



Annual Report 2017

**goodstart
early
learning**

Together there's no limit



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A message from
our Chair,
**Michael
Traill**

Seven years ago, Goodstart was established as a ground-breaking social enterprise with a vision to give Australia's children the best possible start in life. We have come a long way since then.

As this report demonstrates, we have matured into a high quality provider of early learning, committed to social inclusion, building the evidence base and contributing to public policy debates about the benefits of early learning.

"No money, no mission" is a key maxim of the not for profit sector. The commercial environment for early learning and care has never been harder, with the supply of new centres

outstripping child enrolments, family incomes being squeezed and government assistance constrained.

That Goodstart has managed to hold its own and indeed increase occupancy is a credit to our entire team. It also reflects, I believe, the growing appreciation that families have for quality in early learning.

The evidence is overwhelming that access to quality early learning provides a sound basis for lifelong learning. That of course costs money, and a key focus for Goodstart this year has been successfully persuading the Federal Parliament to pass the landmark \$2.6 billion child care subsidy package, making child care more affordable for most working families.

Australia needs to do more to increase the participation of the most vulnerable and disadvantaged children in early learning, and this will continue to be a priority for Goodstart's advocacy in coming years. Australia cannot be satisfied with one in five Australian children continuing to start school developmentally vulnerable when we know that investing in early learning can help turn that around.

As Goodstart matures, we continue to increase our social inclusion spending, using research and evidence to guide our program development. We know that the children who benefit most from early learning are the least likely to attend. To help address this problem we are working to lower cost barriers in communities facing disadvantage, improve our community connections, and ensure our educators are fully equipped to support children and families facing disadvantage.

Goodstart is absolutely committed to strengthening the evidence base that can inform both good policy and good practice. Rolling out

“Australia needs to do more to increase the participation of the most vulnerable and disadvantaged children in early learning.”

The Goodstart Practice Guide will help embed evidence-informed high quality practices in our network. We have also begun to apply ourselves to better measure outcomes, and understand what really makes a difference to children's lives.

Just as we have ensured strong evidence informs Goodstart's policies, investigating what works best for children and how to measure it will be another step in our move towards world best practice.

Helping young Australians to reach their full potential is empowering, privileged and demanding work and I want to thank all of the Goodstart team for the passion, commitment and energy they bring each day to the important work they do.

Michael Trill
Chair, Goodstart Early Learning

About Goodstart

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

Goodstart was formed in 2009 by a consortium of leading community sector organisations—The Benevolent Society, The Brotherhood of St Laurence, Mission Australia and Social Ventures Australia.

We now operate 649 early learning centres in all States and Territories of Australia, caring for 70,500 children from 59,200 families and employing around 13,500 people.

Goodstart is a social enterprise with social purpose at its heart, but it operates with business discipline enabling the reinvestment of operating surpluses into quality and social inclusion initiatives.

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

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

Our Strategic Direction sets six strategic goals for the 2015-2020 period to help achieve our Purpose:

High Quality

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

Financial Sustainability

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

Inclusion

Enhance outcomes for children in vulnerable circumstances.

Great People

Build a capable, aligned and engaged workforce.

Evidence

Embed evidence-informed practice and strengthen the Australian evidence base.

Influence

Increase public commitment to high quality early learning and care.







A message from
our CEO,

Julia Davison

Goodstart, in our seventh full year of operation, has matured into a quality early learning provider with improving levels of employee and family engagement, increasing investment in quality and inclusion and rising occupancy.

It is particularly pleasing that our centres assessed by regulators this year achieved above sector average ratings in all seven national quality areas, with more than 92 per cent of centres assessed as Meeting the National Quality Standards, including 43 per cent assessed as Exceeding.

Improved quality is the direct result of our heavy investment in professional capability over many years, and a credit to the commitment of our 13,500 staff to continuous improvement.

This year, our learning plan has focussed on embedding *The Goodstart Practice Guide* in our centres. Almost half of our centres have engaged in our flagship social inclusion program—Family Connections—focussing on their

interactions with children facing disadvantage and their families. Centres in particularly disadvantaged communities are now supported by a team of more than 35 child and family practitioners, speech therapists, occupational therapists and social inclusion coordinators.

More capital investment is flowing into centres, with almost 400 of our 649 centres enjoying an internal and/or external upgrade, further enhancing quality.

Beyond investing heavily in the inputs that deliver quality early learning, Goodstart is turning its attention to outcomes, and working with our academic partners to develop an Outcomes Framework that can demonstrate the impact of early learning practices on children's development.

Our commitment to evidence-informed practice and outcomes has resulted in an invitation to develop Australia's first social impact bond in early learning with the New South Wales Government.

Goodstart played a leading role in the passage of the new \$2.6 billion Child Care Subsidy, which from July 2018 will make child care more affordable for most families. While the subsidy does not do enough to improve access to early learning for some low income families, we are determined to do what we can to deliver access to children facing disadvantage.

Goodstart faces a tougher commercial environment with a flood of new centres leading to lower occupancy rates for many providers. Our occupancy rate has risen this year. Centre directors have been provided with additional administrative support and tools, giving them more time to focus on improving practice and engaging with families.

We have worked hard to make Goodstart a great place to work, with our educators enjoying above award wages, access to professional

“Improved quality is the direct result of our heavy investment in professional capability over many years, and a credit to the commitment of our 13,500 staff to continuous improvement.”

development and a workplace committed to their safety and wellbeing. Our employee engagement rate is up on two years ago, and our attrition rate is down.

Goodstart, as a not for profit social enterprise, is committed to supporting the community. Our centres have supported many local charities and initiatives. We have been working to deepen our commitment to reconciliation with Aboriginal and Torres Strait Islander Australians with both national and local initiatives.

Goodstart can look back on a sound year of achievement where the investments we have made over the past seven years have really come to fruition. But, the pace of change is accelerating in Australia and we cannot afford to rest on our laurels.

This year, Goodstart launched a major new initiative—GoodFuture—to keep us focussed on the forward horizon, the needs of a changing world and the imperative to continue evolving and improving what we do. It is giving us a greater insight into the changing needs of children and families and changing our mindset about how we work.

It is all part of our commitment to give Australia's children the best possible start in life.

Julia Davison
Chief Executive Officer

Financial sustainability



Goodstart is committed to improving the value proposition for our families by increasing quality and family engagement, containing our costs and investing in our centres. As a not for profit social enterprise, the surplus we achieve from our centres is re-invested into social purpose priorities supporting inclusion, quality, evidence and influence outcomes.

In 2016-17, Goodstart faced a very challenging operating environment with oversupply emerging in many local markets. In the year to September, growth in the number of long day care centres (4%) exceeded the growth in children enrolled (2.7%), and many operators reported falling occupancy.

Goodstart achieved a 0.9% increase in occupancy (year on year), reversing a declining trend in the previous two years. This was achieved through a concerted strategy to raise the quality of practice, contain our costs, improve our family engagement and upgrade our centres.

Centre directors have been provided with a range of tools and programs to better manage their centres, as well as more administrative support in centre to free up their time to focus on family engagement and practice. A brand refresh project has been launched, the Goodstart website overhauled and most centres are now active on social media enabling them to connect with more families.

With revenue rising by 3.3%, Goodstart was able to increase its social purpose spending by 27% to \$21 million, with centres better resourced and educators more capable of supporting children facing disadvantage.

We have accelerated capital investments in our centres this year, doubling investment to \$40.8m. 199 centres received major upgrades this year, bringing to 390 out of 649 centres upgraded in



Occupancy has increased 0.9% (year on year).



27% increase in social purpose spending to \$21 million.



Accelerated capital investments in our centres this year, doubling investment to \$40.8m.

Financial sustainability (continued)

the last two years. Better interior and outdoor learning environments enhance the quality of our programs, as well as improving family and employee satisfaction.

Investing in information technology has again been a major priority, as a means of improving both family engagement and business information management.

We have worked to gradually expand our network, adding eight new centres including three centres we operate in partnership with the City of Sydney. We have also exited four centres and acquired the freehold property of five of our current centres, as well as the freehold of one new centre and two development sites, improving the overall financial sustainability of our network. A pipeline of new centre projects is now in train.

GoodFuture has been launched with the active participation of 40 centres and hundreds of educators to reflect on what the future of early learning should look like in terms of curriculum, supporting families and future societal needs.

This year's solid performance in a difficult commercial environment has been built on Goodstart's long term commitment to improving the quality of early learning and family experiences. Our future will be built on continuing that commitment.

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2017

	2017 \$000	% Total Revenue	2016 \$000
Revenue from early learning centres	933,220	96.8%	903,848
Government grants	29,269	3.0%	28,623
Other income	1,299	0.1%	643
Total revenue	963,788	100.0%	933,141
Employee costs	669,576	69.5%	628,898
Rent and other property expenses	172,556	17.9%	171,998
Centre consumables	49,894	5.2%	41,952
Depreciation and amortisation expenses	33,903	3.5%	30,847
Other expenses	37,980	4.0%	38,196
Total expenses	963,909	100.0%	911,891
Strategic investments¹	24,336	2.5%	21,003
<i>Training & professional development</i>	11,870	1.2%	10,864
<i>Early learning & research</i>	4,091	0.4%	4,128
<i>Social inclusion</i>	6,162	0.6%	3,806
<i>Goodstart Institute of Early Learning operation</i>	2,213	0.2%	2,205
Net finance (income) / cost	(2,734)	0.3%	2,255
Net Surplus for the year	2,613	0.3%	18,968
Total Comprehensive income for the year	2,613	0.3%	18,898
Accumulated Surplus	83,900		81,287
Total equity	83,900		81,287

¹ Strategic investments in social purpose activities (Included in Expenses above)



Centre profile

Goodstart Traralgon
Conway Court, Vic

New heights reached through CD Elevate Program

CD Elevate—a program designed to help centre directors lift performance across key business performance measures—and the determination of a centre director has driven a dramatic improvement in occupancy at Goodstart Traralgon Conway Court from just over 51 percent to over 90 percent in little more than a year.

Centre Director Nathan Brown used CD Elevate to improve centre presentation, family engagement and team accountability. He then set about creating a point of difference for the service.

“When we looked at family feedback there were two clear messages - the centre looked old and cluttered, and that families didn’t understand our program,” Nathan said.

“The first thing we did after CD Elevate was to focus on de-cluttering the centre, starting with the foyer area, to set the tone.”

The team then looked at their own spaces, removing unused resources and in some cases taking rooms back to a blank canvas which allowed them to think about what they wanted to achieve with their space.

Providing more consistent and relevant feedback to families, particularly about quality, was next on the agenda.

“We now tell our families when staff get new qualifications and talk about the program so they understand the educational value and their child’s development journey,” Nathan said.

To establish a point of difference with other centres, Nathan set up separate kindergarten rooms for 3 and 4 year olds, utilising an existing staff member who had just completed her early education degree.

“It’s helped us transition our toddlers into the kindergarten program and retain families, as they can now see the journey their child is on to prepare them for the next room and then school,” he said.

High quality



Goodstart is committed to raising the quality of early learning across our centres. Over the past seven years, we have invested more than \$89 million into professional development and early learning support, and \$123 million into facilities upgrades and minor works to help ensure children in our centres enjoy high quality.



92% of centres assessed in the last year met the National Quality Standards.



20 child protection advocates were appointed across the network.



Our educators engaged in 27,700 hours of professional development.

