected on 29 June 2020.

Social Return on Investment

Research, most notably by Nobel Prize winning economist James Heckman, shows that the nation receives a strong positive return on investment on early intervention in early childhood education, particularly for the most disadvantaged children. Goodstart will help the case for investment in early childhood education by developing measures on the social return on our own investments to support vulnerable and disadvantaged children. This work is in its early, experimental stages, but we intend to report on this work in later years.





Sustainability is serious business at Goodstart

Being environmentally responsible is one of the elements of the National Quality Standards (3.23) and every Goodstart centre assessed has met that element.

Environmental sustainability and climate change are included in our teaching programs and our educators play a vital role to helping children connect with and explore the natural world. Many centres grow their own food, recycle and reuse which educates children about respecting and understanding the natural environment.

Goodstart is responding to climate change by reducing our energy footprint. Since 2017, we have been replacing petrol-based fleet cars with hybrids. Over the past year, we also negotiated with a major landlord to install solar energy to 87 properties.

LED lighting is used in all new centres and upgrades, and this will roll-out to existing centres. The reduction in interstate travel substantially reduced our carbon footprint, as has the consolidation of deliveries to centres as part of our procurement strategy.

Our procurement processes favour natural resources in centres. We are also investigating the use of nappy recycling with our major suppliers.

Sustainability in action

Goodstart Flemington shares the aim of their sustainability project underway thanks to a **\$1,500 grant**

“The aim of our project is to rejuvenate our existing garden by planting local native plants, adding ‘bush tucker’ and creating an environment that attracts bees, insects and wildlife. The children will be involved in all aspects of the development including planning, shopping for tools and resources, weeding, planting, maintaining, and researching new ecosystems that evolve as a direct result of the project. The expected (environmental and educational) outcomes of the project include children learning more about the environment and natural lifecycles. It is expected to also improve the environment for local wildlife and improving the survival of indigenous species.”

Safety spotlight

Safety starts with each of us – but at Goodstart it is more than that. Being safe is who we are and what we do.

Keeping our children and our people safe is at the centre of everything we do. Embedding a strong safety culture continues to be Goodstart’s top priority and is based on strengthening existing processes and continuously seeking ways to improve.

This year we have focused on strengthening policies and procedures around supervision of children as well as reducing child and adult injury rates particularly those caused by slips, trips, and falls. We have implemented more mandatory training modules and have invested heavily in our team of internal safety and wellbeing experts.

Goodstart’s Board has created a Safe Work and Wellbeing Committee to ensure this work continues to be a priority.

In a sector-first we have appointed a Chief Safety Officer to take an organisational lead on safety, health, and wellbeing, with our safety culture and engagement to be a particular focus as we support our employees’ wellbeing during the ongoing pandemic. Alongside this appointment we have expanded our team of health, safety, and wellbeing experts – to ensure every child and every Goodstarter is safe and well, mentally and physically.

We have also appointed a dedicated COVID-19 Lead role to support teams across the network as they manage and navigate state-based restrictions and lockdowns. This role reflects our commitment to lead the sector in our response to the ongoing global pandemic. Our COVID-safe practices and roadmaps are here to stay and are well embedded in all centres.

This includes sector-leading practices around hygiene, check-in processes and social distancing. These measures continue to provide the safest possible learning environments for our children, families and teams and have ensured we have had no COVID-19 transmission in any of our centres since the onset of the pandemic. We are also supporting our teams and families to get vaccinated when they are eligible.



To support an uplift of safety performance across our sector, Goodstart publicly released a new digital safety app with specifically designed content for people working in early learning.

The free app provides information on the key health, safety and wellbeing risks faced by educators and how to address them effectively along with a range of learning modules; from choosing safe products to playground checks to preventing educator injuries.

Goodstart offers free flu vaccinations to employees, with on-site vaccination clinics in most centres. The vaccinations are now mandatory for all employees to protect them and the children in their care.

Safety Highlights

National recognition for COVID-19 response

Goodstart received national recognition for its safety response to COVID-19 at the 2021 Australian Workplace Health & Safety Awards.



The accolade recognised our safety, health and wellbeing team which adopted industry-leading safety and hygiene practices and infection control and ignited a one team approach. The team collaborated with health officials, all levels of government and unions, and communicated to 15,000+ Goodstarters daily at the peak crisis times.





Exceptional Quality

Our core purpose is to ensure children have the skills they need for learning and life. High quality early learning, delivered by passionate and committed early childhood educators, helps achieve that. This year, Goodstart commenced a new five-year plan to raise the quality of practice at our centres to world class standard, encouraging educators and teachers to engage in reflective practice to continually improve quality.

More than 98 per cent of Goodstart centres have been assessed as 'Meeting' or 'Exceeding' the National Quality Standards, well above the sector average. Two centres were awarded the coveted 'Excellent' rating by ACECQA (Australian Children's Education and Care Quality Authority) – Tuggerah and Bathurst in New South Wales – while 17 centres moved from 'Working Towards' to 'Meeting' or 'Exceeding'. A third of all Goodstart centres were assessed as 'exceeding' the National Quality Standards, with seven services assessed as exceeding in all seven quality areas: Hughesdale, Sunbury – Bennett Court, Blue Haven, Calala, Toormina, Prospect Vale and Gladesville, bringing the total number of centres exceeding in all quality areas to 52.

Practice uplift is supported by environmental rating scales self-assessments which are now conducted in all centres. The Early Years Toolbox is embedded in 293 centres to help educators plan children's next learning steps.

Early communication and language development has been identified as a key focus for child development and practice uplift, with a 13-week intensive learning module focussed on teaching strategies, assessment, and monitoring tools.

Goodstart has commenced the development of a practice guide for children from birth to three years, working with Professor Sheilo Degotardi from Macquarie University. This will complement our 3-5 years practice guide which supports our kindergarten and preschool programs.

Goodstart employs more than 1,500 teachers and supports them with a Teacher Professional Program offering induction, mentoring, networking, professional learning and practice support. We hosted a four-day conference for our teachers with sessions on planning

and assessment, early mathematics (led by Professor Marina Paptic of Australian Catholic University), physical development and movement (led by Professor Iram Siraj of Oxford University) and early communications and language.

Goodstart's online Learning Hub provides a wide range of practice learning opportunities to support practice improvement with over 18,900 educators utilising the resource this year.

258 educators are currently being supported to upgrade to Diplomas and 225 to Bachelor qualifications.

% Services 'Meeting' or 'Exceeding' the National Quality Standards

Goodstart	98%
Preschools & Kinders	95%
Long day care – other NFP/Govt	89%
Long day care – for profit	82%
Outside school hours care	81%
Family day care	53%

Source: NQS Snapshot March 2021

98 per cent of Goodstart centres are 'Meeting' or 'Exceeding' the National Quality Standards.



Personalised Family Experience

Goodstart has set an ambitious five-year goal to develop more personalised experiences for all our families.

While COVID-19 saw our workplan pivot to more online experiences like Goodstart@Home, we have refocused our efforts on understanding our families' experience with us and responding to their changing needs. We seek feedback from our families formally at least twice a year, which is then shared with centre teams.

Our families continue to be positive brand advocates around their experience with Goodstart.

Goodstart's combination of high quality and moderate fees saw our Tuggerah centre rated the best value for money centre in Australia by Kindicare, followed by our Hughesdale centre, with 20 per cent of the top 50 centres nationwide being Goodstart centres.

Goodstart offers families flexible sessions, multi-day discounts, holiday discounts and is one of the few providers not to charge for public holidays. We have kept our fee increases nationally at or below the sector average over the past five years.

Goodstart's partnership with Good Shepherd gave families facing financial difficulties access to financial advice and emergency loans.

Our centres worked to stay connected with children and families at home during lockdowns, and reconnecting when they returned. Whenever public policy allowed, Goodstart waived gap fees for families unable to attend our services due to COVID-19 restrictions and we froze fee increases following Victoria's long lockdown until June 2021. Our Family Support service helped hundreds of families doing it tough to navigate Centrelink to access additional support.

What our families say

“ There is a strong sense of community within the service. Practice is uplifting and I can see children being supported to learn and grow.”

“ My child is always well looked after. I hear about all the fun activities and the new things she has learned on our drive home and she tells them with such enthusiasm, I just know that she has enjoyed her day.”

“ Goodstart Tuggerah has been a second family to our girls for the last 6 years. The educators have continued to be amazing and supportive during this uncertain time.”

“ Staff make huge efforts to get to know the children and what they like. I love that when they discover an interest of a child, they follow up with other things to expand on the interest.”

“ Our daughter is thriving, the last 6 weeks (in particular) she knows who she is in her world and her value at Goodstart.”

“ The Preschool team go out of their way to support my daughter's inclusion and communicate with us.”

“ The team have always been brilliant at adapting play and learning experiences to Joshie's current interests and development needs.”

“ The amazing team at Goodstart Early Learning Garran have been incredible over the past few months with our girls. I'm a nurse and have had to work extra shifts and longer days. They've made a very uncertain time better for our little family and I can't thank them enough!”



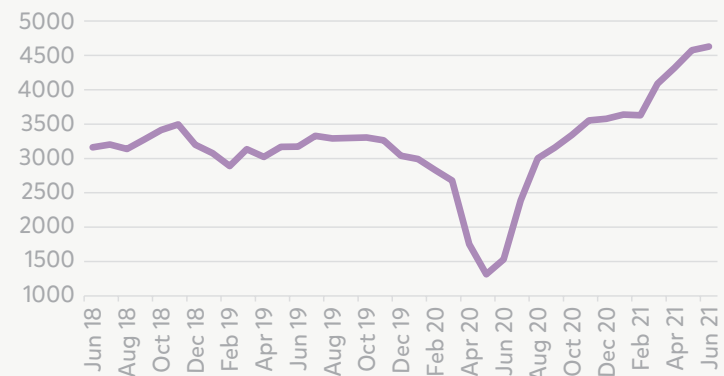


Amazing Goodstarter Experience

Great educators are crucial to the delivery of high-quality early learning. As a not-for-profit, Goodstart can prioritise better wages and conditions for our people instead of paying dividends to shareholders.

Our biggest people project and investment this year was the finalisation of a new Enterprise Agreement for our 15,639 employees. Negotiations involved three unions and more than 80 delegates over 12 months of meeting remotely due to COVID-19. The final agreement, approved by Goodstarters with a 94 per cent yes vote, provides substantially improved above award wages and conditions.

Monthly vacancies in ECEC



Source: National Skills Commission vacancy report

Note: JobKeeper was in place from February 2020 to July 2020

We are hopeful that the new agreement will help attract and retain valued employees. The ECEC sector is facing its worst workforce shortage in decades, with vacancies across the sector up 50 per cent on two years ago.

Goodstart worked with the Early Learning and Care Council of Australia (ELACCA) to develop and launch the “Big Roles in Small Lives” campaign to promote careers in early learning, with a positive market response especially from studying and potential trainees.

