Embark
EDUCATION

Annual Report

31 DECEMBER 2022

This Annual Report of Embark Education Group Limited is dated 28 March 2023 and is signed by the Board of Directors by:

Hamish Stevens
Chair of the Board

Chris Scott
Managing Director

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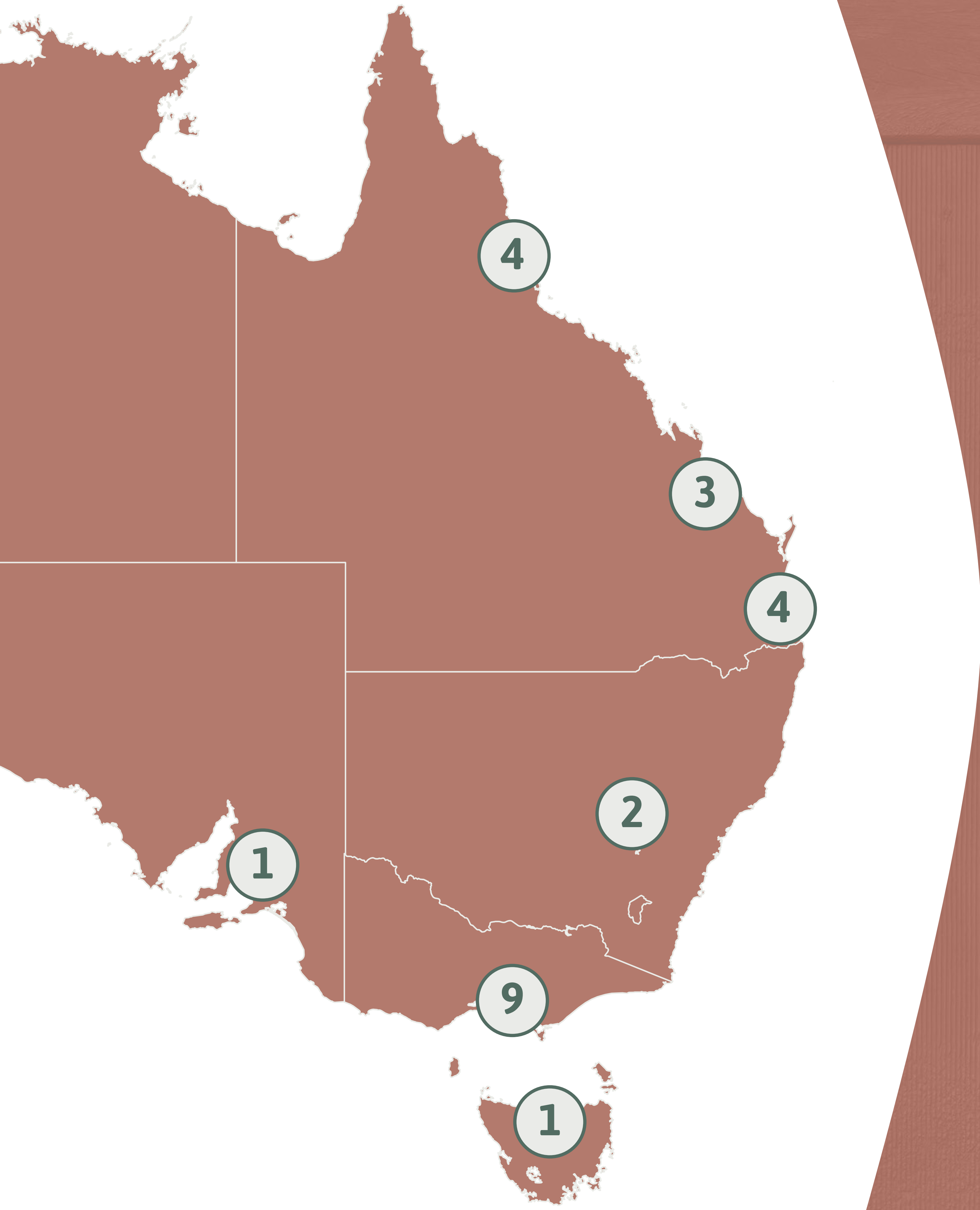
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About Embark Education

Embark Education is one of Australia's leading providers of early childhood education and care. Our focus and commitment is on our families and team members, providing flexibility and autonomy for our centres to operate in the way that best suits them and their local community, whilst providing a dedicated and experienced support team.

Strategic Realignment of our Operations

2022 has been a year of turnaround and recovery from the disruptive impact of the COVID -19 pandemic.

Over the past two and a half years, New Zealand performance had been directly impacted by Government-mandated closures in response to the pandemic and closed borders have led to teacher shortages, lower immigration levels and a detrimental impact on overall centre occupancy. The timing and extent of its recovery was inherently uncertain and largely conditional on factors outside the control of the company.

Our major undertaking in 2022 was divestment of our New Zealand operations - enabling a re-focus of our business on early childhood education activities in Australia.

Repositioning and Rebranding

Following our 30 September 2022 sale of the New Zealand business, we rebranded and changed our company name from "Evolve Education Group Limited" to "Embark Education Group Limited".

Executing our Australian Growth Strategy in 2023

Embark's current expansion into Australia includes ownership and operation of 24 early education centres. The Australian centres operate under brands that include Cubby Care, Little Zebra and Carlton House.

In the year ahead, Embark's focus will be continuing our long term expansion strategy in Australia by seeking-out sensible and sustainable early education centre acquisition opportunities.

Snapshot as at 31 December 2022

24	Number of early childhood centres
2,198	Number of licensed child care places
620	Number of staff
80%	Average 2022 centre occupancy

Chair's Report

Hamish Stevens
Chair

Welcome to Embark's ninth annual report covering the year ended 31 December 2022.

2022 has been a year of strategic transition for Embark.

The New Zealand operations have been materially impacted over the past two and a half years by the Covid-19 pandemic. This included government mandated closures of centres and restrictions on immigration which significantly reduced the number of immigrants coming to New Zealand. This in particular impacted the Auckland area where 45% of our New Zealand licenced places were located.

While the directors believed that this situation would be improved over time, it was also recognised that this comprised a higher degree of risk and would require a significant delay in the resumption of our Australian acquisition strategy. The directors therefore decided to recommend a divestment of the New Zealand business to focus on the more profitable Australian ECE sector. This was approved by shareholders in September 2022.

The New Zealand centres were successfully transferred to Anchorage Capital Partners in September 2022. Embark wanted the sale to be seamless to our families and staff, and this was achieved with all New Zealand teachers and support staff transferred to the new owners.

The divestment of the New Zealand operations is in no way a reflection on our many committed and supportive New Zealand teachers and support staff who contributed tirelessly to the company during very challenging times. The directors are particularly appreciative for their many years of contribution to Embark.

Although there were substantial one-off non-trading book losses and costs associated with this divestment in FY22, the Company is now in a substantially stronger position.

Managing Director Chris Scott will comment further on our continuing Australian operations, but FY22 showed strong growth and we are off to a flying start in FY23. Importantly we have resumed our Australian growth strategy.

In December 2022 the company repaid all its outstanding medium term notes and currently holds no debt, compared with debt of NZ$36.2m at the end of 2021. The company has cash reserves of NZ$26.7m as of 25 February 2023. Overall, this is a substantially stronger position than the same time last year.

In October 2022 we changed our name from Evolve to Embark.

Thank you to all our wonderful families that have continued supporting us through this challenging period and wish to reiterate the commitment of the Board during this time. Our number one priority will always to be to provide your children with a secure, safe, and stimulating environment.

I would also like to express my thanks to Managing Director Chris Scott and my other fellow board members who have worked tirelessly over the past year to execute the significant strategic change to our Company.

Non-Executive director Chris Sacre stepped down from the board in October 2022 to allow himself time to focus on his growing business interests outside of Embark. I thank Chris for his valuable contribution to the board over the previous three years.

We are delighted to welcome Renita Gerard to the Board who commenced on 1 January 2023. Renita has a strong governance experience in Australia across several sectors and I know she will be a valuable addition to our board.

I would like to thank our shareholders for their support over the years. While the challenges associated with Covid-19 had required us to not reintroduce dividends, I am pleased that a special dividend was able to be made to shareholders in December 2022. The board intends to maintain regular dividend payments going forward.

It has been a year of strategic transition for Embark. We have successfully refocused our business and we are now strongly positioned for growth. We look forward to seeing you at the annual meeting in June 2023.

Managing Director's Report

Chris Scott
Managing Director

Australian business showing strong growth

As Australia emerged from the Covid-19 restrictions of the past three years our Australian operations have continued to show strong growth. For the 12 months to 31 December 2022 Australia revenue increased 35% to $59.5m and Underlying EBITDA* increased 32% to $14.4m.

This was a particularly solid result given that most of this growth was weighted toward the latter half of the year. Covid-19 still impacted in the earlier months. Further, some centres experienced long wait lists as we were unable to fully open all rooms, attributable partly to illness but also to general teaching staff shortages. These staff shortages began to reduce later in 2022.

In addition to organic growth the company welcomed one new centre in July 2022. This brings the total number of Australian centres to 24 and total licensed places to 2,198.

Australian acquisition strategy is being actively pursued

Following the sale of the Company's New Zealand operations in September 2022 Embark has refocused on its Australian acquisition strategy. Acquisitions will be funded from the cash reserves emanating from the New Zealand divestment, and also from the expected strong operating cash flows from the Australian business. The Company already has several acquisition opportunities in negotiation. Our focus will continue to be on identifying existing good quality centres, but which show further opportunity for growth. Embark is not intending to undertake greenfield developments.

Looking ahead

We are confident that we will continue to see growth in our Australian operations. This will be driven partly by acquisitions of additional centres but also from a disciplined approach to wage efficiencies, minimising discounting, reducing bad debt, increasing occupancy levels and the use of technology to minimise the growth of our support office as the number of centres increases.

Already in 2023 occupancy is tracking ahead of the same period in 2022. This increase in occupancy is having a positive impact on year on year EBITDA.

I would like to express my thanks to all our dedicated and committed teaching and support staff and to our loyal and supportive families. Many of you have shared with us the challenges and disruptions of the past three years. We are proud to have such a supportive team around us.

**Underlying EBITDA is a non-GAAP measure used by Embark to monitor its financial performance. This measure is calculated on a pre-IFRS16 basis and excludes acquisition and integration costs, impairment losses (or reversals of impairment losses) and restructuring costs.*

Vision

Creating centres that parents want their children to be at and children want to stay at because our people love what they do and where they work.

Values

Belonging

Nurturing

Learning

Respectful

Playful

Mission

Understand the needs and aspirations of our children and families and exceed their expectations.

Create an environment and team culture that supports every staff member to excel and feel valued for their achievements.

Take a leadership position in the ECE sector for delivering the highest quality early childhood education.

Provide a healthy, happy, safe and inclusive environment for all our children and staff.

Contribute to the development and success of the communities we serve.

Deliver value to all Embark stakeholders by growing a strong and sustainable organisation.

Our Families

"Being a first-time mum and having to return to work, finding day care for my son was very important. After visiting 5 other centres I attended Little Zebra Allambie Lane and knew straight away this is where I wanted my son to attend.

We have been at little zebra for over 2 years now and my son has been treated like family since his first day of attending. The guidance, learning and love he receives from each and every staff at this centre is beyond anything I thought was possible."

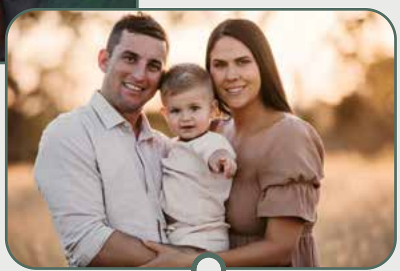
Kristin
Little Zebra Allambie Lane, QLD

"Our family transitioned our daughters to Cubby Care Mooroobool, after making the move into town in early 2022. We toured multiple centres in the area until we discovered "the one".

We were recommended Cubby Care by not only friends and community members, but also educational staff from local primary schools, who hold strong connections with the centre.

The transition of changing day-cares occurred seamlessly, through staff who are skilled in handling the big emotions of children with a lot of kindness and love. "

The Mitchell Family
Cubby Care Mooroobool, QLD



"My son Joshua has been in care since he was 9mths old - he is coming up to turning 4.

They provide to all his needs including the yummy food their onsite chef cooks. The communication levels are beyond anything I've experienced, the centre Director is an absolute asset to the team she is approachable and professional.

We will be sad to leave next year but would highly recommend this centre if you want your child to feel like they are a part of a family not just a day care."

Victoria
Roseberry House Playford, SA

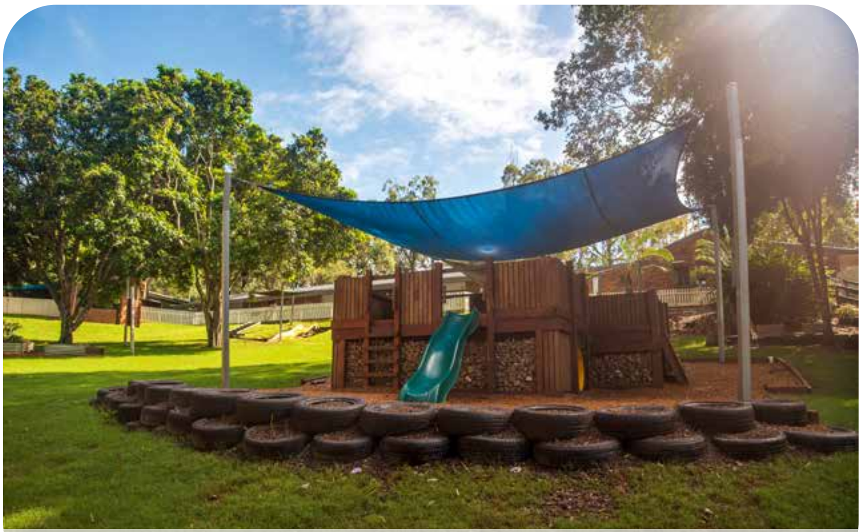
"Hunter has been in care with Little Zebra Mt Louisa for over a year now and we have been very happy with the centre, the staff are always so friendly and very welcoming.

The children are always doing different activities and always do lots of different things to engage children during their days in care. Hunter has a great connection with his educators.

I would highly recommend Little Zebras to my friends and family."

Mel
Little Zebra Mt Louisa, QLD

Our Centres

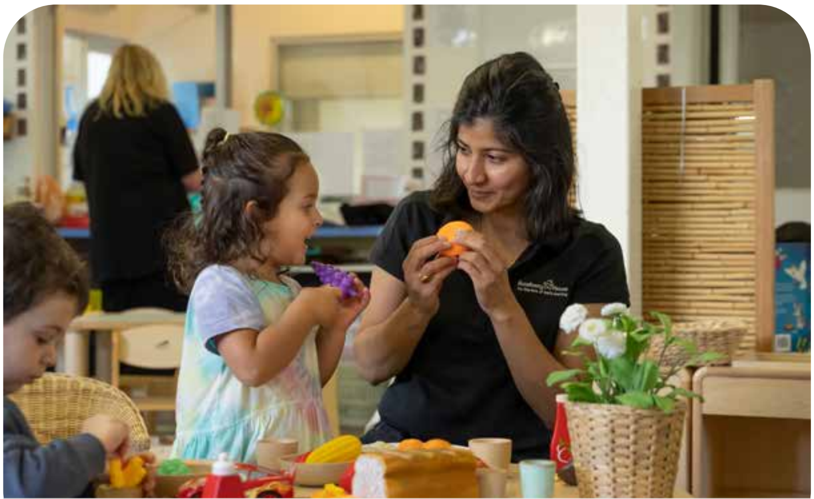

CUBBY CARE COOMERA


BRIGHTHOUSE ARMSTRONG CREEK


BRIGHTHOUSE BRAYBROOK


ROSEBERRY HOUSE BENTLEIGH


ROSEBERRY HOUSE MARYBOROUGH


ROSEBERRY HOUSE GLEN HUNTLY


LITTLE ZEBRA GRACEMERE


CUBBY CARE BEENLEIGH


CUBBY CARE BROWNS PLAINS

BRIGHTHOUSE SOUTH MORANG

MORETON DRIVE EARLY LEARNING CENTRE

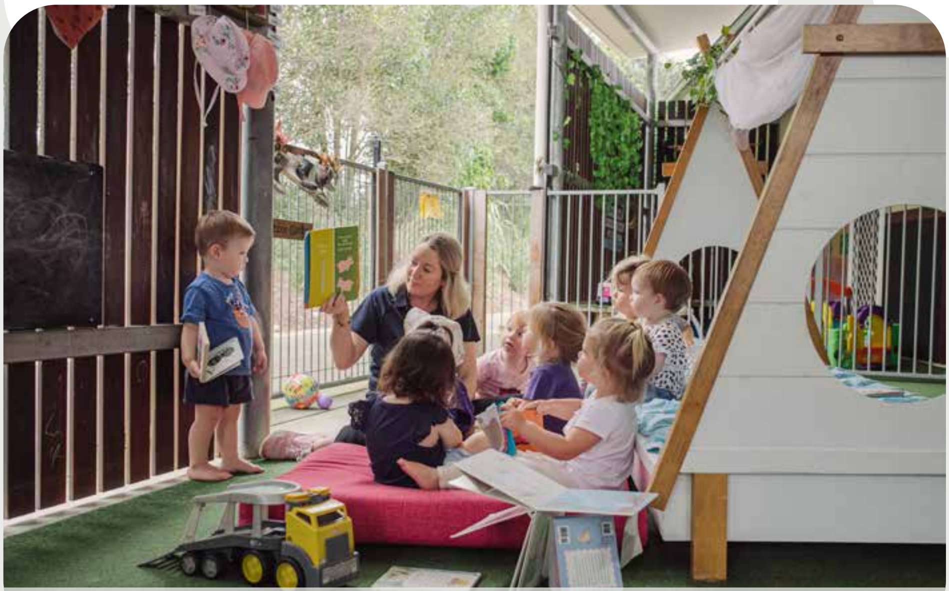
CUBBY CARE MOOROOBOOL

"Our centre regularly uploads pictures and stories of our daughters, which has made the return to work easier, being able to see what they are up to when we miss them.

