THINK Childcare Limited

Explanatory Booklet

VOTE IN FAVOUR

YOUR VOTE IS IMPORTANT IN DETERMINING WHETHER THE STAPLING PROPOSAL PROCEEDS

THE INDEPENDENT EXPERT CONSIDERS THE POTENTIAL ADVANTAGES OF THE STAPLING PROPOSAL OUTWEIGH THE POTENTIAL DISADVANTAGES OF THE STAPLING PROPOSAL AND THAT THE SCHEME IS IN THE BEST INTERESTS OF TNK SHAREHOLDERS

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME AND SUPPORTING RESOLUTIONS TO APPROVE THE STAPLING PROPOSAL IN THE ABSENCE OF A SUPERIOR PROPOSAL

Think Childcare Limited
ABN 81 600 793 388
Scheme of Arrangement and General Meeting in relation to the Stapling Proposal.

This document is important and requires your immediate attention.
If you are in doubt as to how to deal with it, you should consult your legal, financial or other professional adviser immediately.

If you have recently sold all of your Think Shares, please disregard all enclosed documents.

A Notice of Scheme Meeting and a Notice of General Meeting are included in Appendix 3 and Appendix 4 respectively to this Explanatory Booklet. A separate proxy form for each meeting accompanies this Explanatory Booklet.

If, after reading this Explanatory Booklet, you have any questions about the Stapling Proposal, please call the Think Shareholder Information Line on 1300 069 254 (within Australia) or +61 3 9415 4153 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Melbourne time).

LEGAL ADVISER MinterEllison

FINANCIAL ADVISER 333 Capital

Cover: Nido Early School Lakelands, WA
This page: Nido Early School, QV1, WA

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IMPORTANT NOTICE

General

You should read this Explanatory Booklet in its entirety before making a decision on how to vote on the resolutions to be considered at the Scheme Meeting and the General Meeting. The notices convening the Scheme Meeting and the General Meeting are contained in Appendix 3 and Appendix 4 respectively. A separate proxy form for each meeting is enclosed with this Explanatory Booklet.

Defined Terms

Capitalised terms in this Explanatory Booklet are defined in the Glossary in section 14 of this Explanatory Booklet.

Purpose of this Explanatory Booklet

The purposes of this Explanatory Booklet are to:

- explain the terms and effect of the Stapling Proposal to Think Childcare Limited (**Think Childcare or TNK**) Shareholders;
- explain the manner in which the Stapling Proposal will be considered and, if approved, implemented;
- state any material interests of the Directors, whether as directors, members or creditors of Think Childcare or otherwise, and the effect on those interests of the Stapling Proposal as far as that effect is different from the effect on similar interests of other persons; and
- provide the information as is prescribed by the Corporations Act and the Regulations and all other information known to the Think Childcare Directors which is material to the decision of TNK Shareholders whether to vote in favour of the Scheme and Supporting Resolutions

This Explanatory Booklet constitutes the explanatory statement for the Scheme as required by section 412(1) of the Corporations Act.

Status of this Explanatory Booklet

With regard to the new TND Shares, this Explanatory Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that disclosure to investors under Part 6D.2 of the Corporations Act is not required for any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a meeting held as a result of an order made by the Court under section 411(1) or (1A) of the Corporations Act.

No financial product advice

The information in this Explanatory Booklet is not financial product or investment advice. This Explanatory Booklet has been prepared without taking into account your investment objectives, financial situation, taxation position or other particular needs. Before deciding how to vote or act, TNK Shareholders should consider the appropriateness of the information having regard to their own investment objectives, financial situation, taxation position and other particular needs and seek independent legal, taxation and financial advice before making any investment decision. Neither Think Childcare nor Think Childcare Development Limited (**Think Childcare Development** or **TND**) is licensed to provide financial product advice in respect of TNK Shares, TND Shares or any other financial products. No cooling off regime applies to the acquisition of TND Shares under the Stapling Proposal.

Responsibility for information

This Explanatory Booklet (other than the Independent Expert's Report) has been prepared by, and its content is the responsibility of, Think Childcare.

Ernst & Young Transaction Advisory Services Limited has prepared the Independent Expert's Report in relation to the Scheme in Appendix 1. Ernst & Young Transaction Advisory Services Limited takes responsibility for that report.

IMPORTANT NOTICE

ASIC and ASX

A copy of this Explanatory Booklet has been lodged with ASIC in accordance with sections 218 of the Corporations Act and for the purpose of section 411(2) of the Corporations Act, and registered by ASIC for the purpose of section 412(6) of the Corporations Act.

ASIC has examined a copy of this Explanatory Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Court hearing to approve the Scheme.

Neither ASIC nor any of its officers take any responsibility for the contents of this Explanatory Booklet.

A copy of this Explanatory Booklet has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Booklet.

The Stapled Group will apply for admission to the official list of ASX and for quotation of the Stapled Securities on ASX. The fact that ASX may admit the Stapled Group to the official list of ASX does not make any statement regarding, and should not be taken in any way as an indication of, the merits of an investment in the Stapled Group.

TNK Shareholders outside Australia and New Zealand

This Explanatory Booklet has been prepared having regard to Australian disclosure requirements. These requirements may be different from those in other jurisdictions. This Explanatory Booklet and the Stapling Proposal do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Restrictions in jurisdictions outside Australia and New Zealand may make it impractical or unlawful for TND Shares to be issued under the Stapling Proposal to, or be received under the Stapling Proposal by, TNK Shareholders in those jurisdictions. TNK Shareholders whose registered addresses in the Share Register are outside Australia or New Zealand should refer to section 11.2.2 for more information as to how the TND Shares to which they would otherwise be entitled will be dealt with.

TNK Shareholders resident outside Australia for tax purposes should also seek specific taxation advice in relation to the Australian and overseas taxation implications of their participation in the Stapling Proposal.

This Explanatory Booklet does not in any way constitute an offer of securities in any place which, or to any person to whom, it would be unlawful to make such an offer. No action has been taken to register or qualify the TND Shares or otherwise permit a public offering of TND Shares in any jurisdiction outside Australia.

TNK Shareholders resident in New Zealand

The TND Shares are not being offered or sold to the public within New Zealand other than to existing TNK Shareholders with registered addresses in New Zealand to whom the offer of TND Shares is being made in reliance on the *Financial Markets Conduct Act 2013* (New Zealand) and the *Financial Markets Conduct Act (Incidental Offers) Exemption Notice 2016* (New Zealand).

This Explanatory Booklet has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority under or in connection with the *Financial Markets Conduct Act 2013* (New Zealand). This Explanatory Booklet is not a product disclosure statement or other disclosure document under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain. The offer of the TND Shares is open only to persons to whom financial products may be offered in New Zealand pursuant to the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016* (or any replacement of that notice).

The taxation treatment of Australian financial products is not the same as for New Zealand financial products. The offer of TND Shares may involve a currency exchange risk as they will be quoted on the ASX in Australian dollars.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

IMPORTANT NOTICE

Important notice associated with Court order under section 411(1) of the Corporations Act

A copy of this Explanatory Booklet was submitted to the Court to obtain an order of the Court under section 411(1) of the Corporations Act directing Think Childcare to convene the Scheme Meeting. That order was obtained at the First Court Hearing on Thursday, 31 October 2019.

The fact that under section 411(1) of the Corporations Act the Court has ordered that a meeting of TNK Shareholders be convened by Think Childcare to consider and vote on the Scheme and has directed that this Explanatory Booklet accompany the Notice of Scheme Meeting does not mean that the Court:

a) has formed any view as to the merits of the proposed Scheme or how TNK Shareholders should vote on the Scheme (on this matter, TNK Shareholders must reach their own decision);

b) has prepared, or is responsible for, the content of this Explanatory Booklet; or

c) has approved or will approve the terms of the Scheme.

Important notice regarding second Court hearing and if a TNK Shareholder wishes to oppose the Scheme

The Second Court Hearing Date to approve the Scheme is Thursday, 12 December 2019.

The hearing will be at 10:15am (Sydney time) at the Federal Court of Australia, Law Courts Building, Queen's Square (184 Phillip Street), Sydney NSW 2000.

A TNK Shareholder has the right to appear and be heard at the second Court hearing and may oppose the approval of the Scheme at the second Court hearing.

If you wish to oppose approval of the Scheme by the Court at the second Court hearing, you must file with the Court, and serve on Think Childcare, a notice of appearance in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Think Childcare at its address for service at least one day before the Second Court Hearing Date.

The address for service is:
c/o MinterEllison,
Rialto Towers, 525 Collins Street,
Melbourne VIC 3000,
Attention: Bart Oude-Vrielink.

Forward looking statements

Certain statements in this Explanatory Booklet are about future matters, including forward looking statements. These forward looking statements and information, including statements and information relating to Think Childcare and the transactions contemplated by the Scheme Implementation Deed, are not based solely on historical facts, but rather reflect the current expectations of Think Childcare or, in relation to Think Childcare Development Information, Think Childcare Development, the Stapled Group, concerning future results, events or other matters. These statements may sometimes be identified by the use of forward looking words or phrases such as *if, when, believe, aim, will, expect, anticipate, intend, foresee, likely, should, could, plan, may, estimate, budget, forecast, envisage, target, potential* or other similar words or phrases. Similarly, statements that describe Think Childcare's or the Stapled Group's objectives, plans, goals or expectations, estimates of future profits, costs, and expenditure are or may be forward looking statements.

The statements in this Explanatory Booklet about the impact that the Scheme may have on the results of Think Childcare's operations, the advantages and disadvantages of the Scheme are also forward looking statements.

These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results of Think Childcare or the Stapled Group to be materially different from future results, performance or achievements expressed or implied by such statements. These statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which Think Childcare and the Stapled Group will operate in the future, including anticipated costs and ability to achieve goals. Therefore forward looking statements and information should be construed in light of those limitations and undue reliance should not be placed on them.

IMPORTANT NOTICE

The historical performance of Think Childcare provides no assurance as to the future financial performance or (if the Scheme is approved and implemented) that of the Stapled Group. None of Think Childcare, TND, their respective related entities, their respective directors, nor any other person gives any representation, assurance or guarantee that the occurrence of the results or events expressed or implied in any forward looking statements and information in this Explanatory Booklet will actually occur.