Our commitment to quality is reflected in the continuing improvement in regulator assessments of our centres against the National Quality Standards, with 92 per cent of centres assessed in the last year found to meet the standards and 43 per cent found to have exceeded the standards. Goodstart's quality journey has moved from well below industry standards at inception to well above industry standards today, with 83 per cent of all centres now meeting or exceeding the national standards.

At the heart of our quality improvement is our commitment to building the capability of our educators to positively impact quality and influence child outcomes. The National Learning Plan was rolled out in 2016-17, embedding *The Goodstart Practice Guide* and the ISTEP pedagogy framework. Together, these support our educators to further embed the Early Years Learning Framework (EYLF) and the National Quality Standard (NQS). The commitment of our educators to continuous improvement of practice has been

demonstrated—500 educators participated in practice improvement sessions in work time and a further 3,400 in their own time, engaging in a total of 27,700 hours of professional development and 18,500 hours of self-directed learning.

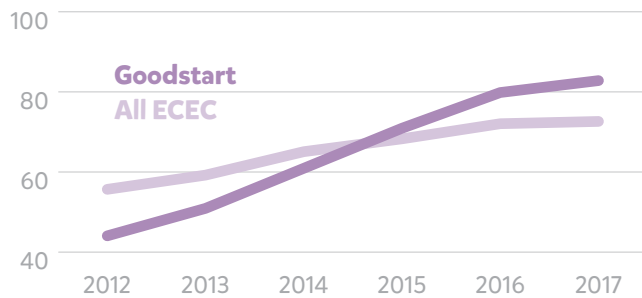
The rollout of our practice guide was recognised with an excellence award from the Australian Institute of Training and Development, the first such award for our sector, and indeed, for a not for profit enterprise. Learning has been delivered on multiple platforms and targeted to reach as many educators as possible in centre, including an online learning portal, webinars, workshops, Yammer forums, the Practice Matters newsletter and coaching from our 38 early learning consultants.

A particular focus of the learning program this year has been around interactions between educators and children and strengthening relationships, delivered through initiatives such as The Big Six Practices and the Family Connections Program.

High quality (continued)

Goodstart is absolutely committed to providing a child safe environment, appointing a National Lead, Child Protection and 20 child protection advocates across the network to embed our Child Protection Framework to ensure Goodstart responds proactively and preventatively to child protection matters and ensuring that children are better protected from the risk of harm.

Goodstart vs All ECEC services assessed as Meeting the National Quality Standard (%)



Source: ACECQA

The accelerated rollout of facilities upgrades has supported quality improvement within our centres, with educators, children, families and external experts involved in the design of our exciting new indoor and outdoor learning environments.

Reporting back to families on their child's experience and progress has been improved with the rollout of the Storypark online platform across the network, giving families real time feedback and opening up a two way communication channel that can also influence the home learning environment. Creative use of technology is an increasing part of early learning practice across our network, helping to provide best practice early learning to children in our centres.





Centre profile

Goodstart East Perth, WA

A commitment to quality

Goodstart East Perth's focus on quality has paid off with the centre achieving its Exceeding rating just two years after their previous Working Towards assessment.

Lela Mrdak, centre director at the time of the push for quality, said getting the right people in the right places was essential. In particular recruiting Kirsty Brown as kindergarten teacher and educational leader was an important first step.

In turn, Kirsty says Goodstart's array of resources and training played a crucial role in delivering the improved rating.

"We focussed on our environment, curriculum and accountability," she said.

"The Professional Capability Program and intranet resources meant we were able find support and guidance for practically all the gaps we'd identified in our service.

"Then we focussed on following the child's lead, naming the child's emotion, praise for effort and assistance, and the circle of security."

By engaging room leaders and developing a vision for what a quality environment should look like, the centre was transformed.

"We spent a lot of time helping our educators understand the Early Years Learning Framework, what it looked like in practice and the types of experiences, activities they should be creating and the planning and documentation they needed," Kirsty said.

Despite having come so far already, the quality journey for East Perth still has a long way to go.

"Lela and I had a one year plan to be rated Exceeding, our three year plan is to become a Centre of Excellence, and our five year plan is to become a training centre for Goodstart," she said.

Children are central to everything we do at Goodstart. It's our first Guiding Principle and determines our priorities, our decisions and our actions. Our centres demonstrate this principle in a myriad of ways, responding to the unique needs of each child and family.

Supporting children transitioning to school

The transition from kindergarten to school is significant for children and families. A detailed handover from kindergarten teacher to prep teacher can smooth the path but sometimes that collaboration is missing. Early childhood teacher Janis McDermott of Goodstart Algester is determined to change that.

"I learned that prep teachers weren't using our transition statements, which meant many children were entering the school system with their teachers knowing very little about them developmentally or as individuals," she said.

"So I spent time with the school's teachers to help them understand what we had to offer and how we could work more closely."

Reaching out to the school has provided tangible benefits for children and their prep teachers.

"We can really help prep teachers get a picture of the children as a group and balance class selections," Janis said. "We can give them insight into the children as individuals which enables a stronger rapport to be established from early in the year."

"I'm also working with the school to push their interviews with children to later in the year, from June to November, which will paint a far more accurate picture of the children coming through. It makes the transition to school so much easier for children."

Supporting children at home and in centre

Helping children with challenging behaviours delivers benefits to children and families, both at the centre and in their home environment. The team at Goodstart Mona Vale are working closely with families to help them understand what may trigger children's behaviour and to co-develop a plan to better support them.

"Last year we had a child who was quite unpredictable with his behaviour and wouldn't follow directions," Centre director, Amy Meatchem said.

"We identified that his behaviour improved when he started his day with a lot of big, active play which allows for sensory receptors to be stimulated, leading to better concentration and opportunities for learning."

"Afterwards, during planned learning time, he was more ready to engage with his educators and peers."

"So we put together a program with his parents to give him consistency and structure between his home environment and the centre."

"It's really made a difference to this child's wellbeing and helped the family in a really meaningful way."



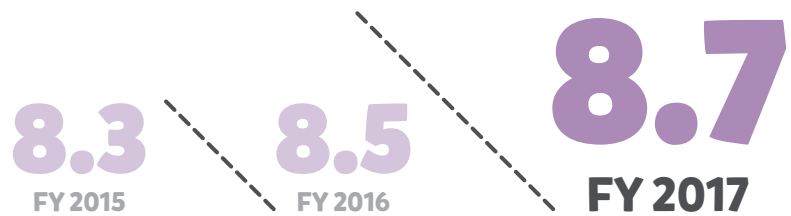
We're for **children**



At Goodstart, recognising families as our primary partners is one of our Guiding Principles. We are absolutely committed to working with our families to deliver the best possible, individualised learning and care for their children.

All of our families are invited to provide feedback on our services, and their feedback helps inform continuous improvement of our service and practice. A key performance indicator for Goodstart is how likely (out of 10) are families to recommend their centre to another family. This indicator continues to improve:

Families' likelihood to recommend Goodstart (out of 10)



Goodstart centres have been assessed as consistently well above the national average for the quality of our partnerships with families and communities (QA6), leadership and service management (QA7) and staffing arrangements (QA4).

Comments from families

“ I walked into Goodstart a mess after four previous day care centres told me my son was out of control and could no longer be there. I thought no one would give me or my kids a chance, I had three kids on my own and my life was crazy! Two years later I have three beautiful well behaved, well mannered, kind little kids. The development, growth and behaviour of my three kids are a credit to the ladies at Goodstart Rowley Road. This centre is my life-line. I would be lost without these ladies.”

Zoe, Burpengary, Queensland

“ I cried when I dropped her off on the first day at day care, but I never cried again after that...until her last day. The team at Goodstart are so amazing I cannot thank them enough for all they have done for my child and our family. Scarlett would squeal with delight when we walked into the centre and she would jump out of my arms into those of her carers.”

Sarah, North Sydney, New South Wales

“ I've been so consistently impressed by our wonderful centre. The focus on the kids as individuals, the rigour around their processes and the strong relationships shown in the team of professional educators... I couldn't recommend this centre highly enough.”

Marnie, Wendouree, Victoria

We're for **families**



“ The teachers here have been a massive part of my child’s early development and I couldn’t ask for better carers. My child experiences a new world everyday through their creativity and imagination. I get to experience everything she does through an amazing online system called Storypark so I never miss a thing!”

Lisa, Worree, Queensland

“ As a Defence Family with three children we have used a number of different service providers since 2006. Goodstart Koorngal is without a doubt, the best we have experienced anywhere. The staff are amazing; they are all totally dedicated to the children in their care and they make sure that each child is nurtured and encouraged to thrive.”

Stephanie, Koorngal, New South Wales

“ I am so impressed with the level of knowledge and care factor that this centre has. The staff are always there to lend a helping hand in my child’s development. The feedback I get through their app with my child’s weekly activities and pics are amazing. I love seeing how happy he is.”

Carolina, Secret Harbour, Western Australia

We're for **community**



One of Goodstart's three original Guiding Principles is being a valued part of each unique community. Being involved in the community helps to deepen and enrich the experiences we provide children in our centres, as well as helping us to connect families facing challenges with the services and support they need.

Goodstart North Lakes Winn Street

responded to an urgent call from the Pine Rivers Neighbourhood Centre for food donations for struggling families. The Goodstart team rallied around to help donate food to families and children in the local community. "Since our donation we've managed to create a great community partnership with the Neighbourhood Centre and we look forward to continuing to work with them to support families within our local community," Senior Educator Bec Greeshaw said.

Goodstart Kingaroy

has played a leading role in ensuring children and families have access to critical support services by bringing together 66 service providers and forming the South Burnett Under 4s Reference Group. What started as a "meet and greet" among local services quickly took on greater purpose as the realisation grew among the representatives that awareness of the network of services available was low, even among themselves.

"At times previously, we all felt a little helpless when we identified a family in need because we didn't know who to connect them with," Centre Director Peta Clarkson said.

"As we became more aware and connected as services, we were able to work out the obstacles faced by families and the community and build a picture of where each service could offer support. Because we're more connected now, each of the services have been able to build each other's capacity which is a win for ourselves, families and children."

Goodstart Muswellbrook

participated in their first Clean Up Australia Day event on 3 March. Children were given special bags to collect rubbish, along with gloves to keep them safe, and learnt about respect for their environment and the importance of recycling. The centre also participated in many other community events including the Anzac Day march, the Cancer Council's Biggest Morning Tea, Multicultural Day, and NAIDOC Week.

Goodstart Gladstone South

has introduced an Indigenous program, inviting local Goorang Goorang elder Aunty Neola Savage, to teach the children about Aboriginal culture and language. "She now spends half an hour with the children each week teaching songs, stories and the language. We're hoping by the end of this year all of the children will know a few words," Centre Director Marlies Coleman said. Aunty Neola said the centre was a place that had always accepted her culture and felt like home.

Goodstart Wagga Wagga Station Place

celebrated the 21st Planet Ark National Tree Day in August with the children, with guidance from their educators, planting eight different kinds of native plants that had been donated by Wagga City Council. Centre Director, Melissa Weatley said the new native garden will create natural play spaces for the children.

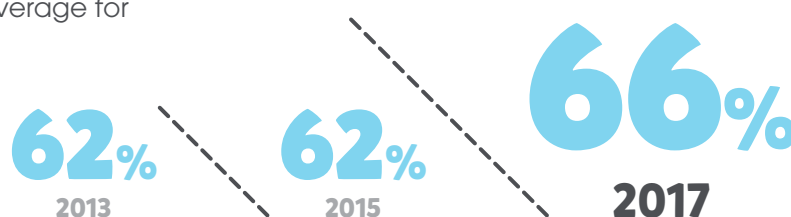


We're for **educators**

Goodstart's most important resource is its people. Educators and the emotional connection they make with children are at the very heart of quality early learning and care. We strive to be a great place to work and an employer of choice.