We have especially been impressed with the high-quality educational experiences that our daughters are offered through engaging play-based activities."

Mitchell Family - Cubby Care Mooroobool

ROSEBERRY HOUSE PLAYFORD



KITIWAH PLACE EARLY LEARNING CENTRE

Board Profile

Hamish Stevens

Independent Director and Chair of the Board

Hamish has held independent directorships on several boards since 2010 and is currently Chair of Pharmaco NZ and East Health Services, a director of Marsden Maritime Holdings, Northport, Radius Residential Care and Counties Energy. Prior to his governance career Hamish held senior finance positions with Heinz Watties, Tip Top Ice Cream and DB Breweries. Hamish is a qualified Chartered Accountant and is a Chartered Fellow of the Institute of Directors.

Chris Scott

Managing Director and Executive Director (Non-Independent)

Chris Scott has over 39 years experience in senior management positions. He has spent over 35 years in business in Singapore where he founded a number of successful businesses. Chris founded S8 Limited which listed on the ASX in 2001. S8 was an integrated travel Company that acquired 36 businesses over a 5 year period and was capitalised at $700 million. S8 Limited was the subject of a successful takeover bid in late 2006.

Chris was the Founder and, from 2010 to 2016, the Managing Director of ASX listed G8 Education which evolved into Australia's largest listed early education and child care provider.

During this period, the G8 Education Limited portfolio grew from 38 to over 500 pre-school education centres in Australia (plus 20 in Singapore). Chris was also instrumental in raising over $500 million in equity capital and more than $500 million in debt (including Singapore dollar bonds). G8 Education's market capitalisation grew from $4 million in 2010 to a peak of approximately $1.9 billion.

Kim Campbell

Independent Director, Chair of Remuneration and People Committee

Kim Campbell attended the University of Canterbury completing a Bachelor of Arts majoring in Geography. Kim was the CEO of the Employers & Manufacturers Association. Kim is currently a Director of Douglas Pharmaceuticals, Director of EMH Trade Ltd, Chair of Auckland Manufacturers Association and a Director of New Image International Limited.

Adrian Fonseca

Independent Director, Chair of Audit and Risk Committee

Adrian Fonseca attended the University of Melbourne completing a Bachelor of Laws (Hons) and Bachelor of Commerce.

Adrian practised as a banking and finance lawyer at global firms Allens and Ashurst before spending 17 years in investment banking in Sydney, Singapore and London with Macquarie Bank, Deutsche Bank and Barclays Bank. In his last role Adrian was head of a Strategic Solutions and Financing Team at Deutsche Bank in Singapore.

Adrian is currently the Founder and Managing Director of Oxanda Education – a large Australian early learning centre owner/ operator with centres across NSW (including Western Sydney), Victoria and Queensland. Adrian is a Board Member and Deputy Chairman of the GWS Giants AFL Club and Deputy Chairman of the GWS Giants Foundation.

Adrian is married with three children and very passionate about early education and heavily involved in community groups relating to children.

Renita Garard

Independent Director

Renita Garard was appointed as an Independent Director with effect from 1 January 2023.

Renita has significant experience in financial governance, risk management and stakeholder engagement across various industry sectors. Renita is currently the Managing Director of Aspire 2 Thrive Pty Ltd and a Director of Queensland Rugby Football League Limited, The Energy Collective Limited, Queensland Academy of Sport and 4 Aussie Heroes Foundation Limited. Renita is also the Chair of the Audit Committee of Townsville City Council.

Renita is a Fellow of the Institute of Chartered Accountants of Australia and New Zealand (FCA) and received the Order of Australia medal in 1996. In addition to her accomplishments in business and governance, Renita is a successful athlete, captaining the Australian women's hockey team to the Olympic gold medal in 2000.

Renita is a member of Embark Education's Audit and Risk Committee.

Consolidated Financial Statements

EMBARK EDUCATION GROUP LIMITED


cubby care

Embark Education Group Limited

previously Embark Education Limited

previously Evolve Education Group Limited

Consolidated Financial Statements

For the Year Ended 31 December 2022

The Directors present the Consolidated Financial Statements of Embark Education Group Limited, for the year ended 31 December 2022.

The Consolidated Financial Statements presented are signed for and on behalf of the Board and were authorised for issue on 28 March 2023.

Hamish Stevens
Chair
28 March 2023

Adrian Fonseca
Chair of the Audit and Risk Committee
28 March 2023

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	YEAR 31 DECEMBER 2022 $'000	YEAR 31 DECEMBER 2021 (RESTATED) $'000
Continuing operations			
Childcare fees		19,807	15,569
Government funding		39,713	28,445
Total revenue	5	**59,520**	**44,014**
Expenses			
Employee benefits expenses	6	(37,144)	(28,956)
Building occupancy expenses		(935)	(528)
Direct expenses of providing services		(7,090)	(5,236)
Acquisition expenses		-	(1,020)
Depreciation		(3,446)	(2,639)
Amortisation	14	-	(64)
Other expenses	6	(3,834)	(2,498)
Operating expenses		**(52,449)**	**(40,941)**
Profit/(loss) before net finance costs and income tax		**7,071**	**3,073**
Finance income	6	368	230
Finance costs	6, 18c	(9,309)	(7,827)
Net finance costs		**(8,941)**	**(7,597)**
Profit/(loss) before income tax		**(1,870)**	**(4,524)**
Income tax benefit/(expense)	7	(716)	(838)
Profit/(loss) after income tax from continuing operations		**(2,586)**	**(5,362)**
Discontinued operations			
Profit (loss) from discontinued operation, net of tax	11a	(41,410)	**6,103**
Profit (loss) after income tax attributable to the shareholders of the Company		**(43,996)**	741
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		158	(401)
Total comprehensive income (loss) attributable to the shareholders of the Company		**(43,838)**	**340**
Earnings per share		**Cents**	**Cents**
Basic and diluted earnings per share attributable to the shareholders of the Company	23	(27.58)	0.48
Basic and diluted earnings per share attributable to the shareholders of the Company from continuing operations	23	(1.62)	(3.48)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	ISSUED SHARE CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	RETAINED DEFICIT	TOTAL
	Note	**$'000**	**$'000**	**$'000**	**$'000**
As at 1 January 2021		**237,976**	**(16)**	**(128,454)**	**109,506**
Profit /(loss) after income tax		-	-	741	**741**
Other comprehensive income		-	(401)	-	**(401)**
Total comprehensive income (loss)		**-**	**(401)**	**741**	**340**
Issue of ordinary shares for cash, net of transaction costs	20	22,038	-	-	**22,038**
As at 31 December 2021		**260,014**	**(417)**	**(127,713)**	**131,884**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
As at 1 January 2022		**260,014**	**(417)**	**(127,713)**	**131,884**
Profit/(loss) after income tax		-	-	(43,996)	**(43,996)**
Other comprehensive income		-	158	-	**158**
Total comprehensive income (loss)		**-**	**158**	**(43,996)**	**(43,838)**
Dividends declared	22	-	-	(6,319)	**(6,319)**
As at 31 December 2022		**260,014**	**(259)**	**(178,028)**	**81,727**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022

	Note	AS AT 31 DECEMBER 2022 $'000	AS AT 31 DECEMBER 2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8, 25	17,299	47,579
Funding receivable	17	614	-
Current tax assets		196	-
Trade and other receivables	9	3,018	3,121
Total current assets		**21,127**	**50,700**
Assets classified as held for sale	11	-	2,976
Non-current assets			
Intangible assets	14,15	65,062	160,493
Property, plant and equipment	10	1,698	7,604
Right-of-use assets	18a	66,930	184,082
Term deposits		9,153	5,101
Deferred tax assets	7	3,593	14,061
Total non-current assets		**146,436**	**371,341**
Total assets		**167,563**	**425,017**
LIABILITIES			
Current liabilities			
Trade and other payables	16	3,836	11,526
Funding received in advance	17	-	7,743
Current tax liabilities		-	1,787
Lease liabilities	18b	700	7,702
Employee entitlements	19	5,199	9,087
Total current liabilities		**9,735**	**37,845**
Liabilities classified as held for sale	11	-	4,446
Non-current liabilities			
Borrowings	25	-	36,216
Lease liabilities	18b	76,101	214,626
Total non-current liabilities		**76,101**	**250,842**
Total liabilities		**85,836**	**293,133**
Net assets		**81,727**	**131,884**
EQUITY			
Issued share capital	20	260,014	260,014
Foreign currency translation reserve		(259)	(417)
Retained deficit		(178,028)	(127,713)
Total equity		**81,727**	**131,884**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	YEAR 31 DECEMBER 2022 $'000	YEAR 31 DECEMBER 2021 (RESTATED) $'000
Cash flows from operating activities			
Receipts from childcare fees		48,637	51,754
Receipts from government funding		85,035	109,606
Government grants received (Wage subsidy & JobKeeper)		816	276
Payments to suppliers and employees		(109,815)	(118,384)
Income taxes paid		(4,520)	(2,611)
Interest received		371	230
Net cash flows (to)/from operating activities	26	**20,524**	**40,871**
Cash flows from investing activities			
Payments for purchase of businesses		(5,356)	(37,882)
Proceeds from sale of businesses		31,182	-
Proceeds from sale of property, plant and equipment		-	75
Payments for software, property, plant and equipment		(3,971)	(3,270)
Term deposit		(4,052)	(1,035)
Acquisition costs		-	(1,981)
Net cash flows (to)/from investing activities		**17,803**	**(44,093)**
Cash flows from financing activities			
Proceeds from issues of shares	20	-	23,521
Share issue costs	20	-	(1,483)
Dividends paid	22	(6,319)	-
Note issue costs	25	-	(216)
Interest paid on borrowings		(2,854)	(2,787)
Repayment of borrowings		(36,454)	-
Lease interest payments	6, 25	(15,553)	(17,417)
Lease principal repayments		(7,449)	(8,066)
Net cash flows (to)/from financing activities		**(68,629)**	**(6,448)**
Net (decrease)/increase in cash and cash equivalents	25	**(30,302)**	**(9,670)**
Cash and cash equivalents at the beginning of the year	8, 25	47,579	59,139
Foreign currency translation adjustment		22	(1,890)
Cash and cash equivalents at the end of the year	8, 25	**17,299**	**47,579**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

1. Reporting Entity

Embark Education Group Limited (the "Company") is a company incorporated in New Zealand ("NZ"), registered under the Companies Act 1993 and listed on the New Zealand Exchange ("NZX") and the Australian Stock Exchange ("ASX"). The Company is a FMC Reporting Entity in terms of Part 7 of the Financial Markets Conduct Act 2013 ("the Act"). The registered office is located at Level 10, 21 Queen Street, Auckland 1010, New Zealand.

The Company changed its name from "Evolve Education Group Limited" to "Embark Education Limited" on 18 October 2022 following the sale of its New Zealand business (see Note 11(a) - Discontinued Operations and Non-current Assets Held for Sale). On the 10 February 2023 the company changed its name from "Embark Education Limited" to "Embark Education Group Limited" (see Note 30 - Events After the Reporting Period). The NZX and ASX ticker remains as EVO.

The principal activities of the Company and its subsidiaries (the "Group") are to invest in the provision and management of high-quality early childhood education centres (see Note 4 - Segment Information). Further information on the Group's structure is provided in Note 12 - Group Information.

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements (the "Group financial statements") have been prepared in accordance with the requirements of the NZX and ASX listing rules. The Group financial statements comprise the Company and its subsidiaries. In accordance with the Act, separate financial statements for the Company are not required to be prepared.

These Group financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The Group is a Tier 1 reporting entity. The Group financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for "for-profit" entities. These financial statements also comply with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee interpretations.

The financial statements for the year ended 31 December 2022 were approved and authorised for issue by the Board of Directors on 28 March 2023.

Going Concern

The financial statements have been prepared on a going concern basis.

The Board has considered the impact of Covid-19 on the financial position of the Group. Centre operations in Australia were not adversely affected by Covid-19 during the year and the Board is of the view that it is not unreasonable to expect the same for the foreseeable future.

The unprofitable New Zealand operations were sold at the end of September 2022. The Group recognised a profit before net finance costs and income tax of $7.1 million for the year from continuing operations (2021: $3.1 million). The Australian segment was profitable in the year ended 31 December 2022 (refer Note 4 – Segment Information) and is forecast to remain profitable for the foreseeable future.

Borrowings were repaid in full during the year (Borrowings at 31 December 2021: $36.2 million), reducing future finance costs (refer Note 24 – Financial Assets and Liabilities). The Group's finance costs for the year amounted to $9.3 million.

The full redemption of the A$35m senior secured notes during the year also means that there is no risk of breaching any financial covenant.

The Group had net cashflows from operating activities of $20.5 million for the year and had a net cash position of $17.3 million as at 31 December 2022. Net current assets exceeded net current liabilities by $11.4 million as at 31 December 2022. Forecasts indicate that the Group will have sufficient cash to discharge its liabilities as they fall due.

Having regard to the above, the Board has concluded that it is appropriate that these financial statements are prepared on a going concern basis.

Basis of Measurement

The Group financial statements are prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified, as noted below.

2. Basis of Preparation (continued)

Functional and Presentation Currency

Items included in the Group financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in New Zealand Dollars ($), which is the Company's functional currency and Group's presentation currency. Unless otherwise stated, financial information has been rounded to the nearest thousand dollars ($'000).

Estimates and Judgements

The preparation of Group financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements required in the application of accounting policies are described below.

(a) Covid-19

Covid-19 and flow-on effects have had a significant impact on global economies and financial markets and asset prices have fluctuated and, in some cases, materially changed.

Unlike the previous two years, there have been no national or regional closures of centres arising from government - mandated lockdowns. However, requirements for teachers to isolate if they contract Covid-19 or become a household contact along with higher levels of non-covid sickness, especially influenza, resulted in numerous short-term closures of centres in New Zealand during the year. All Australian centres remained open throughout Covid-19 lockdowns.

There remains uncertainty about the longer-term impact of Covid-19.

(b) Discontinued operations

On the 30 September 2022, the New Zealand business operations were sold. This sale of this segment component of the Group's business, the operations, and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major geographic area of operations meets the classification of a discontinued operation in the current year. The comparative statement of comprehensive income and related notes is re-presented as if the operation had been discontinued from the start of the comparative year.

(c) Identification of Cash Generating Units

In order to complete the impairment assessments referred to above, the Group must identify individual cash generating units ("CGUs") that best represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identifying CGUs requires judgement and must be at the lowest level to minimise the possibility that impairments of one asset or group will be masked by a high-performing asset. The Group has adopted the following:

Individual Early Childhood Education centres ("ECEs") are identified as CGUs. These CGUs have been tested for impairment where an indicator exists. Indefinite useful life intangible assets have not been allocated to individual ECEs and therefore the impairment assessment is performed for the New Zealand and Australian group of CGUs which is the same as the New Zealand and Australian operating segment. Refer to Note 15 - Impairment for further information. New Zealand was sold (refer Note 11 (a) – Discontinued Operations) therefore no impairment assessment has been performed on the NZ segment in the current year.

2. Basis of Preparation (continued)

Estimates and Judgements (continued)

(d) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences. Forecasts prepared for the purpose of impairment testing (refer Notes 2(c) - Impairment Assessments and 15 - Impairment) indicate future taxable amounts will be available to utilise these temporary differences. The deferred tax assets are therefore considered to be recoverable.

(e) Right-of-use assets and lease liabilities

The lease term is the non-cancellable period of a lease, together with periods covered by an option (available to the lessee only) to extend or terminate the lease if the lessee is reasonably certain to exercise/not to exercise that option. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise/not exercise an option. This may include the profitability of a centre, existence of large penalties for early termination, the incurrence of significant maintenance costs in meeting early return obligations or consideration as to whether leasehold improvements still carry significant value. Such assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment and is within the control of the Group. Refer to Notes 3(j) - Leases and 18- Right-of-use Assets and Lease Liabilities.

(f) Business combinations

As discussed in Note 3(a) - Basis of Consolidation, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

(g) Identification and valuation of intangible assets acquired

As part of the accounting for business combinations, the Group reviews each acquisition on a case-by-case basis to determine the nature and value of any intangible assets acquired. Different factors are considered including market presence of the acquired entity, the existence of any specialised or developed assets (e.g. software and training materials), and the nature and longevity of the acquired entity’s customer-base. Following this assessment, the Group determines if the value of the intangible assets acquired can or should be allocated between fixed life or indefinite life intangible assets and goodwill.

(h) Functional Currency

The functional currency is the currency in which the Company records and measures its transactions for the period. It is determined by the primary economic environment in which that entity operates. The Entity has continued to maintain its accounting records, with the major proportion of transactions and cash flows during the period, including the sale of Lollipops Educare Centres Limited, in New Zealand Dollars ($). It therefore maintains the Company’s functional currency in New Zealand Dollars ($) and the functional currency of the Australian subsidiary is Australian Dollars ($).

New and Amended Standards Adopted by the Group

There are no new standards, amendments or interpretations that have been adopted or are not yet effective that have a material impact on the Group.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently in these consolidated financial statements and have been applied consistently by all Group entities.