We have recognised that our people have had a difficult year with centres moving in and out of lockdown, temporary closures, JobKeeper, changes to subsidy

arrangements, fluctuations in attendances and employee isolation periods. We have worked hard to keep our people safe with national safety and hygiene standards adjusted as public health requirements change and following feedback from unions and our network.

We provided more than 10,000 hours of special paid leave to employees for COVID-related reasons in 2020. As a further thank you, we offered an additional day of leave as a ‘thank you’ to all centre-based Goodstarters in 2020 as well as an additional payment to in-centre staff at the end of June 2021.

Wellbeing has been a particular focus, with employee sentiment regularly monitored through surveys, a new suite of wellbeing learning modules shared, and additional support made available online through our employee assistance service, Lifeworks, via an easy to access app and a partnership with Good Shepherd for financial counselling and support.

We removed the lower staffing ratios allowed during ‘rest periods’ in Queensland, funding an additional \$5 million of rostered educator time to improve child supervision and reduce educator stress.

Our Centre Directors are our key local leaders and we offered professional supervision programs to 183 directors to support their wellbeing and nurture their leadership skills.

We expanded our Teacher Professional Program offering mentoring, networking, and professional learning opportunities for our 1,500 teachers.

We invested over \$22 million in professional learning and development, appointing our first ever Chief Learning Officer to rejuvenate our learning and leadership programs and offerings.

We recognise that diversity and inclusion needs to focus on our employees as well as our children and families. We launched communities of practice for Aboriginal and Torres Strait Islander employees and male employees to better support them in their work and explore how we can make Goodstart a more welcoming place for male and Aboriginal and Torres Strait Islander employees in the future.

Employee engagement remains favourable to the rest of the sector. Our Employee Net Promoter Score (eNPS) held strongly during the height of COVID-19 and then fell slightly in 2021.

You Make the Difference

Standing on the frontline of our organisation during the pandemic has taken courage and commitment from our in-centre teams. As part of our acknowledgement of this extraordinary performance every in-centre Goodstarter received a \$250 pre-paid card, telling them that they ‘Make the Difference’. Centre teams were also provided funds to purchase a range of new resources, furniture, and rugs to improve their in-centre environments. In-centre permanent Goodstarters also received an additional \$200 as part of the You Make A Difference campaign of thanks.

Working at Goodstart, what our people say:

“ We have a shared mission and vision at Goodstart and there’s a sense of collegiality... it’s one of the things that I love and keeps me here.” Amanda Norman, Head of Practice, regional Queensland

“ I have been very lucky – during my six-and-a-half years at Goodstart I have been able to develop my career. Goodstart has also played a large role in my own family. The early learning discounts available to employees have made a big difference to us.” Shaveta, Senior Educator

“ Being an Assistant Director at Goodstart Wulagi is more than work for me. I am really passionate about early education. I love every single day; it doesn’t even feel like working to me... it is a joy.” Nadia Tarnoveaau, Assistant Director

Highlights of new Goodstart EA

- Above award wages
- Match teacher’s starting wages in schools
- Educators paid 3-5 per cent above award
- More non-contact time
- Paid parental leave
- Rostered wellbeing days
- Part-timers given option of full-time hours
- Improved rostering arrangements
- More flexible working arrangements

“ Working in the ECEC sector is truly rewarding. Not only have I been able to develop my career and move into more leadership roles, I’ve been lucky to have such incredible relationships with the families and children I’ve cared for along the way.” Amy McNicol, Centre Director

“ Matching the government school pay rates for teachers goes a long way towards bridging the gap between early childhood and primary school careers. It’s a nice acknowledgement of the work we do, and the critical role we play in early childhood development.” Melissa Tserkezidis, Early Childhood Teacher





INCLUSION FOR EVERYONE

Inclusion of Everyone

At Goodstart we want everyone to feel like they belong, and our inclusion initiatives are both universal and targeted involving every centre.

Our foundational inclusion program Family Connections was run in 211 centres with more than 500 educators involved building inclusive practice by strengthening relationships between educators, children and families.

Many children facing disadvantage exhibit challenging behaviours and we have developed a Behavioural Support Kit to support educators working with them. If required, intensive Individual Support Plans are developed with educators working one-on-one with a child under the guidance of our team of allied health professionals using trauma-informed and attachment-based practices.

Goodstart works closely with our families to help them access Additional Child Care Subsidies, with the number of children supported increasing by 31 per cent in the past year. Goodstart worked with our sector partners and the Australian Government to address procedural and policy impediments to additional subsidies, with correcting legislation passing both houses of parliament during the year.

Where families face financial difficulties but have exhausted federal support, Goodstart partners with the Benevolent Society and Uniting Care NSW/ACT to provide assistance through the Early Learning Fund, with 1,000 children supported in the past year.

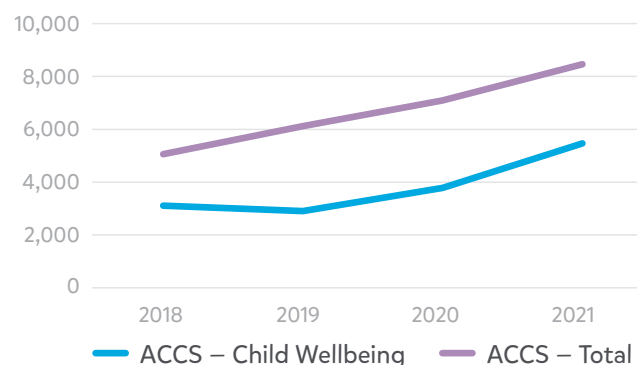
Our Intensive Assistance Program is a partnership with state child protection agencies to support children known to child protection to access early learning,

with 600 children assisted in Victoria and 130 in South Australia. We hope to expand this program to other states.

Moving in and out of lockdown was particularly challenging for families experiencing exclusion. Our Staying Connected program aimed to keep track of these children, with centres following up with families to support their attendance, staying in touch when they could not attend, and ensuring families reconnected and returned when lockdowns lifted. Attendance of children experiencing exclusion increased during the 'free' child care period, but, despite our best efforts, many of these families were unable to maintain their previous days when fees returned.

Social inclusion is core business for our centres. We have started piloting the role of Social Inclusion champions at a centre level to lead local inclusion initiatives with the support of our social inclusion team, as part of our commitment to ensure all children, families and employees feel safe and included.

Number of children in Goodstart receiving Additional Child Care Subsidy



Children experiencing vulnerability

Around 42 per cent of children in Goodstart centres experience vulnerability on at least one risk factor, while 12 per cent face multiple risk factors. Knowing more about the children attending our centres allows us to ensure every child gets the individualised learning and support they need.

Risk factor	Number of children
Aboriginal and Torres Strait Islander	4,585
Low income families	16,201
Language background other than English	9,054
With a disability or developmental delay	4,923
At risk of abuse or neglect	3,840

Goodstart highlights early learning role for infant mental health

Goodstart's commitment to ensuring the best possible outcomes for all of Australia's children including those most vulnerable was put in the spotlight at the World Association for Infant Mental Health (WAIMH) Conference in June.

Child and Family Service National Manager, Alma-Jane O'Donnell shared details of Goodstart's universal practices and targeted interventions aimed at enhancing children's social and emotional development from birth to school age – particularly for children who have experienced trauma.

Alma shared evaluation results of Goodstart's bespoke, child-centred Intensive Individual Support Plans that address the unique needs of each child who has experienced trauma and who is at risk of poor learning, development and wellbeing outcomes.

"It takes a community to raise a child, and more than ever government and health officials are taking notice of the powerful role of early learning in changing a child's life trajectory. This is great news for Australia's children."

Case Study: Harry's story

Goodstart's Intensive Individual Support Plan is changing the life trajectory of children just like four-year-old Harry*.

Harry's upbringing has been chaotic – marked by a family home life of domestic violence at the hands of his father. Living in constant fear and in order to cope, he learnt to trust no-one.

After his father was jailed, his mother and siblings received the support of a refuge and Harry was referred to a local Goodstart centre. During Harry's Kindergarten orientation, the centre team observed several trauma behaviours and applied for additional inclusion support – funded by Goodstart. Goodstart's 12-week Intensive



Individual Support Plan was quickly implemented to ensure Harry got the support he needed ahead of school. At the same time, educators received trauma training to equip them with strategies to respond to Harry's behaviour cues and needs.

Within weeks of starting at the centre, the positive impact the dedicated out-of-ratio educator, Jane, and the intensive plan was having on Harry's development, was visible.

Jane discovered Harry's love of sensory play and started incorporating it into learning activities. Harry learned to trust Jane and his fears reduced visibly within weeks. By week three, Harry, had made a friend and started to sit near other children.

By week 7, much progress had been made but, his life was thrown into chaos with news of his father being released from jail, potentially placing his mother's life at risk. The family was relocated and by working with Child Protection services, Goodstart was able to continue supporting Harry at a new Goodstart centre. Harry's Intensive Individual Support Plan continued, and he is now engaging well with other children in small groups. Harry has had no escalations in behaviours, and his confidence and communication skills have improved dramatically.

Because of this support, his mother can now undertake further study to gain employment and improve the family's financial and living conditions.

* To protect the child and family's identity, the child's name has been changed.

Fact: Goodstart's Intensive Individual Support Plans have supported more than 175 children.





Impact Beyond Goodstart

As Australia's largest not for profit early learning provider, Goodstart is a key contributor to policy debates in Australia, drawing on our data analytics, experience and experimentation in learning as well as our work with our many valued sector partners.

Response to the impacts of COVID-19 was an ongoing theme of our advocacy in the past year, working with sector partners and the Australian Government to ensure centres remained viable and families and educators were supported as states moved in and out of lockdown.



Access to affordable early childhood education and care was recognised by key groups, including Chief Executive Women, the Business Council of Australia, the Australian Council of Trade Unions, the Australian Council of Social Services, The Parenthood and the Small Business Ombudsman as a crucial element of economic recovery from the pandemic. The Labor Opposition unveiled a \$2.5 billion proposal following the 2020 Budget, with the Government proposing \$1.7 billion of affordability improvements to the Child Care Subsidy in the 2021 Budget.

The Minderoo Foundation, with the support of Goodstart and others in the sector, launched the Thrive by Five campaign with a call for universal access to affordable quality early learning and care. Goodstart's Smart Start campaign website continues to be active with more than 12,000 families subscribed.

We supported our peak bodies, the Early Learning and Care Council of Australia and Early Childhood Australia, to present strong cases for change to Governments, as well as advocating as a member of the Federal Government's Early Childhood Education and Care Reference Group and indirect outreach to Federal and State politicians.

Securing access to two years of preschool for all children is a key long-term advocacy objective. We welcomed the Federal Government's decision to fund preschool on a long-term basis with a new outcomes-based reform agenda. We have also worked closely with the Victorian Government on its rollout of universal preschool for three-year-olds, and with the ACT and Tasmanian Governments on targeted initiatives for three-year-olds.

