2020
Annual Report

Putting families and children first

We're for children, not profit.

goodstart early learning

Apology to the Family of Meeky

In February of 2020 a small boy, who had been entrusted to us by his Mother, died while in the care of our Edmonton centre. We express our deep sorrow and remorse for the death of Meeky.

Our organisation was created to better the lives of children, and we strive to do the very best we can for every Australian child. While the criminal charges which were laid against two, now former, Goodstart employees are a matter for the justice system, we have closed the Edmonton Centre permanently, conducted systemic reviews and set about further improving our transport and assurance policies. We acknowledge that these actions will be of little comfort to the little boy's family and community or to the wider Goodstart team.

We again offer our condolences to the Namok and Malamoo families.

Contents

Acknowledgement of Country

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

About Goodstart

10 years of giving Australia's children the best possible start in life

Who we are

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

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

We're the largest early learning and care provider in Australia with 671* centres, and the nation's largest non-government provider of preschool and kindergarten programs.

Key facts

671* centres
70,700 children
59,200 families
14,900 employees

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

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

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 Sustainability | 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 high quality early learning and care

Now one of Australia's leading quality early learning providers, our Strategic Direction 2025 will set an even more ambitious goal of striving to be one of the world's best.

** From June 29, 2020, Big Fat Smile merged with Goodstart Early Learning. Inclusive of Big Fat Smile's services, the merged entity has 712 services, 76,100 children, 63,700 families and 15,600 employees.*

Summary of achievements 2020

Family engagement at a record high level as measured by net promoter score

Teachers employed increased from **1380** to **1586** and teacher mentors established in all states

316 educators enrolled to upgrade to a Diploma qualification through the Goodstart Institute

300 educators supported to study teaching degrees and a further **200** supported to prepare for study

Child centred learning with a focus on rich learning environments, key educator relationships and personalised behavioural support in all centres

Goodstart@Home launched providing home learning materials for **26,000** families

96% of centres meet or exceed the **National Quality Standard**, well above the sector average. **54 centres** assessed as Exceeding in all seven quality areas

27 centres added to the network with the purchase of Mission Australia Early Learning and an additional **5 new centres**, one of which was a replacement of a closing centre

Quality uplift! 76% of centres now using **Environmental Ratings Scales** to identify and act on areas for practice improvement

$20 million invested in professional learning, development and research with the new **Learning Hub** providing more accessible content

Fee-free Public holidays as Goodstart becomes the first large provider to stop charging for public holidays

Merger with Big Fat Smile completed adding **41** services to the group

Goodstart's second **Reconciliation Action Plan** approved, and **608** centres developing their own centre plan

Advocacy for disadvantaged children led to improved access to the **Additional Child Care Subsidy**

Employee engagement improving with a stronger emphasis on employee wellbeing

Early Learning Fund supported **700** disadvantaged children to access early learning

600+ centres engaged in inclusion programs

Educational Leader role formally recognised, funded and supported in centres

Occupancy increased year on year before the impact of COVID-19 was felt

Reports from the incoming and outgoing Chairs, and the CEO

Michael Traill

Chair until 30th April 2020

To say the year has been a tumultuous one is to understate the trying times we are living in.

To our centre-based educators my thanks for the extraordinary support you have shown the children who attend our centres, their families and each other, whether the crisis was the bushfires or the pandemic I know that you have gone above and beyond like never before.

Goodstart's 10th birthday is a major milestone for the organisation. It started with a catalytic moment when business and social entrepreneur Evan Thornley painted a picture of the opportunity to acquire the bankrupted ABC Childcare Centres in late 2008: "if you could raise the capital to buy the largest child care chain in the country and run it with business disciplines and social purpose, you could change the country!"

It is now part of history that, supported by the leadership of founding Chair Robin Crawford, four leading Australian non-profit organisations galvanised around that call to arms and brought that vision to practical life. For the many involved in that ten-year journey, it is a source of deep pride that the Goodstart of today operates in such deep alignment with the core values of the founders: to make a difference to the lives of Australia's children and especially those who come from backgrounds of exclusion and disadvantage.

Ten years of ever improving quality at Goodstart centres has seen them changing the lives of children for the better and supporting tens of thousands of families from all walks of life.

In a small sign of the power of our purpose, this year as we've celebrated our 10th birthday we have done so with thousands of educators, teachers, Centre Directors and support staff who have been with us since the beginning. I want to take a moment to thank each of them, and the thousands of people who have followed in their footsteps to become Goodstarters in more recent times.

Shared purpose has been the engine of our organisation and it has driven our support for half a million children over the past decade.

2020 has been nothing like we expected of course, many of the plans we had laboured over have had to change dramatically but the in-centre Goodstarters, the Centre Support Teams and the leadership team, led so impressively by our CEO Julia Davison, are proving to be more than up to the challenge.

They are being supported by a Board which brings a great depth of experience and a wide range of perspectives including those of the new Chair, Paul Robertson. After a long and outstanding career at Macquarie Bank including as Treasurer of the Bank, Paul has spent most of his time in a range of social purpose roles over the last two decades.

He has been a great support and mentor to me, including as Chair at Social Ventures Australia when I was CEO. He has had other leading roles that speak to his passion for contributing to the community as Chair of Dementia Australia and St Vincent's Health Australia.

I know Paul will support Julia and her team as she steers Goodstart through 2020/21 to emerge stronger and even more focussed on supporting our youngest Australians when they most need the high-quality early learning and care they will receive from our centres.

Michael Traill

Julia Davison

A message from our Chief Executive Officer

Goodstart's 10th year of operation was both our most successful and most challenging. We had much to celebrate – in the lead up to the COVID-19 pandemic, our occupancy rates had never been higher. Our quality ratings have never been higher with 96% of services now meeting or exceeding the National Quality Standards. Our family and employee engagement ratings have never been higher. Our social inclusion programs had never reached so many children and families.

However, the second half of the year challenged Goodstart to its very core. A little boy in Cairns tragically died while in our care. Bushfires affected around 50 of our centres over several weeks. And then the COVID-19 pandemic hit, with devasting impacts on child attendances, challenging our financial viability and producing a high level of stress and anxiety for our educators who worked right through it as we are a recognised essential service.

Throughout this year, in responding to these challenges, Goodstart has continued to be guided by our core purpose and guiding principles, that children are at the heart of everything we do.

We have approached each of these challenges with our new ways of working, aiming to be agile, flexible, empathetic and principled in our approach.

I want to thank each and every Goodstarter for their dedication and hard work in this most trying of years. Their commitment to high quality teaching and learning, to deeper engagement with our children and families, and to being the best at getting better has never been stronger, and I am convinced that Goodstart will come out of 2020 thriving.

In our 10th year of operation, we can reflect on considerable progress in meeting the objectives we set for our last five-year strategic direction on quality, inclusion, people, influence, evidence and financial sustainability.

We have committed to even more ambitious objectives in our next five-year strategic direction. In 2020, Goodstart has matured into one of Australia's leading providers of great value high quality early learning. By 2025, we aspire to be among the best in the world.

Today's rapidly changing environment has reinforced the need for us to urgently adopt new and more agile ways of working and "rewire" our organisational architecture. New roles were established including a Chief Orchestration Officer to focus on ensuring the right people are working on the right things at the right time, and a Chief Learning Officer to co-design a future-focused approach to adult learning that will build the capabilities we need to realise our 2025 strategic direction.

We have been investing heavily in lifting the quality of teaching and learning across our centres. Over 600 of our centres have joined our quality improvement program anchored in assessment using Environmental Ratings Scales to benchmark quality. The centres then, utilising our new Learning Portal and supported by our Practice Improvement Teams, develop a plan to lift their practice.

We want to support every child in every centre to be their best. More than 600 centres now have social inclusion initiatives in place, supported by our Inclusion Support Help Desk, our team of Social Inclusion Coordinators and our ongoing Family Connections, Intensive Support, and family support programs. Importantly, 608 of our centres have now completed a reconciliation action plan and we look forward to implementing our second expanded national action plan very soon.

Reflecting on the significant challenges we have faced, Goodstart is reporting its first deficit in 10 years. We have had to tighten our budget and postpone much capital investment and other initiatives. However, we can also say that the jobs of all of our 12,000 permanent staff have been protected. Also, for the fifth year in a row, our annual July 2019 fee increase was lower than the sector average. We became the first large provider to stop charging fees on public holidays, further reducing families' out of pocket costs over a full year for most families.

Goodstart has continued to grow, acquiring 22 centres from Mission Australia in September and merging with Big Fat Smile and its 41-centre network in June 2020. That is in addition to the 35 new centres that we have opened since 2015, offset by 30 closures of smaller, non-viable centres. We welcome these new additions to our network with the promise that we are all stronger together, while respecting the individuality of each centre meeting the needs of its local community.

I thank our families for their ongoing support and our Goodstarters for their ongoing professionalism and hard work. Together, we continue to strive to give all of Australia's children the best possible start in life.

Julia Davison

Paul Robertson

Chair from 1st May 2020

It is an honour to write my first Chairman's report and especially fitting that I should share this space with the out-going Chair, Michael Traill.

Michael leaves a truly outstanding legacy at Goodstart. I find it difficult to express the importance of the work he has done with Goodstart, right from the very beginning, as well as the myriad of other organisations he champions. Suffice to say that a generation of Australians have Michael to thank for the foundational learning they received at Goodstart centres across Australia.

I am honoured and excited to be looking to the future and building on Michael's legacy with the assistance of the Goodstart Early Learning team and our Board.

We are a forward-thinking and diverse organisation and although currently facing challenging times, I'm confident we will emerge even stronger.

The courage and commitment of our front-line teams and the agility and innovation of our centre support Goodstarters during the bushfires and the COVID-19 crisis has been humbling. When they were needed most by children and families our in-centre teams were there.

Of course, COVID-19 is likely to impact our lives and our organisation for quite some time but we are already on a trajectory to be an agile, responsive, future-focused organisation and we continue to plan for that future.

The Board and leadership team have been working on a new five-year direction which will be launched in 2021. When implemented, it will take Goodstart to new heights in every area that counts: quality, our people, safety, reconciliation, family experience and most importantly, children's outcomes.

I look forward to supporting the entire team in the coming year.

In closing, thank you to the Goodstart team for your hard work over the last 10 years and especially during this very challenging period.

Paul Robertson

Financial & Operational Performance

This year was a tale of two years in one – the first eight months saw Goodstart reach record occupancy rates around 2% higher than the previous year, fee increases were kept below the sector average, our quality assessments continued to rise, and more centres were added to our network.

Then, with the pandemic, attendances plunged, we had to stop rostering our highly valued casuals for a period and we moved into the Federal Government's temporary relief funding for 15 weeks.

Goodstart has recorded its first operating deficit, brought about by a combination of difficult trading conditions in the last quarter and changes to accounting standards affecting leases. Cost savings initiatives of $31 million were enacted to match the reduction in revenue due to COVID-19, with deferral of Commonwealth tax liabilities to FY2021 providing further support.

In September, we welcomed to our network 22 centres supporting 1,800 children from Mission Australia, and on June 29 completed a merger with Big Fat Smile with its 41 centres supporting 5,400 children. During the period we also opened five new centres and closed one. Our larger network combines the strength of three not-for-profit providers into a stronger, more sustainable not-for-profit social enterprise better able to serve the needs of local communities across the nation. Big Fat Smile will continue to operate as a separate entity serving the Illawarra and other NSW communities while leveraging Goodstart's economies of scale to secure its financial sustainability.

Goodstart continues to place a high premium on partnerships with our families. In January we became the first large early childhood education and care (ECEC) provider in Australia to stop charging fees on public holidays.

Families can also choose from three different sessions in centres to best suit their needs.

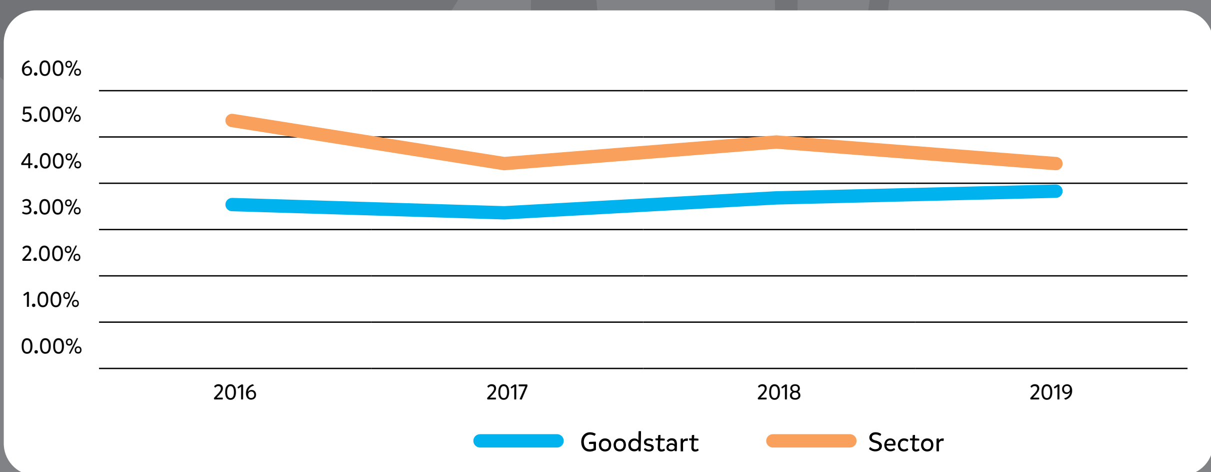
Our network renewal program to refurbish existing centres and add new centres continues, although all non-essential capital expenditure was put on hold due to the COVID-19 pandemic. We have also been investing in our technology capability and data management and analysis to support better decision making.