Our 2017 Employee Engagement Survey showed our employees were highly engaged, with an engagement score well above the average for the education and care sector:

Goodstart Employee Engagement Score



Education & care sector: 60%

What our people have to say

"I joined the sector a decade ago as an unqualified assistant. Over the past seven years Goodstart has supported me with ongoing professional development, and I am now proud to say I am currently studying my Bachelor's degree and one step closer to being a fully qualified Early Childhood Teacher. It's easy to say that if it wasn't for Goodstart, I probably wouldn't be where I am today. It's such a bonus working for a large organisation as there are always so many opportunities." **Di Fairhead, Educator.**

"I love working at Goodstart and I imagine myself here for many more years – it is a wonderful organisation where I feel encouraged and supported. After three and a half years, I am still learning so much. I started my career in secondary teaching and it wasn't until I had my own children that I became inspired to work in early childhood. What I love most about my profession, apart from helping and watching children to grow and develop, is that no day is ever the same." **Asha Campbell, Early Childhood Teacher.**

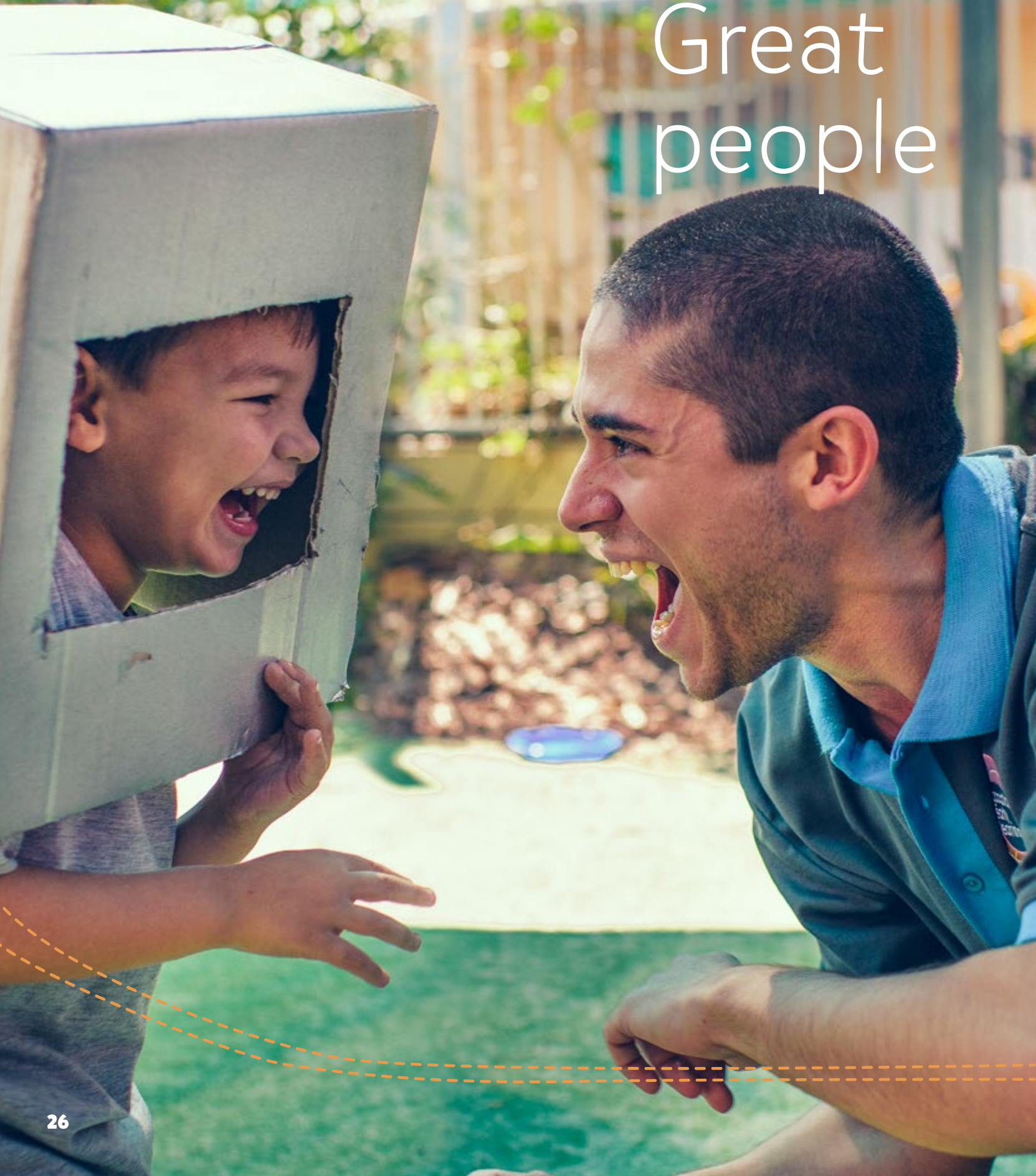
"I feel very privileged to work for an organisation that has developed an amazing tool like the Practice Guide, and then backs that up with related professional development and useable information we can apply immediately in our centre. Getting educators to reflect critically on their practice using the ISTEP material makes

sense and has made a big difference. One of the big positives to come out of this approach for our centre has been the level of reflection about children's learning and the quality of interactions. It has made life a lot easier and more rewarding for our educators." **Tracey Button, Centre Director.**

"To be supported by Goodstart to attend the European Early Childhood Education and Research Association (EECERA) annual conference and spend time touring other early childhood centres was, both personally and professionally transformative in every measure. The insights I gained from being able to meet and hear directly from international experts was fantastic. It also validated to me where Goodstart stands on the world stage in early education and I am so proud to be associated with an organisation that strives to create such positive and nurturing environments and instills in children a life-long love for learning." **Glen McKenna, Early Childhood Teacher.**

"I was attracted to Goodstart's social purpose and scale as Australia's largest early learning provider. It offers immense scope to transform the lives of children particularly those from vulnerable backgrounds." **Dr Sandie Wong, Charles Sturt University academic seconded to Goodstart for the next three years.**

Great people



The core of quality early learning is capable, committed educators. Goodstart is committed to attracting the best people, and supporting their access to professional development, career opportunities and the resources they need to be the best they can be.

Goodstart continues to invest heavily in professional development, with over \$18 million in training, professional development, early learning support and research this year and \$89 million since 2011. Our professional development offers have been expanded to include a range of early learning, people management, family and community connections and business skills courses, study tours, webinars, workshops and online Yammer forums.

We engaged the Australian Graduate School of Management to run the Good Leadership Program, initially for 30 senior leaders of Goodstart. This program has since been opened up to nominated centre directors and teachers.

Our workforce is dedicated and highly engaged. The 2017 Employee Engagement Survey showed a 10 per cent increase in participation and a significant increase in overall engagement scores to 66 per cent, placing Goodstart just below the top quartile of employers. Employee turnover continues to fall, reaching 12 per cent in 2017, down from 14.4 per cent last year and 23.8 per cent when Goodstart first started.

We have put a particular focus on staff in crucial roles particularly centre directors, assistant directors, educational leaders and early childhood teachers. For the first time this year we have paid additional allowances to educational leaders and educators who have qualified as teachers in recognition of the additional roles and capabilities they display.

Goodstart employs over 1,000 teachers – 900 in designated teacher roles and 119 qualified teachers in other roles. We sponsor over 120 educators who are studying to become teachers with dedicated study leave and practical time. Teachers are also supported with dedicated networking and professional development

opportunities, which have helped reduce our attrition rate from over 32 per cent to just 19 per cent in 2017.

Goodstart is looking to raise awareness of careers in early childhood by building partnerships with universities and quality vocational education providers, and launching a talent acquisition strategy.

In 2016-17, we rolled out a program of placing administrative support in centres, freeing up centre directors to spend more time with children, educators and families. Tools have been provided to centre directors to better manage labour to targets, contributing to an overall positive business result.


 A circular infographic with a light grey background and a dashed orange border. The number '120' is written in a large, bold, orange font in the center.

120

We sponsor over 120 educators who are studying to become teachers with dedicated study leave and practical time.


 A circular infographic with a dark grey background and a dashed orange border. The text '12%' is written in a large, bold, white font in the center.

12%

Employee turnover reached 12% in 2017, down from 14.4% last year.


 A circular infographic with an orange background and a dashed white border. The text '\$18m' is written in a large, bold, white font in the center.

\$18m

Over \$18 million invested in training, professional development, early learning support and research this year.

Great people (continued)

Safety

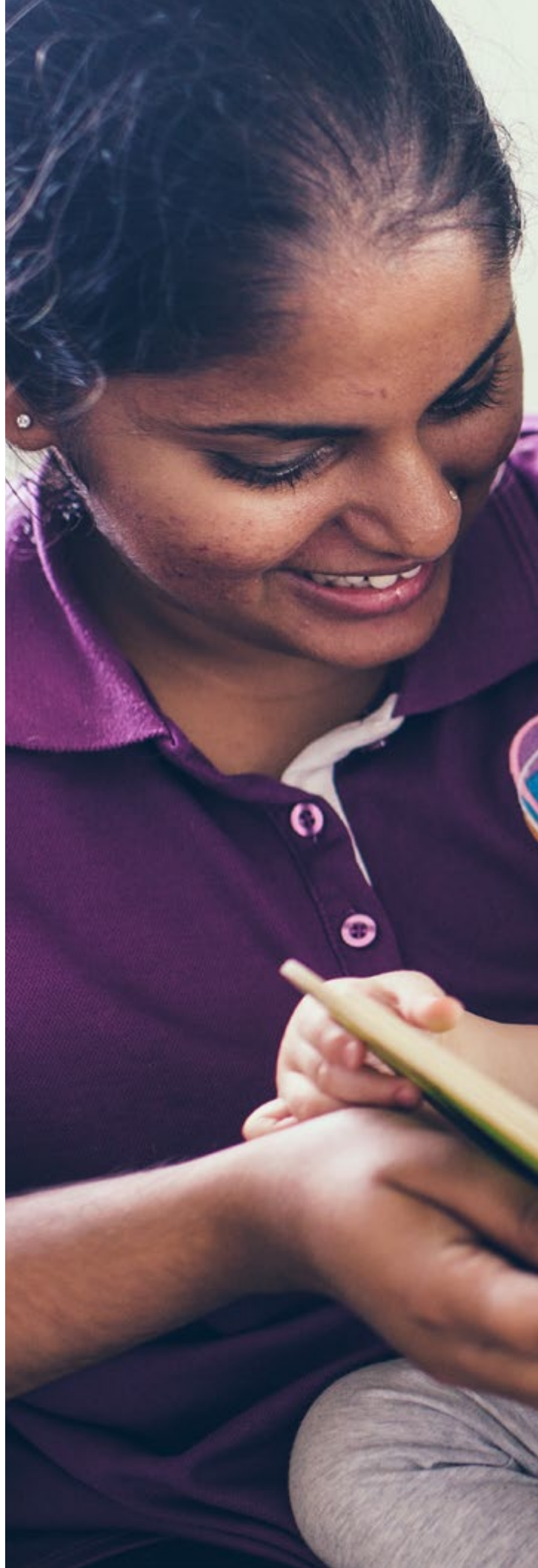
Goodstart is deeply committed to the safety and wellbeing of our employees and the children in our care. We are working to lift engagement with all employees at the grass roots level to continuously look at their work from a safety perspective.