Building the evidence base is a crucial element of securing increased investment in early learning and a better understanding of how we can improve outcomes for all children and especially children likely to be vulnerable. Goodstart continues to build its data, analytical capacity and outcomes framework to provide evidence of what works as well as partnering with researchers on building a robust new evidence base.

We signed a partnership agreement with the Lifecourse Centre of Excellence on an early childhood research program which includes longitudinal data linkage focused on three themes: equity, quality and the ECEC workforce. We are also progressing a data linkage partnership in South Australia with the University of Adelaide (BE BOLD – Better Evidence, Better Outcomes Longitudinal Dataset) that will leverage our investment in child outcome measures with the Early Years Toolbox.



Advocacy in numbers

- 22** policy submissions
- 11** conference and industry presentations
- 43** Members of Parliament visited our centres including two State Premiers

Goodstart contributed to ECEC policy reviews by the Centre for Policy Development and the Front Project as well as to the establishment of the National Early Years Catalysing Group as key levers to work with early childhood development sector partners to drive systemic change across the early childhood services systems that support children and families.

Supporting children at risk is a key advocacy priority, with Goodstart actively working with state agencies to explore better opportunities for partnering, initiatives and data analysis. Improving access to the NDIS (National Disability Insurance Scheme) for children at our centres has been another key objective as well as influencing the redesign of the Early Childhood Early Intervention services across the country.

Case Study: Building a world class early learning system in Victoria

The Victorian Government is leading the nation in well-funded reforms to give all children access to high quality kindergarten programs in the two years before school. Goodstart, as the state's largest kindergarten provider, has worked closely with the Victorian Government on its rollout. This has included funding for new and expanded early learning centres, incentives to attract and mentor early childhood teachers, support for children with additional needs through a School Readiness Fund and investing in the expansion of our outcomes framework in the state. Goodstart's Intensive Assistance Program, co-funded with the Victorian and Australian Governments, has supported over 600 children known to child protection to access early learning. In 2020, the Victorian Government moved to make kindergarten programs in long day care centres and sessional kinders free or nearly free, with the Australian Government agreeing that state fee relief can be applied directly to reduce gap fees. Goodstart is well placed to participate in the full rollout of three-year-old kinder in all of our centres commencing in 2022, and that this will encourage other states to follow suit.

The beating heart of local communities

Our centres are a part of their local communities, enriching lives and focussing where it matters.

Supporting National Causes

Supporting children in foster care

More than 80 Goodstart centres supported the 2020 National Pyjama Day, with children and educators donning their favourite pyjamas and raising much-needed awareness and \$6,330 for children in foster care.

Wearing white for child protection

Thirty-eight Goodstart centres became a sea of white in solidarity to 'break the silence' and put a spotlight on the prevention of child sexual assault and exploitation for Bravehearts' White Balloon Day during Child Protection Week in September 2020.

Championing our First Nations' children

Our Northern Territory centres rallied to support the First Nations charity 'Children's Ground' by hosting a fundraising barbeque for 'Wear it Yellow Day' in June 2021. More than \$1,500 was raised by our Northern Territory centres together with other Goodstart centres.

Community Project

Inspiring a love of reading

Goodstart West Pymble involved their local community in their love of learning by erecting a street library. Due to COVID-19 and funding, they thought outside the box and received in-kind support from their local Bunnings with the donation of materials and their local Hornsby Woodworking Men's Shed who designed and built the library. The collaborative street library now hosts a range of books for community members to borrow.

Centre shout-outs!

- Goodstart Warnbro 'Warriors' join forces – starting on weekend walks that amounted to The Dream Run where they raised more than \$3,000 for The Smith Family to help Australian children achieve their dreams through education.
- Goodstart Kellyville Sydney hit the pavement for a good cause – raising \$4,500 for the Coastrek fundraiser walk for Beyond Blue Mental Health and Wellbeing.
- More than \$1,500 was raised by Goodstart Ormeau-Vaughan Drive by participating in the Colour Fun Run in aid of Scrub Up September for the Gold Coast Hospital Foundation to help sick children in hospital.
- Over November and December, the community spirit of Goodstart Blackmans Bay, Hobart, was truly alive – running a donation drive that accumulated into many suitcases and large boxes of valuable resources for Jireh House, a domestic violence shelter for women and children.
- In Melbourne's western suburbs, the team at Goodstart Derrimut went above and beyond to show their support for a cause close to their hearts. After a family member of the team was diagnosed with a rare form of cancer, the team developed the "United, We Fight It" initiative to support cancer research and those suffering from cancer. The team raised more than \$2,500 which was split between three charities: The National Breast Cancer Foundation, the Movember Foundation and the CanTeen foundation.

Thank you, Goodstarters!

More than 3,000 Goodstarters are part of our workplace giving program, Giving@Goodstart and through their generosity they raised more than \$150,000 for the Early Learning Fund over the past 12 months! This level of support has created the opportunity for more than 100 children to access two-days of early learning each week that would not have been available to them without regular donors to the Early Learning Fund.

Giving @ Goodstart

Early Learning Fund changes lives



The Early Learning Fund (ELF) provides a life-changing opportunity for children and families in need of extra help – gifting fee-relief for early learning and care. Not all of Australia's children receive the government support they need to attend early learning and the ELF was created to solve that problem. Learn more at earlylearningfund.org.au.

Impact: Family reflection



"I was in a crisis situation and a single mum...this has totally changed our lives."



"I sent a letter to withdraw (my son) from the preschool because of my financial situation. When I learnt I could get funding I was so excited."

Fast facts

1,000

children supported by ELF in 2021

1,700

children supported since 2016

233+

communities across Australia touched by the Fund

Children we are supporting

- Families in hardship
- Children at risk of abuse or neglect
- Refugee and humanitarian entrants
- Aboriginal and Torres Strait Islander children

Why support matters

- All ELF children live below the poverty line
- Most ELF children live in families with a history of vulnerability who are seeking to 'break the cycle'
- Because of barriers, including financial, these children would not be accessing these two days of early learning if not for ELF and its fee-relief

Wrap-around support

- More than a third of our ELF children are attending Goodstart's ECHO centres benefiting from additional support

How is ELF funded?

- Philanthropy
- Our Giving@Goodstart community
- Corporate partners including NAB
- Goodstart and Uniting (program management and delivery costs)

Family impact: Kim's story

The Early Learning Fund has had a big impact on the life of Kim, a 28-year-old single parent of four who has two children, Kaiden (4) and Talayah (3), receiving support in 2021.

Kim had been through a number of personal struggles and by gaining funding support for her children to access two days of early learning, in addition to wrap-around support provided by her Goodstart ECHO centre, the whole family's trajectory has changed for the better.

"I remember the afternoon that we told Kim... I actually had to take her into the back office, because she was so overwhelmed with what we were able to do to support her," centre director Elizabeth Brooker said.

Elizabeth said the centre and the Early Learning Fund can help each individual child but in enabling the whole family to get help, with fee-relief and emotional support, it builds all their confidence and flows onto siblings. Thanks to the support of the Fund, Kim was given more independence and gained employment, giving her greater financial security.





Reconciliation – taking action for change

At Goodstart, we recognise our responsibility to ensure the next generation of Australians grow up with connection to and understanding of our First Nations people, culture, and our true history.

Guided by our Stretch Reconciliation Action Plan (RAP) 2020 – 2023, and inspired daily by our children, reconciliation is more than just a word. Goodstarters take action every day across more than 664 early learning centres and lay the foundation for lasting change.

This year, our Board and Leadership Team set a bold target to become one of our nation's leading employers of First Nations people by 2025 – to make a marked and genuine impact on the lives of Aboriginal and Torres Strait Islander people, children and communities and create a stronger, thriving Goodstart.

First Nations Goodstarter inspires next generation

Kerrie Kennedy, Senior Educator from Goodstart Early Learning Bathurst is the proud winner of the 2021 Awabakal Excellence in Education Award at the Dreamtime Awards.

In its fourth year, the National Dreamtime Awards recognises Indigenous excellence in the categories of Sport, Arts, Education, Health and Community.

Kerrie was nominated by the Bathurst Local Aboriginal Lands Council CEO Toni-Lee Scott for her excellence in education in early childhood.

Kerrie said winning the award was a huge honour and paid tribute to her own parents for their commitment to her education.

“My mum and dad always told us how important our education was and instilled in us the importance of education for all children. I have helped to establish a Bush Kindy Program in Bathurst, making connections within the local Aboriginal Community, and connecting back to Country. I believe the most important learning and development in anyone's life happens in high quality early learning centres like ours,” she said.

Kerrie has worked in early learning for 13 years and has been a key member of the team at Goodstart Bathurst for the past five years which last year received an Excellent rating from the Australian Children's Education and Care Quality Authority.

Reconciliation Impact and Progress

Local reconciliation action plans

From Yidinji, Gooreng Gooreng, Yuggera, Gadigal to Wurundjeri and Palawa Country on the east coast of Australia, across to Kurna Country and Wadjuk Noongar in the west, up to Larrakia in the Northern Territory and across all nations of Australia, our centres take affirmative action for local reconciliation impact.

More than 657 Goodstart centres are on their journey utilising the Narragunnawali platform, with 289 RAPs (Reconciliation Action Plans) published up from 243 in FY2020.

Creating a strong sense of belonging

Creating a sense of belonging for Aboriginal and Torres Strait Islander people starts with strong cultural awareness among Goodstarters.

Over FY2021 more than 5,667 Goodstarters have completed our foundational Cultural Awareness Training – up from 4,836 in FY2020 – marking the beginning of their personal reconciliation journey at Goodstart. More than 13,665 Goodstarters have completed the training over the past two and half years.

First Nations engagement grows

Employees identifying as Aboriginal and/or Torres Strait Islander increased from 293 on FY2020 to 335 in FY2021. More than 6.7 per cent of children attending Goodstart



Melody Ingra, Cultural Liaison at Goodstart and a Gooreng Gooreng/Wakka Wakka woman, wearing one of the 19,000 NAIDOC shirts distributed free to Goodstarters.

centres identify as Aboriginal and/or Torres Strait Islander, compared to 5.8 per cent in 2020, 5 per cent in 2019 and 4.7 per cent in 2018.

Creating career pathways

Our partnership with CareerTrackers continues to grow, with Goodstart welcoming 12 university students from Aboriginal and Torres Strait Islander descent to undertake internships over FY2020 at Goodstart centres and CSO teams.

First Nations voices at the heart of our work

Becoming the leading employer of First Nations Peoples, Goodstart must begin with listening to and learning from First Nations lived experiences, knowledge and aspirations.

In her third year at Goodstart, Melody Ingra, Goodstart's Cultural Liaison and proud Gooreng Gooreng/Wakka Wakka woman from Yallarm (Gladstone Qld) has continued to amplify her impact across the nation, drawing on her years of experience as a teacher working

along side educators, teachers, centre directors and centre support Goodstarters to progress our cultural learning journey. "Over the past year Reconciliation has truly become a movement across Goodstart, so many Goodstarters commenced their learning journey to unlearn, and re-learn. In the last year I've seen a real ignition of a passion for reconciliation at both a personal and professional level – and it's that passion and commitment that will lead to a shared future."