The forward looking statements and information in this Explanatory Booklet reflect views held only at the date of this Explanatory Booklet.

Subject to any continuing obligations under law, Think Childcare, TND, their respective related entities, and their respective directors disclaim any obligation or undertaking to disseminate after the date of this Explanatory Booklet any updates or revisions to any forward looking statements and information to reflect any change in expectations in relation to them or any change in the events, conditions or circumstances on which they are based.

Rounding of numerical information

Any discrepancies between totals in tables and sums of components contained in this Explanatory Booklet and between those figures and figures referred to in other parts of this Explanatory Booklet are due to rounding. Except as otherwise stated, all rounded numbers have been rounded either to one decimal place or to the nearest whole number.

Privacy and personal information

Think Childcare and Think Childcare Development will need to collect personal information to implement the Scheme. This information may include the name, contact details and security holding of TNK Shareholders, and the name of persons appointed by TNK Shareholders to act as proxy, corporate representative or attorney at the Scheme Meeting and General Meeting. The primary purpose of collection of the personal information is to assist Think Childcare in the conduct of the Scheme Meeting and General Meeting and to enable the Stapling Proposal to be implemented by Think Childcare in the manner described in this Explanatory Booklet. Without this information, Think Childcare may be hindered in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the Share Registry, print and mail service providers, authorised securities brokers and to related entities of Think Childcare and the parties to the Scheme Implementation Deed.

TNK Shareholders have certain rights to access personal information that has been collected. TNK Shareholders should contact TNK's company secretary in the first instance if they wish to request access to their personal information.

TNK Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the Scheme Meeting or General Meeting should ensure that they inform that person of the matters outlined above.

No internet site is part of this Explanatory Booklet

Think Childcare maintains an internet site at http://www.thinkchildcare.com.au/. Any references in this Explanatory Booklet to that or other internet sites is for information purposes only and do not form part of this Explanatory Booklet.

Date of Explanatory Booklet

This Explanatory Booklet is dated 31 October 2019.

WHAT IS THIS EXPLANATORY BOOKLET FOR?

This Explanatory Booklet provides information to assist you in determining how to vote in relation to a proposal by Think Childcare Limited (**TNK** or **Think Childcare**) to create a stapled group comprising Think Childcare (the existing ASX listed entity) and a new entity, called Think Childcare Development Limited (**TND**). Think Childcare proposes to create the stapled group by Stapling each fully paid ordinary share in TNK (**TNK Share**) to a like number of fully paid ordinary shares in TND (**TND Share**) (**Stapling Proposal**).

The Stapling Proposal comprises a scheme of arrangement between Think Childcare and TNK Shareholders. The Stapling Proposal includes Supporting Resolutions to affect the Stapling. Think Childcare will declare a Special Dividend and direct the Special Dividend amount to be applied by Scheme Shareholders for new shares in TND. Finally, the Stapling Proposal involves the Stapling of TNK Shares to TND Shares, with the Stapled Securities to be quoted on ASX.

The Stapling Proposal is subject to the approval of TNK Shareholders, so this Explanatory Booklet includes information relevant to your decision as a TNK Shareholder whether to approve the Scheme and the Supporting Resolutions. The Supporting Resolutions comprise:

- the Constitution Replacement Resolution – the purpose of the Constitution Replacement Resolution is for TNK Shareholders to consider repealing TNK's existing constitution and replacing it with the TNK Replacement Constitution that will be appropriate to TNK's reconstructed position as a stapled entity within the Stapled Group;
- the Stapling Deed Resolution – the purpose of the Stapling Deed Resolution is for TNK Shareholders to consider approving the provision of financial benefits by TNK to related parties by giving effect to the terms of and transactions contemplated by the Stapling Deed. The Stapling Deed is between TNK and TND. The Stapling Deed provides that TNK and TND must operate on a cooperative basis for the benefit of Securityholders as a whole. The Stapling Deed will reduce the need for independent valuations, reports and Securityholder approvals where there are transactions between TNK and TND or their controlled entities; and
- the Management Deed Resolution – the purpose of the Management Deed Resolution is for TNK Shareholders to consider approving TNK entering into the Management Deed with TND. Under the Management Deed, TNK agrees to provide certain management and administrative services to TND to assist TND in its day to day operations of its business.

The Scheme Resolution and each of the Supporting Resolutions are interdependent, meaning that each resolution must be successfully passed by TNK Shareholders in order for the Stapling Proposal to be implemented.

Your Directors unanimously recommend that you vote in favour of all resolutions for the Stapling Proposal. The Independent Expert considers the potential advantages of the Stapling Proposal outweigh the potential disadvantages of the Stapling Proposal and that the Scheme is in the best interests of TNK Shareholders.

You should read this Explanatory Booklet in its entirety before voting on the Scheme and the Supporting Resolutions to implement the Stapling Proposal.

WHAT TO DO NEXT

1 Carefully read this Explanatory Booklet

This Explanatory Booklet contains information that is material to your decision whether or not to vote in favour of the Scheme and the Supporting Resolutions. You should read and consider this Explanatory Booklet, the Notice of Scheme Meeting and the Notice of General Meeting in full to help you make an informed voting decision on how to vote on the Scheme and the Supporting Resolutions.

If you have any questions in relation to the Stapling Proposal, please contact the TNK Shareholder Information Line on 1300 069 254 (within Australia) or +61 3 9415 4153 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Melbourne time).

2 Consider your alternatives

TNK Shareholders should refer to sections 1, 2, 5.4 and 7 for further guidance on the expected advantages and possible disadvantages of the Stapling Proposal and to section 7 for a description of the risks of the Stapling Proposal.

Answers to some frequently asked questions are included in section 3.

This Explanatory Booklet does not take into account the financial situation, investment objectives and particular needs of any TNK Shareholder.

3 Vote at the Scheme Meeting and the General Meeting

Your Directors urge all TNK Shareholders who are registered on the TNK Share Register at the Voting Entitlement Time (being 7.00pm (Melbourne time) on Tuesday, 3 December 2019) to vote at the Scheme Meeting and the General Meeting. The Stapling Proposal affects your investment in TNK and your vote at the Scheme Meeting and General Meeting is important in determining whether the Stapling Proposal proceeds.

Please refer to section 6 for a summary of voting procedures.

LETTER FROM THE CHAIRMAN AND MANAGING DIRECTOR OF THINK CHILDCARE

31 October 2019

Dear Shareholders

Directors unanimously recommend that TNK Shareholders vote in favour of the Stapling Proposal

On 14 August 2019, Think Childcare Limited (**Think Childcare** or **TNK**) and Think Childcare Development Limited (**Think Childcare Development** or **TND**) announced the proposed creation of a stapled structure to be known as the 'Think Childcare Group'. Your Directors, having considered various alternatives, recommend the Stapling Proposal as your Directors believe that it will facilitate Think Childcare's growth strategy of Child Care Services internally within the Stapled Group and will create a structure that enables the separation of risk associated with Trade-up Operations (being the Trade-up of New Child Care Services and Existing Child Care Services, which are intended to be predominantly undertaken through TND) from the operation of Mature Child Care Services (which are intended to be predominantly operated through TNK).

Strategic objective unchanged

Think Childcare's strategic objective is to build a sector leading Child Care Service offering by striving to achieve an 'Exceeding' level National Quality Standard, state of the art environments and a highly motivated and engaged team at each of its Child Care Services. Your Directors believe Think Childcare is well positioned to deliver on its strategy of providing premium child care services to suburban markets outside of inner city suburbs as our services are designed to provide an environment that fosters creativity for children and educators.

Following the acquisition, in October 2017, of three premium Nido Early School (**Nido**) Child Care Services, which were high occupancy and offered high quality education, as well as the Nido brand and related intellectual property, Think Childcare has embarked on transitioning each of the Child Care Services that it owns to the Nido model and brand. This has included all newly developed Child Care Services being purpose built as Nido service offerings.

What has changed?

As announced to ASX on 6 June 2019, Think Childcare's then largest incubator, Edhod (a controller of a significant majority of Think Childcare's then acquisition pipeline), was placed into receivership by its secured creditor. Although TNK expected the relevant subsidiaries of Edhod (which were not subject to the appointment of receivers) to execute on the delivery of the existing pipeline of purpose built Nido Child Care Services for TNK, the appointment of the receivers to Edhod did result in some uncertainty around the future direction of Edhod and the viability of Think Childcare's future pipeline of purpose built Nido Child Care Services.

As announced to ASX on 21 October 2019, Think Childcare entered into binding agreements with Edhod to purchase 11 Child Care Services that were at various stages of Trade-up by Edhod (**Edhod 11 Acquisition**). The agreement for the Edhod 11 Acquisition includes a term for the immediate payment by Edhod to TNK of outstanding fees and expenses owed to TNK by the Edhod group. Additionally, Think Childcare agreed to waive its call option rights to purchase the remaining Child Care Services currently in the process of Trade-up by Edhod and any future Child Care Services Traded-up by Edhod (**Edhod Pipeline**).

Think Childcare has agreed to continue to provide management services to Edhod in respect of the Edhod Pipeline (being the Services that Think Childcare has waived its call option rights to purchase) until those Services are sold by the receivers of Edhod. Think Childcare is supportive of the receivers of Edhod selling the remaining Edhod Pipeline to a third party, including to any Third Party Incubator. Think Childcare intends to work closely and cooperatively with the receivers of Edhod in relation to the sale of the Edhod Pipeline to a third party (including any Third Party Incubator), and is obliged to consider any potential agreement with a Third Party Incubator of the Edhod Pipeline in relation to providing management services to, and ultimately the acquisition of, the Services comprising the Edhod Pipeline on similar terms to Think Childcare's existing and historical relationship with Edhod.

LETTER FROM THE CHAIRMAN AND MANAGING DIRECTOR OF THINK CHILDCARE

Currently, the significant majority of Think Childcare's growth pipeline of Child Care Services (by number) is reliant on the acquisition of Child Care Services from Third Party Incubators, with Think Childcare itself limited to developing no more than four New Child Care Services per year. Your Directors consider that this limitation is likely to restrict TNK's future growth potential.