(a) Discontinued Operation

On 30 September 2022 the Group sold its New Zealand subsidiary Lollipops Educare Centres Limited. This has resulted in the New Zealand business (ECE Centres cash generating unit/geographical segment) being classified as 'discontinued operations'. This transaction is discussed further in Note 11 - Discontinued Operations and Non-current Assets Held for Sale.

(b) Basis of Consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when the Group 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 Group measures goodwill at the acquisition date as the difference between:

- the fair value of the consideration transferred; less
- the net recognised amount of the identifiable assets acquired, the liabilities assumed, measured at fair value, and any non-controlling interest in the acquiree.

When the excess is negative, a bargain purchase gain is recognised immediately in the Consolidated Statement of Comprehensive Income.

Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in Consolidated Statement of Comprehensive Income.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Business combinations are initially accounted for on a provisional basis if the related initial accounting is incomplete by the end of the reporting period. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3. Significant Accounting Policies (continued)

(b) Basis of Consolidation (continued)

Assets held for sale

Non-current assets, or disposal groups (ECE centres) comprising assets and liabilities that are expected to be recovered primarily through sale within one year, rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(c) Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following method. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Intangible assets

The fair values of intangible assets acquired in a business combination are based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(d) Revenue

Revenues are recognised when the Group satisfies its performance obligations by providing early childhood education services to customers.

Childcare revenue

The Group provides early childhood education services for children's various learning and care needs. Revenue from childcare fees are recognised as and when a child attends, or was scheduled to attend, a childcare facility. The performance obligations are satisfied over time as the child simultaneously receives and consumes the benefits.

3. Significant Accounting Policies (continued)

(d) Revenue (continued)

Ministry of Education New Zealand ("MOE NZ") funding

Childcare revenues from MOE NZ funding relates to funding provided under the Education Act 1989 to eligible early childhood services subject to certain conditions so that they may provide early childhood education. It is recognised initially as funding received in advance and is then recognised in the Statement of Comprehensive Income over the period childcare services are provided and the relevant conditions are satisfied. With the sale of the NZ operations, this funding from the MOE NZ is presented as part of the related costs of providing services in discontinued operations. Income receivable from the MOE NZ by way of a reconciliation payment is recognised as an asset, and is netted off against the income received in advance. There are no unfulfilled conditions or contingencies attached to the funding.

Australian Government funding

Childcare revenues from Australian Government funding relates to fees paid under the Child Care Subsidy and are recognised over time when there is reasonable assurance that the funding will be received. Australian Government funding is received in arrears.

(e) Taxation

Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- taxable temporary differences arising on the initial recognition of goodwill; and
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions, if any, and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant Accounting Policies (continued)

(f) Foreign Currency Translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the statement of comprehensive income, on a net basis, within other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate on the reporting date
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(g) Dividends

The Group recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. Under Company Law in New Zealand, a distribution is authorised when it is approved by the Directors. A corresponding amount is recognised directly in equity.

(h) Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the Consolidated Statement of Comprehensive Income.

3. Significant Accounting Policies (continued)

(h) Property, Plant and Equipment (continued)

Depreciation

Depreciation is charged based on the cost of an asset less its residual value. Depreciation is charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Useful lives as at balance date were:

Plant and equipment	4 to 10 years
Office furniture & fittings	4 years
Leasehold improvements	4 to 10 years
Motor vehicles	5 years

The depreciation methods, useful lives and residual values are reviewed at the reporting date and adjusted if appropriate. Work in progress is not depreciated until the asset is available for use.

(i) Intangible Assets

Goodwill

Goodwill initially represents amounts arising on acquisition of a business and is the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units, or groups of cash-generating units, and is not amortised, but is reviewed at each balance date to determine whether there is any objective evidence of impairment (refer to Note 3(n) - Impairment).

Other intangible assets

Other intangible assets that are acquired by the Group and have finite and indefinite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, as appropriate. Other intangible assets have been amortised on a straight-line basis over their estimated useful lives:

Customer lists	4 years
Management contracts	4 years
Software	4 years
Brands	Indefinite life

Subsequent expenditure

Subsequent expenditure, including expenditure on internally generated goodwill and brands, is recognised in the Consolidated Statement of Comprehensive Income as incurred.

(j) Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of useful life and the lease term.

Impairment of right-of-use assets

Right-of-use assets are reviewed at each reporting date to determine whether there is any indication of impairment. The assessment is conducted as described in Note 3(n)- Impairment.

3. Significant Accounting Policies (continued)

(j) Leases (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. The weighted average incremental borrowing rate applied to the lease liabilities is 10.7% (2021: 8.49%). After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short term leases of properties (i.e. those leases that have a lease term of 12 months or less from the date of inception).

The Group applies the low-value assets recognition exemption to leases of office equipment that are considered of low value ($10,000 or less). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Determining the lease term of contracts with renewal options

The Group determines the lease term as being 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, less any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. Assuming the exercise of a right of renewal results in an increase in both the lease liability and right-of-use asset.

(k) Financial Instruments

Non-derivative financial assets

The Group initially recognises financial assets on trade date, being the date on which the Group commits to purchasing or selling the asset. It classifies financial assets based on its business model for managing such financial assets and the contractual terms of cash flows. The Group determines all financial assets during the reporting periods presented are measured at amortised cost.

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Financial assets at amortised cost comprise cash and cash equivalents, term deposits and trade and other receivables, included in other current assets.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and bank overdrafts.

Non-derivative financial liabilities

The Group initially recognises financial liabilities on the date that they are originated. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognised initially at fair value plus any directly attributed transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities comprise borrowings, lease liabilities and trade and other payables.

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(l) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(m) Reserves

Foreign Currency Translation Reserves

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the consolidated statement of comprehensive income when the net investment is disposed of.

(n) Impairment

Non-derivative financial assets

The Group has adopted the simplified approach and uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, it is estimated based on the degree of aging of the receivable beyond the date it was due to be paid and any negative change in the customers' ability to pay. The expected loss rates are based on the payment profiles of revenue and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivable. The amount of the expected credit loss is recognised in the Consolidated Statement of Comprehensive Income.

3. Significant Accounting Policies (continued)

(n) Impairment (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-life intangible assets are further tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount (refer Note 15 - Impairment).

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are 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 CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are grouped so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal management purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 loss had been recognised.

(o) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in respect of services provided by employees up to the reporting date and measured based on expected date of settlement.

Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution plan

The Group contributes to Kiwisaver in New Zealand and superannuation funds in Australia for employees. These are defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(p) Expenses

Direct costs of providing services

These are costs incurred in the provision of services by the Group's early childhood education centres, other than employee and property costs. The major components are classroom teaching materials, cleaning, food supplies and building operating costs. These costs are recognised in the Statement of Comprehensive Income as incurred.

Finance costs

Finance costs comprise interest expense on borrowings and establishment fees, as well as the interest calculated on lease liabilities. All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

3. Significant Accounting Policies (continued)

(p) Expenses (continued)

Government grants and subsidies

Government grants and subsidies which compensate the Group for expenses incurred are recognised in the Statement of Comprehensive Income on a straight-line basis over the period in which the related costs are recognised. Grants and subsidies are reported on a net basis in the same line as the related expense.

(q) Consolidated Statement of Cash Flows

The following are the definitions of the terms used in the Consolidated Statement of Cash Flows:

- Cash includes cash on hand, bank current accounts and any bank overdrafts.
- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition, holding and disposal of businesses, property, plant and equipment and of investments.
- Financing activities are those activities that result in changes in the size and composition of the equity structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid and financing costs are included in financing activities. Lease payments are included as a financing activity.

(r) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn and incur expenses, whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the Group, has been identified as the Managing Director ("Group MD").

(s) Earnings Per Share

Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the financial period.

(t) Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST) including items disclosed in the Consolidated Statement of Cash Flows, except for trade receivables, included within other current assets, and trade payables that are stated inclusive of GST in the Consolidated Statement of Financial Position.

(u) Comparative balances

The prior year comparative amounts in the Consolidated Statement of Comprehensive Income and their related notes have been restated to present the results of discontinued operations as a single amount. Further analysis of discontinued operations are presented in Note 11 - Discontinued Operations and Non-current Assets Held for Sale. Comparative balances within Note 4 -Segment Information, have also been reclassified to conform with changes in presentation and classification of operating segments adopted in the current year.

4. Segment Information

The Group reports operating segments by geographical location, namely New Zealand and Australia.

The Group acquired one childcare centre in Australia (2021: 13), bringing the total number of Australian centres to twenty-four (refer Note 13 - Business Combinations) and disposed of the majority of the NZ operating segment (refer Note 11 - Discontinued Operations and Non-current Assets Held for Sale).

The Group's corporate and management costs include certain financing income and expenditure and taxation that are managed on a Group basis and are not allocated to operating segments.

The Group accounting policies are applied consistently to each reporting segment.

Information regarding the results of each reportable segment is included below. Performance is measured based on NZ GAAP measures of profitability and in relation to the Group's segments, segment profit before income tax. In addition to GAAP measures of profitability, the Group also monitors its profitability using non-GAAP financial measures (that is, operating expenses, earnings before interest, tax, depreciation and amortisation ("EBITDA") and underlying EBITDA, as described below and as included in the internal management reports that are reviewed by the Group MD and the Board. Operating expenses, EBITDA and underlying EBITDA are not defined by NZ GAAP, IFRS or any other body of accounting standards and the Group's calculation of this measure may differ from similarly titled measures presented by other companies.

Operating expenses and underlying EBITDA excludes the effects of NZ IFRS 16: Leases, gains and losses on the sale or closure of businesses, acquisition and integration costs, impairment losses (or reversals of impairment losses), restructuring costs and non-operational items.

The above items can be driven by factors other than those that impact the underlying performance of the business. Operating expenses and underlying EBITDA excludes the impact of these items to allow the Group MD to measure the financial performance trends of the underlying businesses from period to period and enable necessary decision-making.

4. Segment Information (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022	Note	New Zealand (Discontinued) $'000	Australia $'000	Total $'000
Childcare fees		28,875	19,807	48,682
Government funding		55,376	39,712	95,088
Total revenue		**84,251**	**59,519**	**143,770**
Operating expenses		(84,319)	(43,519)	(127,838)
Underlying Education Centre EBITDA		**(68)**	**16,000**	**15,932**
Support office expenses		**(5,727)**	**(1,620)**	(7,347)
Underlying EBITDA		**(5,795)**	**14,380**	**8,585**
NZ IFRS 16 rental expense adjustment		15,513	6,198	21,711
NZ IFRS 16 remeasurement gains		795	-	795
Adjusted for:				
Loss on early settlement of bonds		-	(1,674)	(1,674)
Foreign currency loss		1	(334)	(333)
EBITDA		**10,514**	**18,570**	**29,084**
Depreciation		(8,859)	(3,399)	(12,258)
Amortisation		(26)	-	(26)
Earnings before interest and income tax		**1,629**	**15,171**	**16,800**
Net finance costs		(9,116)	(8,941)	(18,057)
Reportable segment profit/(loss) before income tax		**(7,487)**	**6,230**	**(1,257)**

Reconciliation of segment profit/(loss) before tax to profit before tax from continuing operation				
Reportable segment profit/(loss) before income tax		(7,487)	6,230	(1,257)
plus: profit before income tax from discontinued operations	11a	1,761	-	1,761
Reportable segment results from continuing operations		**(5,726)**	**6,230**	**504**
Corporate office expenses				(2,374)
Profit/(Loss) before income tax from continuing operations				**(1,870)**

Total assets	4,466	163,097	**167,563**
Total liabilities	(1,721)	(84,115)	**(85,836)**

The Group's support costs include finance and accounting, information technology and human resources and are performed in New Zealand and are allocated to each geographic segment. The Group's corporate and management costs include certain financing income and expenditure and taxation that are managed on a Group basis and cannot be separately identified or allocated between geographic segments. However, because the New Zealand operations were sold during the period, corporate costs are identified separately at the consolidated Group level.

4. Segment Information (continued)

FOR THE YEAR ENDED 31 DECEMBER 2021	Note	New Zealand (Discontinued) (restated) $'000	Australia (restated) $'000	Total $'000
Childcare fees		36,185	15,569	51,754
Government funding		77,760	28,445	106,205
Total revenue		**113,945**	**44,014**	**157,959**
Operating expenses		(104,096)	(31,920)	(136,016)
Underlying Education Centre EBITDA		**9,849**	**12,094**	**21,943**
Support office expenses		(6,916)	(1,227)	(8,143)
Underlying EBITDA		**2,933**	**10,867**	**13,800**
NZ IFRS 16 rental expense adjustment		20,872	4,562	25,434
NZ IFRS 16 remeasurement gains		986	-	986
Adjusted for:				
Loss on sale or closure of businesses		(914)	-	(914)
Acquisition costs		-	(1,020)	(1,020)
Bond costs		-	(216)	(216)
Foreign currency loss		(158)	-	(158)
Termination benefit		(259)	-	(259)
EBITDA		**23,460**	**14,193**	**37,653**
Depreciation		(12,129)	(2,568)	(14,697)
Amortisation		(64)	-	(64)
Earnings before interest and income tax		**11,267**	**11,625**	**22,892**
Net finance costs		(12,216)	(8,000)	(20,216)
Reportable segment profit/(loss) before income tax		**(949)**	**3,625**	**2,676**

Reconciliation of segment profit/(loss) before tax to profit before tax from continuing operation			
Reportable segment profit/(loss) before income tax	(949)	3,625	2,676
Less: loss before income tax from discontinued operations	**(5,967)**	**-**	**(5,967)**
Reportable segment results from continuing operations	**(6,916)**	**3,625**	**(3,291)**
Corporate office expenses			**(1,233)**
Profit/(Loss) before income tax from continuing operations			**(4,524)**

Total assets	**265,331**	**159,686**	**425,017**
Total liabilities	**(175,342)**	**(117,791)**	**(293,133)**

The segment note comparatives have been restated to align with the presentation of the 2022 segment report and the discontinued operations in the current period.

4. Segment Information (continued)

The totals presented for the Group's operating segments reconcile to the key financial figures as presented in its consolidated financial statements as follows:

Reconciliation of group total and segment operating expenses

	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021
	$'000	$'000
Total expenses per Statement of Comprehensive Income	52,449	40,941
Corporate office costs	(2,374)	(1,233)
Less:		
Depreciation	(12,258)	(14,697)
Amortisation	(26)	(64)
NZ IFRS 16 rental expense adjustment	21,711	25,434
NZ IFRS 16 remeasurement gains	795	986
Adjusted for:		
Support office costs	(7,347)	(8,143)
Loss on sale or closure of businesses	-	(914)
Acquisition costs	-	(1,020)
Bond costs	-	(216)
Foreign currency loss	(333)	(158)
Termination Benefit	-	(259)
Discontinued operations excluded from total expenses	75,222	95,359
Total reportable segment operating expenses	**127,838**	**136,016**

5. Revenue

Revenue from continuing operations:

	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021 (RESTATED)
	$'000	$'000
Revenue from continuing operations recognised over time:		
Childcare fees	19,807	15,569
Australian Child Care Subsidy	39,713	28,445
Total revenue from continuing operations	**59,520**	**44,014**

6. Disclosure of Items in the Consolidated Statement of Comprehensive Income

Other expenses from continuing operations

	Note	YEAR 31 DECEMBER 2022 $'000	YEAR 31 DECEMBER 2021 (RESTATED) $'000
Included in other expenses are:			
Audit fees	29	224	182
Directors' fees	28	462	475
NZ IFRS 16 remeasurement adjustments		(795)	(986)
Fair value movement on contingent consideration		(551)	(961)
Loss on early settlement of borrowings		1,674	-
Loss/(profit) on disposal of property plant and equipment		1,092	(13)
Other items		1,728	3,801
Total other expenses		**3,834**	**2,498**

Other items includes corporate and support office costs not already disclosed separately.

Employee benefits expense from continuing operations

	Note	YEAR 31 DECEMBER 2022 $'000	YEAR 31 DECEMBER 2021 (RESTATED) $'000
Wages and salaries		32,929	25,651
Kiwisaver contributions		114	132
Superannuation fund contributions		2,873	1,949
Payments to agency contractors		742	475
Australian JobKeeper payment		(362)	(276)
Other employee benefits expense		848	1,025
Total employee benefits expense		**37,144**	**28,956**

Termination benefit

Timothy Wong resigned as Chief Executive Officer of the New Zealand operations of the Group on 30 March 2021. At the time of his resignation under the terms of his contract, he received 1.25 million share options exercisable at A$1.20 per share, expiring 31 December 2023. The fair value of the share options is included in employee benefits expense and employee entitlements within liabilities. No share options have been exercised as at 31 December 2022.