Senior Educator Lisa Walker, a Yuin, Yaegl, Kabi Kabi and Bundjalung woman who lives on Country in Northern NSW, has been seconded to the role of Cultural Design Lead in the Employee Diversity team to help create a stronger sense of belonging for First Nations Goodstarters. Lisa established a fortnightly yarn with fellow First Nations Goodstarters, "to give them a voice and help drive the change" and states "being able to advocate for my people and give them a voice is what's important to me."

Deepening commitment to Torres Strait Islander culture

Goodstart appointed Torres Strait Islander Cultural Liaison Peter Pilot-Wakaisu (based in Cairns, Far North Queensland) to help deepen every Goodstarters knowledge and understanding of Torres Strait Islander culture, history, and achievements. Peter, a Saisarem man from Erub (Darnley Island), will also play an important role in shaping Goodstart's Aboriginal and Torres Strait Islander employment initiatives.

Cultural immersion programs expands

The positive impact of our cultural immersion and secondment program in the Fitzroy Crossing, Western Australia, run in partnership with Marinwarntikura over the past five years, has seen Goodstart invited to continue this two-way program in the Maningrida community in the Northern Territory.

Five educators undertook secondment at the Baya Gaway Early Childhood Learning Unit in Fitzroy, and for the first-time, two educators, including one taking an educational leader role, were seconded for 12-months to support the local centre with its delivery of high quality and inclusive early learning.

The first secondment of two educators to the Manayingkarirra Child and Family Centre in NT, in partnership with the NT Government, commenced in April 2021.

Community of Practice

More than 90 centres participated in Goodstart's Community of Practice over the past 12 months to harness the collective knowledge, experience, and insights, to strengthen each other's local reconciliation journey. All centres have formed new partnerships within their community, including women's groups, yarning circles and engagement with local Elders and knowledge holders, and increased representation of Aboriginal and Torres Strait Islander Goodstarters to double that of Goodstart's overall representation.

Proudly wearing our support for 'Heal Country!'

Every Goodstarter got behind a deadly initiative by Goodstart and BW Tribal – ordering more than 19,000 free Goodstart NAIDOC Shirts to proudly wear their support for, 'Heal Country!' – theme of NAIDOC Week (4-11 July) 2021. The initiative was thanks to a partnership between Goodstart and BW Tribal – a 100 per cent Australian Indigenous owned and operated business who worked in collaboration with deadly Aboriginal and Torres Strait Islander artists – Leah Brideson "Maaruma-li" (Heal), Joel Sam – Dhawdhaypa Dhoey Nithapa (Healing The Land) and Kiya Watt – Healing Boodjah.

What is ahead

We're committed to continuous improvement and to make lasting, embedded change we are focusing on the heart of our organisation – children and the centre teams who support them.

We're continuing to improve the support our centre teams receive, not just in improved wages and conditions – although they are vital – but in the skills they develop to help children in their learning and development.

Already more than 450 Centre Directors are honing their skills in Lead2Learn. Led by our Chief Learning Officer this program helps our centre leaders be prepared, feel empowered and ready to lead and support their team, families and children in their care.

We're also getting better at creating a peer-to-peer learning environment for our teams, with centre-based teams sharing their experiences and expertise through our Centres Connect webinars and via a weekly 'Lunch and Learn'.

Centre leaders can also opt-in to a new Professional Supervision program which allows them to access a professional mentor and support in all parts of their work and life. This program will expand in the next 12 months.

In our centre support offices, the teams are also focused on getting better, spending more time ensuring ideas, technological solutions and new programs and projects are the solutions our centres need most and make the biggest difference to children, families and Goodstarters.





Annual Financial Report

Goodstart Early Learning Ltd

ABN 69 139 967 794

30 June 2021

We're for children, not profit.

Directors' Report

for the year ended 30 June 2021.

Directors' Report (continued)

The directors present their report on the consolidated entity (the "Group"), consisting of Goodstart Early Learning Ltd ("Goodstart" or the "Company") and the entities it controlled for the financial year ended 30 June 2021 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:



Paul Robertson AO *B Comm; FCPA*

Goodstart Chair, Non-executive Director. Member, Audit and Risk Committee. Chair, Remuneration and Nominations Committee. Member, Quality and Social Purpose Committee **Appointed 1 December 2019**

Paul Robertson has extensive experience as a Non-Executive Director and Chair in a wide variety of commercial and not for profit organisations across Australia. He is the immediate past Chair of Social Ventures Australia, St Vincent's Health Australia and Alzheimer's Australia (NSW). He was also a Director of Dementia Australia. He is currently Chair of Tonic Media Network, Chair of Grace Papers, Chair of Kinela, Director of Sydney Theatre Company Foundation, Founder and Director of the Financial Markets Foundation for Children and Director of the Telco Together Foundation. Paul has broad experience in finance including 27 years as Global Treasurer and Executive Director at Macquarie Bank.

He was made an Officer of the Order of Australia in 2018 for distinguished service to the community through ethical leadership and management of, and philanthropic contributions to, health, social enterprise, research, education and arts organisations.



Natalie Walker *BA (Psych); LLB*

Non-executive Deputy Chair. Member, Quality and Social Purpose Committee. Member, Remuneration and Nominations Committee. Member, Safety, Health and Wellbeing Committee **Appointed 1 December 2018**

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



Julia Davison *BSc (Hons); MPA; MAICD*

Director and Chief Executive Officer **Appointed 29 June 2011**

Julia Davison joined Goodstart as its Chief Executive Officer in February 2011. Julia has led the development of Goodstart's strategy and its transformation over the last 10 years and has extensive senior management experience in the human services sector in Australia and the UK. Between 1999 and 2004 she was CEO at Flinders Medical Centre, a large teaching hospital in Adelaide. From 2004 to 2010 Julia was CEO of WorkCover SA. Julia is Chair of Cape York Girl Academy and a member of the Cape York Education Board 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. She has a strong interest in public policy and has a Masters degree from the Harvard Kennedy School.



Lynelle Briggs AO *B Econ; GAICD*

Non-executive Director. Chair, Safety, Health and Wellbeing Committee. Member, Audit and Risk Committee **Appointed 15 December 2015**

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



Professor Sir Kevan Collins *Ed.D*

Non-executive Director. Member, Quality and Social Purpose Committee. Member, Talent and Remuneration Committee. **Appointed 1 December 2018**

Sir Kevan Collins has worked in the UK public service for more than 35 years becoming the first Education Endowment Foundation (EEF) chief executive in October 2011, having previously been chief executive in the London Borough of Tower Hamlets. Prior to this role he led a varied and distinguished career in education – starting off as a primary school teacher in London, leading the English Primary Strategy as national director, and then serving as director of Children's Services at Tower Hamlets. Sir Kevan has international experience working in Mozambique, supporting the development of a national literacy initiative in the USA and has recently been appointed to the inaugural board of the Australia Education Research Organisation. Kevan is Chair of the Youth Endowment Fund, a Home Office funded national programme designed to use evidence to reduce levels of youth violence and crime in England and Wales. He completed his doctorate focusing on literacy development at Leeds University in 2005. He is a visiting professor at the University of London and was knighted for services to education in 2015.



Chris Harrop *MBA (Hons); B Comm (Hons)*

Non-executive Director. Chair, Audit and Risk Committee **Appointed 01 January 2019**

Chris Harrop is a Director in the Melbourne office of Bain & Company where he has worked for over 25 years in the US, UK and Australia, and recently completed a six-year term on the global Board of Directors. Bain is a global strategy consulting firm with over 12,000 staff across 61 offices in 38 countries. Chris has worked with clients in many industries, with a focus on services businesses. He has specialised in projects addressing corporate strategy, customer experience improvement and broad-based transformational change. Chris is a Non-executive Director at Social Ventures Australia and was a long-serving board member of the Australian Brandenburg Orchestra. He is a co-founder of Restacking the Odds, a not-for-profit partnership between Bain, SVA and MCRI working to address inter-generational disadvantage in Australia. Chris earned an MBA with Honours from IMD in Lausanne, Switzerland, and a Bachelor of Commerce with First Class Honours in Marketing from Otago University in New Zealand.



June McLoughlin *M.Ed*

Non-executive Director. Chair, Quality and Social Purpose Committee. Member, Safety, Health and Wellbeing Committee **Appointed 15 December 2015**

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



Tony Nicholson *BA; BSW*

Non-executive Director. Member, Quality and Social Purpose Committee **Appointed 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 thirteen years from 2004 to 2017.



Rob Koczkar *B Eng (Hons)*

Non-executive Director. Chair, Audit and Risk Committee **Appointed 28 May 2010, Retired 28 October 2020**

Rob Koczkar is a Managing Director of Adamantem Capital. He has extensive experience in social impact and private equity investing along with a deep understanding of the social purpose sector. He was previously CEO of Social Ventures Australia, a Managing Director of Pacific Equity Partners, Principal at Texas Pacific Group and started his career as a strategy consultant with Bain & Company. Rob currently serves as the Chair of Social Ventures Australia Limited and on the boards of a number of Adamantem entities and fund portfolio companies including Melior Investment Management, Hygain, Zenitas, Legend and Climate Friendly.

Directors' Report (continued)

B Company Secretaries

Lois Aumuller FGA 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 to the Supreme Court in Queensland and Victoria and to the High Court of Australia, and has over 20 years' experience in legal practice, both in private practice 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 2021 were:

	Board of Directors		Audit and Risk Committee		Remuneration and Nominations Committee		Quality and Social Purpose Committee		Safety Health and Wellbeing Committee*	
	A	B	A	B	A	B	A	B	A	B
L Briggs	5	5	4	4	-	-	-	-	3	3
K Collins	5	5	-	-	4	4	4	4	-	-
J Davison	5	5	-	-	-	-	-	-	-	-
C Harrop	5	5	4	4	-	-	-	-	-	-
R Koczkar**	1	1	1	1	-	-	-	-	-	-
J McLoughlin***	4	4	-	-	-	-	3	3	3	3
T Nicholson	5	5	-	-	-	-	4	4	-	-
P Robertson	5	5	4	4	4	4	4	4	-	-
N Walker	5	5	-	-	4	4	4	4	3	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

* The Safety, Health and Wellbeing Committee was established on 1 January 2021.

** R Koczkar retired from the Board with effect from 28 October 2020. R Koczkar attended Audit and Risk Committee meetings after that date as an external advisor.

*** J McLoughlin was on an official leave of absence from the Board from 25 May 2021 to 27 June 2021.

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

P Robertson attends the Safety Health and Wellbeing Committee in an ex-officio capacity.