Your Directors believe that the Stapling Proposal will help to address the risk of Think Childcare's reliance on Third Party Incubators by internalising a proportion of its growth strategy within the Stapled Group by undertaking New Child Care Developments and Trade-up Operations through the separate entity in the proposed Stapled Group, Think Childcare Development. Your Directors do not intend to completely phase out undertaking New Child Care Developments through, or acquiring Mature Child Care Services from, Third Party Incubators and remain open to working with Third Party Incubators should commercially attractive opportunities arise.

Case for the Stapling Proposal

Your Directors believe that the Stapling Proposal will have the following benefits:

- provides a structural platform to allow TNK to become an operator of only Mature Child Care Services over time;
- enables the Think Childcare Group to reduce its reliance on Third Party Incubators by partially internalising New Child Care Development and Trade-up Operations in TND;
- enables the structural separation of the financing of Child Care Services in TNK from Trade-up Operations in TND, thereby expecting to optimise debt financing cost;
- allows TNK to recognise on its balance sheet a proportion of the goodwill value created through Trade-up Operations in TND;
- allows the Think Childcare Group to retain profits derived by TND from the sale of Mature Child Care Services to TNK to be, in part, funded towards TND's future development pipeline (or to otherwise distribute to Stapled Securityholders in accordance with TND's dividend policy). These profits would otherwise be paid to Third Party Incubators under TNK's existing model; and
- provides Stapled Securityholders transparency of earnings from what are intended to be Mature Child Care Services in TNK and New Child Care Development and Trade-up Operations in TND.

The Independent Expert considers the potential advantages of the Stapling Proposal outweigh the potential disadvantages of the Stapling Proposal and that the Scheme is in the best interests of TNK Shareholders.

However, TNK Shareholders should refer to section 4.3.5 for further information in relation to the Trade-up risk that TNK is likely to have on and after the Implementation Date of the Scheme and how some of the benefits set out above will not be achieved immediately (but rather over time) following implementation of the Stapling Proposal.

Stapling Proposal explained

Following the formal legal process to implement the Stapling Proposal, which requires the Scheme to be approved and the Supporting Resolutions to be passed by TNK Shareholders (and to which this Scheme Booklet relates), fully paid ordinary shares in Think Childcare (**TNK Shares**) and fully paid ordinary shares in Think Childcare Development (**TND Shares**) will be Stapled together (on a 1:1 basis) and will be quoted on ASX as a single security such that they cannot be traded or transferred separately (**Stapled Securities**).

TND will be initially capitalised by:

- a fully franked Special Dividend of $6 million to be declared by TNK to Scheme Shareholders; and
- an Inter-Company Loan of up to $7.5 million from TNK.

Under the terms of the Scheme, the Special Dividend will be applied by TNK on behalf of Scheme Shareholders as consideration for new TND Shares on the basis of one (1) new TND Share for each TNK Share held by each Scheme Shareholder (except for Foreign Scheme Shareholders) as at the Record Date for the Scheme. TNK Shareholders should note that under the terms of the Scheme, trading in unstapled TNK Shares will be suspended on the Business Day after the Effective Date. Registration of transfers of unstapled TNK Shares will cease on and from the Special Dividend Record Date.

TNK and TND will form a stapled group (**Stapled Group**) that will be admitted to the official list of the ASX under the name 'Think Childcare Group'.

LETTER FROM THE CHAIRMAN AND MANAGING DIRECTOR OF THINK CHILDCARE

Following implementation of the Stapling Proposal, capital will initially be allocated between TNK and TND in the ratio of 90:10, which TNK and TND agree reflects a fair value based on the expected capital requirements associated with the operation of Mature Child Care Services in TNK and Trade-up Operations in TND on the Implementation Date of the Scheme. Following implementation of the Stapling Proposal, capital from new issues of Stapled Securities will be allocated to reflect the market value split between TNK and TND as provided in the Stapling Deed.

TNK Shareholders do not need to do anything in relation to the Special Dividend nor make any other capital contribution in connection with the Stapling Proposal.

Disciplined strategy and execution

As at the date of this Explanatory Booklet, TND (or a wholly owned subsidiary of TND) has entered into binding agreements that are expected to provide TND with an initial pipeline of 6 Child Care Services at various stages of construction and Trade-up (**Initial TND Pipeline**).

Of these 6 Child Care Services:

- 2 relate to a landlord consenting to a change in control of existing TNK subsidiaries (from being subsidiaries of TNK to subsidiaries of TND) under the relevant agreement for lease or lease;
- 2 relate to Child Care Services that are the subject of agreements for lease (which are conditional on implementation of the Stapling Proposal) and are currently under construction with an anticipated opening date in 1HY2020; and
- the remaining 2 Child Care Services are the subject of leases and have already commenced operating under TND and will provide TND with two operating Child Care Services on implementation of the Stapling Proposal.

If the Stapling Proposal is not implemented:

- the 2 Child Care Services that are subject to a change in control approval will remain in Trade-up under TNK and TND will not proceed with acquiring each tenant entity that has entered into an agreement for lease in respect of these Child Care Services; and
- the 2 Child Care Services that are subject to agreements for lease that are conditional on implementation of the Stapling Proposal will **not** proceed unless TNK obtains the approval of its financier, Macquarie Bank, to the respective terms and conditions of the agreements for lease under the existing MBL Facility before 31 January 2020 (failing which, the agreements for lease will automatically terminate).

TNK Shareholders should note that if the Stapling Proposal is not implemented, any future Trade-up opportunities by TNK would be subject to the approval of the TNK Board and approval by Macquarie Bank under the existing MBL Facility. No assurance can be provided by the TNK Board that such approvals would be granted by Macquarie Bank should the Stapling Proposal not be implemented.

Your Directors recognise the need for TNK to continue to execute on a growth strategy and to have mechanisms in place, such as the following, to ensure this:

- the Initial TND Pipeline to seed TND with an initial pipeline of Services for Trade-up is expected to become effective on implementation of the Stapling Proposal. Your Directors expect that, if TND enters into agreements for further Services after implementation of the Stapling Proposal, no more than 10 New Child Care Services and Existing Child Care Services will be at various stages of Trade-up in TND at any point in time;
- Think Childcare, on behalf of TND, is currently in discussions with, and in the process of undertaking due diligence in relation to, 12 other potential Trade-up opportunities with the intention of expanding the TND pipeline following implementation of the Stapling Proposal;
- operational arrangements between TNK and TND will be governed by a formal Management Deed (refer to sections 5 and 12.1 for further detail in relation to these arrangements) and will be transparent to Stapled Securityholders;
- your Directors expect that the Special Dividend and the Inter-Company Loan from TNK to TND will fully fund the Initial TND Pipeline. TND will target a gearing range between 50% - 60%; and
- to secure TNK's pipeline of purpose built Nido Child Care Services, TNK has entered into binding agreements in relation to the Edhod 11 Acquisition, which provides TNK with a pipeline of 11 Child Care Services for TNK at various stages of Trade-up.

Disadvantages and risks of a stapled structure

Your Directors have identified a number of disadvantages and risks associated with the Stapling Proposal which TNK Shareholders should consider, including:

- TNK Shares and TND Shares will not be traded separately following implementation of the Stapling Proposal;
- despite precedents for a stapled structure in other sectors, this will be the first instance of an ASX listed stapled structure in the child care sector and therefore it is uncertain how the equity market will price a Stapled Security;
- the Stapled Group will incur additional corporate and operating costs;
- TND and TNK will each be separate taxable entities and income tax will be payable on the profits arising from intra-group transactions, including the sale of Services by TND to TNK;
- Foreign Scheme Shareholders cannot participate; and
- although the rationale of the Stapling Proposal is to enable the structural separation of Mature Child Care Services in TNK from New Child Care Development and Trade-up Operations in TND, on, and for a period of time following, implementation of the Stapling Proposal, TNK will remain subject to Trade-up risk associated with the Services comprising the Edhod 11 Acquisition.

Board recommendation

After considering the alternatives for Think Childcare and the advantages, disadvantages and risks associated with the Stapling Proposal, your Board considers that, in the absence of a Superior Proposal, the Stapling Proposal is in the best interest of TNK Shareholders.

Your Board unanimously recommends that, in the absence of a Superior Proposal, TNK Shareholders vote in favour of the Scheme and the Supporting Resolutions. Subject to the same qualification, each of your Directors intend to vote any TNK Shares he or she holds or controls in favour of the Scheme and the Supporting Resolutions.

Your Directors' unanimous recommendation is supported by Ernst & Young Transaction Advisory Services Limited, an independent expert, which considers the potential advantages of the Stapling Proposal outweigh the potential disadvantages of the Stapling Proposal and that the Scheme is in the best interest of TNK Shareholders.

This Explanatory Booklet contains full details of the Stapling Proposal, including its possible disadvantages and risks, that will assist you to make an informed decision about the Stapling Proposal. We encourage you to read this Explanatory Booklet carefully.

If you have any questions, please contact the TNK Shareholder Information Line on 1300 069 254 (within Australia) or +61 3 9415 4153 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Melbourne time).

On behalf of your Directors, we recommend the Stapling Proposal to you and would like to take this opportunity to thank you for your continued support of Think Childcare.