Consolidated statement of profit or loss for the year ended 30 June 2020

	FY20 $000	FY19 $000	FY18 $000
Revenue from early learning centres	1,003,613	1,065,319	985,313
Government grants incl. JobKeeper	179,443	32,683	30,209
Other income	1,108	1,621	863
Total revenue	**1,184,164**	**1,099,623**	**1,016,385**
Employee costs	839,813	768,091	716,069
Rent and property expenses*	212,659	181,735	164,693
Centre consumables	50,318	50,629	46,036
Depreciation, amortisation and impairment**	56,567	42,475	40,523
Other expenses	37,070	42,275	42,130
Total expenses	**1,196,427**	**1,085,205**	**1,009,451**
Strategic investments* **	**31,535**	**33,102**	**28,723**
Training & professional development	15,441	16,744	14,773
Early learning & research	5,247	4,401	4,118
Social Inclusion	10,847	11,957	9,832
Net finance cost/ (income)**	**2,024**	**3,413**	**(1,075)**
Net (deficit) / surplus for the year	(14,287)	11,005	8,009
Total consolidated statement of profit or loss for the year	**(14,287)**	**11,005**	**8,009**

** in FY20, depreciation and interest expenses from the application of accounting standard AASB 16 Leases have been included under rent and property expenses to enable like for like comparison*
*** In FY20, the impact of accounting standard AASB 16 was excluded to enable like for like comparison*
**** Strategic investments in social purpose activities (included in expenses above)*

Average fee increase - Goodstart vs. Sector



(Sector average drawn from the Federal Education Department's Child Care Statistics for long day care centres – year to December)

COVID-19 and Goodstart

With this report covering the first five months of the pandemic which has reshaped the nation, Goodstarters can be proud of the support and care we have shown our children, families and each other.

Our response to COVID-19 has been informed by our purpose and at pivotal moments in the crisis we have asked ourselves, 'is this the best thing to do for children and families?'

This focus on our purpose has driven innovation, resilience and brought our centre-based teams and the centre support teams closer together as we worked to solve immediate issues and identify longer-term challenges raised by the infection.

The One-Goodstart approach has enabled us to support our children and families in practical ways which enhanced children's learning and development despite the crisis keeping many children at home or attending with less regularity.

Our National Safety and Wellbeing team began to plan our response in January, beginning to provide advice to centres and families and securing resources.

Those preparations were challenged early in the pandemic when our Brisbane office was closed on March 15 after a Goodstarter tested positive to COVID-19. While many of our centre support team had previously worked from home it took the combined efforts of IT and facilities to enable our vital call centre team, who make up our Solution Centre, to work remotely.

Centre-based Goodstarters were declared 'essential workers' and showed extraordinary resilience and courage in continuing to support children and families across the nation while everyone was still learning about the infection and the best way to protect lives. Supported by rigorous hygiene and safety policies, our centre teams implemented heightened cleaning protocols, social distancing and effective handwashing.

Goodstart led the sector with our health and safety procedures, many of which were subsequently adopted by other providers. We implemented a new ratio system to reduce the number of people in each room during lockdown periods, allowing for more suitably spaced learning activities. We developed safety protocols, agreed with the unions, that minimized the risk of COVID-transmission and provided daily updates to our centre teams on new developments.

We recognised that supply chains for critical hygiene items and even groceries were likely to be disrupted and we secured these where we could ahead of any disruptions, to allow Goodstart to continue operating safely and maintain our health, hygiene and safety commitment to our people and our families.

During March, as the Government enforced lockdowns across the country, booking and attendances plummeted across the sector. Goodstart was forced to advise our highly valued casual workforce that we could not offer on-going shifts as our income dropped significantly. With many providers on the brink of collapse, the Federal Government announced the Childcare Relief Package on 2 April which made child care free for 15 weeks, underpinned by JobKeeper payments and a 50% of fee subsidy.

After further lobbying, special rules for JobKeeper eligibility were announced for charities including Goodstart, which ensured our on-going viability. With just a few days to lodge our JobKeeper claims, 90% of Goodstart's team received the much-needed financial support offered by the scheme.

By early April, up to 40% of our children were absent from centres and isolating at home. Our pedagogy and experience teams worked hard to support them, creating and launching Goodstart@ Home, an online early learning platform for children who could not attend our centres.

Families were given access to fun, play-based learning activities and resources developed by our network of teachers, educators and behaviour and learning specialists to ensure children continued to learn during this period. They have embraced the concept with more than 18,000 subscribing in the first 24 hours, rising to over 25,000 in just weeks.

With funding secured, our centres have remained open throughout the crisis and as lockdown conditions eased, child attendances started to rise. During this time, our teams worked hard to find places for every essential services family who needed support as well as children at heightened risk of vulnerability, despite ratios reducing the number of children and educators allowed in each room.

Using our unique national data and the views of our families we actively engaged with Federal and State Governments to ensure children and families had all the support they needed. A survey of our 60,000 families revealed 54% had suffered a reduction in income or activity as a result of the pandemic, 25% were relying on JobKeeper and 43% were worried they would need to reduce their children's access to care when free child care returned.

The Federal Government ended free child care on July 13, with the Child Care Subsidy re-instated and JobKeeper payments replaced with a 25% 'transition payment' to providers through to the end of September.

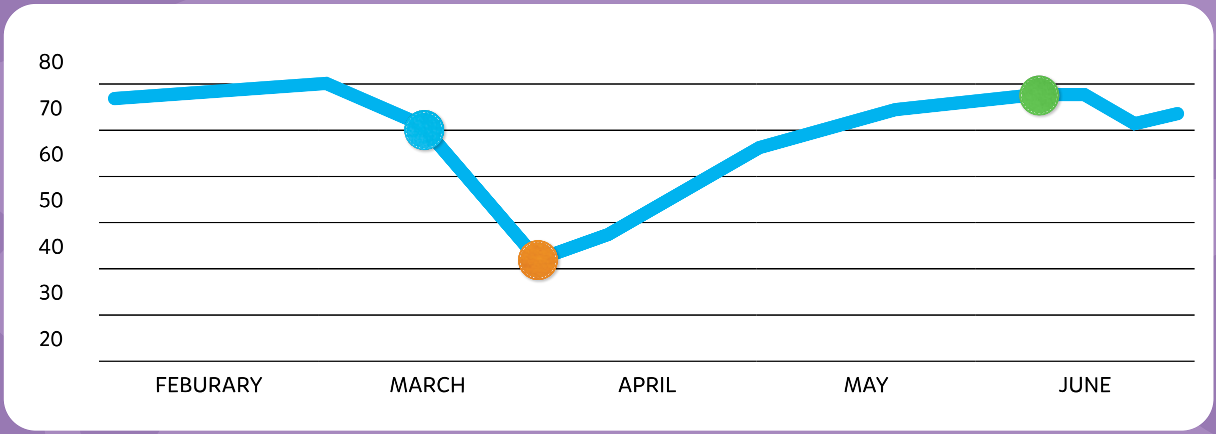
We welcomed the Federal Government's decision to ease the activity test for families impacted by COVID-19 and changes to support payments including Temporary Financial Hardship.

While the pandemic is far from over, Goodstart is committed to supporting families and children and ensuring our centres remain open while it is safe to do so, maintaining the highest health and hygiene standards. We have shared our information and the lessons we've learned with our sector colleagues to ensure we are true to our purpose of supporting all Australian children.

We will also continue to lobby governments on making access to early learning and care more affordable, particularly for children and families doing it tough.

We have and will continue to provide the best possible learning and care for all children in our centres even in the most trying conditions.

Goodstart attendances as a % of approved places



2020 Timeline

March 15 - National Cabinet meets and starts restrictions

March 30 - Govt announces free child care

Jun 8 – Govt announces free childcare to end on July 13

From our families...

As the COVID-19 pandemic unfolded, families had their lives turned upside down as the economic, social and financial impacts began to hit home. Many faced job losses, significantly reduced hours and financial uncertainly.

Our centres were able to step up and provide the stability and security that children, as well as parents and carers, desperately needed.

Sarah Millan

Goodstart Ann Street

"In normal times they go above and beyond endlessly – not just for the kids but the families too. Then during the challenging times, they did not honestly miss a beat. They helped out any way they could and ensured a safe, stable environment was provided for the kids. Thank you as always, we love and appreciate you all so much."

Caroline Lai

Goodstart Canning Vale – Campbell Road

"Thank you for staying open during the pandemic. That is JoJo's second home practically. And though my girl loves her daycare, I would like to say I love you more! I couldn't imagine how to work from home without your support. A great thanks to every one of you."

Kate Hunt

Goodstart Garran

"This amazing team have been incredible over the past few months with our girls. I'm a nurse and have had to work extra shifts and longer days. They have made a very uncertain time better for our little family and I can't thank them enough."

Aimee Clarke

Goodstart Dakabin

"Thanks you for each and every day, in each and every way you have made this horrible time easier to deal with and just a 'normal' day for my little man – especially when everything was anything but 'normal'. "

Katie Bretherton

Goodstart Albany

"All the staff at our centre are fantastic. We cannot speak more highly of them. They have been there for our son who has been in care daily, due to my husband and I being essential workers. We are forever grateful for their continued support."

Nicole Tyrrell

Goodstart Hillside

"I would honestly be lost without my Goodstart family. When this pandemic is over, we would like to throw a big party for all our wonderful educators before my big kindy kid goes off to school. Thank you for all that you do."

Best 10 years of our life

Our birthday party had to go online due to COVID-19, but Goodstart Early Learning still celebrated its 10th birthday on May 11.

The birthday party was to include Goodstart's 14,900 educators, 70,700 children and 120,000 parents who use Goodstart's centres each day. Instead, Goodstart's 671 centres nationwide joined a nationwide virtual morning tea to celebrate Goodstart achievements in the last ten years.

And there was plenty to celebrate. More than 500,000 children have attended Goodstart's centres across Australia over the past decade and enjoyed access to high quality early learning that launched them into school-based learning and life.

The deal which led to Goodstart taking over the operation of failed corporate giant ABC Learning was internationally significant, representing a rare buy-out of a corporate entity by a charity, and the establishment of one of Australia's largest social enterprises.

Four of Australia's leading charities came together to launch the successful bid to set up Goodstart and the success achieved during the past decade is a testament to their foresight.

The Goodstart syndicate, comprising Mission Australia, the Brotherhood of St Laurence, the Benevolent Society and Social Ventures Australia, was inspired by the opportunity to influence the development of hundreds of thousands of Australia's children by providing access to high quality early learning.

It was the first time it had been done anywhere in the world, and Australia's children and families are better off because of it.

Did you know?

In 2014, 18 of the world's leading experts in philanthropy identified the Goodstart deal as one of the most significant ground-breaking philanthropic initiatives world-wide converting a for-profit business into a highly effective social enterprise. (New Philanthropy Capital (2014) "Ten Innovations in Global Philanthropy")

Former Prime Minister Julia Gillard discussed the opportunity that the collapse of ABC learning presented to restructure Australia's childcare market in her 2014 memoir "My Story": "No one wishes for a crisis. But as the management saying goes, sometimes a burning platform is what it takes to secure big change... As a result, one of Australia's largest social ventures operates childcare centres that understand quality and the role of early learning in combating disadvantage."

Birthday wishes from a Lynbrook family

Goodstart Lynbrook was our first choice of childcare, even though there was a closer option available. Six years ago my husband and I decided that, after meeting with the lovely staff and touring the centre, this is where we would send our eldest daughter who was 12 months old at the time.

It was an emotional transition at the time, however the warm and friendly staff cared and nurtured our baby and made the transition seamless. Three kids later and we can say that Goodstart Lynbrook is like family to us. They know all our children and have always had their best interest at heart. The educators are friendly and take great care of our babies. We can't thank you enough and a very Happy 10th birthday!

Lovedeep Kaur

Ten-year milestones

2008

ABC Learning goes into administration and receivership

2009

A consortium of four charities–Social Ventures Australia, Mission Australia, The Benevolent Society, and the Brotherhood of St Laurence – is announced as preferred bidder for ABC Learning, purchasing 678 centres for $95 million

2010

GoodStart Childcare begins operations in its own right, becoming the nation's largest early learning and care provider

2011

GoodStart Childcare is renamed Goodstart Early Learning, signalling a shift in emphasis from child care to quality early learning, and launches its first five-year strategic plan centred on Quality, Inclusion and Stability

2012

Goodstart embraces the National Quality Framework, investing $8.5 million to upskill the 20% of educators without a qualification, and employs an additional 1,000 early learning professionals to meet the new quality standards

2013

Goodstart starts rolling out its inclusion strategy with Social Inclusion Coordinators appointed, later joined by child and family practitioners and allied health professionals to help centres supporting vulnerable children

2014

Goodstart repays all outstanding external debt ahead of schedule and increases its investment in social inclusion and early learning quality initiatives and advocacy for more investment in early learning following the Productivity Commission inquiry into the sector. Our first Reconciliation Action Plan is approved and our first new centre (Flinders Street Melbourne) is opened

2015

Goodstart launches its second five-year Strategic Direction adding a focus on Great People, Evidence, and Influence on its original goals of Quality, Stability, and Inclusion, establishes a Thought Leaders group of international experts, and opens an integrated service at Jindi in partnership with the Brotherhood of St Laurence and Whittlesea Council

2016

Goodstart Practice Guide is launched to help lift quality in teaching, our advocacy helps secure a $3 billion child care investment from the Commonwealth and our educators start secondments with Baya Gawiy Buga yani Jandu yani u Centre in Western Australia

2017

Goodstart's inclusion program matures with our Enhancing Child Outcomes program supporting centres in disadvantaged areas expanded to 30 centres (now 40), our Family Connections program delivered to 134 centres and the Early Learning Fund launched to support children's access to learning

2018

Goodstart leads the sector by offering up to four flexible sessions to families, starts building an Outcomes Framework to drive practice improvement informed by our Thought Leaders Group, launches the GoodFuture initiative to consider how best to meet the future needs of children and families, rolls out the Key Educator Relationships initiative across the network, achieves 90 per cent of centres Meeting or Exceeding the National Quality Standards and celebrates Parafield Gardens being rated as an Excellent

2019

Goodstart leads the sector in offering families up to four flexible sessions, employs over 1000 teachers for the first time, embeds language rich environments in centres and offers intensive emotional support program for children, opens ten new centres and achieves record high occupancy and quality ratings higher than the preschool sector

2020

Goodstart network grows with the acquisition of 22 Mission Australia Centres and the merger with Big Fat Smile ensuring the long-term sustainability of these services and the continuity of care for children and families

Quality in teaching and learning

We want our teachers and educators to be the best at getting better in their teaching practice to give every child the best possible learning experience.