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

In the year ended 30 June 2021, a net surplus of \$26.7 million (2020: net deficit of \$13.03 million) was reported and net assets increased to \$130 million (2020: \$103.5 million).

F Company objectives

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

Exceptional Quality

Our practice will be world class: we will deliver 'best practice', and discover 'next practice'. Through this, we will create enjoyable learning experiences for each child that prepares them to take on the world, now and into the future.

Inclusion for Everyone

We will be a place of opportunity where all children, families and Goodstarters feel safe to belong. This means we will think differently and do more to create opportunities for those children, families and Goodstarters who may be experiencing exclusion. Through this, everyone at Goodstart will be able to thrive.

Impact beyond Goodstart

We will create an unstoppable force for change in the early years ecosystem. We will build indisputable evidence of what works for children in the first five years, and we will rally our network of Goodstarters, families and communities to work with others to ensure that all Australia's children have the best start in life.

Amazing Goodstarter Experience

We will be known as a place to learn, grow and have real voice. People will flourish when they become a Goodstarter, so that together we can make the difference for children and families, in each local community and across our whole Goodstart community.

Personalised Family Experience

We will value our families for who they are and what they bring. From this base, we will work with them in partnership to realise their aspirations for their children – including by supporting family life and enhancing learning and development at home – as part of a rich, seamless Goodstart experience.

Thriving Organisation

We will be a financially thriving organisation that reinvests to improve children's outcomes in and beyond Goodstart. We will be agile, innovative and responsive to challenges and opportunities now and in the future. We will be the best at getting better.

These are underpinned by our safety aspirations, and reconciliation is weaved through everything we do.

Safety

Children, families and Goodstarters will be physically, emotionally and culturally safe at Goodstart. We will all be proactive about promoting wellbeing, preventing harm, and speaking out on matters of safety. Safety will underpin everything that we do.

Reconciliation

We will deepen our reconciliation journey. As Goodstarters, we will engage with reconciliation on both personal and professional levels, creating the conditions that support Aboriginal and Torres Strait Islander social justice, equality and equity. Through this, we will grow a society that values and recognises Aboriginal and Torres Strait Islander cultures and heritage as a proud part of a shared identity.

Details of achievements and activities undertaken during the 2020/21 year are included on pages 10 to 27.

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 priorities:

1. Safety

- a) Child medical injuries per 10k attendances
- b) Lost time injury frequency rate (per million hours worked)
- c) Number of substantiated cases of child harm

2. Exceptional Quality

- a) Percentage of centres exceeding the National Quality Standards
- b) Percentage of centres making at least a score of 5 on the Environmental Rating Scale across a minimum of 4 items
- c) Percentage of centres operating at Environmental Rating Scale of 6 or 7

3. Inclusion for Everyone

- a) Percentage of vulnerable children accessing adequate early learning in the 2 years before school
- b) Percentage of Goodstart children accessing adequate early learning in the 2 years before school
- c) Percentage of Goodstarters agreeing that Goodstart as a workplace is inclusive and diverse
- d) Number of children excluded

4. Impact Beyond Goodstart

- a) Percentage of community support for 2 years of early learning
- b) Government investment in the early years (% of GDP)
- c) Evidence index
- d) Early years ecosystem index

5. Amazing Goodstarter Experience

- a) Employee initiated turnover
- b) Employee net promoter score
- c) Growth and development index
- d) Investment in learning and development (as % of payroll)
- e) Employer brand preference index

6. Personalised Family Experience

- a) Net promoter score (current and exited families)
- b) Percentage of children exited who stayed until school starts
- c) Family Brand Preference Index (Addressable Market Consideration)

7. Thriving Organisation

- a) Percentage of booked occupancy (excluding new centres)
- b) Operating margin
- c) Weighted Brand Reputation Index

8. Reconciliation

- a) Percentage of children identifying as Aboriginal and / or Torres Strait Islander
- b) Percentage of Goodstarters identifying as Aboriginal and/ or Torres Strait Islander
- c) Percentage of Staff completed cultural competence training
- d) Percentage commitment of reconciliation

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 2021, 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 2021 (2020: \$400).

I Lead auditor's independence declaration

KPMG is Goodstart's external auditor and its independence declaration is set out on page 36. This forms part of the Directors' Report for the financial year ended 30 June 2021.

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

On 29 July 2021, the Group signed a governing deed of variation with a landlord to extend the lease term for a number of leases by an average of 12 years. The expected impact to the Group is an increase to the right of use asset and lease liability of approximately \$70 million.

On 23 August 2021, the Australian Government announced the 'Viability Support Package' to assist the Early Childhood sector and to mitigate the impact of the restrictions from the recent outbreaks due to the COVID-19 pandemic. The Group has applied for Government assistance in affected states including NSW, ACT and VIC. The funding provides 25% of pre-lockdown revenue (based on a May reference period) for services who have seen a 50% or more drop in attendances, so long as providers waive gap fees for families, keep staff employed and do not increase fees during this time. Families can also access additional allowable absences once a hotspot declaration period exceeds seven days, and are backdated to the first day of the current lockdown. There are no implications to the existing Government fee subsidies already provided on these absences and the Group will continue to monitor the ongoing financial impact.

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

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



Paul Robertson
Director

Dated at Brisbane this 22 September 2021



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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2021 there have been:

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

KPMG

KPMG

Tracey Barker
Partner

Brisbane
22 September 2021

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Financial Statements

Goodstart Early Learning Ltd

ABN 69 139 967 794
30 June 2021



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

For the year ended 30 June 2021

		2021	2020
	Note	\$000	\$000
			Restated
Revenue from early learning centres	6a	1,252,202	1,003,613
Government grants	7	74,706	179,443
Other income	8	4,494	2,360 ⁽¹⁾
Total revenue		1,331,402	1,185,416
Employee costs	9	899,542	839,813
Property expenses	10	99,204	75,671
Depreciation expense of right of use assets	17a	91,561	87,206
Catering and consumables expenses		61,105	50,318
Depreciation and amortisation expense of property, plant & equipment and intangibles	15 & 16	40,606	41,971
Technology and communication expenses	16	22,019	14,686
Net impairment (reversal) / loss	15, 16 & 17a	(2,096)	14,596
Consulting and professional costs		5,662	5,324
Marketing expenses		7,235	4,694
Travel and motor vehicle expenses		1,878	4,578
Other expenses	11	9,541	7,994
Total expenses		1,236,257	1,146,851
Operating surplus		95,145	38,565
Finance income	12	780	924
Finance costs	12	(69,261)	(52,524)
Net finance (cost)	12	(68,481)	(51,600)
Net surplus / (deficit) for the year		26,664	(13,035)
Total comprehensive income / (loss) for the year		26,664	(13,035)

⁽¹⁾ Comparative information has been restated following amendments to and completion of provisional accounting. Refer to note 5 for further information.

The notes on pages 43 to 71 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd Consolidated statement of financial position

As at 30 June 2021

	Note	2021	2020
		\$000	\$000
			Restated
Assets			
Current assets			
Cash and cash equivalents	13	69,138	134,558
Trade and other receivables	14	41,884	76,119
Inventories		351	738
Financial assets	18	85,693	-
Total current assets		197,066	211,415
Non-current assets			
Deposits and security bonds		999	1,130
Property, plant and equipment	15	292,043	258,827
Right of use assets	17a	1,609,931	1,362,876 ⁽¹⁾
Intangible assets	16	4,931	11,955
Total non-current assets		1,907,904	1,634,788
Total assets		2,104,970	1,846,203
Liabilities			
Current liabilities			
Trade and other payables	19	81,557	100,643 ⁽¹⁾
Loans and borrowings	20	22	-
Lease liabilities	17b	38,429	59,291
Employee benefits	21	92,393	85,002
Provisions	22	14,178	8,607 ⁽¹⁾
Contract liabilities	6b	21,020	34,519
Total current liabilities		247,599	288,062
Non-current liabilities			
Trade and other payables	19		
Loans and borrowings	20	13,462	46,062
Lease liabilities	17b	1,664,775	1,358,401 ⁽¹⁾
Employee benefits	21	13,258	12,725
Provisions	22	35,664	37,405
Total non-current liabilities		1,727,159	1,454,593
Total liabilities		1,974,758	1,742,655
Net assets		130,212	103,548
Equity			
Accumulated surplus		130,212	103,548 ⁽¹⁾
Total equity		130,212	103,548

⁽¹⁾ Comparative information has been restated following amendments to and completion of provisional accounting. Refer to note 5 for further information.

The notes on pages 43 to 71 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd Consolidated statement of cash flows

For the year ended 30 June 2021

	2021	2020
Note	\$000	\$000
Cash flows from operating activities		
Cash receipts from parents and guardians	404,561	358,042
Cash receipts from grants and government funding	959,269	806,678
Cash receipts from other income	5,159	5,873
Cash paid to suppliers and employees	(1,122,985)	(958,786)
Net cash from operating activities	246,004	211,807
Cash flows from investing activities		
Proceeds from sale of plant and equipment	458	171
Purchase of plant & equipment and intangible assets	(44,225)	(60,319)
(Payments) to / Proceeds from term deposits	(85,693)	7,000
Interest received	780	924
(Payments) for subsidiaries, net of cash received	-	6,166
Acquisition of centres	(25,110)	(19,392)
Net cash used in investing activities	(153,790)	(65,450)
Cash flows from financing activities		
Proceeds from borrowings	92,000	32,600
Repayments of borrowings	(124,600)	-
Payments of lease liabilities	17 (54,934)	(53,852)
Interest paid	(70,100)	(52,773)
Net cash used in financing activities	(157,634)	(74,025)
Net (decrease) / increase in cash and cash equivalents	(65,420)	72,332
Cash and cash equivalents at 1 July	134,558	62,226
Cash and cash equivalents at 30 June	69,138	134,558

The notes on pages 43 to 71 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd Consolidated statement of changes in equity

For the year ended 30 June 2021

	Accumulated Surplus \$000	Total Equity \$000
Balance at 1 July 2019	102,914	102,914
Adjustment on initial application of AASB 16	13,669	13,669
Adjusted balance at 1 July 2019	116,583	116,583
Total comprehensive income for the year		
Net deficit for the year	(13,035)	(13,035) ⁽¹⁾
Balance at 30 June 2020 – Restated	103,548	103,548 ⁽¹⁾
Total comprehensive income for the year		
Net surplus for the year	26,664	26,664
Balance at 30 June 2021	130,212	130,212

⁽¹⁾ Comparative information has been restated following amendments to and completion of provisional accounting. Refer to note 5 for further information.

The notes on pages 43 to 71 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd

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Goodstart Early Learning Ltd

Notes to the consolidated financial statements for the year ended 30 June 2021

1 Reporting entity

Goodstart Early Learning Ltd (the “Company”), a not-for-profit entity, is a company limited by guarantee. The consolidated financial statements of the Company as at, and for the year ended 30 June 2021, comprise the Company and its subsidiaries (together referred to as the “Group”).