6. Disclosure of Items in the Consolidated Statement of Comprehensive Income (continued)

Net finance costs from continuing operations

		YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021 (RESTATED)
	Note	**$'000**	**$'000**
Interest received			
Bank deposits		368	230
Total finance income		**368**	**230**
Interest expense			
Interest on borrowings		(2,854)	(3,029)
Interest on lease liabilities	18c	(6,455)	(4,798)
Total finance costs		**(9,309)**	**(7,827)**
Net finance costs		**(8,941)**	**(7,597)**

7. Taxation

Income tax expense from continuing operations

The major components of income tax expense for the year are:

	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021 (RESTATED)
		$'000
Current income tax:		
Current income tax expense	2,425	1,891
Prior year adjustments	385	-
	2,810	1,891
Deferred tax:		
Relating to origination and reversal of temporary differences	(2,496)	(1,053)
Prior year adjustments	401	-
	(2,094)	(1,053)
Total income tax expense	**716**	**838**

7. Taxation (continued)

Reconciliation of tax expense

Tax expense is reconciled to accounting profit as follows:

	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021 (RESTATED)
		$'000
Profit before income tax from continuing operations	(1,870)	(4,524)
At the statutory income tax rate of 28%	**(524)**	**(1,267)**
Non-assessable income and non-deductible expenses for tax purposes:		
Difference in overseas tax rate	108	72
Non-deductible expenses/(non-assessable income)	1,132	2,033
Total income tax expense	**716**	**838**

Deferred tax

Deferred tax relates to the following:

	31 DECEMBER 2022		31 DECEMBER 2021	
	Consolidated Statement of Comprehensive Income	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income (Restated)	Consolidated Statement of Financial Position
	$'000	$'000	$'000	$'000
Property, plant and equipment	93	-	31	1,639
Intangible assets	12	-	6	(875)
Right-of-use assets	(553)	(20,054)	(3,083)	(52,843)
Lease liabilities	1,546	22,953	3,650	63,682
Employee entitlement provisions	649	919	323	1,780
Other temporary differences	349	(225)	(130)	274
Tax losses carried forward	(2)	-	256	404
Deferred tax benefit	**2,094**		**1,053**	
Net deferred tax assets		**3,593**		**14,061**

Deferred tax assets, which included recognition of tax losses, were attributed to New Zealand operations and have now been derecognised following the sale of those discontinued operations.

Deferred tax assets, which are attributable to Australian operations, are expected to be utilised by the reversal of taxable temporary differences as well as the generation of taxable profits.

No deferred tax assets (2021: $0.6 million) have been classified as held for sale at 31 December.

7. Taxation (continued)

Imputation credits

Imputation credits are held at consolidated group tax level and are available for use in subsequent reporting periods are $10.5 million (2021: $12.0 million), including imputation credits that will arise from the payment of the amount of the provision for income tax. No dividends are provided for or receivable that would affect the available imputation credits at 31 December 2022. There are AUD$6.4 Australian franking credits available (2021: AUD$ 1.7 million).

8. Cash and Cash Equivalents

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
	$'000	**$'000**
Cash at banks and on hand	14,706	6,948
Short-term deposits	2,593	40,631
Total cash and cash equivalents	**17,299**	**47,579**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the relevant short-term deposit rates.

9. Trade and Other Receivables

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
	$'000	**$'000**
Trade receivables	1,993	1,687
Prepayments and sundry receivables	1,025	1,434
Total trade and other receivables	**3,018**	**3,121**

10. Property, Plant and Equipment

31 DECEMBER 2022	**Note**	**Plant and Equipment $'000**	**Office Furniture and Fittings $'000**	**Leasehold Improvements $'000**	**Motor Vehicles $'000**	**Work in Progress $'000**	**Total $'000**
Cost							
Opening balance		2,211	8,171	10,211	62	320	20,975
Additions/Transfers		467	1,138	2,347	19	-	3,971
Acquisition of businesses		-	22	-	-	-	22
Disposal - discontinued operations		(1,813)	(7,673)	(10,514)	(56)	3	(20,053)
Disposals		(137)	(1,123)	(916)	(18)	(321)	(2,515)
Classified out from held for sale	11	44	337	180	-	1	562
Closing balance		**772**	**872**	**1,308**	**7**	**3**	**2,962**
Depreciation and impairment							
Opening balance		(1,218)	(6,122)	(6,017)	(21)	-	(13,378)
Depreciation for the year		(522)	(406)	(1,159)	(10)	-	(2,097)
Disposal - discontinued operations		1,114	6,022	6,060	12	-	13,208
Disposals		101	672	631	18	-	1,422
Classified as held for sale	11	(24)	(300)	(104)	-	-	(428)
Closing balance		**(549)**	**(134)**	**(589)**	**(1)**	**-**	**(1,273)**
Foreign exchange movements		4	-	5	-	-	9
Net book value		**227**	**738**	**724**	**6**	**3**	**1,698**

31 DECEMBER 2021	**Note**	**Plant and Equipment $'000**	**Office Furniture and Fittings $'000**	**Leasehold Improvements $'000**	**Motor Vehicles $'000**	**Work in Progress $'000**	**Total $'000**
Cost							
Opening balance		1,431	7,925	8,711	115	291	18,473
Additions/Transfers		877	780	1,810	37	3,153	6,657
Disposals/Transfers		(53)	(197)	(130)	(90)	(3,123)	(3,593)
Classified as held for sale	11	(44)	(337)	(180)	-	(1)	(562)
Closing balance		**2,211**	**8,171**	**10,211**	**62**	**320**	**20,975**
Depreciation and impairment							
Opening balance		(794)	(5,978)	(4,546)	(71)	-	(11,389)
Depreciation for the year		(484)	(625)	(1,664)	(3)	-	(2,776)
Disposals		36	181	89	53	-	359
Classified as held for sale	11	24	300	104	-	-	428
Closing balance		**(1,218)**	**(6,122)**	**(6,017)**	**(21)**	**-**	**(13,378)**
Foreign exchange movements		1	2	4	-	-	7
Net book value		**994**	**2,051**	**4,198**	**41**	**320**	**7,604**

Disposals arise either when individual assets are no longer required or become obsolete, or when a centre has been closed or sold.

11. Discontinued Operations and Non-current Assets Held for Sale

(a) Discontinued operations

On 30 August 2022, the Group publicly announced it had entered a conditional sale agreement for the sale of 100% of its shares in Lollipops Educare Centres Limited (LECL). At that time, LECL held all of Embark's ECE operating centres in New Zealand. The New Zealand ECE operating segment meets the definition of a discontinued operation under NZ IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

On 30 September 2022 the sale agreement for the New Zealand business and assets of LECL became unconditional and was therefore de-recognised as at this date, with consideration received on 3 October 2022.

The New Zealand ECE operating segment was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of comprehensive income has been restated to show the discontinued operation separately from continuing operations.

This disposal represents 105 of the 107 total centres of the New Zealand ECE operating segment, enabling the Group to now concentrate on its core business of centre-based early childhood education in Australia. Of the 2 centres retained, one of the centres' lease expired on 3 December 2022. The other is dormant, with its lease expiring in February 2024.

The business of LECL was primarily the Group's New Zealand operating segment until 30 September 2022.

The profit/(loss) for the year from the discontinued operation is analysed as follows:

	Note	YEAR 31 DECEMBER 2022 $'000	YEAR 31 DECEMBER 2021 $'000
Revenue		84,262	113,945
Depreciation		(8,859)	(12,129)
Amortisation		-	(64)
Other (expenses)/income		(723)	10,849
Operating expenses		(72,919)	(104,125)
Profit/(loss) before income tax		**1,761**	**8,476**
Income tax (expense)/benefit		(493)	(2,373)
Profit /(loss) after income tax		**1,268**	**6,103**
Gain/(loss) on sale of the discontinued operation after income tax		(42,678)	-
Profit/(loss) after income tax from the discontinued operation		**(41,410)**	**6,103**

The cash flow for the year from the discontinued operation is analysed as follows:

	Note	YEAR 31 DECEMBER 2022 $'000	YEAR 31 DECEMBER 2021 $'000
Net cashflows from operating activities		**23,227**	**23,930**
Net cashflows from investing activities		**2,875**	**(3,153)**
Net cashflows from financing activities		**(20,594)**	**(20,920)**
Net increase/(decrease) in cash generated by the discontinued operations		**5,508**	**(143)**

11. Discontinued Operations and Non-current Assets Held for Sale (continued)

(a) Discontinued operations (continued)

The gain/(loss) on disposal of the discontinued operations is analysed as follows:

	Note	YEAR 31 DECEMBER 2022 $'000
Cash consideration received		39,775
Carrying value of net assets sold		(79,055)
Costs of disposals		(3,398)
Gain /(loss) on sale before income tax		(42,678)
Income tax expense		-
Gain /(loss) on sale after income tax		(42,678)
Net gain /(loss) on disposal of the discontinued operation		**(42,678)**

The carrying amounts of assets and liabilities of LECL at the date of sale were:

	Note	30 September 2022 $'000
Cash and cash equivalents		8,593
Other current assets		732
Property, plant and equipment		6,920
Deferred tax assets		12,413
Funding receivable		1,922
Right-of-use assets		117,539
Goodwill		95,227
Intangible assets		3,168
Total Assets		**246,514**
Trade and other payables		(1,833)
Lease liabilities		(151,402)
Other current liabilities		(8,038)
Employee entitlements		(6,186)
Total Liabilities		**(167,459)**
Carrying value of net assets		**79,055**

11. Discontinued Operations and Non-current Assets Held for Sale (continued)

(b) Assets and liabilities held for sale - 2022

During 2022 the Group did not classify any centres as held for sale. All six centres classified as held for sale in the prior period were sold in the current period and have been included as part of the discontinued operations.

2021 (comparative information)

During September 2021 the Group classified six centres as held for sale. Several conditional offers were received however no centres were sold prior to 31 December 2021 therefore the assets and liabilities held for sale at 31 December 2021 relate to all six centres. Those operations did not meet the definition of a discontinued operation.

	AS AT 31 DECEMBER 2021
	$'000
Prepayments	9
Property, plant and equipment	134
Deferred tax assets	617
Right of use asset	2,216
Assets classified as held for sale	**2,976**
Funding received in advance	(296)
Lease liabilities	(4,150)
Liabilities classified as held for sale	**(4,446)**

12. Group Information

Name changes

Evolve Education Group Limited sold its 100% stake in its New Zealand ECE centre owner business, Lollipops Educare Centres Limited, on 30 September 2022. The following name changes for the parent company and its New Zealand subsidiaries remaining after the sale took effect from 18 October 2022:

- the name of Evolve Education Group Limited changed to "Embark Education Limited" (and subsequently changed to "Embark Education Group Limited" on 10 February 2023);
- the name of Lollipops Educare Holdings Limited changed to "Embark NZ Holdings Limited"; and
- the name of Evolve Management Group Limited changed to "Embark NZ Management Group Limited".

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal Activities	Country of Incorporation	Balance Date	2022 Equity Interest	2021 Equity Interest
Embark NZ Management Group Limited	Holding company	NZ	31 December	100%	100%
Embark NZ Holdings Limited	Holding company	NZ	31 December	100%	100%
Lollipops Educare Centres Limited*	ECE centre owner	NZ	31 December	0%	100%
Evolve Early Education Pty Limited	ECE centre owner	Australia	31 December	100%	100%

* Embark sold its 100% holding in Lollipops Educare Centres Limited on 30 September 2022.

13. Business Combinations

Australian Centre Acquisitions

During the year ended 31 December 2022, the Group acquired one (2021:13) ECE centre in Australia, for a total consideration of $2.63 million (2021: $42.1 million). Total net liabilities acquired were $0.03 million (2021: $0.8 million) resulting in goodwill on acquisition of $2.66 million (2021: $42.9 million). No cash was acquired.

Each of the business combinations were immaterial on an individual centre basis. There have been no material adjustments to the provisional values of these acquisitions. A summary of the net liabilities acquired is included in the following table.

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Assets and liabilities acquired and consideration paid	**$'000**	**$'000**
Assets		
Property, plant and equipment	22	276
Right-of-use assets	3,650	27,458
	3,672	**27,734**
Liabilities		
Employee entitlements	(42)	(757)
Other current liabilities	(12)	(300)
Lease liabilities	(3,650)	(27,458)
	(3,704)	(28,515)
Total identifiable net assets (liabilities) at fair value	**(32)**	**(781)**
Goodwill arising on acquisition	2,655	42,854
Purchase consideration transferred	**2,623**	**42,073**
Purchase consideration		
Cash paid	2,623	34,959
Contingent consideration	-	7,167
Retentions	-	(53)
Total consideration	**2,623**	**42,073**

The goodwill of $2.6 million (2021: $42.9 million) predominantly comprises the future earnings potential of bringing together a group of ECE centres under one centrally managed group.

Assessment of the businesses acquired did not identify any separable intangible assets other than goodwill.

As at 31 December 2022, the centres acquired at various points during the year have contributed revenue of $1.5 million (2021:$19.7 million) and a net profit before tax of $0.4 million (2021: $6.0 million) to the Group’s results before allowing for acquisition expenses of $0.01 million (2021:$1.0 million).

13. Business Combinations (continued)

Australian Centre Acquisitions (continued)

Contingent Consideration

As part of the purchase agreements with previous owners, a portion of the consideration was determined to be contingent, based on the performance of the acquired businesses.

The following table outlines the additional amounts payable to the previous owners if the specified performance conditions are met.

		Total potential contingent consideration payable	Carrying value
31 December 2022	**Conditions**	**$'000**	**$'000**
Acquisition of 1 centre	Performance hurdles based on EBITDA	n/a	n/a

		Total potential contingent consideration payable	Carrying value
31 December 2021	**Conditions**	**$'000**	**$'000**
Acquisition of 6 centres	Performance hurdles based on EBITDA	4,463	3,283

The potential contingent consideration payable in cash is based on a probability assessment determining the likelihood of payout at year end and recognised in the carrying value.

Movement in Contingent Consideration

A reconciliation of the fair value of the contingent consideration liability is provided below.

	YEAR 31 DECEMBER 2022
	$'000
Financial liability for contingent consideration as at 1 January 2022	3,283
Contingent consideration recognised during the year	-
Contingent consideration paid	(2,733)
Fair value adjustments	(551)
Total contingent consideration payable as at 31 December 2022	**-**

	YEAR 31 DECEMBER 2021
	$'000
Financial liability for contingent consideration as at 1 January 2021	-
Contingent consideration recognised during the year	7,167
Contingent consideration paid	(2,923)
Fair value adjustments	(961)
Total contingent consideration payable as at 31 December 2021	**3,283**

14. Intangible Assets

31 DECEMBER 2022	Note	Software $'000	Brands $'000	Goodwill $'000	Other $'000	Total $'000
Cost						
Opening balance		851	3,104	268,806	513	273,274
Acquisition of businesses		-	-	2,655	-	2,655
Disposal - discontinued operations	11a	(851)	(3,066)	(202,646)	(513)	(207,076)
Closing balance		**-**	**38**	**68,815**	**-**	**68,853**
Amortisation and impairment						
Opening balance		(747)	-	(112,087)	(513)	(113,347)
Disposal - discontinued operations	11a	747	-	107,936	513	109,196
Closing balance		**-**	**-**	**(4,151)**	**-**	**(4,151)**
Foreign exchange movement		-	-	360	-	360
Net book value		**-**	**38**	**65,024**	**-**	**65,062**

31 DECEMBER 2021	Software $'000	Brands $'000	Goodwill $'000	Other $'000	Total $'000
Cost					
Opening balance	767	3,104	225,952	513	230,336
Additions	84	-	-	-	84
Acquisitions of businesses	-	-	42,854	-	42,854
Closing balance	**851**	**3,104**	**268,806**	**513**	**273,274**
Amortisation and impairment					
Opening balance	(683)	-	(112,087)	(513)	(113,283)
Amortisation expense	(64)	-	-	-	(64)
Disposals	-	-	-	-	-
Closing balance	**(747)**	**-**	**(112,087)**	**(513)**	**(113,347)**
Foreign exchange movement	-	-	566	-	566
Net book value	**104**	**3,104**	**157,285**	**-**	**160,493**

15. Impairment

Impairment assessment of CGUs excluding indefinite useful life intangible assets

The impairment assessment of CGUs was performed as at 31 December 2022 on Australian ECE Centres. New Zealand ECE Centres were sold during the year (refer Note 11 - Discontinued Operations), therefore no impairment assessment has been performed on the New Zealand ECE Centres in the current year. The various CGUs were tested by calculating the recoverable amount. As with the previous year, the recoverable amount of each CGU exceeded their carrying value therefore no impairment expense has been recognised in the current year. The discount rate used to perform the assessment was a pre-tax rate of 12.9% (2021: 12.5%). There is no impairment expense or reversals for the current year (2021: nil).

Impairment assessment of indefinite useful life intangible assets

The Australian goodwill balance of $65.1 million (2021: $62.0 million), has been tested for impairment as at 31 December 2022. Impairment of goodwill cannot be reversed in subsequent years.

The recoverable amount of the group of Australian CGUs, to which indefinite useful life intangible assets have been allocated, was determined using a value-in-use discounted cash flow methodology using Board approved cash flow forecasts covering a five-year period. Forecasts reflect the uncertainty arising from the Covid-19 pandemic and its aftermath.

No impairment has been recognised in the year ended 31 December 2022.

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
	$'000	**$'000**
Goodwill	65,024	157,285
Brands with indefinite useful lives	38	3,104
	65,062	**160,389**

Foreign exchange movement of $0.4 million (2021: $0.6 million) was recognised during the year.

15. Impairment (continued)

Australian ECE Centres – Goodwill

Key assumptions used in value-in-use calculations

The key "base" assumptions used in the calculation of value-in-use for Australian ECE Centres CGUs are:

- Revenue growth through the forecast period
- Wages growth through the forecast period
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

The table below sets out the key assumptions for Australian ECE centres CGUs:

	31 DECEMBER 2022 Australia	31 DECEMBER 2021 Australia
Revenue growth attributable to price (% per annum on average)	3.0%	3.0%
Revenue growth attributable to increase in occupancy (% per annum on average)	0.0%	5.6%
Total revenue growth (% per annum on average)	3.0%	8.6%
Wages growth (% per annum on average)	3.0%	9.1%
Pre-tax discount rates (%)	12.9%	12.5%
Long-term growth rate (%)	1.5%	1.5%

Revenue: Revenue growth at an average of 3.0% per year from price increases assumed in the forecast. No growth in occupancy has been assumed as no centre acquisition has been assumed in the forecast.

Wages: Wages are assumed to increase at an average of 3.0% per year. It is assumed that any increase in wages above 3.0% per year will be at least covered by additional price increases.