Yours sincerely

Mark Kerr

Mathew Edwards
Managing Director

Mark Kerr
Chairman

IMPORTANT DATES AND TIMES

EVENT	DATE
Date of this Explanatory Booklet	**Thursday, 31 October 2019**
First Court Hearing at which the Court made orders convening the Scheme Meeting	**10:15am on Thursday, 31 October 2019**
Last time and date by which proxy forms for the Scheme Meeting and the General Meeting must be received by the TNK Share Registry (whether in person, by mail, by fax or online)	**10:30am on Tuesday, 3 December 2019**
Time and date for determining eligibility to vote at the Scheme Meeting and General Meeting (**Voting Entitlement Time**)	**7:00pm on Tuesday, 3 December 2019**
Scheme Meeting	**10:30am on Thursday, 5 December 2019**
General Meeting	**10:30am on Thursday, 5 December 2019**

If the Stapling Proposal is approved by TNK Shareholders

EVENT	DATE
Second Court Hearing to obtain orders approving the Scheme	**10:15am (Sydney time) Thursday, 12 December 2019**
Lodgement by TNK with ASIC of the Court orders approving the Scheme (**Effective Date**)	**11:00am on Friday, 13 December 2019**
Suspension of trading in TNK Shares on ASX	**10:00am on Monday, 16 December 2019**
Record date for determining entitlements to the Special Dividend to be applied for TND Shares (**Special Dividend Record Date**)	**7:00pm on Tuesday, 17 December 2019**
Record Date for participation in the Scheme (**Record Date**)	**7:00pm on Friday, 20 December 2019**
Date on which TND Shares are issued and stapled to TNK Shares (**Implementation Date**)	**Monday, 23 December 2019**
Date for dispatch of transaction confirmation statements for Stapled Securities	**Tuesday, 24 December 2019**
Commencement of trading in Stapled Securities on ASX	**Tuesday, 24 December 2019**
Dispatch of payment to Foreign Scheme Shareholders (if any)	**Friday, 17 January 2020**

The timetable after the date of the First Court Hearing is indicative only. TNK reserves the right to vary any or all of these dates and times without notice. Certain dates and times are conditional on the approval of the Stapling Proposal by TNK Shareholders and the Scheme by the Court. All references to time in this Explanatory Booklet are to the legal time in Melbourne, Victoria, Australia (unless stated otherwise).

1 KEY REASONS TO VOTE IN FAVOUR OF THE STAPLING PROPOSAL

Nido Early School, Moonee Valley, VIC

1. KEY REASONS TO VOTE IN FAVOUR OF THE STAPLING PROPOSAL

Think Childcare Directors **UNANIMOUSLY RECOMMEND** that you **VOTE IN FAVOUR** of the Stapling Proposal.
Your Directors support the Stapling Proposal for the following key reasons:

1	Provides a structural platform to allow TNK to become an operator of only Mature Child Care Services over time
2	Enables the Think Childcare Group to reduce its reliance on Third Party Incubators by partially internalising New Child Care Development and Trade-up Operations in TND
3	Enables the separation of financing of Child Care Services in TNK from the financing of New Child Care Development and Trade-up Operations in TND, thereby expected to optimise debt financing costs
4	Allows TNK to recognise on its balance sheet a proportion of the goodwill value created through Trade-up Operations in TND
5	Allows the Think Childcare Group to retain profits derived by TND from the sale of Mature Child Care Services to TNK to be, in part, funded towards TND's future development pipeline
6	Provides Stapled Securityholders transparency of earnings from what is intended to be Mature Child Care Services in TNK and New Child Care Development and Trade-up Operations in TND
7	The Independent Expert's conclusion on the Stapling Proposal

1. KEY REASONS TO VOTE IN FAVOUR OF THE STAPLING PROPOSAL

1. Provides a structural platform to allow TNK to become an operator of only Mature Child Care Services over time

Under Think Childcare's current business model, TNK owns and operates a combination of Mature Child Care Services and Services in Trade-up that do not satisfy TNK's own criteria as a Mature Child Care Service (that is, a Service that has achieved annualised Seasonally Adjusted EBITDA of $250,000 and an average daily Occupancy Percentage equal to or greater than 75% of a period of 3 calendar months).

The Stapled Group should provide TNK with a platform that will allow it to transition the composition of its portfolio of Child Care Services over time. Through the Stapled Group, your Directors propose to transition TNK such that over time:

- TNK will own and operate solely Mature Child Care Services; and
- TND will undertake New Child Care Development and Trade-up New Child Care Services and Existing Child Services.

Accordingly, the Stapled Group is expected to enable TNK to transition the composition of its portfolio over time to own and operate solely Mature Child Care Services (which have a lower risk profile) while maintaining the Think Childcare Group's ability to retain the benefit of being able to undertake New Child Care Development and Trade-up Operations and separate the risk associated with those Services in TND.

2. Enables the Think Childcare Group to reduce its reliance on Third Party Incubators by partially internalising New Child Care Development and Trade-up Operations in TND

If the Stapling Proposal is implemented, your Directors expect that the Think Childcare Group should be able to reduce its reliance on, and the concentration risk that TNK has with, Third Party Incubators. The Stapled Group is expected to enable Think Childcare Group to facilitate a proportion of its growth strategy internally (as opposed to relying on Third Party Incubators) by undertaking New Child Care Developments and Trade-up Operations via Think Childcare Development.

Reducing Think Childcare's reliance on Third Party Incubators is considered by your Directors to be increasingly important :

- following Think Childcare's then largest incubator, Edhod (which controlled the significant majority of Think Childcare's then acquisition pipeline), being placed into receivership by its secured creditor as announced by TNK to ASX on 6 June 2019. Think Childcare has entered into binding agreements in relation to the Edhod 11 Acquisition, being the purchase of 11 Child Care Services at various stages of Trade-up by Edhod. The receivers of Edhod are seeking to sell the remainder of the pipeline of Child Care Services in Edhod (that is, the Services that do not comprise the Edhod 11 Acquisition). Accordingly, this has resulted in some uncertainty around the future direction of this Third Party Incubator and the viability of Think Childcare's future pipeline of purpose built Nido Child Care Services; and
- given that the significant majority of Think Childcare's current Child Care Service growth pipeline (by number) is reliant on the acquisition of Mature Child Care Services from Third Party Incubators.

Note, your Directors do not intend to completely phase out undertaking New Child Care Developments through, or acquiring Mature Child Care Services from, Third Party Incubators and remain open to working with Third Party Incubators should commercially attractive opportunities arise.

1. KEY REASONS TO VOTE IN FAVOUR OF THE STAPLING PROPOSAL

In addition, the Stapled Group is also expected to enhance the Think Childcare Group's ability to respond to market opportunities, being New Child Care Development and Trade-up opportunities that arise. Subject to available funding, TND is expected to have the capacity to pursue New Child Care Development and Trade-up opportunities that are value accretive for Stapled Securityholders without being constrained by the current limits on Trade-up Operations under TNK's existing debt facility with Macquarie Bank (which is further outlined in section 4.3.4(b)) or the availability of Third Party Incubator opportunities.

TNK Shareholders should also note that the risk associated with New Child Care Development (for example, relating to cost overruns) is expected to be substantially borne by the site landlord prior to a lease being signed with TND. Accordingly, TND would be exposed to the risk associated with minor tenant works (for example, relating to yard works and installing plant and equipment) and the quantum of losses incurred by TND in Trade-up of a Service. TND would also incur costs relating to management and administrative services but because these services will be provided by TNK under the Management Deed and fees charged on a cost recovery basis, the financial impact to TND is minimal.

3. Enables the separation of financing of Child Care Services in TNK from the financing of New Child Care Development and Trade-up Operations in TND, thereby expected to optimise debt financing costs

The risk profiles of New Child Care Development and Trade-up Operations, and Mature Child Care Service operations are different, and as a consequence, the terms of any related debt financing may differ.

Your Directors believe that by implementing the Stapling Proposal, TNK can establish a structure that enables the structural separation of Mature Child Care Services in TNK from New Child Care Development and Trade-up Operations in TND. Through the Stapled Group, TND and TNK are expected to be able to separately access the debt markets and, given their intended differing risk profiles, your Directors expect that Think Childcare Group will be able to optimise its debt financing.

This reflects:

- the potential for debt financiers to assess Think Childcare's earnings and cash flow given its trading history and track-record of operating Mature Child Care Services; and
- the segregation of collateral pools between TNK and TND.

The Stapling Proposal enhances the ability of both TND and TNK to separately negotiate terms with debt financiers that are more favourable to their risk profiles than alternatives considered by your Directors. Following implementation of the Stapling Proposal, TND will not require any approvals from TNK's current financier in relation to its business operations.

TNK Shareholders should note that although the Stapling Proposal is intended to enable the structural separation of Mature Child Care Services in TNK from New Child Care Development and Trade-up Operations in TND, on, and for a period of time following, implementation of the Stapling Proposal, TNK will be subject to Trade-up risk associated with the Services comprising the Edhod 11 Acquisition. TNK Shareholders should refer to section 8 for information in relation to the intended profile and risk composition of the Stapled Group on implementation of the Stapling Proposal.

4. Allows TNK to recognise on its balance sheet a proportion of the goodwill value created through Trade-up Operations in TND

Think Childcare opened five New Child Care Services that were purpose built Nido Child Care Services between January 2018 and August 2019. Under Australian Accounting Standards, these Child Care Services were recognised on TNK's balance sheet at cost rather than at the Traded-up market value (at maturity) (which is typically a higher value). If the Stapling Proposal is not implemented and TNK continues with the strategy of undertaking New Child Care Developments within TNK, the value of its future portfolio of New Child Care Services may be undervalued on its balance sheet.

If the Stapling Proposal is implemented, on the acquisition of a Mature Child Care Services from TND, TNK will be able to capitalise on its balance sheet its cost of acquiring the Mature Child Care Service from TND:

1. KEY REASONS TO VOTE IN FAVOUR OF THE STAPLING PROPOSAL

- at TNK's acquisition cost; and
- consequently, TNK's stand-alone balance sheet will reflect the goodwill arising upon the acquisition of the Mature Child Care Service, being the difference between the acquisition price and the carrying value of the assets acquired.

TNK Shareholders should note that upon the consolidation of the financial accounts of TNK and TND (TNK being the head entity of the consolidated entity), the Think Childcare Group will not report any internally generated goodwill on profits arising from intra-group transactions as they will be eliminated upon the consolidation of the TNK and TND financial statements.

5. Allows the Think Childcare Group to retain profits derived by TND from the sale of Mature Child Care Services to TNK to be, in part, funded towards TND's future development pipeline

If the Stapling Proposal is implemented, your Directors expect that Think Childcare will acquire a reduced number of New Child Care Services from Third Party Incubators as New Child Care Development and Trade-up Operations will be internalised in a separate entity in the proposed Stapled Group, Think Childcare Development.