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements are Tier 2 general purpose financial statements that have 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 Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The consolidated financial statements were authorised for issue by the Board of Directors on 22 September 2021. 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 Group’s functional currency.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors’ Reports) 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.

(d) Use of estimates and judgements

In preparing these consolidated financial statements management has made judgements, estimates and assumptions that affect the application of the Group’s 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(e) – Trade and other receivables
- Note 3(i) – (i) Property, plant & equipment, (ii) depreciation (iii) impairment
- Note 3(j) – Impairment of non-financial assets
- Note 3(k) – Intangible assets (iv) impairment
- Note 17(e) – Leases (e) extensions, options and new leases
- Note 22 – Provisions

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

2 Basis of preparation (continued)

(e) Working capital

These consolidated financial statements have been prepared on the basis that the Group is a going concern and is able to realise assets and settle liabilities in the ordinary course of business for at least 12 months from the date of issuing the consolidated financial statements.

The Group has a consolidated net asset position of \$130.2 million (2020: \$103.5 million). Current liabilities exceed current assets by \$50.5 million (2020: \$76.6 million). This is mainly due to \$92.4 million (2020: \$85.0 million) in employee benefits being recorded within current liabilities. These employee benefits are not expected to be paid in a lump sum at any point during the next 12 months. In addition, current lease liabilities of \$38.4 million (2020: \$59.3 million) have been recognised with the corresponding right of use asset recognised as a non-current asset.

The Group has prepared a 2022 financial year cash flow forecast which demonstrates that the Group has sufficient cash to pay its liabilities when they fall due.

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

3 Significant accounting policies

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.

(a) Basis of consolidation

i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

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.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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 the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the financial statements of Goodstart Early Learning Ltd (the parent entity).

(b) Revenue recognition

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

The Group recognises revenue when it transfers control over a service to a customer and specific criteria have been met about the nature and timing of the satisfaction of performance obligations for each of the Group's activities as described below:

i) Revenue from early learning centres

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

ii) Contract liabilities

Revenues received in advance from parents, guardians and the government are recognised as a contract liability and classified as a current liability (as the performance obligation is yet to be satisfied).

iii) Government grants

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

- Where the agreement is enforceable and contains sufficiently specific performance obligations, the grant revenue is initially recognised as a contract liability with revenue recognised over time as the service is provided;
- Where the agreement is not enforceable and there are no specific performance obligations, the grant revenue is recognised on receipt as the recognition criteria has been satisfied; and
- 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 grants are initially recognised as a contract liability and recognised as revenue as and when the performance obligation to acquire or construct the asset is completed.

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2021****3 Significant accounting policies (continued)****(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 cash and call deposits are pledged as cash security for the Group's rental guarantees provided by our financier in favour of landlords of properties from which the Group operates its early learning centres, and WorkCover authorities in states where the Group has entered into retro-paid loss premium arrangements.

(d) Goods and services tax

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

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

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

(e) Trade and other receivables

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

The Group has applied AASB 9 Financial Instrument's simplified approach to measuring expected credit losses whereby the loss allowance is measured at an amount equal to lifetime expected credit losses. The Group assesses expected credit losses based on the Group's historic credit loss experience, current market conditions as well as forward looking estimates at the end of each reporting period.

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

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

The amount of the impairment loss is recognised in profit or 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 or loss.

(f) Financial assets**Term Deposits**

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

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2021****3 Significant accounting policies (continued)****(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. They are recognised initially at the fair value and subsequently measured at amortised cost using the effective interest method.

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

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

Leasehold operating rights are recognised as part of the right of use assets.

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	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.

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2021****3 Significant accounting policies (continued)****(i) Property, plant and equipment (continued)****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).

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) 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 a 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.

ii) 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.

Software as a Service (SaaS) are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. A right to receive future access to the supplier's software does not, at the contract commencement date, give the Group the power to obtain the future economic benefits flowing from the software itself and to restrict other's access to those benefits. As such the Group does not receive a software intangible asset at the contract commencement date.

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2021****3 Significant accounting policies (continued)****(k) Intangible assets (continued)****ii) Software (continued)**

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition and recognition criteria for an intangible asset are recognised as intangible software assets. Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received.

iii) 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.

iv) 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.

(l) Inventories

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

(m) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease component as a single lease component.

i) Right of use assets

The Group recognises right of use assets at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date over the shorter of useful life of the underlying asset or the end of the lease term (1 - 40 years). In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group also recognises leasehold operating rights that arise as part of the transfer of the lease in a centre acquisition. Leasehold operating rights are subsequently depreciated using the straight-line method from the commencement date over the shorter of useful life of the underlying asset or the end of the lease term.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

3 Significant accounting policies (continued)

(m) Leases (continued)

ii) Lease liabilities

The Group recognises a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Group changes its assessment of whether it will exercise an extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group presents right of use assets and lease liabilities separately in the statement of financial position.

iii) Short term leases and leases of low value assets

The Group has elected not to recognise right of use assets and lease liabilities for short term leases. The Group does not have any leases of low value assets.

Lease payments on short term leases are recognised as an expense on a straight-line basis over the lease term.

iv) Peppercorn leases

The Group has elected to measure the right of use assets arising from its 'peppercorn' leases at cost which is based on the associated lease liability.

v) COVID-19 related rent concessions

The Group has applied COVID-19 Related Rent Concessions – Amendment to AASB 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

3 Significant accounting policies (continued)

(m) Leases (continued)

vi) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(n) Employee benefits

i) Short-term employee benefits

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

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

ii) Long-term employee benefits

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

The obligations are presented as current liabilities in the statement of financial position 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.

(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.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

3 Significant accounting policies (continued)

(o) Provisions (continued)

i) Lease obligation provisions

Make good provisions

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

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 consolidated financial statements. The provision has been calculated as an estimate of future costs. All other repairs and maintenance costs are expensed when incurred.

ii) Onerous contracts provision

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract which is determined based on incremental costs necessary to fulfil the obligation under 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 lease liabilities 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 Years Pty Ltd (a subsidiary of the Company) is endorsed as Deductible Gift Recipient (DGR).

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

4 Changes in accounting policy

(a) Software as a Service (SaaS) arrangements

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements:

- *Customer's right to receive access to the supplier's software hosted on the cloud* (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- *Configuration or customisation costs in a cloud computing arrangement* (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise all configuration and customisation costs related to SaaS arrangements as intangible assets in the statement of financial position. The adoption of the above agenda decisions has resulted in a reclassification of these intangible assets to either a prepaid asset in the statement of financial position and/or recognition as an expense in the statement of profit or loss and other comprehensive income, impacting the periods presented.

Based on this change, all configuration and customisation costs incurred in implementing cloud based software is now recognised as expenses in profit or loss. The Group expensed \$7.1 million of configuration and customisation costs incurred in implementing cloud based software costs as technology and communications expenses. Of this balance \$1.7 million of costs to configure or customise the cloud provider's application software were capitalised in previous years.

The new accounting policy is presented in note 3(k).

(b) Definition of a Business (Amendments to AASB 3)

The Group has initially adopted Definition of a Business (Amendments to AASB 3) from 1 July 2020. A number of other new standards are also effective from 1 July 2020 but they do not have a material effect on the Group's financial statements.

The Group applied Definition of a Business (Amendments to AASB 3) to a business combinations whose acquisition dates are on or after 1 July 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in note 3(a).

5 Business combination – childcare centres

On 29 June 2020, the Group completed a merger with Big Fat Smile Group Limited including 41 Early Learning and Care, OSHC and Preschool services.

The fair value of right of use assets, lease liabilities and provisions were measured provisionally at the end of the previous financial year.

During the year, in accordance with AASB 3 Business Combinations, the Group identified new information regarding facts and circumstances that existed at merger date that resulted in measurement period adjustments to the provisional accounting as disclosed in note 5 of the Group's consolidated financial statements for the year ended 30 June 2020. As a result, changes to the fair value of right of use assets, lease liabilities and provisions have been applied from the merger date, resulting in a restatement of comparatives in the previous financial year.

The measurement period for the business combination of Big Fat Smile Group Limited is now complete.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

5 Business combination – childcare centres (continued)

The following table summarises the recognised amounts of assets and liabilities at the date of the merger.

	Provisional accounting	Measured period adjustments	Final fair value
<i>Assets and liabilities at fair value</i>	\$000	\$000	\$000
			Restated
Cash and cash equivalents	6,166	-	6,166
Property, plant and equipment	3,356	-	3,356
Right of use assets	27,956	(6,007)	21,949
Trade and other receivables	3,539	-	3,539
Other assets	401	-	401
Trade payables	(3,264)	-	(3,264)
Lease liabilities	(30,162)	7,301	(22,861)
Employee benefits	(4,074)	-	(4,074)
Contract liabilities	(2,228)	-	(2,228)
Provisions	(1,690)	(42)	(1,732)
Net identifiable assets/(liabilities)	-	1,252	1,252

6 Revenue

	2021 \$000	2020 \$000
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(a) Revenue from early learning centres

Fees from parents and guardians	424,038	339,285
Government funding – fee subsidies	719,777	539,425
Government funding – care relief subsidies	108,387	124,903
Total revenue from early learning centres	1,252,202	1,003,613

(b) Contract liabilities

Contract liabilities	21,020	34,519
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Contract liabilities represents the fair value of that portion of the consideration received in respect of care relief subsidies and parent fees received in advance for which the performance obligation has not yet been satisfied.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

7 Government grants

	2021 \$000	2020 \$000
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Recovered special needs funding	11,444	8,600
Recovered trainees funding	169	179
Kindergarten and associated funding	25,367	21,328
State and Federal training funding	14,642	3,282
JobKeeper funding	23,084	146,054
Total government grants	74,706	179,443

8 Other income

Insurance recoveries	3,554	293
Sublease income	491	370
Other income	449	1,697 ⁽¹⁾
Total other income	4,494	2,360

⁽¹⁾ Comparative information has been restated following amendments to and completion of provisional accounting. Refer to note 5 for further information.

9 Employee costs

Wages and salaries	810,078	761,806
Other associated personnel expenses	21,764	16,190
Contributions to defined contribution plans	67,700	61,817
Total employee costs	899,542	839,813

10 Property expenses

Rental expenses*	11,077	10,850
Repairs and maintenance	50,978	31,554
Other direct property expenses	37,149	33,267
Total rent and other property expenses	99,204	75,671

* Variable lease payments such as centre performance turnover (as contained in the lease agreements) are included as rental expenses in profit or loss.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

11 Other expenses	Note	2021	2020
		\$000	\$000
Net loss on disposal of property, plant and equipment		669	198
Insurance premiums expense		3,712	2,564
Bank charges		360	302
Impairment loss on trade receivables	14	2,644	1,567
Other expenses		2,156	3,363
Total other expenses		9,541	7,994

12 Finance income and finance costs

Interest income on bank deposits		780	924
Total finance income		780	924
Interest expense on financial liabilities measured at amortised cost		(4,123)	(3,324)
Interest expense on lease liabilities	17d	(65,832)	(49,576)
Unwinding of discount of make good & onerous provisions	22	694	466
Changes in discount rates of make good & mid-lease provisions		-	(90)
Total finance costs		(69,261)	(52,524)
Net finance costs recognised in profit or loss		(68,481)	(51,600)

13 Cash and cash equivalents

Cash and cash equivalents		69,138	81,373
Call deposits		-	53,185
Total cash and cash equivalents		69,138	134,558

The Group has \$50.95 million (2020: \$50.95 million) in call deposits and term deposits (note 18) that have been pledged as security for the Group's guarantees provided by our financier as set out in note 24.