Sensitivity to changes in key assumptions

The most sensitive assumption in the calculation of value-in-use is revenue growth, followed by wage costs. Revenue growth will be achieved through pricing, as occupancy is not assumed to grow, given the centres currently have good occupancy levels. The following summarises the amounts by which the key assumptions would need to change, with all other assumptions remaining constant, for the recoverable amount to equal the carrying amount:

	Headroom/ (Impairment) $'000
Base assumption	29,779
Revenue growth	-5.39%
Wages growth	9.75%
Pre-tax discount rate	3.00%
Long term growth rate	-3.56%

15. Impairment (continued)

Australian ECE Centres – Goodwill (continued)

Sensitivity to changes in key assumptions (continued)

The following summarises the impairment or headroom that would have resulted had the noted changes in the "base" assumptions been made, with all other assumptions remaining constant:

	Headroom/ (Impairment) $'000
Base assumption	29,779
Revenue growth +5.0% above base	57,441
Revenue growth -5.0% below base	2,117
Wages growth +5.0% above base	14,475
Wages growth -5.0% below base	45,082

The changes used are based on an assessment of reasonably likely variations in the assumptions.

NZ ECE Centres - Goodwill - 2021 (comparative information)

New Zealand ECE Centres were sold during the period (refer Note 11 - Discontinued Operations) therefore no impairment assessment has been performed on the New Zealand CGU in the 2021 year. All figures stated are for the year ended 31 December 2021.

Key assumptions used in value-in-use calculations

The key "base" assumptions used in the calculation of value-in-use for NZ ECE Centres are:

- Revenue growth through the forecast period
- Wages growth through the forecast period
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

The table below sets out the key assumptions for ECE NZ Centres:

	31 DECEMBER 2021 New Zealand
Revenue growth attributable to parental fee pricing (% per annum on average)	3.0%
Revenue growth attributable to MOE funding rates (% per annum on average)	1.4%
Revenue growth attributable to increase in occupancy (% per annum on average)	1.7%
Total revenue growth (% per annum on average)	6.1%
Wages growth (% per annum on average)	4.6%
Pre-tax discount rates (%)	11.0%
Long-term growth rate (%)	1.5%

15. Impairment (continued)

NZ ECE Centres - Goodwill - 2021 (comparative information) (continued)

Key assumptions used in value-in-use calculations (continued)

Revenue - Price: Revenue is received from the NZ Ministry of Education and parents/caregivers. It is assumed the Ministry of Education NZ continues to support early childhood education to the value of approximately 66% of ECE revenue earned. If the NZ Government were to reduce its funding of the sector, this would lead to an increased requirement for parents and caregivers to make up the difference. If NZ Government funding were to decrease, the Group would need to initiate appropriate responses to maintain profitability. The assumptions reflect the impact of future increases in funding that have been announced by the NZ Government (3.8% from 1 January 2022), with subsequent annual increases in line with past experience (1.6% per year). Parental fees are assumed to increase by 5% from 1 March each year. As discussed in note 2b – Impairment assessments, no parental fees were charged during alert levels 4 or 3 in 2021. This has increased the revenue growth attributable to parental fee pricing over the forecast period.

Revenue - Occupancy: Occupancy refers to the number of full-time equivalent children attending centres. A number of initiatives are in place to increase occupancy, involving both attracting new children as well as retaining existing ones and optimising their attendance. There has been a focus on improving the quality of education provided, increased investment in the physical amenities of centres, targeted local advertising, and closure or sale of poor performing centres.

Wages: Wages are assumed to increase by 5% from 1 April 2022 then by 3% per year.

Pre-tax discount rates: The discount rates represent the current market assessment of the risks specific to the group of CGUs, taking into account the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the industry segment the Group is engaged in, and is derived from its weighted average cost of capital (WACC). The WACC takes into account both the cost of debt and equity. The cost of equity is derived from the expected return on investment by the Group’s investors using the capital asset pricing model. The cost of debt takes into account borrowing rates for both the Group and the market. The overall discount rate is independent of the Group's capital structure and the way the Group might finance the purchase of a business. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Long-term growth rate: This rate is based on current inflation rates in New Zealand and forecast or assumed increases in revenues from parents/caregivers and the Government.

Sensitivity to changes in key assumptions

The most sensitive assumption in the calculation of value-in-use for the NZ ECE Centres CGU is revenue growth, followed by wage costs. The following summarises the amounts by which the key assumptions would need to change, with all other assumptions remaining constant, for the recoverable amount to equal the carrying amount:

	Headroom/ (Impairment)
	$'000
Base assumption	39,349
Occupancy	-0.78%
Childcare fee growth	-2.16%
Ministry of Education funding growth	-1.25%
Wages growth	1.22%
Pre-tax discount rate	1.19%
Long-term growth rate	-2.04%

15. Impairment (continued)

NZ ECE Centres - Goodwill (continued) - 2021 (Comparative Information)

Sensitivity to changes in key assumptions (continued)

The following summarises the impairment or headroom that would have resulted had the noted changes in the "base" assumptions been made, with all other assumptions remaining constant:

	Headroom/ (Impairment)
	$'000
Base assumption	39,349
Occupancy at 70% at the end of the period	1,373
Occupancy at 65% at the end of the period	(25,373)
MOE funding rate growth +0.5% above base	55,835
MOE funding rate growth -0.5% below base	23,159
Childcare fees growth +1.0% above base	58,971
Childcare fees growth -1.0% below base	20,391
Wages growth +1.0% above base	9,383
Wages growth -1.0% below base	68,259

Occupancy is required to decrease to 69.7% at the end of the forecast period, with all other assumptions remaining constant, for the recoverable amount to equal the carrying amount.

16. Trade and Other Payables

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
	$'000	**$'000**
Trade payables	895	1,048
Goods and services tax payable	64	3,776
Other payables	2,877	6,702
Total trade and other payables	**3,836**	**11,526**

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amount of trade and other payables are considered to be the same as their fair value, due to their short-term nature.

17. Funding Received in Advance

Funding from NZ Ministry of Education – 2022

NZ Ministry of Education funding formed part of the working capital passed with the sale of Embark's New Zealand operations on 30 September 2022 (see Note 11 - Discontinued Operations). At 31 December 2022, funding had not been finalised in respect of the closure of Tauriko (Active Explorers) on 30 September 2022.

Funding from NZ Ministry of Education – 2021 (comparative information)

Represents NZ Ministry of Education funding received in advance net of amounts owing but not received. The amount is shown as a current liability consistent with the period the funding covers. Funding is received three times a year on 1 March, 1 July and 1 November. Each funding round includes 75% of the estimated funding for the four months ahead, as well as payment of the remaining 25% payable for the previous funding period, adjusted for any changes in occupancy and other criteria. Due to Covid-19, the Group instead received 90% of estimated funding on 1 November 2021. At 31 December 2021 funding received in advance relates to January and February 2022. Funding receivable relates to the remaining 10% of funding, adjusted for any changes in occupancy and other criteria, in respect of November and December 2021.

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
	$'000	**$'000**
Funding received in advance	688	10,940
Funding receivable	(1,302)	(3,197)
Total funding (receivable)/received in advance	**(614)**	**7,743**

For the year ended 31 December 2022, the full amount recognised as a contract liability at the beginning of the year has been recognised as revenue in the current year.

18. Right-of-use Assets and Lease Liabilities

(a) Right-of-use assets

31 DECEMBER 2022	Leased properties	Leased motor vehicles	Total
	$'000	$'000	$'000
Opening net book value	**183,667**	**415**	**184,082**
Additions	11,890	138	12,028
Disposals	(231)	-	(231)
Depreciation and impairment	(9,976)	(232)	(10,208)
Disposal - discontinued operation	(120,378)	(321)	(120,699)
Transfer out from HFS	2,216	-	2,216
Foreign exchange movements	(258)	-	(258)
Closing net book value	**66,930**	-	**66,930**
Cost	75,741	-	75,741
Accumulated depreciation	(7,090)	-	(7,090)
Accumulated Impairment	(1,721)	-	(1,721)
As at 31 December 2022	**66,930**	**-**	**66,930**

Included in accumulated depreciation is a reversal of $2.0 million for lease termination. This relates to the closure of 4 centres in New Zealand and 1 in Australia.

31 DECEMBER 2021	Leased properties	Leased motor vehicles	Total
	$'000	$'000	$'000
Opening net book value	**170,714**	**224**	**170,938**
Additions	29,961	413	30,374
Disposals	(151)	-	(151)
Depreciation and impairment	(11,700)	(222)	(11,922)
Lease remeasurements	(2,708)	-	(2,708)
Classified as held for sale	(2,216)	-	(2,216)
Foreign exchange movements	(233)	-	(233)
Closing net book value	**183,667**	**415**	**184,082**
Cost	218,897	638	219,535
Accumulated depreciation	(29,017)	(223)	(29,240)
Accumulated Impairment	(6,213)	-	(6,213)
As at 31 December 2021	**183,667**	**415**	**184,082**

Included in accumulated depreciation is a reversal of $0.8 million for lease termination.

18. Right-of-use Assets and Lease Liabilities (continued)

(b) Lease liabilities

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
	$'000	$'000
Current lease liabilities	700	7,702
Non-current lease liabilities	76,101	214,626
Total lease liabilities	**76,801**	**222,328**

The Group leases childcare centres, motor vehicles and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. As at 31 December 2022, the Group's leases had a weighted average remaining lease term of 22.9 years (2021: 19.4 years).

(c) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021
	$'000	$'000
Depreciation charge of right-of-use assets		
Properties	3,158	11,700
Motor vehicles	-	222
Discontinued operations	7,050	-
	10,208	**11,922**
Interest expense (included in finance cost)	6,436	17,417
Interest Expense Discontinued operations	9,117	-
Expense relating to short-term leases (included in building occupancy expenses)	9	125
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in direct expenses of providing services)	19	96

The total cash outflow for leases during the year was $15.5 million (2021: $25.5 million)

(d) Impairment testing of right-of-use assets

As detailed in Notes 3(i) - Leases and 3(m) - Impairment, non-financial assets including right-of-use assets are reviewed annually for indicators of impairment. Where there is an indicator of impairment, the carrying value of the asset is compared to its recoverable amount. Refer to Note 15 - Impairment.

19. Employee Entitlements

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
	$'000	$'000
Employee leave provisions	2,501	5,381
Accrued wages and salaries	2,233	3,258
Termination benefit	401	259
Other employee entitlements	64	189
Total employee entitlements	**5,199**	**9,087**

20. Issued Capital

Authorised shares

	31 DECEMBER 2022		31 DECEMBER 2021	
	Number	$'000	Number	$'000
Ordinary shares authorised, issued and fully paid				
Opening balance	159,549,484	260,014	139,825,639	237,976
Issue of ordinary shares, net of transaction costs	-	-	19,723,845	22,038
Closing balance	**159,549,484**	**260,014**	**159,549,484**	**260,014**

The Group completed an institutional share placement in April 2021, issuing an additional 19,723,845 shares, with proceeds of $23.5 million being received. Directly attributable issue costs of $1.5 million were incurred and have been netted off against the proceeds of the capital raising.

21. Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. Capital consists of share capital, accumulated net earnings/deficits of the Group, as well as available cash and cash equivalents and borrowings. The Board of Directors monitors the return on capital as well as the level of cash and dividends to ordinary shareholders.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of any financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Dividend Policy

The current dividend policy of the Group is to pay dividends between 50% and 75% of pre-NZ IFRS 16 net profit after tax (excluding non-operational items) in respect of the preceding period subject to the discretion of the Board.

Financial Covenants

The Group's capital management policy, amongst other things, aims to ensure that it meets its financial covenants attached to any interest-bearing loans and borrowings that support capital structure requirements. The senior secured notes were all repaid during the period. The group was in compliance with all covenants up to this time.

22. Dividends

Dividends paid during the current year

	2022	2022
	Cents per share	**$'000**
Special dividend for the year ended 31 December 2022	3.5	6,319
	3.5	**6,319**

No dividend was paid during the year ended 31 December 2021.

Policies

Dividends are paid in cash in accordance with the dividend policy of the Group. A special dividend was paid on 8 December 2022. Dividends paid have been fully imputed.

Supplementary dividends

In 2022, supplementary dividends of $0.734 million (2021: Nil) were paid as part of the special dividend to shareholders who are not tax resident in New Zealand, for which the Company received a foreign investor tax credit entitlement.

Dividend reinvestment plan

Under the Company's dividend reinvestment plan, holders of ordinary shares may elect to reinvest the net proceeds of cash dividends payable or credited to acquire further fully paid ordinary shares in the Company. The company's dividend reinvestment plan did not operate for dividends paid in 2022.

23. Earnings Per Share (EPS)

Basic and diluted EPS amounts are calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic and diluted EPS computations:

	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021 (RESTATED)
Profit/(loss) after income tax from continuing operations ($'000s)	(2,586)	(5,362)
Profit/(loss) after income tax attributable to the shareholders of the Company ($'000s)	(43,996)	741
Weighted average number of ordinary shares for basic and diluted EPS	159,549,484	154,037,615
Basic (and diluted) EPS from continuing operations (cents per share)	(1.62)	(3.48)
Basic and diluted EPS attributable to the shareholders of the Company (cents per share)	(27.58)	0.48

24. Financial Assets and Liabilities

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall level of financial risk is not significant and risk management is carried out by senior finance executives and the Board of Directors.

Market risk

Foreign currency risk

The Group is exposed to foreign currency risk associated with the Australian dollar ("AUD"). Foreign currency risk arises from future commercial transactions and from recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

The foreign currency risk associated with the Australia operations is managed through a natural hedge as the cash flows from the Australian operations are denominated in Australian dollars.

The carrying amount of the Group's financial assets and liabilities that are denominated in other foreign currencies are set out below.

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
	AUD $'000	AUD $'000
Cash and cash equivalents	15,459	23,224
Term deposit	6,231	2,451
Other current assets	2,724	1,249
Trade and other payables	(2,347)	(4,376)
Lease Liabilities	(71,654)	(67,387)
Borrowings	-	(34,119)
	(49,587)	**(78,958)**

24. Financial Assets and Liabilities (continued)

Market risk (continued)

Foreign currency risk (continued)

Sensitivity

As shown in the table above, as at 31 December 2022, the Group has financial assets and liabilities that are denominated in AUD. However, these AUD financial assets and liabilities are denominated in the functional currency of the foreign subsidiary. Any translation gains or losses arising from changes in NZD/AUD exchange rates are recognised in the foreign currency translation reserve within equity, and not profit or loss.

Price Risk

The Group is not currently exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from borrowings, however as all notes were fully repaid during the period, the Group is not exposed to interest rate fluctuations.

Previously, the Group's objective was to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents as well as the use of loans. Exposure to interest rate risk was reduced by investing surplus cash in on-call savings accounts or term deposits.

As notes have been repaid in full, interest rate risk is reduced to that of lease liabilities with fixed rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provision for impairment of those assets, as disclosed in the Consolidated Statement of Financial Position and Notes to the Consolidated Financial Statements. The Group has no significant credit risk exposure. The Standard & Poors credit ratings of the banks where the Group holds cash are all AA- (sources: www.rbnz.govt.nz and Standard & Poors).

Liquidity risk

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The Group's financing arrangements comprise the following facilities:

- **Senior secured notes ("notes")** – A$35 million five year notes issued on 4 December 2020 with a fixed interest rate of 7.50% per annum, payable quarterly in arrears. The notes were secured by way of a first ranking general security agreement over all present and future assets and undertakings of the Group, together with an all obligations cross guarantee and indemnity. The notes were fully redeemed during the period as they are no longer required due to the sale of the New Zealand business.
    - On 20 June 2022 Embark re-purchased A$14,324,000 of the notes
    - On 5 December 2022 A$20,676,000 notes remaining on issue were redeemed and fully repaid

  The repurchases were made from company cash reserves, and the notes have been cancelled.

- **Lease guarantee facility** - provided by NAB for A$2.4 million (2021: A$2.5 million) for guarantees required for certain leasehold properties in Australia. This facility is cash-backed by a term deposit held with NAB.

24. Financial Assets and Liabilities (continued)

Deed of Cross Guarantee

Embark Education Group Limited (the parent entity) has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of Evolve Early Education Pty Ltd, the Australian subsidiary.

Evolve Early Education Pty Ltd has been granted relief from the requirement to prepare a Financial Report and Directors' Report Under ASIC Legislative Instrument 2016/785 (As Amended) issued by the Australian Securities and Investments Commission. Evolve Early Education Pty Ltd is considered a member of the closed group.

Remaining contractual maturities

The contractual maturity for the Group's financial instrument liabilities (that is, trade payables) is disclosed in Note 16 - Trade and Other Payables. The principal amount (A$35 million) of the notes was repayable in December 2025 and interest payments are A$2.625 million per annum. The notes remaining on issue were redeemed and fully repaid on 5 December 2022. Future borrowings payments at 31 December 2022 were as follows:

	Within 1 year	1-5 years	After 5 years	Total
	$'000	**$'000**	**$'000**	**$'000**
31 DECEMBER 2022				
Repayment of bank borrowings	-	-	-	-
Finance charges	-	-	-	-
Net present values	**-**	**-**	**-**	**-**
31 DECEMBER 2021				
Repayment of bank borrowings	2,787	45,508	-	48,295
Finance charges	(3,040)	(9,039)	-	(12,079)
Net present values	**(253)**	**36,469**	**-**	**36,216**

As at year end, the Group has a lease liabilities balance of $76.8 million (2021: $222.3 million) (refer Note 18b - Right-of-use Assets and Lease Liabilities). Including renewal rights expected to be exercised, the maturities of these leases are spread over the period to December 2064. The lease liabilities are secured by the related underlying assets. Future lease payments at 31 December 2022 were as follows:

	Within 1 year	1-5 years	After 5 years	Total
	$'000	**$'000**	**$'000**	**$'000**
31 DECEMBER 2022				
Lease payments	6,672	25,224	32,341	64,237
31 DECEMBER 2021				
Lease payments	25,634	100,292	356,818	482,744

24. Financial Assets and Liabilities (continued)

Fair value of financial instruments

The carrying value of financial assets and financial liabilities presented represent a reasonable approximation of fair value.