Initiatives such as Look-Do-Tell and Safe Work Month have helped to lift our grassroots commitment to safety. We have worked to educate our workforce about the main causes of injury, and to identify better ways of working. A focus on injury prevention and better management of return to work continues to deliver the double benefit of reduced employee downtime and churn, along with reduced insurance premiums.

The last time injury frequency rate across Goodstart for FY2017 showed a significant improvement on FY2016, and we have set ambitious benchmarks to improve our performance further. Goodstart has been working with other large providers through the Early Learning and Care Council to benchmark our safety performance and to share best practice. We also continue to engage with the State regulators to build a better understanding of the risks and safety challenges our sector faces.

One of the key drivers of injury for educators continues to be the interaction with children who display more challenging behaviours in the centre environment, and we are working to identify opportunities to further develop educators' capability to facilitate quality care and education outcomes for these children while reducing incidence of harm to educators and children.

Employee wellness is an increasing focus, with Goodstart partnering with BUPA to provide health assessments and tools to support management of people with mental illness. We are also sponsoring the Michelle Bridges Body Transformation Program for employees.





Centre profile

Goodstart
Ormeau, Qld

Capability building at Goodstart Ormeau

The Goodstart Ormeau team is using professional development programs to help deepen their support for families. In doing so, the centre has increased occupancy in an extremely competitive market and achieved an Exceeding rating against the National Quality Standards.

Centre Director Rebekah George said her team identified diversity, room environments and partnering with families as key areas where they could do more.

“As a centre we needed to be better at incorporating Aboriginal and Torres Strait Islander curriculum into our programs which we’re now doing after two of my team attended EATSIPEC (Embedding Aboriginal and Torres Strait Islander Perspectives in Early Childhood) training and shared their learnings with the group,” she said.

“At the same time our early childhood teacher did a lot of research on room environments and attended conferences on the Reggio Emilia approach which has improved the way we use our space to support children’s learning.

“After reflecting on what it meant for families to be our primary partner we are now identifying where they need more support, such as help to access child care benefits and to connections with community services dealing with domestic violence and mental health issues.”

The growing capability of the team was put to the test when two children at the centre were diagnosed with autism.

“This was new to us, so we researched and educated each other and reached out to occupational therapists and speech therapists to find ways to support the children as part of our program,” Rebekah said.

“The families were just trying to come to terms with the diagnosis, so giving more support to their children really made a difference.”

Goodstart Ormeau is firmly on a path of continual learning and development.

“Investing in our team and each other played a huge part in achieving our exceeding rating, and the outcomes we’re achieving with our children and families,” Rebekah said.



Inclusion



Improving access to quality early learning for children facing disadvantage is a core part of Goodstart's Purpose. As Goodstart matures as an organisation, our investment in social inclusion continues to grow, rising 62 per cent to \$6.2m in 2016-17. Supporting educators to strengthen their skills and knowledge to achieve better outcomes for vulnerable children and their families remains a key priority.

Goodstart centres welcome and support growing numbers of children who are vulnerable or facing disadvantage. This includes children with additional needs, at-risk or in out-of-home care, from households with a very low income and children from a diversity of language and cultural backgrounds.

Goodstart has continued to lift participation in our flagship Family Connections Program, with 134 centres completing the program this year to better support children in their broader family context.

The Woodside Development Fund has provided \$510,000 in funding to extend the Family Connections Program for a further three years in Western Australia. This will enable the program to be introduced to a further 12 communities across Western Australia—six Goodstart centres and six other early learning community centres.

We have increased support for educators in relation to children's behaviour, with new procedural documents and practice advice supported by professional learning opportunities drawing on the best evidence on positive behavioural guidance and emotional support.

The number of centres in disadvantaged communities receiving intensive support through the Enhancing Children's Outcomes (EChO) program has increased from 25 to 30, supported by an expanded team of over 40 child and family



The Early Learning Fund is now supporting the participation of 191 children facing disadvantage in our centres.



Eight of our educators were supported to work at the Baya Gawiya Buga yani Jandu yani u Early Learning Centre at Fitzroy Crossing in Western Australia in the past year.



134 centres completed the Family Connections Program this year to better support children in their broader family context.

Inclusion (continued)

practitioners, speech pathologists, occupational therapists and social inclusion coordinators. Learnings from the program are shared with the broader network through webinars, case studies and Practice in Action guides.

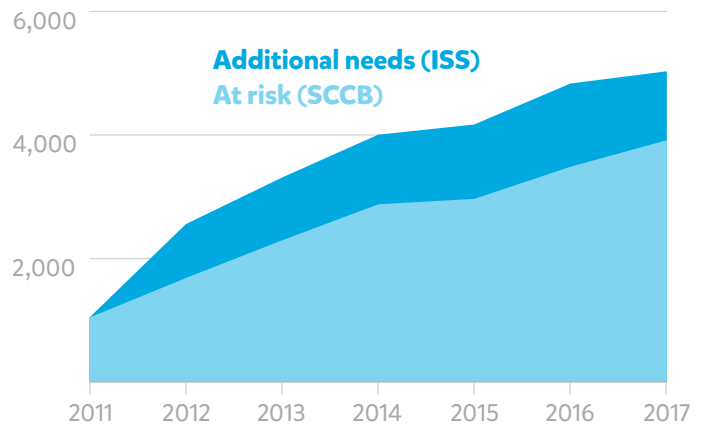
We continue to work to improve cultural competence across our network, building community connections with local elders and culturally diverse groups and offering additional professional development for centres with significant cultural diversity.

Goodstart has continued to develop the next stage of our Reconciliation Action Plan with Aboriginal and Torres Strait Islander communities, acknowledging the opportunity to educate the next generation of young Australians about Aboriginal and Torres Strait Islander culture. We have road-tested our new Indigenous category of centre resources to make sure each item appropriately contributes to children's learning, and we ensure the new *Goodstart Practice Guide* promotes practice that is respectful of the cultural needs of Aboriginal and Torres Strait Islander children.

Goodstart is supporting secondment opportunities in a remote Indigenous community to build cultural awareness of Australia's First People and contribute qualified educators to support sustainable staffing. In the past year, eight of our educators were supported to work at the Baya Gawiy Buga yani Jandu yani u Early Learning Centre at Fitzroy Crossing in Western Australia. We also partner with Mission Australia to provide school-based traineeships for Aboriginal and Torres Strait Islanders in our centres, and with Career Trackers to support paid internships for Aboriginal and Torres Strait Islander pre-service early childhood teacher students.

Advocacy on behalf of children facing disadvantage is a key part of our mandate,

Children at risk or with additional needs in Goodstart centres



* no data available for ISS funding in 2011

The Australian Government's new processes regarding eligibility and access to funding under the Inclusion Support Program (ISP), including a new IT system to support payments and a new management structure has resulted in fewer approvals for ISP funding being processed during the last financial year. Goodstart remains committed to ensuring all children receive the support to which they are entitled to enable participation in quality early learning and is working with the State Government Inclusion Agencies and the National Inclusion Development Fund Manager to address these issues.

with Goodstart playing a major role in securing the increases in inclusion support funding and improvements to the treatment of vulnerable and at risk children under the new Jobs for Families Package.

We partner with like-minded organisations on social inclusion initiatives, such as the Let's Count Numeracy Campaign with the Smith Family, food re-distribution program with FoodBank SA and OzHarvest, the delivery of the Jindi Integrated Child and Family Centre with the Brotherhood of St Laurence, the delivery of Family Connections in Western Australia with the Woodside Development Fund and in New South Wales with United Way.

We have also worked with the Benevolent Society to launch the Early Learning Fund, which is now supporting the participation in our centres of 191 children facing disadvantage.



Centre profile

Goodstart Glenorchy, Tas

Better outcomes for vulnerable children

Goodstart Glenorchy services a community with many families facing significant disadvantage. Unemployment, mental illness, low education levels, financial disadvantage, family violence and homelessness are common.

Centre Director Larissa Bellete has used the centre's participation in the Family Connections program to help her educators develop strategies to help children and families. They have looked deeper into family challenges and developed supportive relationships which have delivered better outcomes for children.

"Many children at our centre have behavioural issues and to support them we needed to understand what was happening outside of the early learning environment," Larissa said.

"Our educators use the circle of security concept which provides a safe place for children to return to when they feel overwhelmed, hurt, or insecure and then venture out when they feel confident."

Learnings from Family Connections help educators to identify the triggers of behavioural issues, support how children are feeling and help them settle into the learning environment. Introducing welcome spaces during arrival and departure times has also helped children settle.

"One of our children would start his day really well but as more children entered the room with their families, he'd become very overwhelmed and would act out," Larissa said.

"After observations to identify the trigger for this behaviour, we established a welcome space for him, managed family groupings in the room and ensured an educator was always present when he needed security."

At play stations around the centre, educators are also now constantly present to create a secure base. The centre has established a relationship with a local women's shelter, which enables them to support vulnerable women and children with access to early learning.

In May 2017, Goodstart Glenorchy was formally assessed as Exceeding all seven National Quality Areas, an achievement shared by just 11 per cent of centre-based services nationwide.

Evidence



Goodstart is strengthening the evidence base for quality early childhood education and care through its outcomes-focussed research and evaluation program. Informing and supporting our educators to engage with and deliver evidence-informed practice has been a key feature of our program this year.

“Evidence to Practice” was a key theme of our 2015 Thought Leaders’ event, and was reflected in *The Goodstart Practice Guide’s* release in 2016. This year, we focussed on embedding the Guide into practice in centres, and we are now evaluating its effectiveness.

Goodstart educators were supported to participate in national and international conferences to deepen our knowledge base on best practice in early learning, with five Goodstart delegates accepted to present at the European Early Childhood Education Research Association Conference in Italy.

Goodstart has commenced work in the development of an Outcomes Framework to report on the impact practice has on child outcomes, leveraging the expertise across our four year partnership with the Thought Leaders Group of international experts. The measurement challenges of an Outcomes Framework will be a theme for the 2017 Thought Leaders’ event.

The Outcomes Framework will help Goodstart develop a causal way of looking at the evidence base, informing future research priorities.

Goodstart is part of the University of Wollongong Researching Effective Early Learning (REEL) study across 60 centres in Victoria. Several publications from the two Australian Research Council Linkage Grants we participated in last year were published this year, dealing with parent perspectives of quality in early learning and sustaining a professional early years’ workforce.

Five centres in New South Wales volunteered to participate in the Pathway to Excellence Action Research Project, supported by an industry fellowship from Charles Sturt University, developing their reflective practice to learning.

Important contributions to the Australian evidence base this year included the final report of the University of Melbourne E4Kids Project evaluating the quality of early learning in Australia and a study on the expansion of preschool programs in Queensland and its significant improvement in the Year 3 NAPLAN test since 2008. A report by the Mitchell Institute at the Victoria University of Technology, to which we contributed, found that giving children two years of preschool would provide an even larger gain in educational outcomes.

Evidence (continued)

Building the evidence base to support policy is likely to become more important in coming years, and Goodstart is well placed to contribute to that.

The Productivity Commission was asked by the Federal Government to undertake a comprehensive review of the education evidence base. Goodstart's submissions to the inquiry helped to ensure the recognition of the early years as critical to the national education evidence base.

Goodstart's commitment to evidence-based policy and practice was demonstrated when the organisation was chosen by the New South Wales Government, with our partner Social Ventures Australia, to further develop a proposal for Australia's first ever social impact bond to assist children facing disadvantage to participate in early learning.