Goodstart has continued to deepen its commitment to lifting quality in teaching and learning across our network. Practice Improvement teams have been established in all States to support centres in their quality uplift journeys.

Before COVID-19 slowed centre visits, more than 500 centres had been engaged in using Environmental Rating Scales for educators to benchmark their current teaching practice and reflect on areas for improvement in their personal learning journey.

Teachers and educators have been supported to learn more about teaching, with a new online Learning Hub established, and $15 million invested in providing access to professional development and training and a further $5 million to early learning practice improvement and research.

Educators enrolling to upgrade qualifications at the Goodstart Institute increased by 28% this year. 300 educators also took up the opportunity of Goodstart funded scholarships to upgrade to teaching Bachelor qualifications, while a further 500 will be supported to prepare for study.

We welcomed an additional 200 teachers into our centres with most centres now offering two years of teacher-led early childhood education in the crucial years before school.

We focused on making our centres language rich environments, recognising language is a crucial building block for communication and future learning.

We continued to focus on building key educator relationships for each child, and on providing children with the support they need to thrive. We developed a new Behavioural Management Kit for centres with associated professional development. Implementation of the Early Years Toolbox continued to progress across the network.

Goodstart's focus on raising quality continues to be reflected in our quality assessments, with 96.4% of centres assessed as meeting or exceeding the National Quality Standards, well above the sector average. 230 centres have been assessed as Exceeding the standard, including 54 that have achieved the remarkable outcome of assessed as Exceeding on all seven quality areas. We congratulate the 17 centres that achieved that outcome in the past year.

We developed and launched Goodstart@Home during the COVID-19 lockdown to give families home learning material aligned to the Early Years Learning Framework while being easy and fun to use at home. More than 26,000 families have now subscribed to the service.

Congratulations to the 17 Goodstart centres assessed as Exceeding on all seven quality areas in FY2020

- Riverside Gardens (Qld)
- Baringa (Qld)
- Clayton (Vic)
- Albany (WA)
- Bondi Junction Oxford St North (NSW)
- Glenfield Park (NSW)
- Kellyville (NSW)
- Kensington (NSW)
- Kincumber (NSW)
- Mangerton (NSW)
- Oakhurst (NSW)
- St Leonards Christie St (NSW)
- Tuggerah (NSW)
- Wentworthville (NSW)
- Woongarrah (NSW)
- Kurri Kurri (NSW)
- Shell Cove (NSW)

Goodstart Clayton find connections with families the key to quality improvement

Strengthening relationships with children, families and the broader community have been a key part of the quality improvement journey for Goodstart Clayton, which was reassessed from Working Towards to Exceeding in all seven quality areas this year.

Centre Director Kashmira Bhathena said family feedback was 'gold' for her team, providing opportunities for critical reflection on what they could do better.

"Our centre went through Goodstart's Family Connections program in 2018 which really resonated with our team," she said.

"Those learnings combined with the focus on key educator relationships and good relationship practice has helped the team reflect on practice and focus on how to do it better," she said.

Goodstart Clayton serves a culturally diverse community facing many challenges, and Kashmira has adopted a strengths-based approach recognising each team member's strengths and encouraging team members to support each other.

"Every educator is empowered with responsibilities within our learning program and setting up engaging learning experiences. Quality teaching and learning is everyone's responsibility," she said.

"We are very lucky to be part of Goodstart as we are provided with lots of support and training and really care for our people," she said.

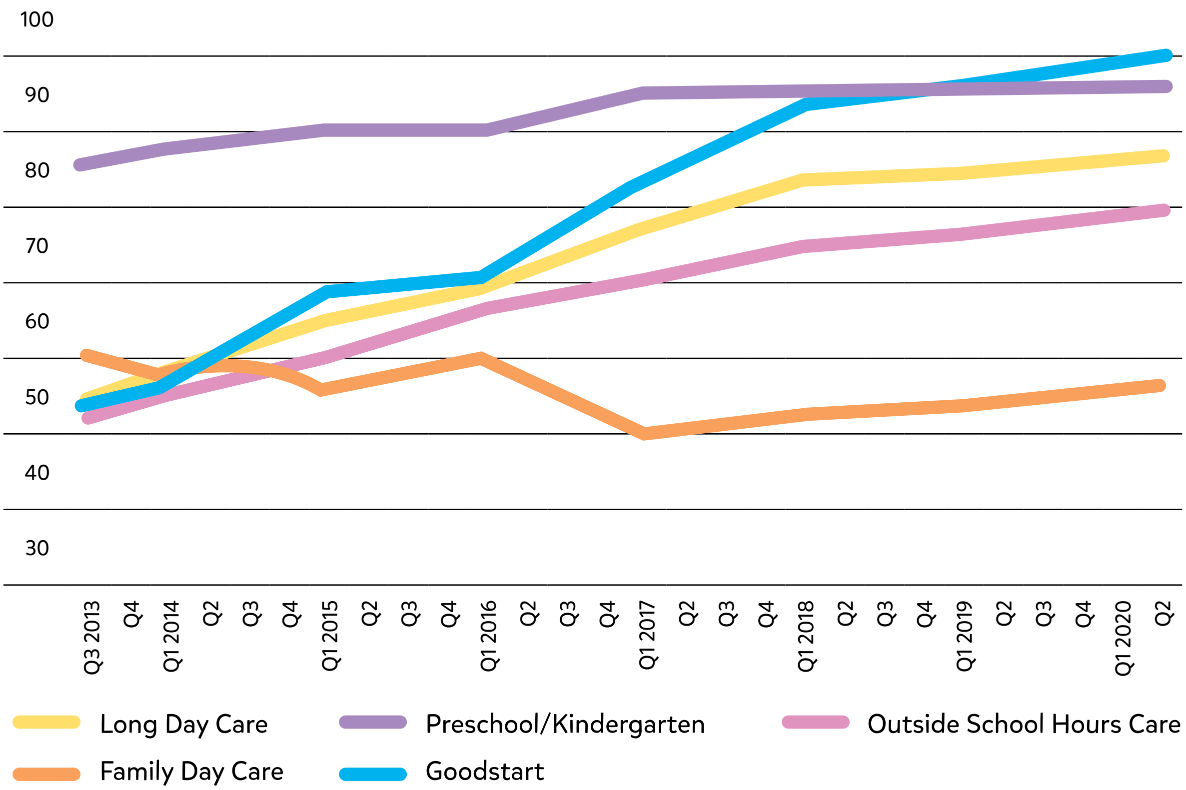
Clayton's clear focus on being responsive to families has seen it recognised as the State and National Family Choice winner in the Goodies awards in 2018 and 2019 and a State award winner in employee engagement.

Quality ratings Goodstart vs Sector – March 2020

% services meeting/exceeding National Quality Standard March 2020

Service type	% meeting/exceeding National Quality Standard
Goodstart	**96%**
Long day care centres	81%
Preschools/ kindergartens	93%
OSHC services	74%
Family day care	49%

Services meeting/exceeding the National Quality Standard (%)



Great People

Great people are crucial to the delivery of quality teaching and learning, and Goodstart supports its people to be the best they can be in making a difference in the lives of our children and families.

In 2020, Goodstart invested more than $15 million into professional learning and development, giving Goodstarters access to cutting edge learning materials and online learning communities through a new online Learning Hub which has been viewed 641,000 times.

Qualified teachers and educators are crucial to delivering on our core purpose, and Goodstart is supporting our educators to upgrade their qualifications to Diploma and Bachelor levels. The Goodstart Institute was audited and reregistered by the Australian Skills and Quality Authority, and now has a total of 765 students actively studying towards the completion of their qualifications.

The number of teachers employed in our centres rose from 1380 to 1586 during the year, supported by a range of upskilling pathways although attrition rates remain too high.

Enhanced induction and mentoring programs have been introduced for new teachers, along with more professional learning opportunities through our early childhood teacher (ECT) Development Program. Our new THRIVE program focuses on supporting our future teachers throughout their study journey, alongside our partnership with Future Tracks supporting both early stage pre-service teachers entering the sector and upskilling educators already working within our centres.

Educational Leaders have been formally recognised as a dedicated role in centre leadership with specific performance frameworks and professional learning to support these roles.

The capabilities, development and performance of Centre Directors and Assistant Centre Directors have been a strong focus this year. Attrition rates for centre directors have fallen sharply and they have been drawn into the development of Goodstart's strategic direction and planning, and given a voice in decision making.

Goodstart took the first steps in developing enhanced personalised experiences for our people with a deep dive into our data systems to better understand who our people are. The launch of Goodstarter Voices a new, detailed survey is ensuring that the voice of our people is heard more effectively by decision makers. Employee wellbeing has been elevated as a priority, particularly during the pandemic.

Goodstart aspires to be an employer of choice and offers educators above award pay and conditions, with our above award margin increasing over the course of the year. We commenced negotiations of a new enterprise agreement with the unions with a view to better align the needs of Goodstart and its employees for competitive but flexible working conditions.

Our centre support office was refurbished, allowing a shift to technology enabled, agile and flexible working arrangements. New ways of working are being explored across the network, with more lateral connections, communities of practice, co-operatives, swarms and other forms of collaborative working encouraged.

The annual Goodies awards continue to recognise the outstanding achievements of centres, educators and teams across the country.

Goodstart's employee engagement survey in 2020 found that employee engagement levels continue to improve since the last survey in 2017 and compare favourably with comparable industries and organisations.

	FY12	FY15	FY17	FY20
Employee Engagement Score	62%	62%	66%	69%

Environmental Ratings Scales (ERS) helps educators to grow

Priya Patel, after five years as an educator and room leader, jumped at the chance to fill in as an Educational Leader at Goodstart Kingsley when the incumbent went on maternity leave.

And what a time is has been, with the Environmental Rating Scale program being rolled out and then the onset of the COVID-19 pandemic.

Priya says the centre team used the time well as lower attendances meant more time could be allocated for critical reflection on improving teaching practice, embedding key educator relationships and accessing online learning opportunities provided by Goodstart.

"Practice continued to improve right through as the whole team has been collaborating on our ERS journey," she said. "The ERS is an amazing program because it can tell us as a centre and in each room how we are going, what is lacking in our teaching and help identify actions to address it."

"We created an action plan with 13 goals. Each educator in each room was allocated tasks to action the areas for improvement. Time is important and the director has been very open and flexible to giving educators time to work through the actions and is always open to ideas".

Priya said mentoring by her Practice Improvement Lead, the support of the Centre Director, the willingness of educators to engage in practice improvement and access to Goodstart's Learning Hub helped her grow into the role as Educational Leader while developing and implementing the ERS action plan.

"Goodstart has given me so much growth and learning not just on how to be a more effective educator, but also how to collaborate, work with families and even how to be a better parent with my own children," she said.

"My centre has set high expectations for practice for educators and we want to keep improving. I would like to see those high expectations right across Goodstart and eventually the whole sector.

"We owe that to the children. I love spending time with them", Priya said.

A centre leader who goes above and beyond

The entire team of educators at Goodstart Harristown nominated their director Liz Brooke for Goodstarter of the Year because, in the words of one educator: "Liz is a remarkable director who endlessly devotes her time, love, care and passion to the children and families of Harristown." Children in the centre love to be greeted by Liz, and she has touched the lives of many of their families who have been doing it tough. Liz is described by her team as a coach, mentor, influencer, innovator and motivator to all – words that would resonate with all who meet her. "Liz definitely deserves a Goodie".

"Liz is one reason why I turn up to work each day", said another team member.

The judges agreed, awarding Liz the title of In Centre Employee of the Year at this year's Goodies award, citing her willingness to go the extra mile for families, with a strong focus on social inclusion for vulnerable families in that area.

Liz was incredibly surprised to receive the award. "I don't do my job for the recognition. I am committed to my role because of the children, and their families," added Liz. Thank you to the difference you make each and every day, Liz, and thank you to all of our outstanding centre directors who make a huge difference in the lives of the children, families and educators in our centres.

Inclusion

Supporting every child in every centre is a key aspiration of Goodstart's universal social inclusion support system. Over 99% of centres were involved with at least three or more social inclusion initiatives.

Goodstart invested $10.8 million in social inclusion initiatives, although the rollout of some programs slowed during the COVID-19 period.

This investment supported a range of universal and targeted initiatives across Goodstart, delivered by a team of more than 40 dedicated professionals in the social inclusion team.