25. Net Debt Reconciliation

Movements on net debt comprise:

31 DECEMBER 2022	Cash and cash equivalents	Borrowings	Lease liabilities	Total
	$'000	$'000	$'000	$'000
Net debt as at 1 January 2022	**47,579**	**(36,216)**	**(222,328)**	**(210,965)**
Borrowings and redemption premium repaid	-	39,070	-	39,070
Interest paid on borrowings	-	(2,854)	-	(2,854)
Additions	-	-	(4,068)	(4,068)
Interest on lease liabilities	-	-	(15,553)	(15,553)
Repayment of lease liabilities	-	-	23,002	23,002
Remeasurements/other adjustments	-	-	(9,014)	(9,014)
Discontinued operations	-	-	151,402	151,402
Proceeds for sale of business	39,775	-	-	39,775
Post completion working capital funding by acquirer	(8,593)	-	-	(8,593)
Cash flows	(61,484)	-	-	(61,484)
Foreign exchange movements	22	-	(241)	(219)
Net debt as at 31 December 2022	**17,299**	**-**	**(76,801)**	**(59,502)**
Due within one year	**17,299**	**-**	**(6,548)**	**10,751**
Due in more than one year	**-**	**-**	**(70,253)**	**(70,253)**
	17,299	**-**	**(76,801)**	**(59,502)**

31 DECEMBER 2021	Cash and cash equivalents	Borrowings	Lease liabilities	Total
	$'000	$'000	$'000	$'000
Net debt as at 1 January 2021	**59,139**	**(36,137)**	**(208,224)**	**(185,222)**
Borrowings and interest repaid	-	2,787	-	2,787
Interest on borrowings	-	(3,020)	-	(3,020)
Additions	-	-	(27,871)	(27,871)
Interest on lease liabilities	-	-	(17,417)	(17,417)
Repayment of lease liabilities	-	-	25,483	25,483
Other movements on lease liabilities	-	-	1,372	1,372
Transferred to held for sale	-	-	4,150	4,150
Cash flows	(9,670)	-	-	(9,670)
Foreign exchange movements	(1,890)	154	179	(1,557)
Net debt as at 31 December 2021	**47,579**	**(36,216)**	**(222,328)**	**(210,965)**
Due within one year	**47,579**	**(253)**	**(7,702)**	**39,624**
Due in more than one year	**-**	**(35,963)**	**(214,626)**	**(250,589)**
	47,579	**(36,216)**	**(222,328)**	**(210,965)**

26. Reconciliation of Profit/(Loss) After Tax to Net Operating Cash Flows

	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021
	$'000	$'000
Profit/(loss) after income tax	(43,996)	741
Adjustments for non cash items:		
Depreciation and amortisation	12,305	14,762
(Gain)/loss on disposal of property, plant and equipment	1,092	(13)
Remeasurement of lease liabilities	795	(987)
Loss on discontinued operations	39,280	-
Deferred tax	(1,328)	(1,660)
Foreign currency loss	(215)	158
Fair value remeasurement of earnouts	(585)	(961)
Share options granted	-	259
Adjustments for items classified as investing or financing activities:		
Finance costs	18,407	20,446
Loss on settlement of bonds	238	-
Working capital movements relating to operating activities:		
Increase/(decrease) in funding received in advance	(10,575)	3,401
(Increase)/decrease in other current assets	(620)	(624)
Increase/(decrease) in trade and other payables	5,453	6,382
Increase/(decrease) in current income tax payables	(1,983)	(226)
Increase/(decrease) in employee entitlements	2,256	2,260
Other items:		
Business combination earnouts classified as investing	-	(3,283)
Bond costs classified as investing	-	216
Net cash flows from operating activities	20,524	40,871

Working capital movements are adjusted to reflect the disposal of discontinued operations and to include any assets held for sale.

27. Commitments and Contingencies

Operating lease commitments – Group as lessee

Future minimum rentals of office equipment recorded as a leased asset at 31 December 2022 are:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
	$'000	$'000
Within one year	69	612
After one year but not more than five years	168	2,150
Total	**237**	**2,762**

27. Commitments and Contingencies (continued)

Capital commitments

There were no estimated capital commitments for centre upgrade projects not yet completed at 31 December 2022 and not provided for (2021: $0.3 million).

Guarantees

For the Australian operation, a total of A$2.4million (2021: A$2.5 million) of bank lease guarantees has been utilised. These funds are held in a term deposit.

Contingencies

There are no material contingent liabilities not already disclosed as at 31 December 2022.

28. Related Party Transactions

Identity of related parties

Related parties of the Group are:

- The Board of Directors comprising Hamish Stevens, Adrian Fonseca, Chris Scott, Chris Sacre (resigned 31 October 2022), and Kim Campbell.
- J 47 Pty Limited, a company of which Chris Scott is the sole director and shareholder.
- Upton124 Pty Limited, a company of which Chris Sacre is a director.
- Sovana Child Care Pty Limited, a company of which Adrian Fonseca is the sole director and shareholder, and is a trustee of Sovana Child Care Trust.
- Vasona Pty Limited, a company of which Adrian Fonseca is a director and sole shareholder.

Related party relationships that have ceased during the current year or in the prior year are:

- Chris Sacre resigned as Non-Independent Director on 31 October 2022.
- Timothy Wong resigned as Chief Executive Officer of the New Zealand operations of the Group on 30 March 2021.

Related party transactions arising during the year:

Transactions between the Company and its Directors, members of its key management and certain employees can be summarised as follows:

- **Directors' remuneration** - The Directors' fees pool is currently $500,000 per annum (plus GST, if any), with the amount of fees paid during the period disclosed in the table below. The Directors are also entitled to be paid for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or Shareholder meetings, or otherwise in connection with the Group's business.

28. Related Party Transactions (continued)

Related party transactions arising during the year: (continued)

	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021
	$'000	$'000
Hamish Stevens	135	135
Chris Scott	80	80
Chris Sacre (resigned 31 October 2022)	67	80
Kim Campbell	90	90
Adrian Fonseca	90	90
Total Directors' Remuneration	**462**	**475**

- **Directors' indemnity and insurance** – the Company has entered into a Deed of Indemnity and Access by Deed Poll under which it has granted indemnities in favour of, and maintains insurance for, its present and future directors (and directors of related companies) and certain employees of the Company, in each case to the extent permitted by the Companies Act 1993.
- **Compensation of key management personnel of the Group:**

		YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021
	Note	$'000	$'000
Short-term employee benefits		618	662
Termination benefit	6	-	259
Total compensation paid to key management personnel		**618**	**921**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Shareholding interests of Directors and key management of the Company:

	AS AT 31 DECEMBER 2022	AS AT 31 DECEMBER 2021
Units of shares		
Chris Scott	26,227,514	26,227,514
Chris Sacre (resigned 31 October 2022)	-	8,128,332
Adrian Fonseca	2,156,250	2,156,250
Kim Campbell	3,750	3,750
	28,387,514	**36,515,846**

29. Auditor's Remuneration

During the year the following fees were paid or payable for services provided by the Group's auditor, Grant Thornton New Zealand:

	YEAR 31 DECEMBER 2022	YEAR 31 DECEMBER 2021
	$'000	$'000
Assurance services:		
Audit and review of the consolidated financial statements:	189	180
Other assurance engagements	35	2
Total assurance services	**224**	**182**

30. Events After the Reporting Period

Change of Name

On 10 February 2023 Embark changed its name from "Embark Education Limited" to "Embark Education Group Limited". The name change is for administrative purposes only in order to allow the Company to meet Australian corporate registration requirements.

New Director

Renita Garard (AM, OLY, FCA) was be appointed as Independent Director of the Company with effect from 1 January 2023.

Directors’ Declaration

In the Directors’ opinion:

a) the financial statements and notes set out on pages 14 to 63 are in accordance with NZ IFRS and give a true and fair view, in all material respects, of the consolidated entity’s financial position as at 31 December 2022 and of its performance for the financial year ended on that date; and
b) at the date of this declaration, there are reasonable grounds to believe that the members of the closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 24 - Financial Assets and Liabilities.

Note 2 - Basis of Preparation, confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Hamish Stevens
Chair
28 March 2023

Adrian Fonseca
Chair of the Audit and Risk Committee
28 March 2023

Grant Thornton

Independent Auditor's Report

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To the Shareholders of Embark Education Group Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Embark Education Group Limited on pages 14 to 63 which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Embark Education Group Limited as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand*) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the audit matter is significant	How our audit addressed the key audit matter
Impairment of non-financial assets As at 31 December 2022, the Group had the following material non-financial assets: • Goodwill of $65m (note 14); • Right-of-use-assets of $66.9m (note 18); and • Property, plant and equipment of $1.7m (note 10).	To address the risk associated with impairment of assets, the following audit procedures were carried out: • Updated our understanding, evaluated and validated management's impairment assessment process; • Assessed the reasonability of management's assessment of indicators of impairment for finite life non-financial assets;

Why the audit matter is significant	How our audit addressed the key audit matter
The accounting standards require non-financial assets with a finite useful life to be assessed for indicators of impairment or whether there is an indication that previously recognised impairment losses no longer exist on an annual basis. The Group has performed an evaluation of these indicators and identified specific assets or cash generating units ("CGU") which require an impairment assessment. The Group has also performed an impairment assessment for infinite useful life assets such as goodwill which is required to be tested for impairment on an annual basis. In relation to the impairment assessments performed, no impairments were recognised in the financial statements. We included the impairment of non-financial assets as a key audit matter due to the high level of judgement required in determining the value of the recoverable amounts of assets or CGUs and the degree of audit effort in completing our audit.	• Assessed the reasonability of the methodology used by the Group based on industry / market practice; • Obtained management's value-in-use calculations, tested the mathematical accuracy of the underlying calculations and agreed them to the Board approved budgets; • Compared historical actual results to those budgeted to assess the quality of management's forecasts; • Engaged auditor's valuation expert to: o Assess reasonableness of key assumptions used in the calculations by discussing with management and evaluated management's basis for determining such assumptions; o Assist in the assessment of reasonableness of management's judgements by determining a point estimate; • Tested the sensitivity analysis prepared by management to ascertain that adverse changes to key assumptions would not cause, individually or in aggregate, the carrying amount to exceed the recoverable amount; and • Reviewed consolidated financial statement disclosure to determine their compliance with the requirements of the accounting standards.

Information Other than the Financial Statements and Auditor's Report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connections with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

Restriction on use of our report

This report is made solely to the Company's shareholders. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Company's shareholders, for our audit work, for this report or for the opinion we have formed.

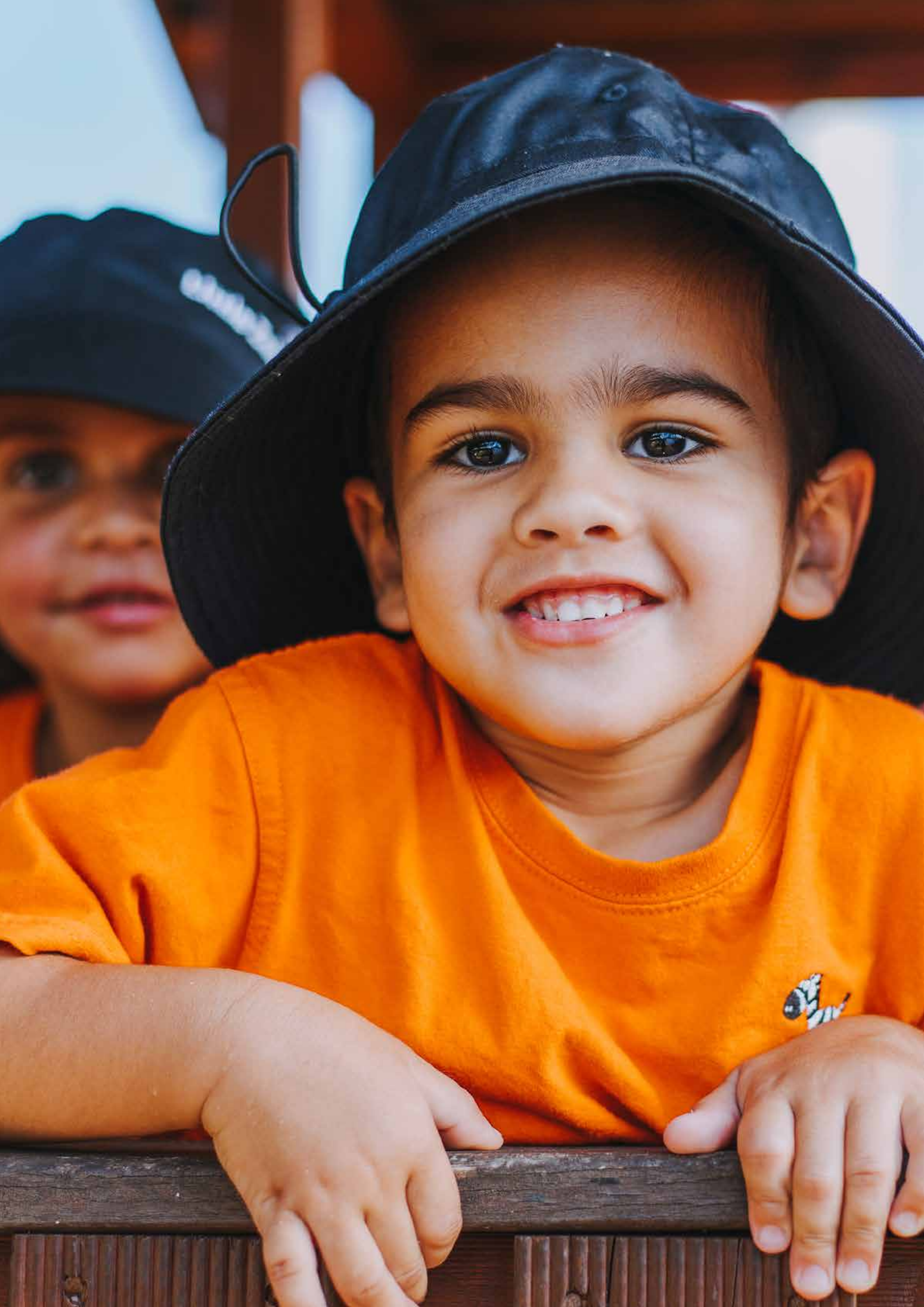
Grant Thornton

Grant Thornton New Zealand Audit Limited

Ryan Campbell

Auckland

28 March 2023



Corporate Governance and Statutory Information

Corporate Governance

Embark Education Group Limited (the "Company") is a New Zealand incorporated owner and provider of early childhood education services in New Zealand and Australia, whose fully paid ordinary shares are listed on the NZX Main Board and ASX. The Company trades under the ticker EVO on both the NZX and ASX.

The acquisition of securities in the Company may be limited under New Zealand law by the Takeovers Code (which restricts the acquisition of control rights of more than 20% of the Company other than via a takeover offer under the Code) or the effect of the Overseas Investment Act 2005 (which restricts the acquisition of New Zealand assets by overseas persons).

The Company's Board is committed to upholding the highest standards in corporate governance, business behaviour and accountability in order to promote investor confidence. Consistent with this, the Board has adopted and complied with the Corporate Governance Code set out in the NZX Listing Rules except as noted below under Principle 3, and, from listing, has approved various corporate governance policies and charters.

To promote high standards of corporate governance and ethical business conduct, the Company has a clear vision, a set of overarching values, and a range of key policies and procedures to guide the actions of the Company, its Board, senior management, and its employees in all areas of the business. Copies of key policies are available on the Company's website (www.embarkeducation.com.au).

On 31 May 2016, the Company changed its listing category on the ASX to that of an ASX Foreign Exempt Listing and, as a result, it is exempt from complying with the majority of the ASX Listing Rules. Instead, the Company is required to primarily comply with the NZX Listing Rules as its home exchange, including in relation to corporate governance.

Principle 1 – Code of Ethical Behaviour

Recommendation 1.1: The board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere.

Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct to be followed by all directors, senior management and employees. The key aspects of this code are to:

- act with honesty, integrity and fairness and in the best interests of the Company and in the reasonable expectations of shareholders;
- act in accordance with all applicable laws, regulations, policies and procedures;
- have responsibility and accountability; and
- use the Company's resources and property properly.

The Company has a Protected Disclosures ("whistle blower") Policy, a copy of which can be accessed on its website https://embarkeducation.com.au/wp-content/uploads/2022/12/Protected-Disclosures-Policy-2022-Embark.pdf.

Recommendation 1.2: An issuer should have a financial product dealing policy which applies to employees and directors.

Share Ownership

The Company's Securities Trading Policy details the Company's policy on, and rules for, dealing in shares and other securities in the Company. The Securities Trading Policy applies regardless of whether the Company's securities are quoted on NZX or ASX and provides that insider trading is prohibited at all times. The policy applies to all directors, officers and employees of the Company, with more specific and stringent rules also applying to trading in the Company's securities by directors and certain senior employees, or employees performing certain functions.

The Policy also prescribes certain 'black-out' periods in which it is not permissible, subject to a limited number of exceptions, for any officer or employee of the Company to deal in the Company's securities.