As a result, a proportion of TNK's growth pipeline of Mature Child Care Services will be acquired from TND rather than a Third Party Incubator. The sale proceeds arising from a sale from TND to TNK will be retained within the Think Childcare Group. By way of further information:

- Think Childcare is expected to fund acquisitions from Think Childcare Development in broadly the same manner that it has historically, and will in the future, fund acquisitions from Third Party Incubators (and on broadly similar terms);
- the proceeds received by Think Childcare Development from the sale of Mature Child Care Services to Think Childcare are expected to, in part, fund the future development of New Child Care Developments and Trade-up Operations (or otherwise distributed to Stapled Securityholders in accordance with TND's dividend policy); and
- any profits retained by Think Childcare Development from the sale of a Mature Child Care Service will enhance its capital flexibility and, in turn, the Think Childcare Group.

6. Provides Stapled Securityholders transparency of earnings from what is intended to be Mature Child Care Services in TNK and New Child Care Development and Trade-up Operations in TND

If the Stapling Proposal is implemented, your Directors expect that:

- TNK and TND will prepare separate financial reports in accordance with Australian Accounting Standards and each will be subject to independent audit;
- TNK Shareholders and financiers will have transparency with regards to the earnings and financial position of TNK and TND as structurally separate entities. TNK and TND will be reported as separate cash generating units in the notes to the Think Childcare Group consolidated financial report; and
- the transparency of TNK's and TND's financial performance is expected to support debt and equity capital markets' assessment of the Think Childcare Group and may result in improved capital pricing.

TNK Shareholders should note that TNK and TND will form a consolidated group for statutory accounting purposes with TNK as the head entity. The consolidated financial report will eliminate the financial effects of all intra-group transactions.

7. The Independent Expert's conclusion on the Stapling Proposal

The Independent Expert considers the potential advantages of the Stapling Proposal outweigh the potential disadvantages of the Stapling Proposal and that the Scheme is in the best interests of TNK Shareholders.

2 KEY REASONS TO VOTE AGAINST THE STAPLING PROPOSAL

Nido Early School, Templestowe, VIC

2. KEY REASONS TO VOTE AGAINST THE STAPLING PROPOSAL

Although the Stapling Proposal is unanimously recommended by your Directors and the Independent Expert considers that the potential advantages of the Stapling Proposal outweigh the potential disadvantages of the Stapling Proposal and that the Scheme is in the best interest of TNK Shareholders, there are potential risks and disadvantages associated with the Stapling Proposal. Your Directors have identified and considered the following key potential risks and disadvantages of the Stapling Proposal.

1	The market for Stapled Securities in the child care sector is untested
2	TNK will incur transaction costs in implementing the Stapling Proposal
3	The Stapled Group will incur additional corporate and operating costs
4	TND and TNK will each be separate taxable entities and income tax will be payable on the profits arising from intra-group transactions
5	The Stapling Proposal may have adverse tax consequences for TNK Shareholders with a marginal tax rate greater than 30%
6	Foreign Scheme Shareholders cannot participate

2. KEY REASONS TO VOTE AGAINST THE STAPLING PROPOSAL

1. The market for Stapled Securities in the child care sector is untested

If the Scheme is approved by TNK Shareholders and the Court and the Supporting Resolutions are passed, TNK Shareholders will, on implementation of the Stapling Proposal, receive Stapled Securities, being TNK Shares that are Stapled to TND Shares, following the implementation of the Stapling Proposal. To date, there has been no market for Stapled Securities. The future market price of Stapled Securities is uncertain, as is the liquidity of Stapled Securities. The price of Stapled Securities will be influenced by a number of factors, some of which are outside the control of TNK and TND, including the impact of adverse changes in the child care markets in which the Think Childcare Group operates (including regulatory factors affecting the value of land and property or development opportunities) and the risks associated with the Trade-up of Child Care Services, such as vacancies and unexpected capital expenditures.

2. TNK will incur transaction costs in implementing the Stapling Proposal

TNK will incur transaction costs in implementing the Stapling Proposal, which are expected to be approximately $1.1 million to $1.3 million (exclusive of GST). These costs

primarily relate to the costs of establishing the Stapled Group, including ASX listing fees for TND (and consequently, the Think Stapled Group), advisor fees (being financial, legal, accounting and expert fees), insurance and other costs. TNK has already incurred a significant proportion of these costs in developing the Stapling Proposal to the date of this Explanatory Booklet.

3. The Stapled Group will incur additional corporate and operating costs

As TND will be separately admitted to the official list of ASX with TND Shares quoted jointly with TNK Shares (ie. as Stapled Securities), additional corporate costs will be incurred by the Think Childcare Group. These costs include an ASX listing fee for TND, annual reporting costs, audit fees, directors' fees, directors' and officers' insurance premiums, registry costs and costs associated with the secretarial function of the Stapled Group.

TNK will provide management and administrative services to TND under the Management Deed on a cost recovery basis. If alternative arrangements need to be made for TND to procure those services, this may result in additional operating costs associated with finance, information technology, payroll and other functions and services required by TND.

4. TND and TNK will each be separate taxable entities and income tax will be payable on the profits arising from intra-group transactions

The Stapling Proposal has the potential effect of generating higher aggregated (TNK plus TND) profits which if realised will lead to the incurring of a higher aggregate level of income tax payable by the Think Childcare Group.

This arises due to profits realised by TND on the sale of New Child Care Services to TNK. Tax will be payable by TND on these profits by virtue of TND and TNK being separate taxable entities.

As a result, the consolidated financial accounts of the Think Childcare Group, which will eliminate the profits arising from intra-group transactions, will likely report a disproportionate level of tax payable relative to the consolidated profits of the Think Childcare Group before tax. The benefit of any additional tax paid by TNK or TND can be passed to shareholders in the form of franking credits on dividends paid.

The tax payable by TND and TNK will increase franking credits, which will be available to be applied to frank future dividends paid by each of TND and TNK.

5. The Stapling Proposal may have adverse tax consequences for TNK Shareholders with a marginal tax rate greater than 30%

The Stapling Proposal may give rise to adverse tax consequences for TNK Shareholders. The Special Dividend of $6 million will be paid by TNK to eligible TNK Shareholders (being Scheme Shareholders) and applied on their behalf to subscribe for TND Shares. Scheme Shareholders will be taxed in respect of their pro rata share of the Special Dividend. The Special Dividend is expected to be fully franked, however Scheme Shareholders whose marginal tax rate is greater than the 30% corporate tax rate may be liable to pay additional tax in respect of the Special Dividend.

Further details of the general Australian tax implications of the Stapling Proposal are set out in section 9. You should consult your own professional adviser for an understanding of the tax implications of the Stapling Proposal.

6. Foreign Scheme Shareholders cannot participate

Foreign Scheme Shareholders cannot participate in the Stapling Proposal and will have their Stapled Securities sold by the Sale Nominee. TND Shares that would otherwise be issued to Foreign Scheme Shareholders as a result of the Special Dividend will instead be issued to the Sale Nominee. The Sale Nominee will then sell or facilitate the transfer of the Stapled Securities attributable to Foreign Scheme Shareholders. The Sale Nominee will remit to Foreign Scheme Shareholders an amount equal to the net cash proceeds in respect of Stapled Securities attributable to them.

As at the Last Practicable Date (being 18 October 2019), TNK had seven Foreign Scheme Shareholders holding (in aggregate) 106,872 TNK Shares. This represents approximately 0.18% of the total number of TNK Shares on issue as at the Last Practicable Date.

There is a risk that, in the Sale Nominee selling the Stapled Securities on ASX, the average net selling price of the Stapled Securities will be lower than the market price of TNK Shares prior to implementation of the Stapling Proposal.

The Stapling Proposal may also give rise to adverse tax consequences for Foreign Scheme Shareholders under the tax laws of the relevant foreign jurisdictions and under Australian tax law. Section 9 contains a general outline of the Australian tax consequences for Foreign Scheme Shareholders of the treatment of their shares under the Stapling Proposal. Foreign Shareholders should seek their own advice about the consequences of the Stapling Proposal under relevant tax laws of their jurisdiction.

For further information, please refer to section 7 for the risks of the Stapling Proposal.

Having carefully considered the advantages and disadvantages of the Stapling Proposal, your Directors **UNANIMOUSLY RECOMMEND** that you vote **IN FAVOUR OF THE SCHEME AND THE SUPPORTING RESOLUTIONS**, in the absence of a Superior Proposal.

3 FREQUENTLY ASKED QUESTIONS

Nido Early School, QV1, WA

3. THE STAPLING PROPOSAL – FREQUENTLY ASKED QUESTIONS

The following summary provides answers to some questions that TNK Shareholders may have in relation to the Stapling Proposal. This information is a summary only and should be read in conjunction with the remainder of this Explanatory Booklet.