Additional resources supported 40 centres in disadvantaged communities to provide enhanced, integrated educational and allied health services with the assistance of a team of child and family practitioners, speech pathologists, occupational therapists and other professionals.

Our Intensive Individual Support Plans assisted centres to include more than 67 children with complex emotional and behavioural needs with targeted interventions to continue to participate in early learning.

Calls to our Inclusion Support Help Desk quadrupled from the previous year with more than 2000 calls for assistance, while new training modules and resources on our Learning Portal provided centres with the support they needed to include every child.

We continued to roll out our foundational Family Connections program reinforced with learning circles to deepen the learnings beyond the program, and added more learning materials to the Learning Portal to support educators to embed their new knowledge from the program into practice with children and families.

Our centres were assisted to include more children facing disadvantage, with the children accessing additional subsidies rising from 2700 to 4700 in the seven quarters to March 2020 (when free care commenced). The number of children facing financial hardship supported by the Early Learning Fund in our centres also rose from 393 to 695 this year.

We improved our data management system to track the progress and attendance of children facing disadvantage more effectively, particularly during the COVID-19 lockdown periods. As we improve our data analytical capability, we will be able to better direct resources where they are needed most.

Goodstart partnered with the Victorian Government to establish a program supporting more than 100 additional children in child protection to access early learning in our centres. We also partnered with the Queensland Government to deliver early childhood services to vulnerable children in Redland City through the Redland Early Years Place, and with the Tasmanian Government to support vulnerable three-year olds to access early learning.

Goodstart actively engaged with the Federal Government to improve rules on access for children with additional needs and those at risk, with positive changes made to the Inclusion Support Program Guidelines and the Additional Child Care Subsidy. We recognised that it can be professionally very challenging to work in centres with higher number of vulnerable children and families and offered professional supervision to up to 167 centre directors to enable them to better support their teams.

Goodstart continues to work to build connections to local communities and services and has built many wonderful local and national partnerships to provide more support to vulnerable children. We wish to acknowledge the support for our social inclusion program from the Benevolent Society, the Brotherhood of St Laurence, Autism WA, the Paul Ramsay Foundation, the Mindaroo Foundation and the Optus Foundation.

Parker's Story

Parker* is a 3-year-old boy who started attending a Goodstart centre. He had been placed in emergency care after extensive bruising was found over his body and an order for him to attend early learning was implemented.

Parker's father is incarcerated and has an intervention order to stop him from approaching Parker and his mother.

As a child Parker's mother lived in 59 different foster care placements and struggles with mental health issues, drug and alcohol abuse and was also exposed to domestic violence. When Parker first came to early learning he was overwhelmed and distressed.

In his first week he did not speak, except for swearing and he rarely made eye contact. He wouldn't sit near educators and would run away when people came close. He couldn't feed himself or sit to eat food and would continuously eat dirt and sand. He would throw toys when playing and head-butt the floor or others when upset. He couldn't relax enough to sleep and would be very over-tired and over-stimulated.

Parker started on an Intensive Individual Support Plan which lasted 12 weeks. His educator worked closely with him to help him develop skills in self-regulation so he could engage in learning. Towards the end of the 12 weeks, Parker had started using more language and following instructions and he started seeking out adults both to share joy or when he was upset. He can now initiate play with others and play in a group with some support.

We saw a huge reduction in him throwing toys, hitting and headbutting. He has stopped eating from the ground and now sits at the lunch table with all his friends.

Danny's Story

When Danny* began attending a Goodstart centre for two days a week, he had very little language, was unable to follow routines and was aggressive to other children. He did not see educators as a safe haven and often ran away screaming when approached.

Soon after, Danny was removed from his mother's care and stopped attending the centre. Four months later, a request was received for him to return full time. During the time he had been absent from the centre, he had been in several foster placements before being placed in his grandmother's care. On his return, Danny's grandmother engaged minimally with the centre and was often quite abrupt in her interactions.

Danny began an Intensive Individual Support Plan – Trauma for 12 weeks. During this time Danny's educator also worked to connect with his grandmother. She received regular feedback and a photo book documenting his successes. As a result she shared more details about Danny's traumatic history which enabled the team to better understand some of his behaviours and why he had limited trust in adults.

After completing the plan, Danny has had no incidents of aggression with other children and his language skills have improved. He enjoys imaginative play and is able to engage in small group activities with the support of an educator. He is affectionate towards educators and is generally able to use them as his safe haven. Danny's grandmother now has a close relationship with the centre. In the last review meeting she thanked them for all their help and expressed the positive difference the strategies learnt during the Intensive Plan, had in being able to enjoy caring for Danny at home.

* *The children's names have not been identified to protect their rights.*

Support for refugee children born in detention

Brothers Farhad, 4, and Ali, 2, were born in a detention centre where their parents were detained for seven years after fleeing Iran before coming to Australia.

Years in detention impacted on the mental and physical health of the parents and the children, with Farhad displaying trauma behaviours when he commenced at Goodstart in April.

Goodstart put in place an Intensive Individual Support Plan to support Farhad as he transitioned into the centre. With the end of the Government's free child care in July, Goodstart helped the family apply for the costs of Farhad and Ali's ongoing care to be met by the Early Learning Fund and the Australian Refugee Association.

Farhad has built a positive relationship with his Key Educator, while his mother has played an active role in the Intensive Individual Support Plan and her communication with the centre about her children's development and needs despite her declining mental health.

Ali is also forming strong relationships and engaging positively in the early learning environment with his peers. Goodstart's allied health team and the centre director have been liaising with the family's support service to best support the family in a holistic manner.

A positive relationship has also been built with the Australian Refugee Association working with the centre director to look at how Goodstart can support families in the future.

Early Learning Fund (ELF) helps children access early learning

There is an ELF in the life of hundreds of children doing it tough – Goodstart's Early Learning Fund.

Established in partnership with the Benevolent Society and Uniting Care NSW/ACT, the Fund has supported hundreds of children from families doing it tough to access early learning. The ELF is supported by philanthropic donations from major donors and from Goodstart's own workplace giving program Giving@ Goodstart.

Jerome, a kindergarten child at Goodstart Harristown (Qld), is one of those children. He had attended the centre since he was nine months old along with his two siblings.

Jerome's Dad was involved in a serious motorbike accident and almost died, and the family's world was turned upside down. The financial impact was huge. The family had to break their lease as they could no longer afford the rent and move to a smaller house, and child care bills sometimes went unpaid.

During this difficult time centre director Liz Brooke and her team played a big part in supporting the family, particularly Jerome who couldn't understand the severity of what had happened.

When Jerome's family found out they were eligible for the Early Learning Fund, they were extremely relieved.

The Fund allowed Jerome to continue to attend kindy four days a week at the centre and continue the progress he had made particularly in the months since the accident. His mum Kaela said the team at Harristown gave Jerome so much encouragement and they let him explore his own ways of learning and were always very supportive and communicative.

She said the team were incredibly supportive to her as well and were always willing to discuss Jerome's progress or just stop for a friendly chat if they knew she was having a bad day.

The Early Learning Fund helped Jerome and Kaela said she would love to see more children and families benefit from it.

Evidence & Influence

Impact beyond Goodstart

We are committed to building the evidence base on what works for children from both within our network and externally, and rallying our families, Goodstarters and the broader community to ensure all Australia's children get the best start in life.

Goodstart continues to play an active role in policy debates about early learning and child development.

Access to early learning and support services for children facing disadvantage is a key priority for our advocacy. Working with our peak bodies and leveraging evidence from our own families' experience, Goodstart helped persuade the Federal Government to produce two tranches of legislative changes to Child Care Subsidy and Additional Child Care Subsidy to improve safety net arrangements for children doing it tough.

Goodstart works with a large number of partners across the sector on evidence-based advocacy. Major initiatives we have partnered in over the last year include the State of Early Learning Report (with Early Childhood Australia and Social Ventures Australia), a cost benefit analysis of early intervention (commissioned by The Front Project and the Mindaroo Foundation), and on-going research by other think tanks including the Mitchell Institute and the Grattan Institute.

We work closely with our two peak bodies, the Early Learning and Care Council and Early Childhood Australia, and parent, business, philanthropic, research and union organisations.

In October 2019, we convened our fifth Thought Leaders Advisory Group meeting, bringing together experts from around the world to discuss the opportunities to make the most of our unique data set to improve outcomes for children – through practice and influence. We extended our group to include experts in big data – this helped stretch our thinking and consider what we can learn from sectors and industries beyond early childhood education and care.

Goodstart applied the learnings from the meeting into our ongoing development of data capabilities to ensure we could identify and support individual children. Our COVID-19 response put these systems to the test. We were able to track participation of children with known vulnerabilities and stay connected with them throughout the pandemic.

We have continued to focus on developing evidence through internal research and evaluation with the implementation of the Early Years Toolbox and the Environmental Rating Scales (ERS) program. By March 2020, 514 centres had finalised data collected though ERS Program and Toolbox assessments were successfully completed across 276 centres.

Our campaign, the Smart Start, continues to be active. Our parents have been surveyed annually since 2016, showing a growing recognition of the importance of early learning as being good for children and ensuring they are ready for school.

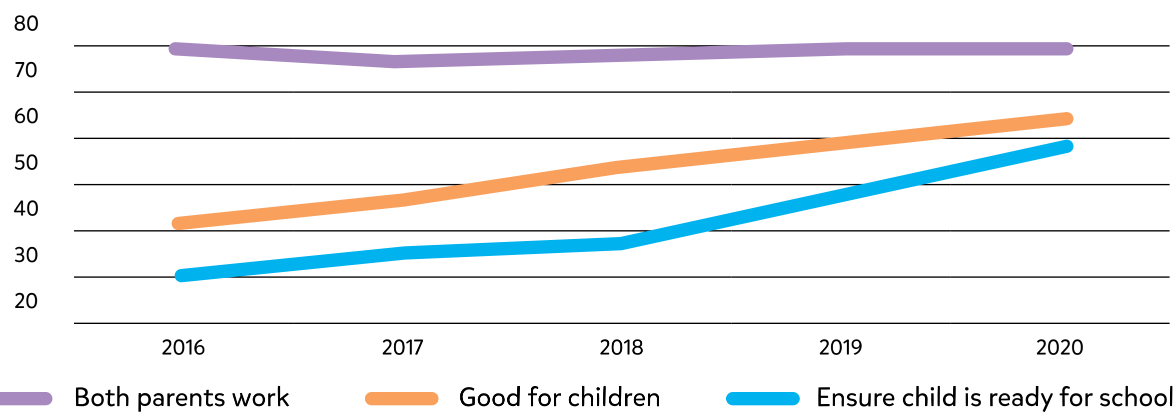
Giving all children access to two years of early learning before they start school is a key advocacy priority. Goodstart made a major submission to a Federal review of preschool funding, supported by submissions from 477 parents from our Smart Start campaign database. The final review's recommendation for longer term funding agreements will be discussed by Education Ministers next year.

The Victorian Government commenced the roll out of a second year of kindergarten for three-year olds, with Goodstart's Eurora centre included in the first tranche of centres. The Tasmanian Government also expanded its early learning initiative for disadvantaged three-year olds, with three Goodstart centres included in the pilot.

Victoria's new School Readiness fund provided funding for 39 centres in 2019 and 62 centres in 2020 based on the needs of their children. Funding was also received to support provisionally registered teachers, for kindergarten language programs centres and for minor capital grants and IT.

The NSW Government opened up Start Strong grants to not-for-profit long day care providers for the first time, with 85 Goodstart centres benefitting from grants to enhance early learning environments, and 45 receiving community support grants.

Reasons for using child care



(Source: Survey of parents from the Smart Start database conducted by Essential Media)

Family

Goodstart has continued to develop enhanced personalised experiences for our families, starting with a deeper understanding of who our families are as well as their needs, hopes and aspirations.

We continue to work on improving our offer to families. In January, we became the first major provider to stop charging for public holidays, removing a long-standing source of irritation for many families.

Our families have a choice of three session types to better suit their needs and finances and we continued to offer shorter six-hour sessions to families only entitled to the Safety Net CCS entitlement of 12 hours a week.

Our Family Connections program reached more families, providing them with a deeper understanding of each child and their family environment.

In its second year, our First Five Years website shared insights and experiences about the early years and helped inform more than 188,000 families with expert advice on the joys and challenges of raising young children.

We launched Goodstart@Home, a new platform providing online learning experiences aligned to the Early Years Learning Framework which attracted more than 26,000 subscribers.

We offered support to communities including free early learning and care for volunteer firefighters and SES workers during the Bushfire crisis across Victoria and New South Wales.

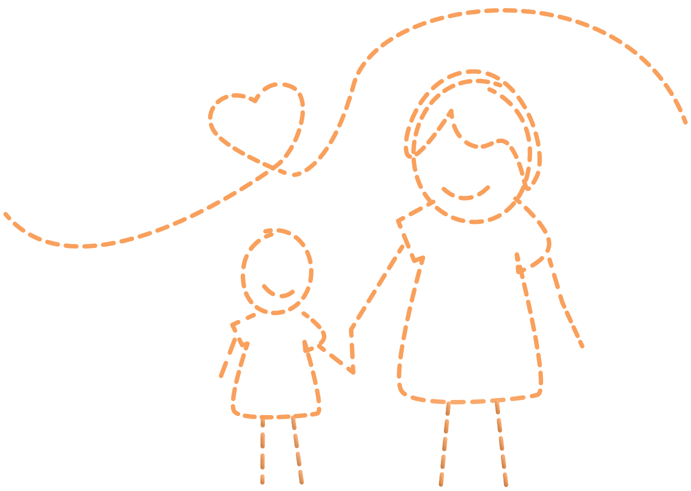
We continued to deepen and broaden our family communications across multiple channels to give families more information about the benefits of early learning. We want the communication to be two-way, with our regular family feedback surveys providing valuable insights for our Centre teams to continually refine and improve our offer.