The Group also have \$0.53 million (2020: \$2.65 million) in the Early Learning Fund – Grant Agreement held in trust on behalf of families. Further details are set out in note 25.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

14 Trade and other receivables	Note	2021	2020
		\$000	\$000
Trade receivables		28,727	11,584
Allowance for impairment of receivables	(note (a) below)	(5,164)	(6,886)
Trade receivables net		23,563	4,698
Prepayments		12,014	4,112
Goods and services tax (GST) recoverable		6,273	2,221
Other receivables		34	65,088
Total trade and other receivables		41,884	76,119

(a) Impaired trade receivables

As at 30 June 2021 current trade receivables of the Group were assessed for impairment. The allowance for expected credit losses recognised during the year was \$5.2 million (2020: \$6.9 million).

Movements in the allowance for expected credit losses of receivables are as follows:

Balance at 1 July	6,886	5,739
Receivables written off during the year as uncollectible	(4,366)	(844)
Allowance for impairment recognised during the year	2,644	1,567
Allowance for impairment recognised as part of business combinations	-	424
Balance at 30 June	5,164	6,886

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

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

15 Property, plant and equipment

Note	2021						
	\$000						
	Land and buildings	Building improvements & operating rights	Leasehold improvements	Plant and equipment	Motor vehicles	Work in progress	Total
Year ended 30 June 2021							
Opening net book amount	107,817	21,305	77,093	28,056	979	23,577	258,827
Additions	7,965	2,419	14,604	7,910	-	35,072	67,970
Transfers from work in progress property, plant & equipment	8	195	7,946	1,367	-	(9,516)	-
Transfers from work in progress intangibles ¹⁶	-	-	-	3,365	-	-	3,365
Disposals	(26)	(12)	(439)	(15)	(588)	-	(1,080)
Work in progress expensed	-	-	-	-	-	(72)	(72)
Net impairment reversal	-	-	445	-	-	-	445
Depreciation expense	(1,036)	(3,199)	(19,632)	(13,480)	(65)	-	(37,412)
Closing net book amount	114,728	20,708	80,017	27,203	326	49,061	292,043
Year ended 30 June 2021							
Cost	118,549	32,483	205,089	107,852	773	49,061	513,807
Accumulated depreciation & impairment losses	(3,821)	(11,775)	(125,072)	(80,649)	(447)	-	(221,764)
Net book amount	114,728	20,708	80,017	27,203	326	49,061	292,043
2020							
\$000							
	Land and buildings	Building improvements & operating rights	Leasehold improvements	Plant and equipment	Motor vehicles	Work in progress	Total
Year ended 30 June 2020							
Cost	110,835	29,924	188,781	96,089	2,026	23,577	451,232
Accumulated depreciation & impairment losses	(3,018)	(8,619)	(111,688)	(68,033)	(1,047)	-	(192,405)
Net book amount	107,817	21,305	77,093	28,056	979	23,577	258,827

Security

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

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

16 Intangible assets

	2021			
	\$000			
	Software	Other intangibles	Work in progress	Total
Year ended 30 June 2021				
Opening net book amount	2,488	2,842	6,625	11,955
Other acquisitions	38	-	1,322	1,360
Transfers from work in progress intangibles	1,546	-	(1,546)	-
Transfers to plant & equipment	-	-	(3,365)	(3,365)
Software & work in progress expensed ⁽¹⁾	(556)	-	(1,269)	(1,825)
Amortisation charge	(2,819)	(375)	-	(3,194)
Closing net book amount	697	2,467	1,767	4,931
Year ended 30 June 2021				
Cost	23,913	3,750	13,465	41,128
Accumulated amortisation and impairment	(23,216)	(1,283)	(11,698)	(36,197)
Net book amount	697	2,467	1,767	4,931
⁽¹⁾ During the current year, a change to accounting standard interpretations required all configuration and customisation costs incurred in implementing cloud based software to be recognised as expenses in profit or loss. The Group expensed \$7.1 million of configuration and customisation costs incurred in implementing cloud based software costs as technology and communications expenses. Of this balance \$1.7 million of costs to configure or customise the cloud provider's application software were capitalised in previous years.				
2020				
\$000				
	Software	Other intangibles	Work in progress	Total
Year ended 30 June 2020				
Cost	22,329	3,750	17,153	43,232
Accumulated amortisation and impairment	(19,841)	(908)	(10,528)	(31,277)
Net book amount	2,488	2,842	6,625	11,955

17 Right of use assets and lease liabilities

The Group leases 669 (2020: 685) premises. 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. Leases provide for contingent payments, including escalation based on fixed dollar or percentage increases, as contained in the lease agreement.

The Group leases 284 (2020: 288) motor vehicles under fully maintained lease contracts. All leases are for a term of 36-72 months, commencing on delivery of the vehicle.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

17 Right of use assets and lease liabilities (continued)

(a) Right of use assets

Set out below are the carrying amounts of right-of-use assets and movements during the year:

	2021		
	\$000		
	Leased property	Leased vehicles	Total
Balance at 1 July 2020	1,357,193	5,683	1,362,876
Additions to right-of-use assets	374,589	1	374,590
Disposal of right-of-use assets	(37,606)	(19)	(37,625)
Depreciation charge for the year	(89,787)	(1,774)	(91,561)
Net impairment reversal	1,651	-	1,651
Balance at 30 June 2021	1,606,040	3,891	1,609,931
Cost	1,789,825	7,341	1,797,166
Accumulated depreciation & impairment	(183,785)	(3,450)	(187,235)
As at 30 June 2021	1,606,040	3,891	1,609,931
	2020		
	\$000		
	restated ⁽¹⁾		
	Leased property	Leased vehicles	Total
Balance at 1 July 2019	1,114,595	5,976	1,120,571
Additions through business combination	54,502	-	54,502
Additions to right-of-use assets	316,672	1,477	318,149
Disposal of right-of-use assets	(41,083)	(95)	(41,178)
Depreciation charge for the year	(85,531)	(1,675)	(87,206)
Net impairment (loss)	(1,962)	-	(1,962)
Balance at 30 June 2020	1,357,193	5,683	1,362,876
Cost	1,458,308	7,358	1,465,666
Accumulated depreciation & impairment	(101,115)	(1,675)	(102,790)
As at 30 June 2020	1,357,193	5,683	1,362,876

⁽¹⁾ Comparative information has been restated following amendments to and completion of provisional accounting. Refer to note 5 for further information.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

17 Right of use assets and lease liabilities (continued)

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities during the year:

	2021	2020
	\$000	\$000
		restated ⁽¹⁾
Current lease liabilities	38,429	59,291
Non-current lease liabilities	1,664,775	1,358,401
Total lease liabilities	1,703,204	1,417,692

⁽¹⁾ Comparative information has been restated following amendments to and completion of provisional accounting. Refer to note 5 for further information.

(c) Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss:

	2021	2020
	\$000	\$000
		restated ⁽¹⁾
Interest expense on lease liabilities	65,832	49,576
Depreciation on right of use assets	91,561	87,206
Income from sub-leasing right of use assets presented in 'other revenue'	(491)	(370)
Expenses relating to short-term leases	1,353	454
Variable lease payments not included in the measurement of lease liabilities	512	1,605
(Gain)/loss on surrender/termination of leases	(724)	(768)
Total amount recognised in profit or loss	158,043	137,703

(d) Amounts recognised in the statement of cash flows

	2021	2020
	\$000	\$000
		restated ⁽¹⁾
Cash outflow for leases – payments of interest	(65,832)	(49,576)
Cash outflow for leases – payments of principal	(54,934)	(53,852)
Total cash outflow for leases	(120,766)	(103,428)

The Group has classified the principal portion of lease payments and the interest portion of lease payments within financing activities.

Lease payments for variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities.

(e) Extensions, options and new leases

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

17 Right of use assets and lease liabilities (continued)

Currently all lease options are deemed to be exercised by the Group unless the lease is deemed to be an onerous contract or there is a significant event or change in circumstances that affects its ability to exercise the options to renew.

The financial effect of revised lease terms recognised during the year is \$3.9 million increase in right of use assets and lease liabilities.

Some property leases contain contracts not yet commenced to which the Group is committed.

The Group has estimated that the potential future lease payments for leases not yet commenced, would result in an increase in lease liability of \$5.2 million (2020: \$6.8 million).

(f) Rent concessions

The Group received rent concessions from its landlords for a number of its early learning centre leases as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19 related rent concessions consistently to eligible rent concessions relating to its early learning centre leases.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19 related rent concessions is \$2.0 million (2020: \$0.9 million).

18 Financial assets	2021	2020
	\$000	\$000

Current

Term deposits	85,693	-
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The term deposits have maturity terms of less than one year and carry a weighted average fixed interest rate of 0.30% (2020: 0.45%). Due to their short-term nature their carrying value is assumed to approximate their fair value.

The Group has \$50.95 million (2020: \$50.95 million) in call deposits and term deposits (note 13) that have been pledged as security for the Group's guarantees provided by our financier as set out in note 24.

19 Trade and other payables

Other trade payables	20,413	52,283
Accrued expenses	61,144	48,360
Total trade and other payables	81,557	100,643

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

20 Loans and borrowings

	2021	2020
	\$000	\$000

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

Current

Unsecured loans from related entities

Deeply subordinated loan from founders ***	22	-
Total unsecured loans from related entities	22	-

Non-current

Secured loans

Secured facility bank loan *	-	32,600
Total secured loans	-	32,600

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

Total loans and borrowings	13,484	46,062
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Further details on loans from related entities are set out in note 25.

* Variable interest rate, amortising facility

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

*** This amount represents interest accrued to balance date.

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2021****20 Loans and borrowings (continued)****Terms and debt repayment schedule**

Terms and conditions of outstanding loans are as follows:

30 June 2021				
\$000				
	Nominal interest rate	Year of maturity	Utilised Facility	Total Facility
Secured loans				
Secured facility bank loan *				
Tranche A	1.61%	2022	-	100,000
Tranche B	1.67%	2022	-	2,400
Total secured loans			-	102,400
Unsecured loans from related entities				
Deeply subordinated loan from founders **	15%	2030	10,000	10,000
Total unsecured loans from related entities			10,000	10,000
30 June 2020				
\$000				
	Nominal interest rate	Year of maturity	Utilised Facility	Total Facility
Secured loans				
Secured facility bank loan *				
Tranche A	1.77%	2022	-	100,000
Tranche B	1.82%	2022	32,600	35,000
Total secured loans			32,600	135,000
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

* Variable interest rate, amortising facility

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

Terms and conditions of secured borrowings

Covenants include leverage ratio, fixed charge cover ratio, capital expenditure limits, profitability and other requirements that are customary to these types of facilities.