The table of directors' shareholdings is included in the Disclosures section page 80. While Directors may choose to hold shares in the Company, it is not mandatory to do so.

Principle 2 – Board Composition and Performance

Recommendation 2.1: The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.

Board Charter

The Board has adopted a Board Charter which is to be read in conjunction with the constitution of the Company, the Companies Act 1993, the NZX Listing Rules, and the ASX Listing Rules as they apply to entities listed in the ASX Foreign Exempt category.

The Board Charter specifies that the Board is the ultimate decision-making body of the Company and is responsible for setting the tone which determines the culture to permeate the Company's relationships with shareholders, investors, employees, customers, suppliers and the local and business communities. Further, the Board is responsible for setting the strategic direction of the Company and it is responsible for selecting a Chief Executive Officer who is charged with operating the business.

The Board also advises, oversees and counsels the CEO, and is ultimately responsible for monitoring the performance of the Company on behalf of all shareholders.

The Board Charter provides guidance on a number of other areas for the Board, including values, Board responsibilities and delegated authorities, responsibilities of individual directors, conflicts of interest, independent advice and compliance with laws and policies.

Role of the Board

The Board has ultimate responsibility for ensuring that the Company is properly managed and for protecting and enhancing shareholders' interests. The Board's key responsibilities include setting and overseeing the execution of the Company's strategy and supervising management in the operation of the Company's business. In addition to this, the Board is responsible for:

- monitoring the financial performance of the Company, including approving its dividend policies and financial forecasts;
- approving transactions relating to acquisitions and divestments and capital expenditure above delegated authority limits;
- monitoring the Company's compliance and risk management systems;
- providing a specific governance focus on risks relating to the Company's physical operations, health and safety policy, and risk mitigation programmes;
- adopting reporting and disclosure policies and procedures, and monitoring the integrity of such procedures;
- establishing and overseeing succession plans for senior management; and
- providing timely and complete communications to shareholders.

Delegation

The Board has delegated authority for the operations and administration of the Company to the Chief Executive Officer, assisted by senior management. The CEO manages the Company in accordance with the strategy, plans and delegations approved by the Board.

The Board will ensure that, at all times, it has implemented appropriate procedures for the assessment of senior management's performance. All policies and delegated limits of authority are reviewed on a regular basis.

Performance Management

The Board has established a Remuneration and People Committee which is responsible for evaluating the performance of the CEO, and makes recommendations to the Board in relation to remuneration and incentive arrangements for the CEO.

The performance of the Company's CEO and senior management is measured against set criteria including the Company's financial performance, the Company's accomplishment of its strategic objectives and other non-quantitative objectives as determined by the Board and Remuneration and People Committee at the beginning of the year.

Corporate Governance and Statutory Information

Recommendation 2.2: Every issuer should have a procedure for the nomination and appointment of directors to the board.

Composition of the Board

The Company's constitution provides for the Board to consist of a minimum of three directors and a maximum of eight directors. The current composition of the Board and details of the skills, qualifications, experience, expertise, and special responsibilities of each current Director is disclosed under the Board of Director profiles.

Selection and Role of Chairperson

The Chair of the Board will be appointed by the directors from time to time, and the terms of office will be at the Board's discretion. The Chair must be an Independent Director.

The role and responsibilities of the Chair include:

- providing leadership to the Board and to the Company;
- ensuring the efficient organisation and conduct of the Board;
- monitoring Board performance annually;
- facilitating Board discussions to ensure core issues facing the Company are addressed;
- briefing all directors in relation to issues arising at Board meetings;
- facilitating the effective contribution and on-going development of all directors;
- promoting consultative and respectful relations between Board members and between the Board and management; and
- chairing Board and shareholder meetings.

Director Independence

The Company's constitution specifies the minimum number of independent directors to be two or, if there are eight directors, three.

As at 31 December 2022, Hamish Stevens, Adrian Fonseca and Kim Campbell were independent directors, within the meaning of the NZX Listing Rules.

While the Board believes that all boards need to exercise independent judgement, it also recognises that the need for independence is to be balanced with the need for relevant skills, industry experience and a workable board size. The Board believes that it has recruited directors with the skills, experiences, and characters necessary to discharge the Board's duties.

Conflicts of Interest

The Company's Conflict of Interest Policy provides guidance regarding the impartial conduct of directors and identifying and impartially managing any conflicts of interest. Where a Director has a conflict of interest, the Director is obliged to disclose their conflict to the Board, and enter it in the Interests Register, in accordance with the Board Charter. The Conflict of Interest Policy also addresses the extent to which an interested Director may participate in and be present at meetings when the conflict matter is being dealt with.

Nomination and Appointment

The procedures for the appointment and removal of directors are ultimately governed by the Company's constitution. The Board has established a Remuneration and People Committee whose role is to identify and recommend to the Board individuals for nomination as members of the Board taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other directors.

The Board recognises the importance of succession planning and this is considered by the Board and Remuneration and People Committee on an ongoing basis.

Recommendation 2.3: An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.

On appointment, each new director signs a written agreement that outlines the terms of their appointment. The agreement covers: expected time commitments, the role of the Board, remuneration, independence requirements, disclosure requirements, shareholding qualification requirements, confidentiality obligations, indemnity and insurance provisions, intellectual property rights and cessation of appointment.

Embark also has written agreements with executives that set out the terms of their employment.

Recommendation 2.4: Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests and director attendance at board meetings.

Director biographies can be found on pages 9-10.

Director ownership interests can be found on page 80 of this annual report.

Board and Committee Meetings

The Board has established a regular schedule of Board and Committee meetings in order to carry out its obligations under its Board Charter. A summary of the Directors' attendances at each of the scheduled Board and Committee meetings between 1 January 2022 and the date of approving the financial statements (that is, 28 March 2023), as compared to the number of scheduled meetings that each Director was eligible to attend as a member (in brackets) is shown in the table below.

	Board	Audit and Risk Committee	Remuneration and People Committee
Hamish Stevens	17 (17)	1 (1)	4 (4)
Chris Scott	17 (17)		
Chris Sacre	13 (13)	3 (3)	
Kim Campbell	16 (17)	6 (8)	4 (4)
Adrian Fonseca	17 (17)	8 (8)	4 (4)
Renita Garard	3 (3)	4 (4)	

In addition to scheduled Board meetings, the Board also held other meetings and teleconferences to discuss other Company matters as required.

Recommendation 2.5: An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.

Diversity Policy

The Company has adopted a Diversity and Inclusion Policy and is committed to being an inclusive workplace that embraces and values diversity while always upholding the principle of meritocracy.

The Board believes that embracing diversity in its workforce contributes to the achievement of its corporate objectives (including optimising financial performance in a competitive labour market) and enhances its reputation. It assists the Company to recruit and retain the right people from a diverse pool of talented candidates, which in turn should assist the Company to:

- make more informed and innovative decisions, drawing on the wide range of ideas, experiences, approaches and perspectives that employees from diverse backgrounds, with differing skill sets, bring to their roles; and
- better represent the diversity of its stakeholders and markets.

In order to have a properly functioning diverse workplace, discrimination, harassment, vilification, dishonesty, inappropriate behaviour and victimisation will not be tolerated within the Company.

Gender Diversity

As noted above, the Board is responsible for monitoring the Company's performance in meeting objectives set out in the Diversity and Inclusion Policy. Information relating to the current gender representation of employees of the Company, including holding senior executive positions and on the Board is as follows:

Corporate Governance and Statutory Information

	As at 31 December 2022				As at 31 December 2021			
Position	**Women**		**Men**		**Women**		**Men**	
Board	0	(0%)	4	(100%)	0	(0%)	5	(100%)
Senior Management*	0	(0%)	2	(100%)	2	(29%)	5	(71%)
Company-wide^	601	(97%)	18	(3%)	2,330	(96%)	95	(4%)

*As at 31 December 2021, senior management comprised the Managing Director (CEO), CFO and those who reported directly to the CFO. As at 31 December 2022, after the sale of the New Zealand business, the senior management team comprised the Managing Director (CEO) and the CFO.

^ Embark has one employee identifying as gender diverse as at 31 December 2022 (2021:1).

Recommendation 2.6: Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.

Board Access to Information and Advice

All directors have access to the senior management team to discuss issues or obtain information on specific areas in relation to items to be considered at Board meetings or other areas as considered appropriate. Key executives and managers are invited to attend and participate in appropriate sessions at Board meetings. Directors have unrestricted access to the Company's records and information.

Directors are entitled to have access to external auditors, without management present, to seek explanations or additional information and to seek independent professional advice with the Chair's consent, which will not be unreasonably withheld or delayed, and which will be at the Company's expense, to assist them in carrying out their responsibilities.

Director Education

Directors are responsible for ensuring that they remain current in understanding their duties as directors and sector issues.

Recommendation 2.7: The board should have a procedure to regularly assess director, board and committee performance.

The Chair discusses individual performance with directors, while the Board and Board sub-committees self-evaluate their performance against their charter responsibilities, with a commitment to identifying any opportunities for improvement.

Recommendation 2.8: A majority of the board should be independent directors.

A majority of the Embark Board are independent directors.

Recommendation 2.9: An issuer should have an independent chair of the board. If the chair is not independent, the chair and the CEO should be different people.

The chair of Embark is an independent director and is separate to the CEO.

Principle 3 – Board Committees

The Board has established two sub-committees to assist with the execution of the Board's responsibilities – the Audit and Risk Committee and the Remuneration and People Committee. These committees review and analyse detailed information, policies and strategies which fall within their areas of responsibility and, where appropriate, make recommendations to the full Board.

The Committees do not take action or make decisions on behalf of the Board unless specifically authorised to do so by the Board.

The Board may establish additional committees of directors as required.

Recommendation 3.1: An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should be an independent director and not chair of the board.

Audit and Risk Committee

The Audit and Risk Committee is responsible for overseeing the risk management, treasury, insurance, accounting, and audit activities of the Company, reviewing the adequacy and effectiveness of internal controls, reviewing the performance of external auditors, reviewing the consolidated financial statements, and making recommendations on financial and accounting policies.

The Chair of Embark's Audit and Risk Committee is an independent Director and is not the Chair of the Board.

The members of the Audit and Risk Committee as at 31 December 2022 were Adrian Fonseca (Chair), Hamish Stevens* and Kim Campbell. The Board is of the belief that the Audit and Risk Committee was appropriately constituted as at 31 December 2022 having regard to the scale and complexity of the Company's business and the particular expertise and experience of each current member.

*Renita Garard replaced Hamish Stevens on the Audit and Risk Committee on 30 January 2023.

Recommendation 3.2: Employees should only attend audit committee meetings at the invitation of the audit committee.

Under the Audit & Risk Committee Charter, the Chief Executive, Chief Financial Officer and other employees attend Committee meetings by invitation.

Recommendation 3.3: An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.

Remuneration and People Committee

The Remuneration and People Committee is responsible for considering new appointments to the Board, overseeing management succession planning, establishing employee incentive plans, reviewing and approving remuneration arrangements for employees, recommending to the Board the remuneration of directors and seeing that the Company and the Board have in place, and follow, policies, procedures and practices with the objective that all laws, rules and requirements applicable to the Company and the directors are complied with.

Under the Remuneration and People Committee Charter, the CEO, other executive staff, or such other parties may be asked to attend any meeting of the Committee as considered necessary to provide appropriate information, explanation and assistance as required. No individual employee is permitted to be present when their performance and/or remuneration arrangements are being discussed. The Committee may ask any party to withdraw from any part of any meeting.

The members of the Remuneration and People Committee as at 31 December 2022 were Kim Campbell (Chair), Hamish Stevens and Adrian Fonseca. Renita Garard joined the Committee on 21 February 2023.

Recommendation 3.4: An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.

Embark does not have a separate nomination committee as its functions are carried out by the full Board in line with the responsibilities under the Embark Board Charter. The procedures for director removals and appointments are governed by the Company's constitution and the requirements of the NZX Listing Rules.

Recommendation 3.5: An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.

The Board does not consider it necessary to have any other standing board committees.

Recommendation 3.6: The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The Board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.

Embark has adopted a Takeover Response Policy.

Corporate Governance and Statutory Information

In the event of a takeover, the Board may form a subcommittee, comprised of non-interested directors which will have the authority to make binding decisions in respect of the process, including:

- retaining legal and financial advisers,
- appointing an independent adviser for the purposes of the Takeovers Code, and
- approving any announcements or communications relating to the potential transaction.

Principle 4 – Reporting and Disclosure

Recommendation 4.1: An issuer's board should have a written continuous disclosure policy.

The Board has adopted a Market Disclosure Policy to seek to ensure that timely and balanced disclosures are communicated to the market in accordance with the Company's continuous disclosure obligations under the NZX and ASX Listing Rules. The Company changed its ASX listing category from a Standard Listing to an ASX Foreign Exempt Listing effective from the commencement of trading on 31 May 2016. As an ASX Foreign Exempt Listing, the Company is required to immediately provide ASX with all of the information that it provides to NZX that is, or is to be, made public.

Recommendation 4.2: An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

Key governance documents are available to investors and stakeholders on Embark's website. They include the Market Disclosure Policy, Conflict of Interest Policy, Securities Trading Policy and Guidelines, Diversity and Inclusion Policy, Risk Management Policy, Shareholder Communications Policy, Dividend Policy, Takeover Response Policy and Board and Committee Charters.

Recommendation 4.3: Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non- financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.

Embark publishes interim and audited full-year financial statements that are prepared in accordance with relevant financial reporting standards.

Each year, non-financial information is disclosed in the annual report. Material risks are discussed (including how those risks are managed and how non-financial targets are measured) and are also covered in this Corporate Governance Statement (see Principle 6).

In addition to interim and full-year financial statements, and annual reporting, Embark regularly publishes investor presentations, including six-monthly result announcements. These presentations provide readers with regular updates on the progress against Embark's strategy and longer-term sector developments.

The impacts of Covid-19 have been discussed in note 2a (Covid-19) of the financial statements included in this annual report. The Company considers that it does not currently have any other material exposures to environmental, economic, or social sustainability risks.

Principle 5 – Remuneration

Recommendation 5.1: An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.

The Chairperson receives $135,000 per annum. The non-executive directors each receive $80,000 per annum. The Chairs of the Audit and Risk Committee and Remuneration and People Committee each receive an additional $10,000 per annum.

The Director fee pool for all directors is $500,000 per annum in aggregate. The Directors are also entitled to be paid for reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings, or otherwise in connection with the Company's business. Directors do not receive any share option or retirement benefit.

Director Remuneration Statement

The Company's directors holding office during the year ended 31 December 2022 are listed below. Pursuant to section 211(1)(f) of the Companies Act 1993, the total amount of remuneration and other benefits received by each Director during the year ended 31 December 2022 are provided below.

($000's)	Directors' Fees	Total
Hamish Stevens	135	135
Chris Scott	80	80
Chris Sacre (resigned 31 October 2022)	67	67
Kim Campbell	90	90
Adrian Fonseca	90	90
Total	**462**	**462**

Directors of Subsidiary Companies

The remuneration of employees acting as directors of subsidiaries is disclosed in the relevant banding of remuneration set out under the heading "Employee Remuneration" below. During the year ended 31 December 2022, employees did not receive additional remuneration for acting as directors of subsidiary companies.

Recommendation 5.2: An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.

Overall Remuneration Philosophy

The Board is committed to an executive remuneration framework that is focused on achieving a high-performance culture and linking executive pay to the achievement of the Company strategy and business objectives which, ultimately, create sustainable long-term value for shareholders.

As part of ensuring that management is motivated to create and deliver sustainable shareholder wealth, the Board utilises a Remuneration and People Committee which operates under the delegated authority of the Board.

The Committee ensures that rewards for executives are strongly aligned with the Company's performance. The Company is committed to ensuring clarity and transparency about its remuneration policy and practice. The objectives of the Committee are to:

- establish a clear framework for oversight and management of the Company's remuneration structures, policies, procedures and practices;
- consider and recommend new appointments to the Board and oversee management succession planning;
- fairly and responsibly reward directors and senior management and other employees of the Company having regard to the performance of the Company, the performance of these officers and employees and the general pay environment; and
- implement policies, procedures and practices for the Company and Board to ensure compliance with all laws, rules and regulations which are applicable to the Company and the directors, including the Companies Act 1993 (Companies Act), the Constitution, the NZX Listing Rules, and the ASX Listing Rules as they apply to entities listed in the ASX Foreign Exempt category.

The number of committee meetings and attendance records of committee members is specified on page 72.

The performance of all directors and senior management is reviewed periodically in accordance with the terms of the Remuneration and People Committee Charter.

Executive Remuneration

The Company's total remuneration policy for the senior management team provides the opportunity for them to be paid, where performance merits, at the market median for equivalent market-matched roles. In determining an executive's total remuneration, external benchmarking is undertaken where necessary to ensure comparability and competitiveness, along with consideration of an individual's performance, skills, expertise, and experience.

Corporate Governance and Statutory Information

The Remuneration and People Committee reviews and approves annual performance appraisal outcomes for all members of the senior management team reporting to the Managing Director and utilises market information and trends when considering and confirming remuneration arrangements. External benchmarking may be conducted independently, to provide industry specific data to assist the Remuneration and People Committee in approving appropriate levels of remuneration for these executives.

The annual remuneration review process requires "one over one" approval (approval from a higher authority than the person or committee recommending the remuneration). This means that approval of the Board is required for any changes to the remuneration of direct reports of the Managing Director, on recommendation by the Remuneration and People Committee. Further, recommendations from the Managing Director in relation to remuneration of other members of the senior management team require Remuneration and People Committee approval.