QUESTION	ANSWER	WHERE CAN I FIND FURTHER INFORMATION?
3.1 STAPLING PROPOSAL		
Why have I received this Explanatory Booklet?	This Explanatory Booklet has been sent to you because you are a TNK Shareholder. The purpose of this Explanatory Booklet is to explain the terms of the Stapling Proposal and the manner in which the Stapling Proposal will be considered and implemented, and to assist you in making a decision as to whether or not to vote in favour of or against: › the Scheme at the Scheme Meeting, and › the Supporting Resolutions at the General Meeting.	Section titled *What is this Explanatory Booklet for?*
What are TNK Shareholders being asked to consider?	If you are a TNK Shareholder at the Voting Entitlement Time, you are being asked to consider and vote on a proposal under which Think Childcare and Think Childcare Development, an entity currently wholly owned by TNK, will create a Stapled Group. Your Directors believe that the Stapled Group should facilitate TNK's growth strategy by partially bringing the incubation of New Child Care Developments and Trade-up Operations through a separate entity in the proposed Stapled Group, TND (or a wholly owned subsidiary of TND). The Stapling Proposal is proposed to be implemented by way of the Scheme, the Special Dividend and the Supporting Resolutions which will result in Scheme Shareholders holding Stapled Securities in the Stapled Group. Scheme Shareholders (but excluding Foreign Scheme Shareholders) will retain their TNK Shares and be entitled to receive one TND Share for each TNK Share held at the Record Date. TNK Shareholders should note that under the terms of the Scheme, trading in unstapled TNK Shares will be suspended on the Business Day after the Effective Date. Registration of transfers of unstapled TNK Shares will cease on and from the Special Dividend Record Date. As a result of the Stapling Proposal, TND will become a separate entity wholly owned by Scheme Shareholders who will hold TND Shares together with an equal number of TNK Shares, which will be Stapled together and quoted on ASX as Stapled Securities to be traded as a single security.	Section 3 and 5
How do the Scheme Resolutions and Supporting Resolutions required to implement the Stapling Proposal inter-relate?	In order for the Stapling Proposal to be implemented, TNK Shareholders must pass the Scheme Resolution at the Scheme Meeting and each of the Supporting Resolutions at the General Meeting by the required majorities. The Supporting Resolutions comprise: › the Constitution Replacement Resolution; › the Stapling Deed Resolution; and › the Management Deed Resolution. The Scheme Resolution and each of the Supporting Resolutions are inter-dependent, meaning that each resolution must be passed by TNK Shareholders before the Stapling Proposal can be implemented.	Section 5.2.1

3. THE STAPLING PROPOSAL – FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	WHERE CAN I FIND FURTHER INFORMATION?
What is the Scheme?	The Scheme is a scheme of arrangement between TNK and TNK Shareholders under Part 5.1 of the Corporations Act. The Scheme involves TNK Shares being Stapled to TND Shares on a one for one basis which will restrict the transfer of TNK Shares unless a like number of TND Shares are transferred at the same time to the same transferee. TNK Shareholders will be asked to approve the Scheme at the Scheme Meeting.	Section 11.2
What is the Special Dividend and Inter-Company Loan?	**Special Dividend** The Stapling Proposal will be effected by the Scheme and implemented by the Special Dividend and Inter-Company Loan. On implementation of the Stapling Proposal, TNK will declare a fully franked Special Dividend in the aggregate amount of $6 million which will be applied on behalf of Scheme Shareholders to subscribe for new TND Shares. Scheme Shareholders will not receive or be able to elect to receive the Special Dividend in cash. Under the terms of the Scheme, the Special Dividend will be automatically applied on behalf of Scheme Shareholders as consideration for the issue of new TND Shares to Scheme Shareholders on the basis of one (1) new TND Share for every one (1) TNK Share held by Scheme Shareholders at the Record Date. TNK Shareholders should note that under the terms of the Scheme, trading in TNK Shares will be suspended between the Special Dividend Record Date and the Record Date (inclusive). On implementation of the Stapling Proposal, each TNK Share will be Stapled to a TND Share and will be quoted on ASX as a single security. The Special Dividend is conditional on the Scheme becoming Effective. TNK will not declare or pay the Special Dividend unless the Scheme becomes Effective. If the Scheme does not become Effective, TNK has no present intention to declare the Special Dividend to TNK Shareholders. **Inter-Company Loan** The Inter-Company Loan is a loan of up to $7.5 million from TNK to TND which is intended to be used, in addition to the Special Dividend, to fund the Initial TND Pipeline.	Sections 4.3.4 and 11.1.3
Who is TND?	TND was incorporated on 29 July 2019 as a public company limited by shares and is currently a wholly owned subsidiary of TNK. TND will act as an incubator of New Child Care Services and Existing Child Care Services on behalf of, and to be managed by, TNK in accordance with a Management Deed to be entered into between TNK and TND. *Continued over*	Section 4.1.2

3. THE STAPLING PROPOSAL – FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	WHERE CAN I FIND FURTHER INFORMATION?
Who is TND? *Continued*	Once TND has Traded-up a Child Care Service such that certain operating performance criteria have been satisfied to enable a 'Trigger Event' under the relevant Centre Management Deed, TNK will have a right to purchase the Child Care Service at a pre-agreed acquisition multiple. TND will initially be capitalised with the proceeds of the Special Dividend and the Inter-Company Loan of up to $7.5 million from TNK (further details of the Inter-Company Loan is set out in section 4.3.4). TNK Shareholders on the Record Date (other than Foreign Scheme Shareholders), described in the Scheme as Scheme Shareholders, will be the initial TND Shareholders on implementation of the Scheme. TNK Shareholders should note that under the terms of the Scheme, trading in unstapled TNK Shares will be suspended on the Business Day after the Effective Date. Registration of transfers of unstapled TNK Shares will cease on and from the Special Dividend Record Date.	
What is the Initial TND Pipeline?	As at the date of this Explanatory Booklet, TND has entered into binding agreements in respect of 6 proposed Child Care Services that are expected to comprise the Initial TND Pipeline. These Services are set out in further detail in section 8. The agreements necessary to establish the Initial TND Pipeline are not a condition to implementation of the Stapling Proposal and do not require separate TNK Shareholder approval. Accordingly, the Stapling Proposal will proceed even if some or all of the Initial TND Pipeline does not proceed. 2 of the Child Care Services in the Initial TND Pipeline are not conditional on the Scheme and will proceed irrespective of whether the Stapling Proposal is implemented. The 2 Child Care Services that are subject to agreements for lease that are conditional on implementation of the Stapling Proposal will not proceed unless TNK obtains the approval of Macquarie Bank to the respective terms and conditions of the agreements for lease under the existing MBL Facility before 31 January 2020 (failing which, the agreements for lease will automatically terminate). The remaining 2 Child Care Services are the subject of an agreement for lease entered into by subsidiaries of TNK that are proposed to be acquired by TND on implementation of the Stapling Proposal (and which a consent to change of control will be required from the respective landlords of those Services). If the Stapling Proposal does not proceed the TNK subsidiaries will remain under TNK and the relevant 2 Child Care Services will remain in Trade-up by TNK. Your Directors believe that the consolidation of TNK and TND in a well capitalised stapled investment vehicle should itself provide a sufficient basis to create a platform from which the Think Childcare Group can grow. TNK Shareholders should be aware that TND is currently in discussions with, and in the process of undertaking due diligence in relation to, 12 other Trade-up opportunities with the intention of expanding the TND pipeline. TNK will provide an update in relation to these matters should they progress to binding agreements or if they are required to be disclosed in accordance with TNK's disclosure obligations.	Section 5.7

3. THE STAPLING PROPOSAL - FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	WHERE CAN I FIND FURTHER INFORMATION?
What is the Edhod 11 Acquisition?	As announced to ASX on 21 October 2019, TNK has entered into binding agreements with Edhod to acquire 11 Child Care Services that were at various stages of Trade-up by Edhod (**Edhod 11 Acquisition**). TNK (or wholly owned subsidiaries of TNK) is expected to complete the Edhod 11 Acquisition on or around 31 October 2019. As announced to ASX on 6 June 2019, Edhod has been placed into receivership by its secured creditors. When receivers were appointed to Edhod, it was then one of TNK's largest Third Party Incubators and controlled the significant majority of TNK's acquisition pipeline. Accordingly, and for certain other reasons set out in detail in section 8.2.3, TNK has decided to purchase the Edhod 11 Child Care Services and Trade-up these Services under TNK.	Section 8.2
What are the key conditions that need to be satisfied before the Stapling Proposal can proceed?	The key conditions that must be satisfied (which cannot be waived) are: › TNK Shareholders approving the Scheme at the Scheme Meeting; › TNK Shareholders passing the Supporting Resolutions at the General Meeting; and › the Court approving the Scheme. The Stapling Proposal is subject to a number of other conditions, which include regulatory approvals and relief from ASIC and ASX.	Section 5.7
If the Stapling Proposal is implemented, what will be the effect?	If the Stapling Proposal proceeds: › TNK and TND will comprise a Stapled Group such that each TNK Share will be Stapled to a TND Share to form a Stapled Security which will be traded as a single security on ASX; › Scheme Shareholders will be issued one TND Share for each TNK Share they hold at the Record Date. TNK Shareholders should note that under the terms of the Scheme, trading in unstapled TNK Shares will be suspended on the Business Day after the Effective Date. Registration of transfers of unstapled TNK Shares will cease on and from the Special Dividend Record Date. Scheme Shareholders will not be required to pay any additional money for Stapled Securities above their pro rata entitlement to the Special Dividend; and › the agreements relating to the Child Care Services that comprise the Initial TND Pipeline will become effective and TND will be seeded with an initial development pipeline of New Child Care Developments and New Child Care Services.	Section 11.2

3. THE STAPLING PROPOSAL – FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	WHERE CAN I FIND FURTHER INFORMATION?
What happens if the Stapling Proposal is not approved?	If the Stapling Proposal is not approved: › TNK will continue as it currently does and TNK Shares will continue to trade on ASX as a standalone security; › you will retain your current investment in TNK Shares and continue to be exposed to the benefits and risks presently associated with an investment in TNK. These risks include general risks of holding shares and risks that are specific to TNK's business; › the costs incurred in implementing the Stapling Proposal, which are expected to be approximately $1.1 million to $1.3 million (exclusive of GST) (reflecting legal, taxation, valuation, financial advisory and independent expert costs), will be borne by TNK. TNK has already incurred a significant proportion of these costs in developing the Stapling Proposal to the date of this Explanatory Booklet. These costs will be reflected in TNK's future financial statements; › only two of the agreements for the Child Care Services comprising the Initial TND Pipeline will proceed on the basis that the remaining four are conditional on the Stapling Proposal being implemented; and › as it is not conditional on the Stapling Proposal being implemented, the Edhod 11 Acquisition will proceed unaffected.	Section 5.5.4
What is a Stapled Security?	Stapled Securities will comprise one fully paid ordinary share in TNK and one fully paid ordinary share in TND such that: › each TNK Share and TND Share will be quoted on ASX and will only be able to be traded and transferred as a single Stapled Security; and › TNK and TND will operate as a single economic group to be known as Think Childcare Group.	Section 5.3
When will Stapling occur?	Each TNK Shareholder on the Record Date (other than Foreign Scheme Shareholders), described in the Scheme as Scheme Shareholders, will be entitled to the Special Dividend which will be automatically applied by TNK on their behalf for TND Shares. TNK Shareholders should note that under the terms of the Scheme, trading in unstapled TNK Shares will be suspended on the Business Day after the Effective Date. Registration of transfers of unstapled TNK Shares will cease on and from the Special Dividend Record Date. TND Shares will be issued on the Implementation Date and will be Stapled on a one for one basis to TNK Shares at that time. An application to list TND and quote the Stapled Securities on ASX will be made within 7 days after the date of this Explanatory Booklet. Stapled Securities are expected to commence trading on ASX at 10:00am on Tuesday, 24 December 2019.	Section 11.6.3