And we continue to support our families experiencing challenges with child care subsidies with a dedicated team in our Solutions Centre to support our Centre teams.

Our family engagement scores improved for the fifth year in a row reaching record levels and rose during the COVID-19 period.

Family Feedback – likelihood to recommend

	FY16	FY17	FY18	FY19	FY20
Likelihood to Recommend (LTR)	8.3	8.5	8.7	8.8	8.9



What our Families say

"Love the staff they are so good with my child. Each one of them cares and has amazing passion for what they do. My daughter loves her teachers."

Tayla, Mount Gambier

"My children are always surprising us at home with extra skills and knowledge. We are very happy and feel our children are in a safe, happy and warm environment."

Samantha, Gaven

"The educators have met my child's needs and understands he is different from most children and cater for his special needs."

Kayla, Smithfield

"Fantastic environment, very helpful and friendly staff, great director and great staff, nice facilities."

Nahid, Carlton

"My son is a little anxious, so it's taken a long time to settle in, but he absolutely loves day-care now. This is a testament to the wonderful and patient educators. I love the style of learning and things you teach."

Aimee, Lennox Head

"Every educator knows who my children are regardless of whether they have been directly responsible for their care or not and that makes you feel like it's a family environment which I believe makes the children comfortable and happy."

Mary, Goulburn

Safety

Goodstart has worked hard to embed a strong safety culture across our network, with educators reporting in a network survey that child safety is as high a priority for their centre and for Goodstart as quality in learning.

Child injury rates continued to improve over the course of the year with significant reductions in child injuries requiring medical treatment.

Goodstart upgraded mandatory training requirements for all employees this year including robust new policies and training modules for bus transport.

The early learning and care sector generally records higher levels of adult injuries than many other industries, and as a result Goodstart has worked to embed safety as a core concern of all of our employees. The adult injury rate this year, was markedly lower than the last two years, however, is still slightly higher than the average for the sector. Ongoing awareness campaigns have focused on the ‘big five’ causes of injuries – stepping, slipping, lifting, bumping and tripping – and the crucial importance of identifying and eliminating hazards.

There has been significant improvement in the responsiveness of the network regarding early intervention and same day reporting, and improvements in case management and return to work options post injury. Goodstart’s ongoing improvements in safety have been reflected in continued significant reductions in our workers compensation premiums.

The bushfire emergencies impacted more than 50 Goodstart centres raising serious air quality concerns. Goodstart has been trialling air monitoring technologies to give centres better information about air quality and responses. This has been a sector first.

Goodstart provides free flu vaccinations for all staff and this year made vaccination a mandatory requirement to protect both employees and children during flu season in the middle of the COVID-19 pandemic. We enhanced our already stringent hygiene, cleaning and safety practices to minimise the rise of COVID-19 in our centres and shared our expertise with the broader sector.

The wellbeing of our employees has been at the centre of our COVID-19 response with targeted wellbeing initiatives ensuring teams have been supported emotionally throughout the pandemic.

Feature: Kylie Warren-Wright

National Safe Work and Wellbeing Manager Kylie Warren Wright has been at the forefront of Goodstart's response to COVID-19.

From the beginning when our planning for a global pandemic was in its infancy, Kylie managed our approach strategically focusing on the three critical pillars of safety, health and wellbeing.

Her leadership during periods of high community transmission coupled with her vast clinical infectious disease knowledge and her roll-out of COVID-safe plans for all centres, quickly established Goodstart as a sector leader in this field.

A qualified health professional, Kylie liaised directly with Government health officials and key community stakeholders during peak periods of the crisis which enabled Goodstart as an organisation to execute effective COVID-19 management plans and provide the best possible support to our centre teams and our families.

The Safe Work team, led by Kylie, worked hard to establish Goodstarter and family confidence in our health and hygiene processes and practices which we then shared with the wider early learning and care sector.

Internally, Kylie also communicated to our 15,000 Goodstarters on a daily basis, providing up to date health and safety information, as well as much-needed wraparound support to all staff as the crisis unfolded.

Kylie's passion for the early learning sector and the dedicated professionals who work within it is evident as she continues to lead the work fighting the spread of COVID-19 while supporting and caring for those making a difference in the lives of children in all Goodstart centres.

Bus transport Story

Following the tragic death of a small boy in our care in Cairns in February, Goodstart suspended its bus services across the nation while all transport procedures and policies were reviewed.

The review led to further improvements being made to existing policies and nation-wide mandatory refresher training was rolled out. These improvements included:

- The establishment of **three clearly designated roles** in the new bus procedure: Driver, Supervisor and Checker. Each has specific roles and responsibilities
- The staff member who has the **Supervisor** role on the bus is now required to **sit at the back of the bus** for the entire journey and check the bus is empty as they move towards the door
- A **centre-based Checker** inspects the bus upon its return to the centre, double-checks the roll and checks off the children and observes adherence to procedure by the Driver and Supervisor. Once the children are returned to the Centre the Checker takes photographs to show the bus is now empty and then upload them to iAuditor (which allows for remote auditing in real-time)
- New easy to follow guides and role-specific lanyards were sent to all centres operating bus services and mandatory refresher training introduced

Detailed investigation into additional technological approaches to bus safety have been carried out and a trial is currently underway into the most promising of the systems available.

We know our bus services are vital for many families whose children might otherwise not be able to access early learning. Goodstart is committed to continuous improvement and will continue to build on the improvements we have made.

Reconciliation

Goodstart's commitment to reconciliation with first Australians deepened this year with our second expanded Reconciliation Action Plan with 97 specific actions approved by Reconciliation Australia.

608 Goodstart centres are on the reconciliation journey utilising the Narragunnawali platform, with 243 centre action plans completed and published. 4,836 Goodstarters have completed Arrilla Cultural Competency training through the Learning Portal, with cultural awareness included in practice support forums and learning circles.

We have decided to appoint a Torres Strait Islander Social Inclusion Co-ordinator to connect directly with Torres Strait Islander people, advise Goodstart on the provision of appropriate services, programs and events to the community and contribute to raising awareness of Torres Strait Islander culture, traditions and community within Goodstart.

Employees identifying as Aboriginal and Torres Strait Islanders increased from 213 on FY19 to 293 in FY2020. Aboriginal traineeships have doubled over the past two years.

Goodstart continued our partnership with Marinwarntikura in Fitzroy Crossing, WA, supporting two educators to spend time at the Baya Gawiy early learning centre.

5.8% of children attending centres identified as Aboriginal and Torres Strait Islander children in 2020, compared to 5% in 2019 and 4.7% in 2018.

Goodstart's reconciliation journey is embedded in our new five-year strategic direction with an ambition to have reconciliation woven into everything that we do.

Goodstart educator joins global leaders for young children

Goodstart Goonellabah Senior Educator Lisa Walker, a proud Bundjalung woman with ties to the Gubi Gubi mob in Queensland and the Yuin mob in New South Wales, was supported to join the two-year Global Leaders for Young Children Program by the World Forum Foundation focused on developing programs to improve the lives of young people in their communities.

Lisa is developing a Goodstart yearbook, a resource which will celebrate Aboriginal and Torres Strait Islander peoples, culture, stories, practices and cultural protocols, connecting Aboriginal and Torres Strait Islander ways of knowing and doing to land - saltwater, freshwater, desert, mountains and rainforest.

"My roles have always revolved around advocating for my people and supporting our jarjums (children) with their learning," Lisa says. "This is my way of giving back to my community and people and helps me learn and grow as a strong Aboriginal woman."

Looking ahead: Where next for Goodstart?

Our 2025 Strategic Direction

As Goodstart celebrates its 10th year of operation, we are focused on the future. This year, the Goodstart board signed off on an ambitious new five-year Strategic Direction 2025 to take Goodstart from one of Australia's leading early learning providers to world leading.

As we came to the end of our last five-year strategic direction to bring everything up to a minimum standard, we began to understand more about the unmet and differentiated needs of children, families and communities – that one size wouldn't fit all.

That single fact has helped inform the planning of our next five years - our 2025 strategic direction. Its development was very much bottom up, starting with a series of design sprints involving our leaders, centre teams, subject matter experts and external stakeholders.

The process continues, as we work in collaboration with our network to further shape and refine our strategic direction. We have designed for flexibility, knowing that we can never predict the future, we can only be prepared.

Our people are as always, a central focus of our plan, recognising that delivering on our purpose for Australia's children requires a professional, committed and engaged team. Building on our 'Foundations for the Future', we are encouraging all Goodstarters to be better at being better and embedding the strategic direction in everything they do.

The strategic direction is built on six strategic goals: we will be a Thriving Organisation by delivering Exceptional Quality, an Amazing Goodstarter Experience, and a Personalised Family Experience while being Inclusive of Everyone and having an Impact Beyond Goodstart.

All of our work will be underpinned by a continued focus on Safety and Reconciliation.

To meet these strategic goals our organisation will focus on strengthening five organisational capabilities: People Powered Innovation, Leadership and Pedagogical Pathways, Knowledge Exchange, Data, Evidence and Insights, and Influence.

Exceptional Quality

Our practice will be world class: we will deliver ‘best practice’ and discover ‘next practice’. Through this, we will create enjoyable learning experiences for children that prepare them to take on the world, now and into the future.

Inclusion for Everyone

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

Impact beyond Goodstart

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

Amazing Goodstarter Experience

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

Personalised family experience

We will value our families for who they are and what they bring. We will work with them in partnership to realise their aspirations for their children – including by supporting family life and enhancing learning and development at home. We will make their Goodstart experience seamless and rich.

Thriving Organisation

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

Annual Financial Report

Goodstart Early Learning Ltd

ABN 69 139 967 794
30 June 2020

Directors' Report for the year ended 30 June 2020.

The directors present their report on the consolidated entity (the "Group"), consisting of Goodstart Early Learning Ltd ("Goodstart" or the "Company") and the entities it controlled for the financial year ended 30 June 2020 and the auditor's report thereon.

A Directors

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

Paul Robertson AO

BCom; FCPA; MAICD

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

Appointed 1 December 2019

Paul Robertson is currently Chair of Social Ventures Australia, Chair of Trustees of St Vincent's Hospital, Sydney, Chair of Tonic Health Media and Chair of Kinela. He is Founder and Director of Financial Markets Foundation for Children. He is also a Director of Dementia Australia, Telco Together Foundation, Grace Papers and Sydney Theatre Company Foundation. Paul has extensive experience in banking including 27 years at Macquarie Bank/Hill Samuel where he was an Executive Director and Global Treasurer. Paul has served on a number of other commercial boards. He was made an Officer of the Order of Australia in 2018 for distinguished service to the community through ethical leadership and management of, and philanthropic contributions to, health, social enterprise, research, education and arts organisations.

Michael Traill AM

BA (Hons); MBA

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

Appointed 13 October 2009
Retired 30 April 2020

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 Paul Ramsay Foundation; a director of MH Carnegie & Co, Sunsuper (where he Chairs the Investment Committee) Hearts & Minds Investments and Australian Philanthropic Services. He is an Adjunct Professor at the Centre for Social Impact at UNSW and Chair of the Federal Government Social Impact Investing Task Force. He is the author of 'Jumping Ship' which won the Ashurst Business Literature Prize in 2017. In 2010 Michael was made a Member of the Order of Australia in recognition of his services to not-for-profit organisations.

Julia Davison

BSc (Hons); MPA; MAICD

Director and Chief Executive Officer

Appointed 29 June 2011

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

Lynelle Briggs AO

B Econ; GAICD

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

Appointed 15 December 2015

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

Directors' Report (continued)

Professor Sir Kevan Collins

Ed.D

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

Appointed 1 December 2018

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

Rob Koczkar

B Eng (Hons)

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

Appointed 28 May 2010

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

Chris Harrop

MBA (Hons); B Comm (Hons)

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

Appointed 1 January 2019

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

June McLoughlin

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

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

Appointed 15 December 2015

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

Directors' Report (continued)

Tony Nicholson
BA; BSW

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

Appointed 8 May 2018

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

Natalie Walker
BA (Psych); LLB

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

Appointed 1 December 2018

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

B Company Secretaries

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

Gavin Bartlett LLB was appointed to the position of Company Secretary on 28 May 2010. Gavin is a solicitor admitted to the Supreme Court in Queensland and Victoria and to the High Court of Australia, and has over 20 years' experience in legal practice, both in private practice and in managing in-house legal teams across Australia and New Zealand.

C Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year ended 30 June 2020 were:

	Board of Directors		Audit and Risk Committee		Talent and Remuneration Committee		Quality and Social Purpose Committee	
	A	B	A	B	A	B	A	B
L Briggs	5	5	5	4	-	-	-	-
K Collins	5	5	-	-	3	3	5	5
J Davison	5	5	-	-	-	-	-	-
C Harrop*	5	5	3	3	2	2	-	-
R Koczkar	5	5	5	5	-	-	-	-
J McLoughlin	5	4	-	-	-	-	5	5
T Nicholson	5	5	-	-	-	-	5	5
P Robertson**	4	3	2	2	1	1	2	2
M Traill***	4	4	4	3	2	2	3	3
N Walker	5	5	-	-	3	2	5	4

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

***** C Harrop retired from Talent and Remuneration Committee on 31 December 2019 and joined the Audit and Risk Committee from 1 January 2020

****** P Robertson joined the Board on 1 December 2019 and joined all Committees with effect from 25 March 2020

******* M Traill retired from the Board on 30 April 2020

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

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

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 reporting Goodstart's first operating deficit which is a result of a combination of changes in accounting standards affecting leases, and difficult trading conditions due to COVID-19. In the year ended 30 June 2020, a net deficit of $14.3 million (2019: $11.0 million surplus) was reported and net assets were stable at $102.3 million (2019: $102.9 million).