Total executive remuneration may incorporate fixed and variable components. Executive remuneration may contain any or all of the following:

- fixed remuneration;
- performance-based remuneration;
- equity-based remuneration; and
- termination payments.

There is no performance share rights or long-term executive incentive scheme in place for the current senior management team.

Recommendation 5.3: An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance-based payments.

Remuneration

Timothy Wong held the position of CEO NZ from 3 October 2019 to 28 March 2021. In relation to his resignation, Mr Wong was granted 1,250,000 share options, exercisable at AUD $1.20 per option up until 31 December 2023.

Chris Scott has been Managing Director since 26 August 2019. He has received no remuneration (other than Director's Fees) for this role. There is no termination payment in the case of cessation as Managing Director.

Employee Remuneration

The number of employees or former employees, who received remuneration and other benefits valued at or exceeding $100,000 during the year ended 31 December 2022 are specified below.

Remuneration Band	Total
$100,000 -$110,000	8
$110,001 -$120,000	3
$120,001 -$130,000	1
$130,001 -$140,000	4
$140,001 -$150,000	1
$610,001 -$620,000	1
Total	**18**

Principle 6 – Risk Management

Recommendation 6.1: An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.

The Company views effective risk management as key to achieving and maintaining its operational and strategic objectives. The directors of the Company are responsible for reviewing and ratifying the risk management structure, processes and guidelines which are to be developed, maintained and implemented by management. The active identification of risks and implementation of mitigation measures is a primary responsibility of management.

The Board has delegated certain activities to the Audit and Risk Committee and has adopted a Risk Management Policy.

The Audit and Risk Committee is responsible for ensuring there are adequate policies in relation to risk management, compliance, and internal control systems. The committee monitors the

Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks.

Management reports on risk management at each meeting of the Board and the Audit and Risk Committee.

The Company does not have an internal audit function, but through the steps outlined above, the Board ensures the Company is reviewing, evaluating, and continually improving the effectiveness of its risk management and internal control processes.

Recommendation 6.2: An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management.

As a leading provider of early childhood education, the safety of our employees and children is paramount. As is best practice, appropriate governance structures have been established at the Board level to ensure that matters such as health and safety risk for staff, contractors and our children is effectively governed and managed. The Board has adopted measures that will allow the Company to monitor and proactively identify risks and events to ensure continuous improvement, and ultimately, a reduction in the rate of accidents. A Health and Safety Management system which accommodates all aspects of the Company's health and safety requirements has been implemented.

Principle 7 – Auditors

Recommendation 7.1: The board should establish a framework for the issuer's relationship with its external auditors.

The Audit and Risk Committee is also responsible for considering the independence of the external auditor and any potential conflicts of interest. The Audit and Risk Committee reviews policies for the provision of non-audit services by the external auditor and, where applicable, the framework for pre-approval of audit and non-audit services. Under the Audit and Risk Committee Charter, the Committee is responsible for recommending the appointment and assessing the performance of the external auditor. Further information is set out in note 29 (Auditor's Remuneration) of the financial statements included in this annual report.

In combination with the establishment of the Audit and Risk Committee, the Board has approved a Risk Management Policy because the Company views effective risk management as key to achieving and maintaining its operational and strategic objectives.

Recommendation 7.2: The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.

Embark's external auditor is invited to the annual shareholder meeting. The Chair of the Board announces the auditor's attendance and shareholders can ask questions of them should they wish.

Recommendation 7.3: Internal audit functions should be disclosed.

The company has not established an internal audit function.

Principle 8 – Shareholder Rights and Relations

Recommendation 8.1: An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

Key investor information can be found at https://embarkeducation.com.au/investor-relations/investor-information/.

Recommendation 8.2: An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

The Board recognises the importance of keeping investors informed by communicating information in a timely, clear and accurate way.

Corporate Governance and Statutory Information

The Company is committed to providing a high standard of communication to its shareholders so that they have sufficient information to make informed assessments of the Company's value and prospects. The Board has adopted a Shareholder Communications Policy to promote effective communication with shareholders and encourage effective participation at general meetings.

The Shareholder Communications Policy requires the Company to:

- ensure its website (https://embarkeducation.com.au) is maintained and updated within a reasonable timeframe;
- ensure shareholder communications are distributed in accordance with the Companies Act 1993 and the NZX Listing Rules, and the ASX Listing Rules as they apply to entities listed in the ASX Foreign Exempt category; and
- ensure it will use available channels and technologies to communicate widely and promptly to shareholders.

The Shareholder Communications Policy outlines specific requirements and guidelines relating to the communication of and access to the Company's annual meetings including access to the external auditor, annual report, share registry access, communication of full-year and half-year results, corporate governance, media releases, and investor and analyst briefings.

The Company's Shareholder Communications Policy is designed to ensure that communications with shareholders and all other stakeholders are managed efficiently.

The Company currently keeps shareholders informed through:

- the Annual Report;
- the Interim Report;
- the Annual Meeting of shareholders;
- disclosure to the NZX and ASX in accordance with the Company's Shareholder Communications Policy and Continuous Disclosure Policy; and
- the Investor Announcements section on the Company website.

The Chair, Managing Director and CFO are the points of contact for shareholders.

The Board considers the Annual Report to be an essential opportunity for communicating with shareholders. The Company publishes its annual and interim results and reports electronically on the Company's website. Investors may also request a hard copy of the Annual Report by contacting the Company's share registrar, Link Market Services Limited. Contact details for the registrar appear at the end of this report.

The Company considers the annual meeting to be a valuable element of its communications programme. The meeting will provide an opportunity for shareholders to raise questions about the governance, operations, and management of the Company. The Company's external auditors will also attend the annual meeting and are available to answer questions relating to the conduct of the external audit and the preparation and content of the Auditor's Report.

Recommendation 8.3: Quoted equity security holders should have the right to vote on major decisions which may change the nature of the issuer in which they are invested.

Embark is committed to timely and balanced disclosure, which includes advising shareholders on any major decisions. Embark follows the mandatory listing rule requirements relating to change in the essential nature of the business, including major transactions under the Companies Act 1993.

Recommendation 8.4: If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to existing equity security holders of the same class on a pro rata basis, and on no less favourable terms, before further equity securities are offered to other investors.

A pro rata issue of securities is Embark's preferred approach to raising equity capital. There were no share issues in the year to 31 December 2022.

Recommendation 8.5: The board should ensure that the notices of annual or special meetings are posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.

Embark's Notice of Meeting will be made available at least 20 working days prior to the meeting.

Disclosure of Directors' Interests

Section 140(1) of the New Zealand Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make a disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity. Details of Directors' general disclosures entered in the relevant Interests Register for the Company during the year ended 31 December 2022 are as follows:

Director	Position	Company
Hamish Stevens	Chair	East Health Services Limited (and related companies)
	Director	Marsden Maritime Holdings Limited (and related companies)
	Director	Pharmaco NZ Limited (and related companies)
	Chair	The Kennedy's Limited
	Director	Counties Energy Limited (and related companies)
	Director	Radius Residential Care Limited
	Director and Shareholder	Governance and Advisory Limited
Chris Sacre (resigned 31 October 2022)	Director and Shareholder	Toddle Enterprises Group Pty Limited
	Director	19 Lindisfarne Road Huntfield Heights Pty Ltd
	Director	Bardon Operations Pty Ltd
	Director	Bowen Hills Medical Employment Pty Ltd
	Director	Bowen Hills Medical Operations Pty Ltd
	Director	CCC Solutions Pty Ltd
	Director	CCLP Consulting Pty Ltd
	Director	Childcare Pro Pty Ltd
	Director	Early Years Employment Pty Ltd
	Director	Eden Academy Isle of Capri Pty Ltd
	Director	Eden Academy Operations Pty Ltd
	Director	ELC Operations Australia Pty Ltd
	Director	Elwood Operations Pty Ltd
	Director	High Street ELC Pty Ltd
	Director	IChildcare-Software Pty Ltd
	Director	Keysborough CCC Pty Ltd
	Director	Kidsoft IP Pty Ltd
	Director	Kidsoft Operations Pty Ltd
	Director	Leopold ELC Pty Ltd
	Director	Mackay Medical Properties Pty Ltd
	Director	Magicaso Pty Ltd
	Director	Morningside Childcare Operations Pty Ltd
	Director	Morningside Childcare Pty Ltd
	Director	Sacre Finance Pty Ltd
	Director	Sacre Investments No. 2 Pty Ltd
	Director	Triple 2 Options 1 Pty Ltd
	Director	Truganina Operations Pty Ltd
	Director	West Pymble Group CCC Pty Limited

	Director	Yarracray Pty Ltd
	Director	Amice ELC Pty Ltd
	Director	Childs Road Mill Park Pty Ltd
	Director	CSRP Operations Pty Ltd
	Director	Little Seeds Education Pty Ltd
Kim Campbell	Director	Douglas Pharmaceuticals Limited (and related companies)
	Chair	Auckland Manufacturers Association
	Director	Blackwood Bay Investments Limited
	Director	New Image International Limited
	Chair	Pathways to Employment Trust
Adrian Fonseca	Director	GWS Giants AFL Club (and related companies), member of audit and risk committee and chairman of revenue committee
	Director and Shareholder	Oxanda Education Pty Limited (and related companies)
	Director and Shareholder	Toddle Enterprises Group Pty Limited
	Member	The Australian Ballet Foundation Board

Disclosure of Directors' Interests in share transactions

There were no acquisitions or disposals of relevant interests in shares during the year ended 31 December 2022.

Disclosure of Directors' Interests in Shares

Directors disclosed the following relevant interests in shares as at 31 December 2022:

Director	Number of shares in which a relevant interest is held
Chris Scott	26,227,514
Kim Campbell	3,750
Adrian Fonseca	2,156,250

The Company completed a share consolidation during the period where every eight shares held were consolidated into one share.

Indemnities and Insurance

The Company has entered into a Deed of Indemnity and Access by Deed Poll under which it has granted indemnities in favour of, and maintains insurance for, its present and future directors (and directors of related companies) and certain employees of the Company, in each case to the extent permitted by the Companies Act 1993.

Company Disclosures

Stock Exchange Listings

The Company is listed on both the New Zealand and Australian stock exchanges. ASX approved a change in the Company's ASX admission category from a Standard Listing to an ASX Foreign Exempt Listing, effective from the commencement of trading on 31 May 2016. The Company continues to have a full listing on the NZX Main Board, and the Company's shares remain listed on the ASX. The Company is primarily regulated by the NZX, complies with the

NZX Listing Rules, and is exempt from complying with most of the ASX Listing Rules (based on the principle of substituted compliance).

Dividend Policy

Dividends and other distributions with respect to the Shares are made at the discretion of the Board and depend on several factors, including:

- current and anticipated profitability;
- current and medium-term capital expenditure requirements;
- working capital requirements;
- current capital structure, having regard to the risks presented by short and medium term economic and market conditions and estimated financial performance;
- available imputation credits; and
- solvency requirements.

The payment of dividends is not guaranteed and the Company's dividend policy may change. No guarantee can be given about future dividends or the level of imputation of such dividends (if any) as these matters will depend upon future events including the profitability, growth opportunities, and financial and taxation position of the Company, and the Board's discretion.

For the financial year ended 31 December 2022, the Company authorised the following dividends:

- a special dividend of 3.50 cents per share paid on 8 December 2022; and
- a supplementary dividend of 0.617647 cents per share paid on 8 December 2022.

The company's dividend reinvestment plan did not operate for this dividend.

Net Tangible Assets

The Company's net tangible assets as at 31 December 2022 was $0.10 per share (31 December 2021: ($0.18) per share). Due to the nature of the Company's business, intangible assets are a major component of total assets. Accordingly, the net assets per security is considered a more useful measure and as at 31 December 2022 it was $0.51 per share (31 December 2021: $0.83).

Donations

The Company made donations of $1,269 during the year ended 31 December 2022 (2021: $1,343).

Credit Rating

The Company has no credit rating.

NZX and ASX Waivers

The Company did not rely on any waivers in the current year.

Annual Meeting

The Company's Annual Meeting of shareholders will be held on 6 June 2023.

Shareholder Information

Analysis of Shareholding at 17 March 2023

Ranges	Investors	Securities	% Issued Capital
1 to 1,000	536	222,775	0.14%
1,001 to 5,000	591	1,493,818	0.94%
5,001 to 10,000	267	2,027,656	1.27%
10,001 to 100,000	560	19,362,706	12.14%
100,001 and Over	137	136,442,529	85.51%
Total	**2,091**	**159,549,484**	**100.00%**

Twenty Largest Shareholders at 17 March 2023

Name	Number of Shares	% of Shares
Citicorp Nominees Pty Limited	26,104,618	16.36%
J 47 Pty Ltd	21,727,514	13.62%
National Nominees Limited	9,806,558	6.15%
Upton124 Pty Ltd	7,772,563	4.87%
BNP Paribas Nominees Pty Ltd	6,600,193	4.14%
A & J Online Investments Pty	3,620,248	2.27%
New Zealand Central Securities	3,596,070	2.25%
Nge Capital Limited	3,200,000	2.01%
HSBC Custody Nominees	2,490,442	1.56%
Vasona Pty Ltd	2,156,250	1.35%
Portman Trading Pty Ltd	2,058,500	1.29%
Broadgate Investments Pty Ltd	1,899,323	1.19%
BNP Paribas Noms(NZ) Ltd	1,747,088	1.10%
Opm Super Co Pty Ltd	1,707,750	1.07%
Mr Aaron Mark Morris	1,400,132	0.88%
Mrs Kimberley Yin	1,330,000	0.83%
Mr Duncan Fraser Forrest &	1,274,678	0.80%
Glenelg Farm Pty Ltd	1,106,334	0.69%
Custodial Services Limited	1,003,747	0.63%
Forsyth Barr Custodians	984,718	0.62%
Total - twenty largest shareholders	**101,586,726**	**63.67%**
Total number of shares on issue	**159,549,484**	**100.00%**

*J 47 Pty Ltd is the beneficial owner of an additional 4,500,000 shares held under nominee shareholdings.

New Zealand Central Securities Depository Limited (NZCSD) provides a custodian depository service that allows electronic trading of securities to its members and does not have a beneficial interest in these shares. As at 17 March 2023, the shareholdings in the Company held through NZCSD were:

Name	Number of Shares Held by NZCSD	% of NZCSD Shares
ACCIDENT COMPENSATION	2,202,734	61.25%
BNP PARIBAS NOMINEES NZ	1,066,127	29.65%
CITIBANK NOMINEES (NZ) LTD	247,090	6.87%
BNP PARIBAS NOMINEES NZ	59,283	1.65%
BNP PARIBAS NOMINEES (NZ)	20,834	0.58%
HSBC NOMINEES (NEW ZEALAND)	1	0.00%
JPMORGAN CHASE BANK	1	0.00%
Total – shares held by NZCSD	3,596,070	100.00%

Substantial Shareholders

According to notices given under the Financial Markets Conduct Act 2013, the following persons were substantial shareholders in the ordinary shares of the Company (being the only class of quoted voting products) at 17 March 2023 in respect of the number of shares set opposite their names.

Name	Number of Shares	% of Shares
Citicorp Nominees Pty Limited	26,104,618	16.36%
J 47 Pty Ltd*	21,727,514	13.62%
National Nominees Limited	9,806,558	6.15%
Total number of shares on issue	159,549,484	

*J 47 Pty Ltd is the beneficial owner of an additional 4,500,000 shares held under nominee shareholdings.

Subsidiary Company Directors

The following persons held office as Directors of the Company's subsidiaries during the year ended 31 December 2022.

Embark NZ Holdings Limited* Embark NZ Management Group Limited*	Hamish Stevens
Evolve Early Education Pty Ltd	Chris Sacre (ceased 30 September 2022) Chris Scott

*Embark Education Limited (formerly Evolve Education Group Limited) sold its 100% stake in its New Zealand ECE centre owner business, Lollipops Educare Centres Limited, on 30 September 2022. The following name changes for the parent company and its New Zealand subsidiaries remaining after the sale took effect from 18 October 2022:

- the name of Lollipops Educare Holdings Limited changed to "Embark NZ Holdings Limited"; and
- the name of Evolve Management Group Limited changed to "Embark NZ Management Group Limited".

Shareholder Information

Disclosure of Subsidiary Directors Interests

Section 140(1) of the New Zealand Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity.

In addition to the directorships in the Company and in fellow subsidiary companies (as applicable) referred to above, there were no directors' general disclosures entered in the relevant Interests Register for the Company's subsidiaries during the year to 31 December 2022.

Corporate Directory

Embark Education Group Limited / Registered Office

Level 10
21 Queen Street
Auckland 1010
New Zealand
Phone: +61 7 555 16763

Embark Education / Support Office Australia

PO Box 484
Oxenford QLD 4210
Australia

Suite 102
Level 1, M1 Connect Business Hub
120-122 Siganto Drive
Helensvale QLD 4212
Australia
Phone: +61 7 5322 5245

Directors

Hamish Stevens (Chair)
Chris Scott (Managing Director)
Kim Campbell
Adrian Fonseca
Renita Garard (appointed 1 January 2023)

Senior Management Team

Chris Scott (Managing Director)
Edmund Mah (Group CFO)

Solicitors

Chapman Tripp
Level 34, PWC Tower 15 Customs Street West
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New Zealand
Phone: +64 9 357 9000

Auditor

Grant Thornton New Zealand Limited
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Phone: +64 9 308 2570

New Zealand Share Registrar

Link Market Services Limited Level 11, Deloitte Centre
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Auckland 1010
New Zealand
Phone: +64 9 375 5998

Australian Share Registrar

Link Market Services Limited Level 12
680 George Street
Sydney, New South Wales 2000
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New Zealand Banker

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Australian Banker

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