3. THE STAPLING PROPOSAL - FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	WHERE CAN I FIND FURTHER INFORMATION?
What happens if the TNK Board receives a Superior Proposal?	Since the Stapling Proposal was announced on 14 August 2019 to the date of this Explanatory Booklet, no Superior Proposal has emerged. As at the date of this Explanatory Booklet, the TNK Board has no basis for believing that a Superior Proposal will be received. Your Directors will inform you of any material developments in relation to any Superior Proposal that may emerge. TNK may consider and respond to unsolicited proposals that may lead to a competing transaction where the Directors act in good faith and to satisfy their legal duties. If TNK receives a Superior Proposal which the TNK Directors determine to recommend or support, TNK may terminate the Scheme Implementation Deed and not proceed with the Stapling Proposal.	Section 5.5.2
Can Stapled Securities be 'unstapled'?	Yes. It is possible for the Stapled Securities to become 'unstapled'. However, TNK may not unstaple the Stapled Securities unless: › the holders of Stapled Securities approve the 'unstapling' by special resolution; › either TNK or TND becomes insolvent or commences winding up; or › Stapling becomes unlawful or prohibited by the Listing Rules.	Section 12.2
What is the cost of the Stapling Proposal?	If it is approved and implemented, the total cost of the Stapling Proposal is expected to be approximately $1.1 million to $1.3 million (exclusive of GST). TNK has already incurred a significant proportion of these costs in developing the Stapling Proposal to the date of this Explanatory Booklet. These costs included expenses relating to legal, accounting, taxation, other advisory and ASX fees, and miscellaneous other expenses.	Section 2
What are my choices?	If you are a TNK Shareholder, your principal choices are to: › vote in favour of the Scheme at the Scheme Meeting and in favour of the Supporting Resolutions at the General Meeting, with both meetings to be held on Thursday, 5 December 2019. This is the course of action unanimously recommended by your Directors in the absence of a Superior Proposal and supported by the conclusion of the Independent Expert; › vote against the Scheme at the Scheme Meeting and the Supporting Resolutions at the General Meeting; › sell your TNK Shares prior to the Scheme Meeting and General Meeting to be held on Thursday, 5 December 2019 or prior to the cessation of trading in unstapled TNK Shares (scheduled to be close of trading on 13 December 2019); or › do nothing.	

3. THE STAPLING PROPOSAL - FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	WHERE CAN I FIND FURTHER INFORMATION?
Can I be forced to accept Stapled Securities?	Yes. If all of the conditions and approvals for the Stapling Proposal are satisfied or waived (as applicable), the Stapling Proposal will bind all Scheme Shareholders, including those who vote against it (or those who do not vote at all). In these circumstances, Scheme Shareholders will receive TND Shares which will be stapled to TNK Shares on a one (1) for one (1) basis by operation of the Scheme and the Stapling Deed.	Section 5.5.3
3.2 SCHEME MEETING AND GENERAL MEETING		
When and where is the Scheme Meeting and General Meeting?	The Scheme Meeting and the General Meeting will be held at the offices of MinterEllison, Level 23, 525 Collins Street, Melbourne VIC 3000, Australia on Thursday, 5 December 2019, commencing with the Scheme Meeting at 10:30am. The General Meeting will also commence at 10:30am on Thursday, 5 December 2019 or as soon as reasonably practicable after the Scheme Meeting concludes or is adjourned (whichever time is later).	
Is voting compulsory at the Scheme Meeting and General Meeting?	Voting is not compulsory. However, the TNK Board believes that the Stapling Proposal is important to all TNK Shareholders and urges you to read this Explanatory Booklet and exercise your right to vote on the Stapling Proposal. Your vote is important and is your opportunity to have your say on the success or failure of the Stapling Proposal.	Section 11
What if I cannot or do not wish to attend the Scheme Meeting or General Meeting?	If you cannot or do not wish to attend the Scheme Meeting or the General Meeting, you may appoint a proxy, attorney or representative to attend the meetings on your behalf. Details of how these appointments may be made are contained in section 6 and in the notes to the notice convening the Scheme Meeting in Appendix 3 and the notice convening the General Meeting in Appendix 4 to this Explanatory Booklet. A separate proxy form for each meeting is included with this Explanatory Booklet.	Section 6
How do I vote?	You may vote: › in person by attending the Scheme Meeting and General Meeting; › by appointing a proxy to attend and vote on your behalf by completing and lodging the proxy form for each meeting accompanying this Explanatory Booklet; or › in the case of a corporate TNK Shareholder, by a corporate representative.	Section 6

3. THE STAPLING PROPOSAL - FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	WHERE CAN I FIND FURTHER INFORMATION?
What voting majority is required to approve the Scheme and Supporting Resolutions?	**Scheme Resolution** For the Scheme Resolution to be passed, the following votes must be received from: › unless the Court orders otherwise, a majority of the total number of TNK Shareholders present and voting at the Scheme Meeting (in person or by proxy, corporate representative or attorney); and › at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by TNK Shareholders (in person or by proxy, corporate representative or attorney). The Court has the discretion to waive the requirement for a majority of the TNK Shareholders by number to vote in favour of the Scheme Resolution. If the Scheme Resolution is not passed by TNK Shareholders or the Scheme is not approved by the Court, the Scheme will not proceed. **Supporting Resolutions** For the Supporting Resolutions to be passed, the following votes must be received from: › for the Constitution Replacement Resolution, at least 75% of the total number of votes cast on the Constitution Replacement Resolution at the General Meeting by TNK Shareholders (in person or by proxy, corporate representative or attorney); › for the Management Deed Resolution, a majority of the total number of the votes cast on the Management Deed Resolution at the General Meeting by TNK Shareholders (in person or by proxy, corporate representative or attorney); and › for the Stapling Deed Resolution, a majority of the total number of the votes cast on the Stapling Deed Resolution by TNK Shareholders (in person or by proxy, corporate representative or attorney).	Section 11.2.3 and 11.3.3
Who can vote at the Meetings?	TNK Shareholders who are registered on the TNK Share Register at 7:00pm on Tuesday, 3 December 2019 are entitled to vote on the Scheme Resolution at the Scheme Meeting and the Supporting Resolutions at the General Meeting.	Section 6
Can I continue to trade TNK Shares?	Yes, you will be able to trade TNK Shares on ASX until the Scheme becomes Effective, which is expected to be 4:00pm (Melbourne time) on or around Friday, 13 December 2019 if the Scheme Resolution and each of the Supporting Resolutions are passed and the Scheme is approved by the Court. Further details on when trading in TNK Shares will cease are set out in section 11.	Section 11

3. THE STAPLING PROPOSAL – FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	WHERE CAN I FIND FURTHER INFORMATION?
3.3 IMPLEMENTATION OF THE STAPLING PROPOSAL		
What will the Stapled Group be called?	The Stapled Group will be named Think Childcare Group.	
What are the expected benefits of the Stapled Group?	See section titled *'Key reasons to vote in favour of the Stapling Proposal'* for reasons why the TNK Directors recommend that you vote in favour of the Stapling Proposal, in the absence of a Superior Proposal. Section 1 includes a statement of the expected benefits of the Stapling Proposal to form the Stapled Group.	Section titled *Key reasons to vote in favour of the Stapling Proposal*
What are the expected disadvantages and risks of the Stapled Group?	See section titled *'Key reasons to vote against the Stapling Proposal'* for reasons why you might wish to vote against the Stapling Proposal.	Section titled *Key reasons to vote against the Stapling Proposal*
Who will be on the Stapled Group's Board?	The TNK Board will initially remain the same comprising four directors namely Mark Kerr, Mathew Edwards, Evonne Collier and Joe Dicks. The TND Board will initially comprise four directors namely Mark Kerr, Mathew Edwards, Joe Dicks and Michael Doble.	Section 4.4
What will be the strategy for the Stapled Group?	See section titled *'Letter from the Chairman and Managing Director of Think Childcare'* for further details in relation to the vision and strategy for the Stapled Group.	
What happens if the Scheme becomes Effective?	Trading in TNK Shares on ASX will be suspended from the close of trading (4.00pm (Melbourne time)) on the Effective Date (currently expected to be Friday, 13 December 2019). Stapled Securities will commence trading on ASX on the trading day after the Implementation Date (currently expected to be Monday, 23 December 2019, however this date may change).	Section 11
What happens after the Implementation Date?	On the Implementation Date, Scheme Shareholders will be issued one TND Share for each TNK Share they hold as at the Record Date and the Stapled Group will be formed with Stapled Securities that will be traded on ASX as a single security. TNK Shareholders should note that under the terms of the Scheme, trading in unstapled TNK Shares will be suspended on the Business Day after the Effective Date. Registration of transfers of unstapled TNK Shares will cease on and from the Special Dividend Record Date. The Implementation Date is currently expected to be Monday, 23 December 2019, however this is subject to change.	Section 11

3. THE STAPLING PROPOSAL - FREQUENTLY ASKED QUESTIONS

QUESTION	ANSWER	WHERE CAN I FIND FURTHER INFORMATION?
What are the implications for TNK's existing dividend reinvestment plan?	Subject to implementation of the Stapling Proposal, it is intended that the Think Childcare Group will replace TNK's existing dividend reinvestment plan with a new dividend reinvestment plan in respect of Stapled Securities. Under the proposed new dividend reinvestment plan for Think Childcare Group, Stapled Securityholders will have a right to elect to reinvest all or a proportion of the dividends declared by the Think Childcare Group for new Stapled Securities. The proposed new dividend reinvestment plan for the Think Childcare Group is intended to be on substantially the same terms as TNK's existing dividend reinvestment plan.	Sections 11.5 and 12.2
What are the taxation implications of the Stapling Proposal?	Section 9 contains an outline of the general taxation consequences of the Stapling Proposal for TNK Shareholders. The description of tax matters in section 9 is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any TNK Shareholder. You should seek your own specific taxation advice for your individual circumstances. The Stapling Proposal may have adverse tax consequences for TNK Shareholders with a marginal tax rate greater than 30%.	Section 9
Further information?	The information in this table is a summary only. Full details of the Stapling Proposal are set out in the remainder of this Explanatory Booklet. Please read it carefully. If, after reading this Explanatory Booklet, you have any questions about the Stapling Proposal, please call the TNK Shareholder Information Line on 1300 069 254 (within Australia) or +61 3 9415 4153 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time). Your Directors recommend that you consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.	