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

Goodstart Early Learning Ltd**Notes to the consolidated financial statements for the year ended 30 June 2021****20 Loans and borrowings (continued)**

2021
\$000

2020
\$000

Terms and conditions of secured borrowings (continued)**The carrying amounts of assets pledged as security for the bank guarantee facility are:****Current***Fixed and Floating charge*

Cash and cash equivalents	58,196	128,392
Trade and other receivables	39,093	72,179
Inventories	351	738
Contract assets	85,693	-
Total current assets pledged as security	183,333	201,309

Non-current*Mortgage*

Freehold land and buildings	113,978	107,056
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Fixed and Floating charge

Deposits and security bonds	-	1,130
Property, plant and equipment	174,607	149,176
Intangibles	4,931	11,955
Total non-current assets pledged as security	293,516	269,317

Total assets pledged as security	476,849	470,626
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21 Employee benefits**Current**

Employee leave entitlements	92,393	85,002
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Non-current

Employee leave entitlements	13,258	12,725
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Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

22 Provisions

	2021	
	\$000	
	Lease obligation provisions	Total
At 1 July 2020	46,012	46,012
Provisions made during the year	16,342	16,342
Provisions utilised during the year	(497)	(497)
Provisions reversed during the year	(11,321)	(11,321)
Unwinding of discount	(694)	(694)
Balance as at 30 June 2021	49,842	49,842
Current	14,178	14,178
Non-current	35,664	35,664
Total provisions	49,842	49,842
	2020	
	\$000	
	Restated ⁽¹⁾	
	Lease obligation provisions	Total
At 1 July 2019	37,654	37,654
Assumed in a business combination	3,468	3,468
Provisions made during the year	6,215	6,215
Provisions utilised during the year	(606)	(606)
Provisions reversed during the year	(253)	(253)
Unwinding of discount	(466)	(466)
Balance as at 30 June 2020	46,012	46,012
Current	8,607	8,607
Non-current	37,405	37,405
Total provisions	46,012	46,012

⁽¹⁾ Comparative information has been restated following amendments to and completion of provisional accounting. Refer to note 5 for further information.

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

22 Provisions (continued)

Lease obligation provisions

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

a) Make good provisions

Provisions are made for the make-good and end of lease redecoration in respect of restoring leased premises to their required 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 to the required end of lease conditions including redecoration. This provision amounts to \$25.7 million as at 30 June 2021 (2020: \$30.5 million). The Group has estimated the provision based on data in relation to current prices available and discounted to their present value. These estimates may vary from actual costs incurred as a result of conditions existing at the date the premises are vacated.

The provision has been calculated using a discount rate of 2.17% being the 20-year bond yield rate (2020: 1.24% based on 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 decreased the provision by \$4.7 million (2020: \$1.5 million).

Any other lease and repairs and maintenance obligations that are contractually 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.

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 \$24.2 million as at 30 June 2021 (2020: \$15.5 million).

The provision has been calculated using a discount rate of 0.25% (2020: 0.25%), 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 discount rate has increased marginally, with no impact on the provision balances (2020: \$0.1 million increase).

23 Commitments

	2021	2020
	\$000	\$000

(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	12,156	9,667

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	19,797	20,537

The Group has entered into contracts for the management of the maintenance of the network of centres and the supply of technology and communication services. These contracts will give rise to annual expenses of \$7.3 million for the next year (2020: \$8.7 million).

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

24 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.

(a) Guarantees

	2021	2020
	\$000	\$000
Bank guarantees issued in support of various rental arrangements	46,909	46,265
Bank guarantees issued in support of other arrangements	2,357	2,357
Total guarantees	49,267	48,623

Total amount of the bank guarantee facility is \$55.0 million as at 30 June 2021 (2020: \$55.0 million). Refer to security disclosed in note 20.

b) Other contingent liabilities

On 18 February 2020, an incident occurred at the Goodstart Edmonton Centre in Cairns, whereby a child in Goodstart's care was left unattended on a bus, resulting in a fatality. The incident was investigated by the Queensland Police Service and two former Goodstart employees were charged with manslaughter. The former Centre Director of the centre was convicted of manslaughter and sentenced to six years imprisonment with a non-parole period of 18 months in the Magistrates Court in Cairns in February this year.

The Queensland Department of Education, Early Childhood Education and Care (ECEC Qld) has subsequently brought three charges against Goodstart Early Learning Ltd in the Magistrates Court in Cairns, in relation to breaches of the Children (Education and Care Services) National Law. Goodstart has indicated that it will plead guilty to those charges, and the matter is anticipated to be set down for a sentencing hearing later this year.

An investigation was also conducted by Workplace Health & Safety Queensland (WHSQ). No formal proceedings have been instituted by WHSQ against the Group as at the date of release of these financial statements. Two civil claims have been made against the Group and are being dealt with by the Group's public liability insurer.

Until such time as any other proceedings are commenced, a reasonable estimate of any potential pecuniary penalties is unable to be provided as it would be prejudicial.

Unless otherwise disclosed in the financial statements, the Group has no other material contingent liabilities.

25 Related parties

Key management personnel compensation

	2021	2020
<i>in whole dollars of AUD</i>	\$	\$
Directors' fees	509,000	627,965
Executive and Executive Director's remuneration	3,413,554	3,312,293
Total amount paid or payable to key management personnel	3,922,554	3,940,258

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

25 Related parties (continued)

Parent and subsidiary information

Company	Country of incorporation	Ownership interest	Ownership interest
		2021	2020
		%	%
Parent entity			
Goodstart Early Learning Ltd	Australia	Parent	Parent
Subsidiaries			
GS Admin Services No.1 Pty Limited	Australia	100%	100%
Goodstart Early Years Limited *	Australia	100%	100%
Big Fat Smile Group Ltd	Australia	100%	100%

* Formerly Mission Australia Early Learning Limited.

(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:

<i>in whole dollars of AUD</i>	2021	2020
	\$	\$
1) Unsecured loans from parties with significant influence over Goodstart Early Learning Ltd		
i) Deeply subordinated loan from founders		
Balance at 1 July	13,462,434	13,462,434
Interest charged	2,052,560	2,013,832
Interest paid	(2,030,430)	(2,013,832)
Balance at 30 June	13,484,564	13,462,434
The terms and conditions of each category are set out in note 20.		

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

25 Related parties (continued)

(b) Outstanding balances and transactions with related parties (continued)

<i>in whole dollars of AUD</i>	2021	2020
	\$	\$
2) Other related party transactions		
i) Transaction values		
Founding members – purchase of goods and services	128,942	597,248
Founding members – funding paid under auspice agreement *	152,680	119,434
Founding members – funding / (refunds) for services received	(4,056)	71,402
Founding members – funding received under auspice agreement *	-	2,648,511
ii) Balance outstanding		
Founding members – other receivables / (refunds) **	(1,626)	11,143
Founding members – other payables **	275,799	130,331

* Goodstart has entered into the Early Learning Fund – Grant Agreement (ELF) with the Paul Ramsay Foundation and Uniting NSW ACT (Uniting). The ELF is a scholarship program that supports 3 to 5 year old children and their families to access and participate in quality early learning. The arrangement is facilitated by an auspice agreement with the Benevolent Society who primarily distribute the funds from the Paul Ramsay Foundation to Goodstart and Uniting. Also included in the distributions to the ELF are third party donations as well as monies from Goodstart employees as part of our workplace giving program.

** 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.

26 Events subsequent to reporting date

On 29 July 2021, the Group signed a governing deed of variation with a landlord to extend the lease term for a number of leases by an average of 12 years. The expected impact to the Group is an increase to the right of use asset and lease liability of approximately \$70 million.

On 23 August 2021, the Australian Government announced the 'Viability Support Package' to assist the Early Childhood sector and to mitigate the impact of the restrictions from the recent outbreaks due to the COVID-19 pandemic. The Group has applied for Government assistance in affected states including NSW, ACT and VIC. The funding provides 25% of pre-lockdown revenue (based on a May reference period) for services who have seen a 50% or more drop in attendances, so long as providers waive gap fees for families, keep staff employed and do not increase fees during this time. Families can also access additional allowable absences once a hotspot declaration period exceeds seven days, and are backdated to the first day of the current lockdown. There are no implications to the existing Government fee subsidies already provided on these absences and the Group will continue to monitor the ongoing financial impact.

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

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2021

27 Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2021	2020
	\$000	\$000
a) Balance Sheet		
Current assets	180,947	197,623
Total assets	2,030,175	1,780,326
Current liabilities	233,109	266,971
Total liabilities	1,906,225	1,673,045
<i>Equity</i>		
Accumulated surplus	123,950	107,281
b) Total comprehensive income		
Surplus for the year	22,306	(9,302)
Total comprehensive income	22,306	(9,302)
c) Contingent liabilities of the parent entity		
Rent guarantees	46,909	46,265
Other guarantees	2,357	2,357
Total contingent liabilities of the parent entity	49,267	48,623
d) Other contingent liabilities		
Refer to note 24(b) for details on other contingent liabilities relevant to the parent entity.		
e) Commitments of the parent entity		
Capital commitments for the acquisition of property, plant and equipment	12,156	9,667
Commitments for medium-term service contracts	19,797	20,537
Total commitments of the parent entity	31,952	30,205

Goodstart Early Learning Ltd Directors' declaration

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

- a. the Company is not publicly accountable;
- b. the consolidated financial statements and notes that are set out on pages 38 to 71 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 2021 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 22 day of September 2021



Paul Robertson
Director



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

Opinion

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

In our opinion, the accompanying Financial Report of the 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 2021, 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 2021;
- 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; and
- iv. Directors' declaration

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

Basis for opinion

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

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

We are independent of the Group in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (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.

Other information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- 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 the 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:

- 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.

- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 Group and Company to cease to continue as a going concern.
- 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 Company's 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

Tracey Barker
Partner

Brisbane
22 September 2021

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 nonreligious 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	Victorian Government	Woolworths
Australian Capital Territory Government	Western Australian Government	Landcare Australia
New South Wales Government	Good360	Employers Mutual Limited
Northern Territory Government	Paul Ramsay Foundation	GIO General
Queensland Government	Business Council of Australia	Freedom Fuels
South Australian Government	Smart Group	National Australia Bank
Tasmanian Government	Grocorp	Currumbin Wildlife Sanctuary
	Tamworth Regional Council	Goodstarters provide support for the Early Learning Fund via Giving@Goodstart
	Logan City Council	
	Forbes Shire Council	