Directors' Report (continued)

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 2019/20 year are included on pages 6 to 43.

G Measurement of performance

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

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

a) % of centres assessed as meeting or exceeding the National Quality Standards

b) % of centres assessed as exceeding the National Quality Standards

c) Number of reported child injuries per 10,000 attendances

d) Lost time injury frequency rate

e) % of Goodstart children accessing adequate early learning (at least 2 days per week) in the 2 years before school

Inclusion
Enhance outcomes for children in vulnerable circumstances

a) Number of EChO Centres

b) Number of children assisted by fee relief

c) % of centres with more than one inclusion initiative

d) Number of children excluded

e) % centres with families accessing assistance

f) Number of children assisted by the Early Learning Fund

g) Average participation of vulnerable children

h) % of vulnerable children accessing adequate early learning (at least 2 days per week) in the 2 years before school

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

a) Social purpose reinvestment

b) Families likelihood to recommend (current families)

c) Improved child retention:

   i. Child turnover

   ii. Child turnover – kindergarten eligible

d) Net increase in new centres opened since 1 July 2015

e) Labour hours per attendance

f) Configured occupancy

g) EBITDA

Great People
Build a capable, aligned and engaged workforce

a) Centre Directors meeting or exceeding required standards

b) Staff turnover

c) Number of active Early Childhood Teachers

Evidence
Embed evidence informed practice and strengthen the Australian evidence base

a) Centres supporting strategic research

b) Centres with complete data

Influence
Increase public commitment to quality early learning and care

c) Amount of public investment in early learning and care in Australia as a % of GDP

a) National participation of 3-year olds in early learning and care

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

H Members' liability

In the event of the Company being wound up, its Constitution states each member is required to contribute a maximum of $100 towards meeting any outstanding obligations of the company. At 30 June 2020, 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 2020 (2019: $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 2020.

J Rounding off

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

K Subsequent events

Subsequent to 30 June 2020, the Australian Government ended the provisional Early Childhood Education and Care Relief Package and the previous Childcare package was reintroduced from 13 July 2020. The Government also ceased the JobKeeper assistance to the Early Childhood sector on 20 July 2020. The Government introduced a number of measures to support providers including a transition payment based on 25% of the relevant fee revenue for the period 13 July to 27 September 2020.

With the deteriorating situation in Victoria, the Government has increased the transition funding to 30%, and increased the number of allowable absence days by 30 for affected centres. Gap fees are being waived for children unable to attend Early Learning and Care due to COVID-19.

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

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

Paul Robertson
Director

Dated at Brisbane this 24 September 2020

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

To: the Directors of Goodstart Early Learning Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been:

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

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Tracey Barker
Partner

Brisbane
24 September 2020

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.

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

Goodstart Early Learning Ltd

ABN 69 139 967 794
30 June 2020

Goodstart Early Learning Ltd

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2020

	Note	2020 $000	2019 $000
Revenue from early learning centres	*6a*	1,003,613	1,065,319
Government grants	*7*	179,443	32,683
Other income	*8*	1,108	1,621
Total revenue		**1,184,164**	**1,099,623**
Employee costs	*9*	839,813	768,091
Depreciation expense of right of use assets	*17*	87,206	-
Property expenses	*10*	75,671	181,530
Catering and consumables expenses		50,318	50,629
Depreciation and amortisation expense of property, plant & equipment and intangibles	*15 & 16*	41,971	42,475
Technology and communication expenses		14,686	12,238
Net impairment loss / (reversal)	*15, 16 & 17*	14,596	(922)
Consulting and professional costs		5,324	7,018
Marketing expenses		4,694	6,754
Travel and motor vehicle expenses		4,578	7,709
Other expenses	*11*	7,994	9,683
Total expenses		**1,146,851**	**1,085,205**
Operating surplus		37,313	14,418
Finance income	*12*	924	1,793
Finance costs	*12*	(52,524)	(5,206)
Net finance (cost)	*12*	**(51,600)**	**(3,413)**
Net (deficit) / surplus for the year		(14,287)	11,005
Total comprehensive (loss) / income for the year		**(14,287)**	**11,005**

The notes on pages 61 to 91 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd
Consolidated statement of financial position

As at 30 June 2020

	Note	2020 $000	2019 $000
Assets			
Current assets			
Cash and cash equivalents	13	134,558	62,226
Trade and other receivables	14	76,119	40,034
Inventories		738	619
Financial assets	18	-	7,000
Total current assets		211,415	109,879
Non-current assets			
Deposits and security bonds		1,130	122
Property, plant and equipment	15	258,827	237,321
Right of use assets	17a	1,368,883	-
Intangible assets	16	11,955	15,304
Total non-current assets		1,640,795	252,747
Total assets		1,852,210	362,626
Liabilities			
Current liabilities			
Trade and other payables	19	100,643	65,890
Lease liabilities	17b	59,291	-
Employee benefits	21	85,002	70,255
Provisions	22	8,587	7,521
Contract liabilities	6b	34,519	13,609
Total current liabilities		288,042	157,275
Non-current liabilities			
Trade and other payables	19	-	45,158
Loans and borrowings	20	46,062	13,462
Lease liabilities	17b	1,365,702	-
Employee benefits	21	12,725	11,114
Provisions	22	37,383	32,703
Total non-current liabilities		1,461,872	102,437
Total liabilities		1,749,914	259,712
Net assets		102,296	102,914
Equity			
Accumulated surplus		102,296	102,914
Total equity		102,296	102,914

The notes on pages 61 to 91 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd
Consolidated statement of cash flows

For the year ended 30 June 2020

	Note	2020 $000	2019 $000
Cash flows from operating activities			
Cash receipts from parents and guardians		358,042	413,927
Cash receipts from grants and government funding		806,678	684,377
Cash receipts from other income		5,873	533
Cash paid to suppliers and employees		(958,786)	(1,027,729)
Net cash from operating activities		**211,807**	**71,108**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		171	333
Purchase of plant & equipment and intangible assets		(60,319)	(57,915)
Proceeds from term deposits		7,000	35,000
Interest received		924	1,793
Acquisition of subsidiary, net of cash acquired		6,166	-
Acquisition of centres		(19,392)	(44,380)
Net cash used in investing activities		**(65,450)**	**(65,169)**
Cash flows from financing activities			
Proceeds from borrowings	20	32,600	-
Payments of lease liabilities	17	(53,852)	-
Interest paid		(52,773)	(2,313)
Net cash used in financing activities		**(74,025)**	**(2,313)**
Net increase in cash and cash equivalents		72,332	3,626
Cash and cash equivalents at 1 July		62,226	58,600
Cash and cash equivalents at 30 June	13	**134,558**	**62,226**

The notes on pages 61 to 91 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd
Consolidated statement of changes in equity

For the year ended 30 June 2020

	Note	Accumulated Surplus	Total Equity
		$000	**$000**
Balance at 1 July 2018		91,909	91,909
Total comprehensive income for the year			
Net surplus		11,005	11,005
Balance at 30 June 2019		**102,914**	**102,914**
Adjustment on initial application of AASB 16	*4c*	13,669	13,669
Total comprehensive income for the year			
Net deficit		(14,287)	(14,287)
Balance at 30 June 2020		**102,296**	**102,296**

The notes on pages 61 to 91 are an integral part of these consolidated financial statements.

Goodstart Early Learning Ltd

Index to notes to the consolidated financial statements for the year ended 30 June 2020

Goodstart Early Learning Ltd
Notes to the consolidated financial statements for the year ended 30 June 2020

1 Reporting entity

Goodstart Early Learning Ltd (the "Company"), a not-for-profit entity, is a company limited by guarantee. The consolidated financial statements of the Company as at, and for the year ended 30 June 2020, comprise the Company and its subsidiaries (together referred to as the "Group").

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements are 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.

From 1 July 2019, the Group applied for the first time AASB 16 Leases, AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers. AASB 1058 and AASB 15 have no material impact on the Group's financial statements. Changes to significant accounting policies arising from the first time adoption of accounting standards are described in note 4.

The consolidated financial statements were authorised for issue by the Board of Directors on 24 September 2020. Details of the Group's accounting policies, including changes during the year, are included in notes 3 and 4.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

In preparing these consolidated financial statements management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

Note 3(i) – (i) Property, plant & equipment, (ii) depreciation (iii) impairment
Note 3(j) – Impairment of non-financial assets
Note 3(k) – Intangible assets
Note 3(e) – Trade and other receivables
Note 17(e) – Leases (e) extensions, options and new leases
Note 22 – Provisions

2 Basis of preparation (continued)

(e) Working capital

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

The Group has a consolidated net asset position of $102.3 million (2019: $102.9 million). Current liabilities exceed current assets by $76.6 million (2019: $47.4 million). This is mainly due to $85.0 million (2019: $70.3 million) in employee benefits being recorded within current liabilities. These employee benefits are not expected to be paid in a lump sum at any point during the next 12 months. In addition, current lease liabilities of $59.3 million have been recognised for the first time as part of a change in the accounting policy for leases (previously not recognised in the statement of financial position) with the corresponding right of use asset recognised as non-current.

The Company has prepared a 2021 financial year cash flow forecast which demonstrates that the Company has sufficient cash to pay its liabilities when they fall due.

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

3 Significant accounting policies

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

(a) Basis of consolidation

i) Business combinations

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

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

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

ii) Subsidiary

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

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

3 Significant accounting policies (continued)

(b) Revenue recognition

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

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

i) Revenue from early learning centres

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

ii) Contract liabilities

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

iii) Government grants

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

- Where the agreement is enforceable and contains sufficiently specific performance obligations, the grant revenue is initially recognised as a contract liability with revenue recognised over time as the service is provided;
- Where the agreement is not enforceable and there are no specific performance obligations, the grant revenue is recognised on receipt as the recognition criteria has been satisfied; and
- Grants related to assets are government grants whose primary condition to qualifying for them is that the Group should purchase, construct or otherwise acquire long-term assets. Other conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held. These types of grants are initially recognised as a contract liability and recognised as revenue as and when the performance obligation to acquire or construct the asset is completed.

(c) Cash and cash equivalents

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

(d) Goods and services tax

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

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

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

3 Significant accounting policies (continued)

(e) Trade and other receivables

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

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

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

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

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

(f) Financial assets

Term Deposits

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

(g) Borrowings

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

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

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at the fair value and subsequently measured at amortised cost using the effective interest method.

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

3 Significant accounting policies (continued)

(i) Property, plant and equipment

i) Recognition and measurement

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

Leasehold operating rights recognised as property, plant and equipment in the previous financial year, have been reclassified to the right of use assets at 1 July 2019.

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

ii) Depreciation

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

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

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

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

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

iii) Impairment

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

(j) Impairment of non-financial assets

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

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

3 Significant accounting policies (continued)

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

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

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

(k) Intangible assets

i) Other intangibles

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

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

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

ii) Software

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

iii) Subsequent expenditure

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

iv) Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(l) Inventories

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

3 Significant accounting policies (continued)

(m) Leases

The Group has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under AASB 117.

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

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

i) Right of use assets

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

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

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

ii) Lease liabilities

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

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

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

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

3 Significant accounting policies (continued)

(m) Leases (continued)

Policy applicable from 1 July 2019 (continued)

ii) Lease liabilities (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Subsequently, the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Group changes its assessment of whether it will exercise an extension or termination option or if there is a revised in-substance fixed lease payment.

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

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

i) Short term leases and leases of low value assets

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

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

Policy applicable before 1 July 2019

i) Leased assets

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

The Group had no finance lease obligations.

(n) Employee benefits

i) Short-term employee benefits

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

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

3 Significant accounting policies (continued)

(n) Employee benefits (continued)

ii) Long-term employee benefits

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

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

iii) Defined contributions plans

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

(o) Provisions

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

i) Lease obligation provision

Make good and end of lease provisions

Make good provision

Costs required to restore certain leased premises to their original condition at the end of the respective lease terms as set out in the lease agreements are recognised as a provision in the consolidated financial statements. The provision has been calculated as the present value of the estimated future costs. These costs have now been capitalised as part of the cost of right of use assets (previously part of leasehold improvements) and are amortised over the shorter of the term of the lease and the useful life of the assets. The Group has reclassified make good asset balances recognised as leasehold improvements in property, plant and equipment to the right of use assets as part of the initial application of AASB16 Leases (1 July 2019).

End of lease provision

The end of lease redecoration provision includes the requirements for redecorations that are to be undertaken on termination of the lease only. The provision has been recognised as the present value of the estimated future costs. These costs are subsequently capitalised as part of the right of use asset and amortised over the term of the lease.

The Group has also adjusted the right of use asset at the date of initial application of AASB 16 by adding the end of lease provision recognised in the statement of financial position immediately before the date of initial application, recognising the difference in retained earnings.

Mid-lease repair and maintenance provisions

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

3 Significant accounting policies (continued)

(o) Provisions (continued)

i) Onerous contracts provision

Policy applicable from 1 July 2019

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

The Group no longer recognises provisions for operating leases that it assesses to be onerous. Instead, the Group includes the payments due under the lease in the lease liability.

The Group has adjusted the right of use asset at 1 July 2019 by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application of AASB 16.