Centre profile

Goodstart
Blakeview, SA

Linking evidence to practice

The Goodstart Practice Guide was put to the test in a 12 week trial at 30 Goodstart centres including Blakeview where Centre Director Melissa Griffiths has made some big changes as a result.

“We looked at each area of the Practice Guide and realised it was exactly what we were trying to achieve in the centre, but the Guide provided structure,” she said.

Melissa and her team decided to use their nursery room as a test case within the centre.

“We figured if we could embed the Practice Guide in the nursery room, we could do it in any room,” she said.

“We realised we’d been underestimating babies as being competent learners and the room environment and resources were reflective of this.”

“We now use many loose parts in the room, which encourage them to develop and extend their own learning.”

“When we started showing photos and video evidence to the families, they were amazed to see how competent these very young children were.”

Having now embedded the Guide across all rooms, Melissa has also developed a template for educators which links the Early Years Learning Framework, National Quality Framework and the Guide’s ISTEP framework as a planning tool to set goals for rooms and children.

“It’s made it easier to ensure we cover every area of learning and has been great for new educators, helping them to implement the Practice Guide without becoming lost,” she said.

In 2017, Goodstart Blakeview was formally assessed as Exceeding across six of the seven National Quality Areas.

Influence



As Australia's largest early learning provider and a not-for-profit, Goodstart is uniquely placed to provide evidence-based advocacy on behalf of Australia's children.



Our early learning campaign, Smart Start, now has more than 26,000 supporters.



Goodstart was proud to be one of 23 sector leaders who lobbied the Senate on the importance of early learning.



We played a leading role in persuading the Federal Parliament to pass the new \$2.6 billion Child Care Subsidy.

Goodstart played a leading role in persuading the Federal Parliament to pass the new Child Care Subsidy, which will release an additional \$2.6 billion over four years to make access to early learning and care more affordable for most families. This effort involved participation in two Senate Inquiries, dozens of meetings with key politicians in Canberra, and generating thousands of emails from parents and educators through the Smart Start campaign to key decision makers and multiple media stories over the past year.

Our focus now switches to implementing the package, while continuing to advocate to improve access to early learning for children facing disadvantage.

Goodstart encourages centres to connect with their local communities and elected representatives. All new Federal MPs are invited to visit local centres after each election to see first-hand the work of our educators.

Goodstart actively collaborates with the broader sector, helping to coordinate a group of 23 in

presenting a united front to the Senate on the need to increase access to early learning for children facing disadvantage.

We are a member of the peak industry body the Early Learning and Care Council, leading working groups developing benchmarks to improve child and worker health and safety across the sector and to monitor policy developments and impacts.

We work closely with Early Childhood Australia, The Parenthood, United Voice, the Australian Council of Social Services, the Australian Childcare Alliance, the Australian Research Alliance for Children and Youth, the Global Access Partnership and our Founding Members on early learning and care policy issues.

We're also proud to have hosted a thinker in residence from the American business-based early childhood advocacy group Ready Nation, and facilitated the establishment of ReadyNation Australia to engage senior business leaders on the importance of early learning.

Influence (continued)

Goodstart has significantly increased its efforts to promote the benefits of early learning, publishing more than 400 pieces of original content online. The Goodstart website attracts on average 100,000 users per month and our Facebook presence has grown to more than 20,000 in under a year (not including tens of thousands of followers on more than 400 separate centre Facebook pages across the country). In addition, our early learning campaign, Smart Start, now has more than 26,000 supporters. Combined, these resources provide a voice and a source of information and inspiration for tens of thousands of families, educators and advocates as we work to influence policy makers to further increase their investment in the early years.

Goodstart is a strong defender of the National Quality Framework (NQF). The review of the Framework finalised by State and Territory Governments this year confirmed the importance of the NQF, while agreeing to measures to streamline and improve it.

Goodstart's policy advocacy has contributed to initiatives to reduce domestic and family violence, improve pathways for initial teacher education, streamline Working with Children Checks, and influenced policy setting on children facing disadvantage to support their participation in early learning.

We will continue to use our scale, expertise and the best evidence to advocate for all children.





Centre profile

North Sydney
Berry Street, NSW

Goodstart families embrace the Smart Start campaign

Goodstart's families and educators have enthusiastically embraced the Smart Start campaign for affordable, quality early learning, with more than 26,000 subscribing to the Smart Start campaign.

Goodstart North Sydney Berry Street Centre Director Lale Ada is a passionate advocate for supporting children and families in early childhood, and has been sharing the Smart Start campaign with families at her centre.

"It was a consistent theme, and our families were extremely supportive," Lale said.

"I also talked about it with families that had come on tours and other services that visited our centre as I was proud of how Goodstart supports the wider community with its projects. I even talked to family members and my Facebook friends."

"Quite a few of our families got involved, and really embraced Goodstart's broader role as a public advocate for children and families."

Lale, a qualified early childhood teacher with a Master in Education, a degree in Business Management and a strong interest in public policy, said it was important that everyone in the sector spoke up on the benefits of early learning.

"I really do believe in Goodstart, its Vision, our people and I love the changes we make for all Australians," she said.

"Our partnerships are empowering."

Good Future



Goodstart has come a long way in its first seven years, but wants to go even further in the years ahead. We believe it is possible to imagine early learning offers that better meet the needs of modern family life and that can better equip Australia's children for the challenges of tomorrow.

This year, Goodstart launched a major new initiative—GoodFuture—to keep us focussed on the forward horizon, the needs of a changing world and the imperative to continue evolving and improving what we do.

GoodFuture represents a changed mindset and encourages new ways of thinking about the way we work. To truly ensure the best possible outcomes for children, we realised we needed to constantly innovate to meet the changing needs of families.

Goodstart has partnered with the Innovation Unit, a UK-based organisation that specialises in using innovation to meet social challenges. A team of Goodstart employees and the Innovation Unit team are exploring a variety of new possibilities for our organisation.

They immersed themselves in the lives of families and employees to gain a deep understanding of their challenges in managing work and family in a fast moving society. We heard how many families lacked the confidence to create strong home learning environments and about the challenges of organising life around the rigidity

of current early learning and care programs. We also heard how digital disruption is fundamentally changing the face of work, and the capabilities expected of the next generation of workers who are, of course, in our centres now.

This intense research phase was followed by a series of workshops, an intensive period of deep immersion involving over 200 employees from across the country. They were invited to imagine a variety of possibilities to address the most pressing needs we had identified. Out of this process we have identified three big concepts with the potential to fundamentally challenge and transform how Goodstart does what it does:

- A future-focussed curriculum that equips children with the skills they will need for the emerging world;
- A more flexible offer that meets the needs of contemporary family life; and
- Small groups of centres collaborating as “campuses”.

Seventy-two centres have volunteered to explore these possibilities over the next year. This change program is largely being driven by our educators in the centre environment, while also tapping into the high level of specialist expertise within Goodstart. As their journey progresses, the shape of their ideas will emerge as they learn more about the specific needs of their local children and families.

Goodstart's origins trace back to one big audacious idea and a team determined to make it happen. We believe Goodstart's future can continue to be built by being willing to again think radically. We will imagine things that have never been done before, applying Goodstart's business discipline and remaining focussed on how best we can ensure Australia's children can achieve their potential in a rapidly changing world.



“I think it is fantastic to be asked to be involved in GoodFuture. The nature of work is very different to what it used to be and you have to be flexible or get left behind. Many families have both parents working and it can be difficult to align everything so more flexibility could be a big help to families.”

“The incubator style model is really interesting as it can test what works and doesn’t work and be responsive to families. Your child care centre is such an important relationship for families because they are the ones looking after your children.”

Jo Miller, parent,
Brighton East, Victoria



“We feel empowered that Goodstart has asked us to be involved and design the service that we offer. We are being encouraged to think on a much bigger scale, as well as thinking of smaller things we can do immediately in our centre to better support families such as creating networking opportunities. We realise we can make a massive difference and everyone is really excited about it.”

Sue Leach, early childhood teacher,
Kingsley, Western Australia



“For me personally, GoodFuture enables the freedom to explore and look at things differently. The big thing is the opportunity to explore what our community wants and values, and not just have something rolled out.

“We have got to know our families on a deeper level through the survey work, and they have trusted us with more information and become more engaged with us. Being involved has seen educators at our centre become more enthusiastic and driven because they are involved in decision making.”

Carlie Cummings,

centre director, Tumbi Umbi, New South Wales



“I have been providing professional learning programs to Goodstart employees for many years and now the tables have turned. I am learning so much from their experiences as they grapple with the big questions GoodFuture is posing.”

“Having the opportunity to step out of my day job and imagine a different future for Goodstart has been an amazing experience. And to work with so many of our talented and enthusiastic educators has been truly inspiring.”

“There is so much creativity in our centres, fired by a deep commitment to do the best we can for children and families.”

Claire Marriott, Learning and Development Manager seconded to the GoodFuture team







Annual Financial Report

**Goodstart Early Learning
Limited**

ABN 69 139 967 794
30 June 2017

Directors' Report

for the year ended 30 June 2017.

The directors present their report on the consolidated entity (the "Group"), consisting of the financial report of Goodstart Early Learning Ltd ("Goodstart" or the "company") and the entities it controlled for the financial year ended 30 June 2017 and the auditor's report thereon.

A Directors

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



Michael Trail AM

BA (Hons); MBA

**Non-executive Chair
Member, Audit and Risk Committee
Member, Early Learning and Care Reference
Committee
Chair, Remuneration and Nominations
Committee**

Appointed 13 October 2009

Michael was Chief Executive of Social Ventures Australia (SVA) for 12 years from 2002 to 2014. Prior to that he spent 15 years as a co-founder and Executive Director of Macquarie Group's private equity arm, Macquarie Direct Investment.

Michael is also Chair of the SVA Leadership Council, Asstetic, and a director of MH Carnegie & Co, SunSuper, Australian Schools Plus, Australian Philanthropic Services, Paul Ramsay Foundation and the National Museum of Australia.

In 2010 Michael was made a Member of the Order of Australia in recognition of his services to not-for-profit organisations.

Wendy McCarthy AO

BA; Dip Ed; FAICD

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

Appointed 21 September 2010

Wendy is an experienced manager and company director who began her career as a secondary school teacher. She moved out of the classroom into public life in 1968 and

since then has worked for change across the public, private and community sectors.

She has held many significant leadership roles including eight years as Deputy Chair of the Australian Broadcasting Corporation, ten years as Chancellor of the University of Canberra, and 12 years of service to Plan Australia as Chair, with three years as Global Deputy Chair for Plan International. In June 2016 she completed eight years as Chair of Headspace National Youth Mental Health Foundation Ltd. Wendy currently chairs Circus Oz and is a Non-executive Director of IMF Bentham.

In 1989 Wendy was appointed an Officer of the Order of Australia for outstanding contributions to community affairs, women's affairs and the Bicentennial celebrations. She received an Honorary Doctorate from the University of South Australia in 1995 and in 2000 was awarded a Centenary of Federation Medal for business leadership. She is the inaugural inductee to the Women's Agenda Hall of Fame.

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

Lynelle Briggs AO

BEC; GAICD

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

Appointed 15 December 2015

Lynelle is the Chairperson of NSW's Planning Assessment Commission. She is also an Independent Director with Maritime Super and Independent Chairperson of the General Insurance Code Governance Committee. Lynelle was previously a Councillor with the Royal Australian College of General Practitioners and a non-executive director with the Australian Rail Track Corporation.