(p) Finance income and finance costs

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

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

(q) Income tax

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

4 Changes in accounting policy

AASB 16 Leases

The Group initially applied AASB 16 Leases from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated surplus at 1 July 2019. Accordingly, the comparative information presented for the year ended 30 June 2019 is not restated and is presented, as previously reported, under AASB 117 and related interpretations.

The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explain in note 3(m).

4 Changes in accounting policy (continued)

AASB 16 Leases (continued)

(b) As a lessee

As a lessee, the Group leases many assets including land and buildings and motor vehicles. The Group previously classified leases as operating leases which were not recognised in the consolidated statement of financial position. Under AASB 16, the Group recognises right of use assets and lease liabilities for these leases and these leases are on-balance sheet.

For leases of property the Group has elected not to include non-lease components. These amounts are expensed as incurred in profit and loss.

Leases classified as operating leases under AASB 117

Previously, the Group classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019 (see note 4c). Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases.

The Group used a number of practical expedients and adjustments when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, at the date of initial application (1 July 2019) the Group:

- excluded initial direct costs from the measurement of the right of use asset;
- did not recognise right of use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- adjusted the right of use asset by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.

Peppercorn leases

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

4 Changes in accounting policy (continued)

AASB 16 Leases (continued)

(c) Impact of transition on financial statements

On transition to AASB 16, the Group recognised additional right of use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition at 1 July 2019 is summarised below.

	Note	1 July 2019 $000
Assets		
Right-of-use assets	*17a*	1,120,571
Property, Plant and equipment[1]	*15*	(9,138)
Total assets		**1,111,433**
Liabilities		
Lease liabilities		(1,145,492)
Provisions[2]	*22*	2,570
Trade and other payables[3]	*19*	45,158
Total liabilities		**(1,097,764)**
Equity		
Retained earnings[4]		(13,669)
		(13,669)

(1) Reclassified make good asset and leasehold operating rights balances recognised as leasehold improvements (within Property, plant and equipment) to the right of use assets;

(2) Adjusted the right of use asset by the amount of any provision for onerous leases recognised as at 30 June 2019 within provisions as a practical expedient to performing an impairment review;

(3) Adjusted the right of use asset by the straight-lining accrued liability recognised in the statement of financial position; and

(4) Adjusted the right of use asset by adding the end of lease provision recognised in the statement of financial position, recognising the difference in retained earnings.

For the impact of AASB 16 on profit or loss for the period, see note 17(c). For the details of accounting policies under AASB 16 and AASB 117, see note 3(m).

When remeasuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 3.913%.

4 Changes in accounting policy (continued)

AASB 16 Leases (continued)

(c) Impact of transition on financial statements (continued)

	1 July 2019
	$000
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's consolidated financial statements	1,940,801
Discounted using the incremental borrowing rate at 1 July 2019	(618,822)
Extension periods not included at 1 July 2019	(72,373)
"Variable lease payments linked to an index at 1 July 2019 (estimated CPI, market rent reviews)"	(104,114)
Lease liabilities recognised at 1 July 2019	**1,145,492**

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 Revenue from Contracts with Customers for the first time in the current financial year with a date of initial application by not-for-profit entities of 1 January 2019.

AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time.

The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognised as follows:

- Identify the contract with the customer;
- Identify the performance obligations;
- Determine the transaction price;
- Allocate the transaction price; and
- Recognise revenue.

Generally the timing of the payment for the rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

The Group has applied AASB 15 using the modified retrospective method (using the cumulative effect approach) which means the comparative information has not been restated.

Based on the Group's assessment, AASB 15 has not had a material impact on the transactions and balances recognised in the consolidated financial statements for the year ended 30 June 2020.

4 Changes in accounting policy (continued)

AASB 1058 Income of Not-for-Profit Entities

The Group has adopted AASB 1058 Income of Not-for-Profit Entities for the first time in the current financial year with a date of initial application to financial years beginning on or after 1 January 2019.

The Group has applied AASB 1058 using the modified retrospective method which means the comparative information has not been restated.

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

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

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

Under AASB 1058 (and in line with AASB 15), where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed or recognised at the point in time that the control of the services pass to the customer.

Based on the Group's assessment, AASB 1058 has not had a material impact on the transactions and balances recognised in the consolidated financial statements for the year ended 30 June 2020.

5 Business combination — acquisition of childcare centres

On 16 September 2019, the Group acquired Mission Australia Early Learning Limited (now Goodstart Early Years Limited) including 18 Early Learning and Care services and 4 Kindergarten services.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition for nominal purchase consideration.

		2020
	Note	**$000**
Assets and liabilities acquired at fair value		
Plant and equipment	*15*	1,675
Right of use assets	*17a*	28,797
Trade and other receivables		540
Prepayments		209
Lease liabilities		(26,914)
Employee benefit liabilities		(1,740)
Trade payables		(353)
Contract liabilities		(562)
Provisions	*22*	(1,652)
Net identifiable assets/(liabilities) acquired		-

5 Business combination — acquisition of childcare centres (continued)

On 20 March 2020, the Group acquired a centre in Australia for $0.88 million in cash. The centre transitioned to the Group when the lease was assigned as at acquisition date.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

Purchase consideration		
Cash consideration		**883**

Assets and liabilities acquired at fair value		
Plant and equipment	*15*	298
Right of use assets	*17a*	3,756
Contract liabilities		(10)
Lease liabilities		(3,077)
Provisions	*22*	(84)
Net identifiable assets/(liabilities) acquired		**883**

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

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of the merger for nominal purchase consideration.

Assets and liabilities acquired at fair value		
Cash and cash equivalents		6,166
Plant and equipment	*15*	3,356
Right of use assets	*17a*	27,956
Trade and other receivables		3,539
Other assets		401
Trade payables		(3,264)
Lease liabilities		(30,162)
Employee benefits		(4,074)
Contract liabilities		(2,228)
Provisions	*22*	(1,690)
Net identifiable assets/(liabilities) acquired		-

The fair value of the assets and liabilities have 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

	2020 $000	2019 $000
Fees from parents and guardians	339,285	411,912
Government funding - fee subsidies	539,425	653,407
Government funding - care relief subsidies	124,903	-
Total revenue from early learning centres	**1,003,613**	**1,065,319**

(b) Contract liabilities

Contract liabilities	**34,519**	**13,609**

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

7 Government grants

Recovered special needs funding	8,600	6,657
Recovered trainees funding	179	195
Kindergarten and associated funding	21,328	23,521
State and Federal training funding	3,282	2,310
JobKeeper funding	146,054	-
Total government grants	**179,443**	**32,683**

8 Other income

Insurance recoveries	293	683
Sublease income	370	103
Other income	445	835
Total other income	**1,108**	**1,621**

9 Employee costs

Wages and salaries	761,806	691,236
Other associated personnel expenses	16,190	19,037
Contributions to defined contribution plans	61,817	57,818
Total employee costs	**839,813**	**768,091**

10 Property expenses

Rental expenses*		10,850	118,300
Repairs and maintenance		31,554	35,488
Other direct property expenses		33,267	31,695
Onerous contracts	*22*	-	(3,953)
Total rent and other property expenses		**75,671**	**181,530**

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

11 Other expenses

Net loss on disposal of property, plant and equipment		198	75
Insurance premiums expense		2,564	2,086
Bank charges		302	325
Impairment loss on trade receivables	*14*	1,567	3,080
Other expenses		3,363	4,117
Total other expenses		**7,994**	**9,683**

12 Finance income and finance costs

Interest income on bank deposits		924	1,793
Total finance income		**924**	**1,793**
Interest expense on financial liabilities measured at amortised cost		(3,324)	(2,329)
Interest expense on lease liabilities	*17d*	(49,576)	-
Unwinding of discount of make good & onerous provisions	*22*	466	72
Changes in discount rates of make good & mid-lease provisions		(90)	(2,949)
Total finance costs		**(52,524)**	**(5,206)**
Net finance costs recognised in profit or loss		**(51,600)**	**(3,413)**

13 Cash and cash equivalents

	Note	2020 $000	2019 $000
Cash and cash equivalents		81,373	39,226
Call deposits		53,185	23,000
Total cash and cash equivalents		**134,558**	**62,226**

The Group has $50.95 million (2019: $30.0 million) in call deposits and term deposits (note 18) that have been pledged as security for the Group's guarantees provided by our financier as set out in note 24.

The Group also has $2.65 million in the Early Learning Fund - Grant Agreement held in trust on behalf of families. Further details are set out in note 25.

14 Trade and other receivables

Trade receivables		11,584	31,513
Allowance for impairment of receivables	*(note (a) below)*	(6,886)	(5,739)
Trade receivables net		**4,698**	**25,774**
Prepayments		4,112	9,534
Goods and services tax (GST) recoverable		2,221	3,546
Other receivables		65,088	1,180
Total trade and other receivables		**76,119**	**40,034**

(a) Impaired trade receivables

As at 30 June 2020 current trade receivables of the Group were assessed for impairment. The allowance for expected credit losses recognised during the year was $6.9 million (2019: $5.7 million).

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

Balance at 1 July	5,739	3,059
Receivables written off during the year as uncollectible	(844)	(400)
Allowance for impairment recognised during the year	1,567	3,080
Allowance for impairment recognised as part of business combinations	424	-
Balance at 30 June	**6,886**	**5,739**

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

15 Property, plant and equipment

	Note	2020 $000						
		Land and buildings	Building improvements & operating rights	Leasehold improvements	Plant and equipment	Motor vehicles	Work in progress	Total
Year ended 30 June 2020								
Opening net book amount		83,355	17,884	80,881	25,697	1,175	28,329	237,321
Adjustment for change in accounting standard on implementation of AASB 16	17	-	-	(9,138)	-	-	-	(9,138)
Opening net book amount (restated)		83,355	17,884	71,743	25,697	1,175	28,329	228,183
Additions		24,792	7,925	17,836	12,400	-	2,268	65,221
Acquisition through business combination	5	761	-	4,109	368	9	82	5,329
Transfers		21	(1,393)	6,043	2,259	-	(6,930)	-
Disposals		(143)	(6)	(58)	(5)	(136)	(8)	(356)
Work in progress expensed		-	-	-	-	-	(164)	(164)
Net impairment (loss)		-	-	(2,095)	-	-	-	(2,095)
Depreciation expense		(969)	(3,105)	(20,485)	(12,663)	(69)	-	(37,291)
Closing net book amount		**107,817**	**21,305**	**77,093**	**28,056**	**979**	**23,577**	**258,827**
Year ended 30 June 2020								
Cost		110,835	29,924	188,781	96,089	2,026	23,577	451,232
Accumulated depreciation & impairment losses		(3,018)	(8,619)	(111,688)	(68,033)	(1,047)	-	(192,405)
Net book amount		**107,817**	**21,305**	**77,093**	**28,056**	**979**	**23,577**	**258,827**

	2019 $000						
	Land and buildings	Building improvements & operating rights	Leasehold improvements & operating rights	Plant and equipment	Motor vehicles	Work in progress	Total
Year ended 30 June 2019							
Cost	85,200	23,398	175,149	78,785	2,216	28,329	393,077
Accumulated depreciation & impairment losses	(1,845)	(5,514)	(94,268)	(53,088)	(1,041)	-	(155,756)
Net book amount	**83,355**	**17,884**	**80,881**	**25,697**	**1,175**	**28,329**	**237,321**

Security

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

16 Intangible assets

	2020 $000			
	Software	Other intangibles	Work in progress	Total
Year ended 30 June 2020				
Opening net book amount	6,705	3,242	5,357	15,304
Other acquisitions	73	-	11,797	11,870
Impairment loss	(10)	-	(10,529)	(10,539)
Amortisation charge	(4,280)	(400)	-	(4,680)
Closing net book amount	**2,488**	**2,842**	**6,625**	**11,955**
Year ended 30 June 2020				
Cost	22,329	3,750	17,153	43,232
Accumulated amortisation and impairment	(19,841)	(908)	(10,528)	(31,277)
Net book amount	**2,488**	**2,842**	**6,625**	**11,955**

	2019 $000				
	Software	Brand	Other intangibles	Work in progress	Total
Year ended 30 June 2019					
Cost	22,255	400	3,750	5,357	31,762
Accumulated amortisation and impairment	(15,550)	(400)	(508)	-	(16,458)
Net book amount	**6,705**	**-**	**3,242**	**5,357**	**15,304**

17 Right of use assets and lease liabilities

The right of use assets and lease liabilities have arisen upon adoption of AASB 16 Leases. Refer to note 4 and note 3(m) for further information.

The Group leases 685 (2019: 622) premises. The leases typically run for a period of 10 years, then have one to three options. Each option enables the Group to renew the leases for a further 5 to 20 years. Leases provide for contingent payments, including escalation based on fixed dollar or percentage increases, as contained in the lease agreement.

The Group leases 288 (2019: 253) motor vehicles under fully maintained lease contracts. All leases are for a term of 36-72 months, commencing on delivery of the vehicle.

Previously, these leases were classified as operating leases under AASB 117.