Lynelle is a former Public Service Commissioner and former chief executive of Medicare Australia. She has extensive experience in the Australian Public Service, working in a wide range of fields, including social security, health and community services, transport, external territories, employment and labour market support and veterans' affairs.

Lynelle became an Officer in the General Division of the Order of Australia in 2013 for distinguished service to public administration, particularly through leadership in the development of public service performance and professionalism.

Julia Davison

BSc (Hons); MPA; MAICD

Director and Chief Executive Officer

Appointed 29 June 2011

Prior to joining Goodstart as its Chief Executive Officer in February 2011, Julia had extensive senior management experience in the human services sector in Australia and the UK.

Between 1999 and 2004 she was CEO at Flinders Medical Centre, a large teaching hospital in Adelaide. From 2004 to 2010 Julia was CEO of WorkCover SA, a statutory authority which manages the South Australian Workers Rehabilitation and Compensation Scheme, extending protection to 430,000 employees in SA.

Julia is on the Board of Cape York Girl Academy and has held a number of non-executive roles including Chair of Catherine House, a not-for-profit working to solve women's homelessness, Director of Territory Insurance Office, NT and Director of Business SA.



Greg Hutchinson AM

BA (Hons); MSc

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

Appointed 28 May 2010

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

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

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

Rob Koczkar

B Eng (Hons)

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

Appointed 28 May 2010

Rob is the Chief Executive Officer of Social Ventures Australia (SVA) and Managing Director of Adamantem Capital. Rob has extensive experience in investing and management consulting along with a deep understanding of the social purpose sector.

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

Rob is a member of the Australian Government's Cities Reference Group to support delivery of the Smart Cities Plan. He previously served on the boards of Spotless Group Holdings Limited, Energy Developments Limited and on Mission Australia's Corporate Advisory Council.

June McLoughlin

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

Appointed 15 December 2015

June currently holds positions as Director Early Years and Community Engagement at the Colman Foundation, and Director of Family and Children's Services at Doveton College. June has recently been appointed to the WA Early Childhood Development and Learning Collaboration Advisory Board hosted by Telethon Kids.

June has extensive experience in both policy and service development, research and practice in the early childhood, family support and children's services fields, which has given her a broad and deep understanding of issues relevant to the needs of parents and their children.

June has managed many state and national projects designed to refocus early years services to provide more integrated support for families with young children with a particular interest in vulnerable children.

Andrea Staines

B Econ; MBA; FAICD

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

**Appointed 23 March 2011
Resigned 26 October 2016**

Andrea is a professional Non-executive Director and company advisor. She is currently a Director of QIC Limited, Sealink Travel Group, Uniting Care Qld, The National Disability Insurance Agency (NDIA) and Tourism Australia. Andrea also advises small and medium-sized companies on implementing board governance, strategic planning, and risk management.

She is a former CEO of Australian Airlines, a Qantas subsidiary flying between Asia and Australia, which she co-launched in 2002. Prior to Qantas, Andrea worked in various financial roles with American Airlines at its Dallas headquarters. Andrea is a Fellow of the Australian Institute of Company Directors, a member of CEW (Chief Executive Women) and an occasional MBA Guest Lecturer and CEO Mentor.

Lynne Wannan AM

BA; Dip Ed; GAICD

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

Appointed 21 September 2010

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

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

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

B Company Secretaries

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

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

C Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year ended 30 June 2017 were:

	Board of Directors		Audit and Risk Committee		Remuneration and Nominations Committee		Early Learning and Care Reference Committee	
	A	B	A	B	A	B	A	B
L Briggs	6	6	6	4	-	-	-	-
J Davison*	4	4	-	-	-	-	-	-
G Hutchinson	6	6	-	-	2	2	1	1
R Koczkar	6	5	6	6	-	-	-	-
W McCarthy	6	5	-	-	2	1	1	1
J McLoughlin	6	6	-	-	-	-	1	1
A Staines**	1	1	3	3	1	0	-	-
M Traill	6	6	6	5	2	2	1	1
L Wannan	6	6	-	-	2	2	1	1

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

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

* J Davison was on sabbatical from 15 April 2017 to 15 July 2017, during which time she took an official leave of absence from the Board.

** A Staines resigned with effect from 26 October 2016.

The Executive Director (CEO) attends the Audit and Risk Committee, Remuneration and Nominations Committee and Early Learning and Care Reference Committee at the invitation of those Committees.

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

D Principal activities

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

E Operating performance

The directors are pleased to report that Goodstart has continued to deliver a net surplus whilst increasing investments towards our strategic goals. In the year ended 30 June 2017, a net surplus of \$2.613 million (2016: \$18.968 million) was achieved and net assets increased to \$83.900 million (2016: \$81.287 million).

F Company objectives

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

High Quality

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

Inclusion

Enhance outcomes for children in vulnerable circumstances

Financial Stability

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

Great People

Build a capable, aligned and engaged workforce

Evidence

Embed evidence-informed practice and strengthen the Australian evidence base

Influence

Increase public commitment to quality early learning and care

Details of achievements and activities undertaken during the 2016/17 year are included on pages 10 to 45.

G Measurement of performance

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

High Quality

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

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

Inclusion

Enhance outcomes for children in vulnerable circumstances

- Number of EChO Centres
- Number of children assisted by fee relief (including Inclusion Support Subsidy, Special Child Care Benefit, Grandparent Child Care Benefit, Jobs Education and Training fee assistance, Special Child Care Benefit, and Early Learning Fund)
- % of centres with more than one inclusion initiative

Financial Stability

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

- Social purpose reinvestment
- Families likelihood to recommend (current families)
- Improved child retention:
 - Child turnover (with tenure of 6 months or below)
 - Child turnover – kindergarten eligible
- Net increase in new centres opened since 1 July 2016
- Labour hours per attendance
- Configured occupancy
- EBITDA

Great People

Build a capable, aligned and engaged workforce

- Staff engagement score
- Employee initiated turnover
- Number of Early Childhood Teachers

Evidence

Embed evidence informed practice and strengthen the Australian evidence base

- % of centres using the Outcomes Framework to drive evidence informed practice in centres
- Number of large scale externally funded research projects

Influence

Increase public commitment to quality early learning and care

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

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

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 2017 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 2017 (2016: \$400).

I Lead auditor's independence declaration

KPMG is Goodstart's external auditor and its independence declaration is set out on page 54. This forms part of the Directors' Report for the financial year ended 30 June 2017.

J Rounding off

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

K Subsequent events

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

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



Michael Traill
Chair

Dated at Brisbane this 7 September 2017



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

**To: the members of Goodstart
Early Learning Limited**

I declare that, to the best of my knowledge and belief,
in relation to the audit for the financial year ended 30
June 2017 there have been:

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

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Matthew McDonnell'.

Matthew McDonnell
Partner

Brisbane

7 September 2017





Financial Statements

Goodstart Early Learning Limited

ABN 69 139 967 794

30 June 2017

Goodstart Early Learning Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

		2017	2016
	<i>Note</i>	\$000	\$000
Revenue from early learning centres	6	933,220	903,848
Government grants	7	29,269	28,623
Other income	8	1,299	643
Total revenue		963,788	933,114
Employee costs	9	669,576	628,898
Rent and other property expenses	10	172,556	171,998
Depreciation and amortisation expense	16 & 17	33,903	30,847
Catering and consumables expenses		49,894	41,952
Travel and motor vehicle expenses		6,144	5,483
Technology and communication expenses		9,907	8,944
Marketing expenses		6,865	8,382
Legal and professional costs		6,169	4,916
Impairment of assets	16 & 17	3,184	2,954
Other expenses	11	5,711	7,517
Total expenses		963,909	911,891
Operating (Deficit) / Surplus		(121)	21,223
Finance income	12	3,971	3,676
Finance costs	12	(1,237)	(5,931)
Net finance income / (costs)		2,734	(2,255)
Net surplus for the year		2,613	18,968
Total comprehensive income for the year		2,613	18,968

The notes on pages 61 to 83 are an integral part of these consolidated financial statements.

Goodstart Early Learning Limited

Consolidated statement of financial position

As at 30 June 2017

	Note	2017 \$000	2016 \$000
Assets			
Cash and cash equivalents	13	21,787	17,694
Trade and other receivables	14	44,284	29,895
Inventories	15	487	375
Financial assets	18	72,000	120,000
Total current assets		138,558	167,964
Deposits and security bonds		128	276
Property, plant and equipment	16	167,037	124,327
Intangible assets	17	15,717	10,297
Total non-current assets		182,882	134,900
Total assets		321,440	302,864
Liabilities			
Trade and other payables	19	65,584	54,135
Loans and borrowings	20	12	21
Employee benefits	21	55,191	50,467
Provisions	22	9,850	4,553
Deferred income	6b	9,445	10,408
Total current liabilities		140,082	119,584
Trade and other payables	19	43,252	38,307
Loans and borrowings	20	13,462	16,828
Employee benefits	21	12,772	11,848
Provisions	22	27,972	35,010
Total non-current liabilities		97,458	101,993
Total liabilities		237,540	221,577
Net assets		83,900	81,287
Equity			
Accumulated surplus		83,900	81,287
Total equity		83,900	81,287

The notes on pages 61 to 83 are an integral part of these consolidated financial statements.

Goodstart Early Learning Limited

Consolidated statement of cash flows

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Cash flows from operating activities			
Cash receipts from parents and guardians		477,445	476,270
Cash receipts from grants and government funding		483,425	461,698
Cash receipts from other income		265	912
Cash paid to suppliers and employees		(924,212)	(887,074)
Net cash from operating activities		36,923	51,806
Cash flows from investing activities			
Proceeds from sale of plant and equipment		28	18
Purchase of plant & equipment and intangible assets		(48,526)	(27,624)
Disbursements / (investments) in term deposits		48,000	(35,000)
Interest received		3,971	3,676
Acquisition of centres		(30,250)	(1,734)
Net cash used in investing activities		(26,777)	(60,664)
Cash flows from financing activities			
Repayment of borrowings	20	(3,366)	-
Interest paid		(2,687)	(2,728)
Net cash used in financing activities		(6,053)	(2,728)
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 July		17,694	29,280
Cash and cash equivalents at 30 June	13	21,787	17,694

The notes on pages 61 to 83 are an integral part of these consolidated financial statements.

Goodstart Early Learning Limited

Consolidated statement of changes in equity

For the year ended 30 June 2017

	Accumulated Surplus	Total Equity
	\$000	\$000
Balance at 30 June 2015	62,319	62,319
Total comprehensive income for the year		
Net surplus	18,968	18,968
Balance at 30 June 2016	81,287	81,287
Total comprehensive income for the year		
Net surplus	2,613	2,613
Balance at 30 June 2017	83,900	83,900

The notes on pages 61 to 83 are an integral part of these consolidated financial statements.

Goodstart Early Learning Limited**Index to notes to the consolidated financial statements for the year ended 30 June 2017**

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Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

1 Reporting entity

Goodstart Early Learning Limited (the "Company"), a not-for-profit entity, is a company limited by guarantee. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiary (together referred to as the "Group").

2 Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 7 September 2017. Details of the Group's accounting policies, including changes during the year, are included in notes 3 and 4.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

The Group is of a kind referred to in ASIC 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.

(d) Use of estimates and judgements

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

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

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

- Note 3 (i) ii) – Property, Plant & Equipment – Depreciation
- Note 3 (l) – Leased assets
- Note 17 – Intangible assets
- Note 22 – Provisions

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

3 Significant accounting policies

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

(a) Basis of consolidation

i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

ii) Subsidiaries

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

Subsidiaries are consolidated from the date on which control commences until the date that control ceases.