17 Right of use assets and lease liabilities (continued)

(a) Right of use assets

Set out below are the carrying amounts of right-of-use assets recognised on adoption of AASB 16 and movements during the year:

		2020 $000		
	Note	**Leased property**	**Leased vehicles**	**Total**
Balance at 1 July 2019		**1,094,358**	**5,976**	**1,100,334**
Reclassifications to the opening balance from property, plant and equipment on adoption of AASB 16		9,138	-	9,138
Reclassifications to the opening balance from provisions on adoption of AASB 16		11,099	-	11,099
Balance at 1 July 2019 (adjusted)		1,114,595	5,976	1,120,571
Additions through business combination	*5*	60,509	-	60,509
Additions to right-of-use assets		316,672	1,477	318,149
Disposal of right-of-use assets		(41,083)	(95)	(41,178)
Depreciation charge for the year		(85,531)	(1,675)	(87,206)
Net impairment (loss)		(1,962)	-	(1,962)
Balance at 30 June 2020		**1,363,200**	**5,683**	**1,368,883**
Cost		1,464,994	7,358	1,472,352
Accumulated depreciation & impairment		(101,794)	(1,675)	(103,469)
As at 30 June 2020		**1,363,200**	**5,683**	**1,368,883**

(b) Lease liabilities

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

	30 June 2020 $000
Current lease liabilities	59,291
Non-current lease liabilities	1,365,702
Total lease liabilities	**1,424,993**

17 Right of use assets and lease liabilities (continued)

(c) Amounts recognised in profit or loss

The following are the amounts recognised in profit and loss:

	2020 $000
2020 - Leases under AASB 16	
Interest expense on lease liabilities	49,576
Income from sub-leasing right of use assets presented in 'other revenue'	(370)
Expenses relating to short-term leases	454
Variable lease payments not included in the measurement of lease liabilities	1,605
(Gain)/loss on surrender/termination of leases	(768)
Total amount recognised in profit and loss	**50,497**

2019 - Operating leases under AASB 117	
Lease expense including contingent rent	98,812
	98,812

(d) Amounts recognised in the statement of cash flows

Cash outflow for leases - payments of interest	(49,576)
Cash outflow for leases - payments of principal	(53,852)
Total cash outflow for leases	**(103,428)**

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

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

(e) Extensions, options and new leases

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

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

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

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

18 Financial assets

Current		
Term deposits	-	**7,000**

The term deposits have maturity terms of less than one year and carry a weighted average fixed interest rate of 0.45% (2019: 2.17%). Due to their short-term nature their carrying value is assumed to approximate their fair value.

19 Trade and other payables

Current		
Other trade payables	52,283	18,834
Accrued expenses	48,360	47,056
Total trade and other payables	**100,643**	**65,890**

Non-current		
Lease straight-line liability	-	**45,158**

The straight-lining accrued liability recognised in the statement of financial position under the previous accounting standard has now been accounted for under the new AASB 16 leases. Refer to note 4.

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.

Non-current		
Secured loans		
Secured Facility bank loan *	32,600	-
Total secured loans	**32,600**	**-**
Unsecured loans from related entities		
Deeply subordinated loan from founders (incl. capitalised interest) **	13,462	13,462
Total unsecured loans from related entities	**13,462**	**13,462**
Total loans and borrowings	**46,062**	**13,462**

Further details on loans from related entities are set out in note 25.

* *Variable interest rate, amortising facility*

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

20 Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

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

* *Variable interest rate, amortising facility*

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

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

Terms and conditions of secured borrowings

During the year the Group increased its working capital facility limit to $100 million. At balance date, this facility remains undrawn. The bank guarantee and term loan facilities continued to be utilised under existing terms and conditions.

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

Assets pledged as security

The bank guarantee facility of the Group is secured by:

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

20 Loans and borrowings (continued)

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

Current		
Fixed and Floating charge		
Cash and cash equivalents	128,392	62,226
Trade and other receivables	72,179	40,034
Inventories	738	619
Contract assets	-	7,000
Total current assets pledged as security	**201,309**	**109,879**
Non-current		
Mortgage		
Freehold land and buildings	107,056	83,355
Fixed and Floating charge		
Deposits and security bonds	1,130	122
Property, plant and equipment	149,176	153,966
Intangibles	11,955	15,304
Total non-current assets pledged as security	**269,317**	**252,747**
Total assets pledged as security	**470,626**	**362,626**

21 Employee benefits

Current		
Employee leave entitlements	**85,002**	**70,255**
Non-current		
Employee leave entitlements	**12,725**	**11,114**

22 Provisions

		2020 $000		
	Note	Lease obligation provision	Onerous contracts provision	Total
At 1 July 2019		37,654	2,570	40,224
Reclassifications to right of use assets		-	(2,570)	(2,570)
Opening provision (restated)		**37,654**	-	**37,654**
Assumed in a business combination	5	3,426	-	3,426
Provisions made during the year		6,215	-	6,215
Provisions utilised during the year		(606)	-	(606)
Provisions reversed during the year		(253)	-	(253)
Unwinding of discount		(466)	-	(466)
Balance as at 30 June 2020		**45,970**	-	**45,970**
Current		8,587	-	8,587
Non-current		37,383	-	37,383
Total provisions		**45,970**	-	**45,970**

	2019 $000		
	Lease obligation provision	Onerous contracts provision	Total
At 1 July 2018	32,017	6,523	38,540
Provisions made during the year	7,255	2,113	9,368
Provisions utilised during the year	(1,210)	(839)	(2,049)
Provisions reversed during the year	(336)	(5,227)	(5,563)
Unwinding of discount	(72)	-	(72)
Balance as at 30 June 2019	**37,654**	**2,570**	**40,224**
Current	6,861	660	7,521
Non-current	30,793	1,910	32,703
Total provisions	**37,654**	**2,570**	**40,224**

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 $14.2 million as at 30 June 2020 (2019: $12.0 million). These estimates may vary from actual costs incurred as a result of conditions existing at the date the premises are vacated.

The Group has reclassified make good asset balances recognised as leasehold improvements in property, plant and equipment to the right of use assets as part of the initial application of AASB 16 Leases. Subsequent costs recognised are capitalised as part of the right of use assets and amortised over the term of the lease.

b) End of lease provisions

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 $16.3 million as at 30 June 2020 (2019: $13.7 million).

The end of lease redecoration provision includes the requirements for redecorations that are to be undertaken on termination of the lease only.

The Group has adjusted the right of use asset at the date of initial application of AASB 16 by adding the end of lease provision recognised in the statement of financial position at 1 July 2019, recognising the difference of $13.7 million in retained earnings.

These costs are subsequently capitalised as part of the right of use asset and amortised over the term of the lease.

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

The provision has been calculated using a discount rate of 1.24% (2019: 1.55%), being the 15-year bond yield rate. This is a rate that most closely approximates the remaining life of the leases for the calculation of the present value of future cash flows. The decrease in the discount rate has increased the provision by $1.5 million (2019: $4.9 million).

c) 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 $15.5 million as at 30 June 2020 (2019: $12.0 million).

The provision has been calculated using a discount rate of 0.25% (2019: 1.03%), being the 3-year bond yield rate. This is a rate that most closely approximates the remaining years to carry out any due mid-lease repair and maintenance and redecoration obligations. The decrease in the discount rate has increased the provision by $0.1 million (2019: $0.1 million).

22 Provisions (continued)

Lease obligation provision (continued)

d) Onerous contracts provision (applicable before 1 July 2019)

A provision was 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 had recognised a provision based on lease contracts where a decision has been made to terminate the lease. The obligation for the discounted future payments, net of expected cash inflows associated with the contracts, were provided for.

The provision was calculated using a discount rate of 1.03% in 2019, being the 3-year bond yield rate. This was the rate that most closely approximates the remaining life of the leases for the calculation of the present value of future cash flows.

At the date of initial application of AASB 16, the Group has also adjusted the right of use asset by the amount of the provision for onerous leases recognised at 1 July 2019 as a practical expedient to performing an impairment review on initial adoption of the standard.

23 Commitments

(a) Capital commitments

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

	2020 $000	2019 $000
Contracted but not yet provided for and payable:		
Property, plant and equipment	**9,667**	**19,238**

b) Contractual commitments

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

	2020 $000	2019 $000
Contracted but not yet provided for and payable:		
Commitments for medium-term service contracts	**20,537**	**3,827**

The Group has entered into contracts for the management of the maintenance of the network of centres and the supply of technology and communication services. These contracts will give rise to annual expenses of $8.7 million for the next year (2019: $3.8 million).

24 Contingencies

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

Guarantees

	2020 $000	2019 $000
Bank guarantees issued in support of various rental arrangements	46,265	44,765
Bank guarantees issued in support of other arrangements	2,357	5,858
Total guarantees	**48,623**	**50,623**

Total amount of the bank guarantee facility is $55.0 million as at 30 June 2020 (2019: $55.0 million). Refer to security disclosed in note 20.

24 Contingencies (continued)

On 18 February 2020, an incident occurred at the Goodstart Edmonton Centre in Cairns, whereby a child in Goodstart's care was left unattended on a bus, resulting in a fatality. The incident was investigated by the Queensland Police Service and two former Goodstart employees have since been charged with manslaughter. The incident is also currently under investigation by The Queensland Department of Education, Early Childhood Education and Care (ECEC Qld) and Workplace Health & Safety Queensland (WHSQ). No formal proceedings have been instituted by either regulator against the Group as at the date of release of these financial statements. One civil claim has been made against the Group and is being dealt with by the Group's public liability insurer.

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

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

25 Related parties

Key management personnel compensation

	2020	2019
in whole dollars of AUD	$	$
Directors' fees	627,965	595,415
Executive and Executive Director's remuneration	3,312,293	3,333,754
Total amount paid or payable to key management personnel	**3,940,258**	**3,929,169**

Parent and subsidiary information

Company	Country of incorporation	Ownership interest	Ownership interest
		2020	2019
		%	%
Parent entity			
Goodstart Early Learning Ltd	Australia	**Parent**	**Parent**
Subsidiaries			
GS Admin Services No.1 Pty Limited	Australia	100%	100%
Goodstart Early Years Limited *	Australia	100%	0%
Big Fat Smile Group Ltd	Australia	100%	0%

* *Formerly Mission Australia Early Learning Limited.*

(a) Related party information

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

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

25 Related parties (continued)

(b) Outstanding balances and transactions with related parties

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

in whole dollars of AUD	2020	2019
	$	$
1) Unsecured loans from parties with significant influence over Goodstart Early Learning Ltd		
i) Deeply subordinated loan from founders		
Balance at 1 July	13,462,434	13,467,967
Interest charged	2,013,832	2,013,832
Interest paid	(2,013,832)	(2,019,365)
Balance at 30 June	**13,462,434**	**13,462,434**
The terms and conditions of each category are set out in note 20.		
2) Other related party transactions		
i) Transaction values		
Founding members - purchase of goods and services	597,248	192,700
Founding members - funding paid under auspice agreement *	119,434	30,569
Founding members - funding for services received	71,402	2,365
Founding members - funding received under auspice agreement *	2,648,511	450,000
Director related entities - purchase of goods and services	-	255,140
ii) Balance outstanding		
Founding members - other receivables **	11,143	150,093
Founding members - other payables **	130,331	10,897

ii) Business combinations

As disclosed in note 5, the Group acquired Mission Australia Early Learning Limited, a subsidiary of Mission Australia for nominal consideration.

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

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

26 Impact of COVID-19

In March 2020, the World Health Organisation declared COVID-19 a world-wide pandemic. The impact of the COVID-19 and the subsequent economic shutdown has seen a significant drop in attendances and an increase in absences. On 6 April, the Australian Government implemented a provisional Early Childhood Education and Care Relief Package, which replaced the existing Childcare Subsidy until 12 July 2020. Under the provisional package families were not charged fees during that time. Refer to note 6(a). In addition, under the JobKeeper subsidy, the Group received financial support to assist the payment of salary and wages of eligible employees. Refer to note 7.

The Group has also applied the practical expedient that simplifies how to account for eligible rent concessions received as a direct consequence of COVID-19. These rent concessions of $0.9 million have been accounted as a variable lease payment and have been recognised in profit or loss in the current financial year.

Management have been monitoring the impacts of the COVID-19 pandemic on the Group's financial performance, financial position and cash flows through, and subsequent to, the financial year. These impacts at 30 June 2020 are included in the amounts disclosed throughout the consolidated financial statements and in the accompanying notes in accordance with existing accounting policies. The future financial impacts of COVID-19 are inherently uncertain and may continue to have a material impact on the future financial performance, financial position and cash flows of the Group.

27 Events subsequent to reporting date

Subsequent to 30 June 2020, the Australian Government ended the provisional Early Childhood Education and Care Relief Package and families were re-introduced to the previous Childcare package from 13 July 2020. The Government also ceased the JobKeeper assistance to the Early Childhood sector on 20 July 2020. Instead, the Government introduced a number of measures to support providers including a transition payment based on 25% of the relevant fee revenue for the period 13 July to 27 September 2020.

With the deteriorating situation in Victoria, the Government has increased the transition funding to 30%, and increased the number of allowable absence days by 30 for affected centres. Gap fees are being waived for children unable to attend Early Learning and Care due to COVID-19.

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

Goodstart Early Learning Ltd
Directors' declaration

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

a. the Company is not publicly accountable;

b. the consolidated financial statements and notes that are set out on pages 55 to 91 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 2020 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 24 day of September 2020

Paul Robertson
Director

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

Opinion

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

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

i. giving a true and fair view of the Group's financial position as at 30 June 2020, 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 2020.
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Directors' declaration.

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

Basis for opinion

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

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

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

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

iii. Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

ii. to issue an Auditor's Report that includes our opinion.

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

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

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

We also:

i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group and company to cease to continue as a going concern.

v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

KPMG

Tracey Barker
Partner

Brisbane
24 September 2020

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

Allianz Australia Insurance Ltd
Business Council of Australia
Freedom Fuels
Good360
National Australia Bank
Paul Ramsay Foundation
Sci Fleet Toyota
Smart Group
Woodside Development Fund

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