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

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

(b) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

i) Revenue from early learning centres

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

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

3 Significant accounting policies (continued)

(b) Revenue recognition (continued)

ii) Deferred income

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

iii) Government grants

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

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

Income from non-reciprocal grants is recognised when the Group obtains control of the grant or the right to receive the grant; it is probable that the economic benefits comprising the grant will flow to the Group; and the amount of grant can be measured reliably. Income from such grants is therefore recognised on receipt as the revenue recognition criteria are met when the Group receives those grants.

Government grants which are reciprocal in nature i.e. those grants which are received on the condition that specified services are delivered or conditions are fulfilled and have to be returned if the Group fails to meet the attached conditions, are initially recognised as deferred revenue (liability) with revenue recognised as the services are performed or conditions are fulfilled.

Grants related to assets are government grants whose primary condition to qualifying for them, is that the Group should purchase, construct or otherwise acquire long-term assets. Other conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held. These types of grant are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all conditions associated with the grant.

(c) Cash and cash equivalents

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

(d) Goods and services tax

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

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

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

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

3 Significant accounting policies (continued)

(e) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

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

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

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

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

(f) Financial assets

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

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

(g) Borrowings

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

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

(h) Trade and other payables

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

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

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

3 Significant accounting policies (continued)

(i) Property, plant and equipment

i) Recognition and measurement

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

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

ii) Depreciation

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

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

Building	40 years
Motor vehicles	4 - 7 years
Plant and equipment	3 - 10 years
Leasehold improvements	7 - 10 years

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

iii) Impairment

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

(j) Impairment of non-financial assets

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

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. Depreciated replacement cost is used to determine value in use. Depreciated replacement cost is the current replacement cost of an item less accumulated depreciation to date. 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.

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

3 Significant accounting policies (continued)

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

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

(k) Intangible assets

i) Brand

Brands that are acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 4 years (2016: 4 years), from the date that they are available for use.

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

ii) Other intangibles

Other intangibles are identifiable assets that represent the economic benefits arising from a business combination or the rights and obligations of a contractual obligation, such as the renewal or transfer of an operating lease. Other intangibles are recognised as an aggregate of the rights and obligations embodied in a lease or other contract that may include but not be limited to, the use of lessor property and equipment, operating licenses and approvals, procedures and processes, and other rights that cannot be reliably measured and recognised on a more separate basis.

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

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

iii) Operating processes and programs

The operating processes and programs have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over their estimated useful lives of 8 years (2016: 8 years). Amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

iv) IT development and 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.

v) Subsequent expenditure

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

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

3 Significant accounting policies (continued)

(l) Leased assets

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

The Group has no finance lease obligations.

(m) Inventories

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

(n) Employee benefits

i) Short-term employee benefits

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

All annual leave liabilities are presented as current liabilities.

ii) Long-term employee benefits

The liabilities for annual leave not expected to be settled wholly within 12 months of the end of the reporting period and long service leave 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.

iii) Defined contributions plans

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

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

3 Significant accounting policies (continued)

(o) Provisions

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

i) Lease obligation provision

1) Make good provisions

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

2) Mid-lease repair and maintenance provisions

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

ii) Onerous contracts provision

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

(p) Finance income and finance costs

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

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

(q) Income tax

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

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

4 New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of those which may be relevant are set out below.

i) AASB 9 Financial Instruments (2014)

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

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

The Group is assessing the potential impact on its financial statements resulting from the application of AASB 9.

ii) AASB 15 Revenue from Contracts with Customers

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

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Based on the Group's assessment, it is expected that the first-time adoption of AASB 15 for the year ending 30 June 2019 will not have a material impact on the transactions and balances recognised in the financial statements.

iii) AASB 16 Leases

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

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

The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes a significant increase in lease assets and financial liabilities recognised on the balance sheet.

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2017****5 Business combination—acquisition of childcare centres**

During the year, the Group acquired centres in Australia for \$5.488 million in cash. The centres transitioned to the Group when the lease or the property was assigned as at acquisition date. The Group incurred acquisition-related costs of \$88,000 on legal fees and due diligence costs which have been expensed as incurred.

The fair value of building, leasehold improvements, plant and equipment is based on depreciated replacement cost which is determined as the amount that it would cost to replace the asset acquired, taking into account the age of those assets. The fair value of building and leasehold improvements were based on an external independent assessment by a quantity surveyor.

The fair value of other intangible assets has been measured provisionally.

If new information obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date, identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

6 Revenue**(a) Revenue from early learning centres**

	2017	2016
	\$000	\$000
Fees from parents and guardians	478,047	474,786
Government funding	455,173	429,062
Total revenue from early learning centres	933,220	903,848

(b) Deferred income

At 30 June 2017 the Group has deferred revenue of \$9.445 million (2016: \$10.408 million), which represents the fair value of that portion of the consideration received or receivable in respect of parent fees received in advance.

7 Government grants

Recovered special needs funding	6,514	6,181
Recovered trainees funding	177	141
Adult education revenue	125	241
Kindergarten and associated funding	21,098	21,584
State and Federal training funding	1,355	476
Total government grants	29,269	28,623

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2017****8 Other income**

	2017	2016
<i>Note</i>	\$000	\$000
Insurance recoveries	715	591
Sublease income	94	24
Other income	490	28
Total other income	1,299	643

9 Employee costs

Wages and salaries	576,868	545,417
Other associated personnel expenses	37,464	32,086
Contributions to defined contribution plans	55,244	51,395
Total employee costs	669,576	628,898

10 Rent and other property expenses

Rental expenses*	106,282	101,941
Repairs and maintenance	30,267	37,021
Other direct property expenses	34,632	33,138
Onerous contracts	22	1,375
Total rent and other property expenses	172,556	171,998

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

11 Other expenses

Net loss on sale of property, plant and equipment	80	1,072
Insurance premiums expense	1,629	1,599
Bank charges	365	-
Impairment loss on trade receivables	14	743
Other expenses	2,894	3,736
Total other expenses	5,711	7,517

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2017****12 Finance income and finance costs**

		2017	2016
	<i>Note</i>	\$000	\$000
Interest income on bank deposits		3,971	3,676
Total finance income		3,971	3,676
Interest expense on financial liabilities measured at amortised cost		(2,818)	(2,744)
Unwinding of discount of make good & onerous provisions	22	115	(305)
Changes in discount rates of make good provision		1,466	(2,882)
Total finance costs		(1,237)	(5,931)
Net finance income / (costs) recognised in profit or loss		2,734	(2,255)

13 Cash and cash equivalents

Cash and cash equivalents	21,787	17,694
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14 Trade and other receivables

Trade receivables	30,906	19,859
Allowance for impairment of receivables	(2,829)	(2,999)
Trade receivables net	28,077	16,860
Prepayments	11,520	9,777
Goods and services tax (GST) recoverable	4,262	3,241
Other receivables	425	17
Total trade and other receivables	44,284	29,895

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

Balance at 1 July	2,999	2,860
Receivables written off during the year as uncollectible	(913)	(971)
Provision for impairment recognised during the year	743	1,110
Balance at 30 June	2,829	2,999

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

15 Inventories

Uniforms & children welcome packs at cost	487	375
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Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

16 Property, plant and equipment

	Note	2017					Total
		Land and buildings	Plant and equipment	Leasehold improvements	Motor vehicles	Work in progress	
\$000							
Year ended 30 June 2017							
Opening net book amount		5,385	26,223	79,861	2,363	10,495	124,327
Additions		17,700	9,782	14,301	33	35,911	77,727
Decrease in make good asset		-	-	(530)	-	-	(530)
Transfers	17	-	4,261	4,998	-	(9,497)	(238)
Disposals		-	(4)	(24)	(80)	-	(108)
Work in progress expensed		-	-	-	-	(271)	(271)
Net impairment loss		-	-	(3,184)	-	-	(3,184)
Depreciation expense		(135)	(12,965)	(17,215)	(371)	-	(30,686)
Closing net book amount		22,950	27,297	78,207	1,945	36,638	167,037
Year ended 30 June 2017							
Cost		23,253	65,293	160,292	4,771	36,638	290,247
Accumulated depreciation & impairment losses		(303)	(37,996)	(82,085)	(2,826)	-	(123,210)
Net book amount		22,950	27,297	78,207	1,945	36,638	167,037
2016							
\$000							
Year ended 30 June 2016							
Opening net book amount		4,006	29,581	77,672	2,857	7,436	121,552
Additions		1,508	6,534	10,757	35	10,053	28,887
Increase in make good asset		-	-	1,569	-	-	1,569
Transfers	17	-	954	5,282	-	(6,728)	(492)
Disposals		-	(195)	(791)	(104)	-	(1,090)
Work in progress expensed		-	-	-	-	(266)	(266)
Depreciation expense		(129)	(10,651)	(14,628)	(425)	-	(25,833)
Closing net book amount		5,385	26,223	79,861	2,363	10,495	124,327
Year ended 30 June 2016							
Cost		5,553	56,104	155,242	5,050	10,495	232,444
Accumulated depreciation & impairment losses		(168)	(29,881)	(75,381)	(2,687)	-	(108,117)
Net book amount		5,385	26,223	79,861	2,363	10,495	124,327

Security

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

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2017****17 Intangible assets**

					2017
					\$000
Intangible assets					
	<i>Note</i>	Software	Brand	Other intangibles	Total
Year ended 30 June 2017					
Opening net book amount		10,053	244	-	10,297
Acquired through business combinations	<i>5</i>	-	-	5,400	5,400
Other acquisitions		999	-	2,000	2,999
Transfers from work in progress	<i>16</i>	238	-	-	238
Amortisation charge		(3,059)	(100)	(58)	(3,217)
Closing net book amount		8,231	144	7,342	15,717
Year ended 30 June 2017					
Cost		14,386	400	7,400	22,186
Accumulated amortisation and impairment		(6,155)	(256)	(58)	(6,469)
Net book amount		8,231	144	7,342	15,717
					2016
					\$000
	<i>Note</i>	Software	Brand	Operating processes & programs	Total
Year ended 30 June 2016					
Opening net book amount		9,444	2,699	3,105	15,248
Other acquisitions		2,525	-	-	2,525
Transfers from work in progress	<i>16</i>	492	-	-	492
Impairment loss		-	(931)	(2,023)	(2,954)
Amortisation charge		(2,408)	(1,524)	(1,082)	(5,014)
Closing net book amount		10,053	244	-	10,297
Year ended 30 June 2016					
Cost		17,077	10,772	6,155	34,004
Accumulated amortisation and impairment		(7,024)	(10,528)	(6,155)	(23,707)
Net book amount		10,053	244	-	10,297

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2017****18 Financial assets**

	2017	2016
	\$000	\$000
Current		
Term deposits	72,000	120,000

The term deposits have maturity terms of less than one year and carry a weighted average fixed interest rate of 2.673% (2016: 2.977%). Due to their short-term nature their carrying value is assumed to approximate their fair value.

The Group has \$52.000 million (2016: \$50.000 million) in term deposits that have been pledged as security for the Group's guarantees provided by NAB as set out in note 25.

19 Trade and other payables

Current		
Enrolment bonds payable	11,247	11,100
Other trade payables	10,229	7,454
Accrued expenses	44,108	35,581
Total trade and other payables	65,584	54,135
Non-current		
Lease straight-line liability	43,252	38,307

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2017****20 Loans and borrowings**

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

	2017	2016
	\$000	\$000
Current		
Unsecured loans from related entities		
Subordinated loan - accrued interest *	-	4
Deeply subordinated loan - accrued interest *	12	17
Total unsecured loans from related entities	12	21
Non-current		
Unsecured loans from related entities		
Subordinated loan from founders (incl. capitalised interest) *	-	3,366
Deeply subordinated loan from founders (incl. capitalised interest) *	13,462	13,462
Total unsecured loans from related entities	13,462	16,828

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

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

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

	30-Jun-17			
	\$000			
	Nominal interest rate	Year of maturity	Utilised Facility	Total Facility
Unsecured loans from related entities				
Subordinated loan from founders *	15%	2019	-	-
Deeply subordinated loan from founders *	15%	2030	10,000	10,000
Total unsecured loans from related entities			10,000	10,000
30-Jun-16				
\$000				
	Nominal interest rate	Year of maturity	Utilised Facility	Total Facility
Unsecured loans from related entities				
Subordinated loan from founders *	15%	2019	2,500	2,500
Deeply subordinated loan from founders *	15%	2030	10,000	10,000
Total unsecured loans from related entities			12,500	12,500

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

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

20 Loans and borrowings (continued)

Terms and conditions of borrowings:

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

Assets pledged as security

The bank facility of the Group is secured by:

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

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Note	2017 \$000	2016 \$000
Current			
<i>Fixed and Floating charge</i>			
Cash and cash equivalents	13	21,787	17,694
Trade and other receivables	14	44,284	29,895
Inventories	15	487	375
Financial assets	18	72,000	120,000
Total current assets pledged as security		138,558	167,964
Non-current			
<i>Mortgage</i>			
Freehold land and buildings	16	22,950	5,385
<i>Fixed and Floating charge</i>			
Deposits and security bonds		128	276
Property, Plant and equipment	16	144,087	118,942
Intangibles	17	15,717	10,297
Total non-current assets pledged as security		182,882	134,900
Total assets pledged as security		321,440	302,864

21 Employee benefits

Current

Employee leave entitlements	55,191	50,467
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Non-current

Employee leave entitlements	12,772	11,848
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Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

22 Provisions

	2017		
	\$000		
	Lease obligation provision	Onerous contracts provision	Total
Consolidated			
At 1 July 2016	34,390	5,173	39,563
Provisions made during the year	290	5,044	5,334
Provisions utilised during the year	(449)	(750)	(1,199)
Provisions reversed during the year	(2,842)	(2,919)	(5,761)
Unwinding of discount	(230)	115	(115)
Balance as at 30 June 2017	31,159	6,663	37,822
Current	8,696	1,154	9,850
Non-current	22,463	5,509	27,972
Total provisions	31,159	6,663	37,822
	2016		
	\$000		
	Lease obligation provision	Onerous contracts provision	Total
Consolidated			
At 1 July 2015	31,317	5,096	36,413
Provisions made during the year	5,872	2,882	8,754
Provisions utilised during the year	(2,051)	(968)	(3,019)
Provisions reversed during the year	(875)	(2,015)	(2,890)
Unwinding of discount	127	178	305
Balance as at 30 June 2016	34,390	5,173	39,563
Current	3,819	734	4,553
Non-current	30,571	4,439	35,010
Total provisions	34,390	5,173	39,563

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

22 Provisions (continued)

Lease obligation provision

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

a) Make good provisions

Provision is made for the make-good in respect of restoring leased premises to their original condition when the premises are vacated either due to closure or relocation. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements and reinstate the leased premises. This provision amounts to \$10.375 million as at 30 June 2017 (2016: \$10.988 million). These costs have been capitalised as part of the leasehold improvements and amortised over the term of the lease. These estimates may vary from actual costs incurred as a result of conditions existing at the date the premises are vacated.

The remaining lease obligation provision includes end of lease redecorations which have been recognised for the present value of the required end of lease conditions. The Group has estimated the provision based on data in relation to current prices available. This provision amounts to \$10.426 million as at 30 June 2017 (2016: \$19.583 million).

In the current financial year, the basis for estimating the end of lease redecoration has changed. The provision now includes the requirements for redecoration that are to be undertaken on termination of the lease only. Any other lease and repairs and maintenance obligations that are required more frequently have been excluded from this provision and included in the Mid-Lease repairs and maintenance provision. This approach will give a more reasonable approximation of the timing of any lease obligation to be performed and is based on historical experience.

The provision has been calculated using a discount rate of 2.739% (2016: 2.224%), being the 12-year bond yield rate. This is a rate that most closely approximates the remaining life of the leases for the calculation of the present value of future cash flows. The increase in the discount rate has reduced the provision by \$1.467 million.

b) Mid-lease repairs and maintenance provisions

Provision is made for the repair and maintenance of leasehold improvements where the Group is required by the lessor to repair areas identified and notified in accordance with the lease agreements throughout the lease term. Management has estimated the provision based on recent invoices received and history of costs to rectify. This provision amounts to \$10.358 million as at 30 June 2017 (2016: \$3.819 million).

The provision has been calculated using a discount rate of 1.926% (2016: Nil), 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.

Onerous contracts provision

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

Provision is made for onerous contracts where the Group's unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it. Management has estimated the provision based on the discounted future payments, net of expected cash inflows associated with the contracts. The economic benefits for each of the contracts have been assessed after taking into account the Group's strategic goals of quality, inclusion and stability, as well as trading results.

The provision has been calculated using a discount rate of 2.739% (2016: 2.224%), being the 12-year bond yield rate. This is a rate that most closely approximates the remaining life of the leases for the calculation of the present value of future cash flows. The increase in the discount rate has reduced the provision by \$0.100 million (2016: \$0.218m).

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2017****23 Operating lease commitments**

Non-cancellable operating lease rentals are payable as follows:

	2017	2016
	\$000	\$000
Less than one year	96,471	91,318
Between one and five years	389,025	368,047
More than five years	925,966	792,305
Total operating lease commitments	1,411,462	1,251,670

The Group leases 641 (2016: 642) childcare centres under operating leases. The leases typically run for a period of 10 years, then have one to three options. Each option enables the Group to renew the leases for a further 5 or 10 years. Included in these commitments are contingent payments, including escalation based on fixed dollar or percentage increases, as contained in the lease agreement.

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

The Group leases 166 (2016: 163) motor vehicles under fully maintained operating leases. All leases are for a term of 36-48 months, commencing on delivery of the vehicle.

During the year ended 30 June 2017 \$93.664 million (2016: \$88.867 million) relating to lease rental payments was recognised as an expense in the statement of comprehensive income in respect of operating leases.

24 Commitments**(a) Capital commitments**

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

Contracted but not yet provided for and payable:		
Property, Plant and equipment	12,611	2,814

b) Contractual commitments

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

Contracted but not yet provided for and payable:		
Commitments for medium-term service contracts	3,708	2,637

Goodstart Early Learning Limited

Notes to the consolidated financial statements for the year ended 30 June 2017

25 Contingencies

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

Guarantees

	2017	2016
	\$000	\$000
Bank guarantees issued in support of various rental arrangements	43,829	36,118
Bank guarantees issued in support of other arrangements	8,704	5,662
Total guarantees	52,533	41,779

26 Related parties

Key management personnel compensation

in whole dollars of AUD

Directors' fees	585,386	493,453
Executive and Executive Director's remuneration	3,091,992	3,021,092
Total amount paid or payable to key management personnel	3,677,378	3,514,545

Director's fees are higher in the current year as a result of the full year impact of an additional Director and fee increase in the previous year.

Parent and subsidiary information	Country of incorporation	Ownership interest	Ownership interest
		2017	2016
		%	%
Parent entity			
Goodstart Early Learning Limited	Australia	Parent	Parent
Subsidiaries			
Mediasphere Holdings Pty Limited	Australia	n/a	80%
GS Admin Services No.1 Pty Limited	Australia	100%	100%

The Group had entered into an agreement to sell its subsidiary 'Mediasphere Holdings Pty Ltd' for a nominal amount. Settlement of the sale was completed during August, 2016.

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2017****26 Related parties (continued)****(a) Related party information**

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

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

(b) Outstanding balances and transactions with related parties

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

in whole dollars of AUD

1) Unsecured loans from parties with significant influence over Goodstart Early Learning Limited	2017	2016
	\$	\$
i) Subordinated loan from founders		
Balance at 1 July	3,369,758	3,365,608
Loan repayments made	(3,365,609)	-
Interest charged	500,692	513,140
Interest paid	(504,841)	(508,991)
Balance at 30 June	-	3,369,758
The terms and conditions of each category are set out in note 20.		
ii) Deeply subordinated loan from founders		
Balance at 1 July	13,479,033	13,462,435
Interest charged	2,013,832	2,052,560
Interest paid	(2,019,365)	(2,035,963)
Balance at 30 June	13,473,500	13,479,033
The terms and conditions of each category are set out in note 20.		
iii) Other related party payables		
Amounts payable to founding members *	564	125,000

Goodstart Early Learning Limited**Notes to the consolidated financial statements for the year ended 30 June 2017****26 Related parties (continued)****(b) Outstanding balances and transactions with related parties (continued)***in whole dollars of AUD*

2) Other related party transactions	2017	2016
	\$	\$
i) Transaction values		
Founding members - business combination	-	213,453
Founding members - purchase of goods and services	128,914	590,561
Founding members - funding for services received	1,169,490	585,641
Subsidiary - administrative services provided	260	706
Subsidiary - purchase of goods and services	-	58,845
Subsidiary - disposal	50,000	-
Director related entities - purchase of goods and services	16,750	13,916
ii) Balance outstanding		
Founding members - other receivables*	1,357	5,873
Founding members - payables related to business combination	-	100,000
Subsidiary - trade receivable*	-	-
Subsidiary - trade payable*	-	429
Director related entities - trade payable*	8,745	4,180

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

27 Events subsequent to reporting date

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

Goodstart Early Learning Limited

Directors' declaration

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

- a. the Company is not publicly accountable;
- b. the consolidated financial statements and notes that are set out on pages 56 to 83 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 2017 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 7th day of September 2017



Michael Traill
Director



Independent auditor's report

To the members of Goodstart Early Learning Limited

Opinion

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

In our opinion, the accompanying **Financial Report** of the Group 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 2017, 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:

- Consolidated statement of financial position as at 30 June 2017.
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Directors' declaration of the Group.

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

Basis for opinion

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

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

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

Other information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional scepticism.

Our responsibilities include:

- i. Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- ii. Designing and performing audit procedures responsive to those risks, and obtaining 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. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- iii. Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- iv. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- v. Concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- vi. Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.
- vii. Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Report. We are responsible for the direction, supervision and performance of the Group Audit. We remain solely responsible for our Audit opinion.



KPMG



Matthew McDonnell
Partner

Brisbane

7 September 2017

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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A close-up photograph of a baby with dark hair, wearing a blue, white, and orange striped shirt, sitting at a wooden table. The baby is focused on playing with a wooden toy that has a vertical post and a circular base. The background is a blurred green outdoor area.

Our Vision

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

Together there's no limit

Behind Goodstart

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

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

The Benevolent Society

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

The Brotherhood of St Laurence

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

Mission Australia

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

Social Ventures Australia

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

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

Australian Federal Government

Australian Capital Territory Government

New South Wales Government

Northern Territory Government

Queensland Government

South Australia Government

Tasmania Government

Victoria Government

Western Australia Government

Woodside Development Fund

visit **goodstart.org.au**