4 INFORMATION ABOUT THE PROPOSED STAPLED GROUP

Nido Early School, Lakelands, WA

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

4.1 Overview

4.1.1 Think Childcare

Think Childcare listed on ASX in October 2014. TNK owns, manages and operates Child Care Services in Australia for children aged from six weeks up to six years old. On listing, TNK owned and operated 30 Child Care Services that, as at the Last Practicable Date, has grown to 85 long day Child Care Services in Australia, of which 61 are owned and operated by TNK[1]. This growth was achieved through a combination of acquisitions from Third Party Incubators, undertaking New Child Care Developments under TNK and entering into agreements to manage and operate third-party owned Child Care Services.

FIGURE 1: GROWTH IN CHILD CARE SERVICES SINCE IPO

The diagram below demonstrates that, since the IPO of Think Childcare, the Company's growth has been heavily reliant on Third Party Incubators:

4.1.2 Think Childcare Development

On 29 July 2019, Think Childcare Development was incorporated as an Australian public company limited by shares with TNK as its sole shareholder holding one redeemable preference share issued for nominal consideration of $1.00. If the Stapling Proposal is implemented, the redeemable preference share held by TNK will be redeemed.

As at the date of this Explanatory Booklet, TND owns and operates two New Child Care Services (which both opened in October 2019). In addition, TND has:

- entered into share sale agreements with a subsidiary of TNK to acquire all of the issued share capital in two TNK subsidiaries that are parties to agreements for lease and lease with landlords of two New Child Care Services; and
- entered into agreements for lease with landlords that are conditional on implementation of the Stapling Proposal for an additional two New Child Care Services.

1 2 Child Care Services are currently owned and operated by TND as a wholly owned subsidiary of TNK. Following implementation of the Stapling Proposal, these 2 Child Care Services will be owned and operated by TND as a component to the Stapled Group and accordingly, the number of Child Care Services owned and operated by TNK will reduce by 2.

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

The share sale agreements and, accordingly, the transfer of the issued share capital in the two TNK subsidiaries to TND, are subject to each respective landlord's consent to a change of control and the Scheme becoming Effective. The two remaining agreements for lease with landlords are conditional on implementation of the Stapling Proposal or the consent of Macquarie Bank to the terms and conditions of the agreements for lease under the MBL Facility and accordingly, if the Stapling Proposal does not proceed, or Macquarie Bank do not consent to the agreements for lease, TNK will not proceed with these two Child Care Services. Other than these activities, TND has not traded or otherwise incurred any obligations or liabilities.

4.2 Strategic objectives

Think Childcare's strategic objective is to build a sector leading Child Care Service offering by striving to achieve:

- an 'Exceeding' level National Quality Standard from ACECQA;
- state of the art environments; and
- a highly motivated and engaged team, at each of Think Childcare's Child Care Services.

Think Childcare is well positioned to deliver a premium service to suburban markets as our services are designed to provide an environment that fosters creativity for both children and educators.

Following the acquisition, in October 2017, of three premium Nido Early School (**Nido**) Child Care Services, which were high occupancy and offered high quality education, as well as the Nido brand and related intellectual property, Think Childcare has embarked on transitioning each of the Child Care Services it owns to the Nido model and brand. This has included all New Child Care Services being purpose built Nido services offerings.

The Company's internal data strongly suggests that purpose built Nido services are capable of Trading-up more quickly than other Child Care Services that the Company has either acquired (ie. from a Third Party Incubator or from a third party owner of an Existing Child Care Service) or developed. The Company's internal data also suggests that purpose built Nido services achieve a higher level of occupancy than Child Care Services which have only been transitioned to Nido.

FIGURE 2: THINK CHILDCARE PORTFOLIO AS AT 10 OCTOBER 2019

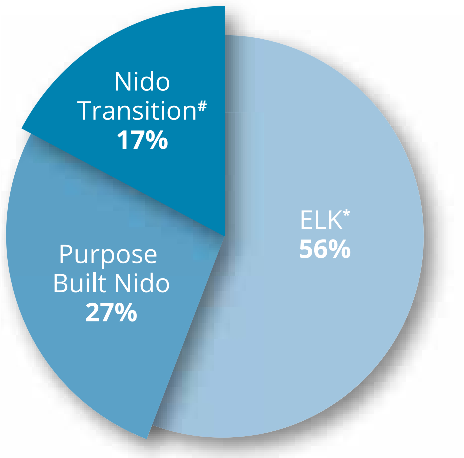
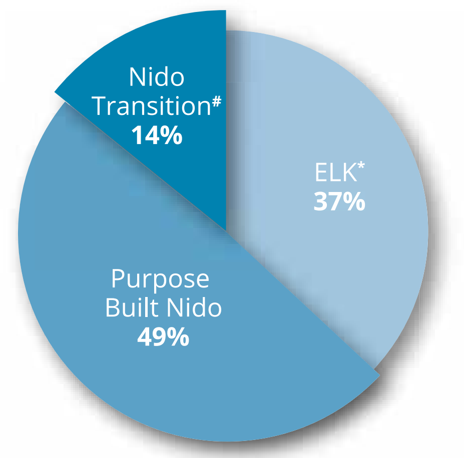


FIGURE 3: PRO FORMA THINK CHILDCARE PORTFOLIO FOLLOWING COMPLETION OF THE EDHOD 11 ACQUISITION AND DELIVERY OF THE INITIAL TND PIPELINE



Nido Transition means Child Care Services owned and operated by TNK which it is currently transitioning from its ELK* model and branding to Nido; and

* ELK means an ELK Child Care Service.

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

TNK's current growth strategy is to acquire and integrate Child Care Services from Third Party Incubators that have been identified on the basis of strict acquisition criteria. Once acquired, TNK's strategy is to optimise the performance of those Child Care Services in addition to management services it has contracted to provide to third-party owned Child Care Services, to increase each Child Care Service's profitability. TNK's optimisation strategy involves:

- the provision of a uniform, high quality standard of care across all of its Child Care Services;
- group compliance programs, which takes away a significant administrative burden at the service level;
- empowerment of decision makers at the regional and individual Child Care Service level;
- localised marketing programs to maintain and/or increase occupancy; and
- controlling costs, including taking advantage of group buying opportunities (if available).

To achieve its optimisation strategy, your Directors have decided to transition each of the Child Care Services it owns and operates to the Nido model and branding.

TNK does not own the real property on which the Child Care Services that it owns or manages are located. Rather, each of the Child Care Services are operated on property leased to a member of the Think Childcare Group, which materially reduces up-front establishment costs and enables TNK to focus on the operation of its Child Care Services rather than managing a property portfolio.

4.3 The Stapling Proposal

4.3.1 Rationale for the Stapling Group

Under Think Childcare's current business model, TNK owns and operates a combination of Mature Child Care Services and Services at various stages of Trade-up that do not satisfy TNK's criteria as a Mature Child Care Service (that is, a Service that has achieved annualised Seasonally Adjusted EBITDA of $250,000 and an average daily Occupancy Percentage equal to or greater than 75% over a period of three calendar months). Your Directors believe that the Stapling Proposal will have the following benefits:

- provides a structural platform to allow TNK to become an operator of only Mature Child Care Services over time;
- enables the Think Childcare Group to reduce its reliance on Third Party Incubators by Think Childcare Development's delivery of purpose built New Child Care Services and Trade-up Operations under the Nido brand. In June 2019, Think Childcare's then largest incubator, Edhod (which controlled the significant majority of Think Childcare's acquisition pipeline), was placed into receivership by its secured creditors. Think Childcare has entered into binding agreements in relation to the Edhod 11 Acquisition, being the purchase of 11 Child Care Services at various stages of Trade-up by Edhod. The receivers of Edhod are seeking to sell the remainder of the pipeline of Child Care Services in Edhod (that is, the Services that do not comprise the Edhod 11 Acquisition). Accordingly, this has resulted in some uncertainty around the future direction of this Third Party Incubator and the viability of Think Childcare's future pipeline of purpose built Nido Child Care Services;
- enables the structural separation of the financing of Child Care Services in TNK from Trade-up Operations in TND, thereby potentially delivering a lower risk profile to Think Childcare and a lower overall debt financing cost;
- allows TNK to recognise on its balance sheet a proportion of the goodwill value created through Trade-up Operations in TND; and
- allows the Think Childcare Group to retain profits derived by TND from the sale of Mature Child Care Services to TNK to be, in part, funded towards TND's future development pipeline (or to otherwise distribute to Stapled Securityholders in accordance with TND's dividend policy). These profits would otherwise be paid to Third Party Incubators under TNK's existing model.

These expected benefits are explained in further detail in the section titled *'Key Reasons to vote in favour of the Stapling Proposal'* in section 1.

TNK Shareholders should also refer to section 8.2 for further information in relation to the Trade-up risk that TNK is likely to have on and after the Implementation Date and how some of the benefits set out above will not be achieved immediately on implementation of the Stapling Proposal.

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

4.3.2 Key features of the Stapled Group

The Stapling Proposal exhibits certain important features, which are detailed below.

a) **Financing reporting**

Think Childcare and Think Childcare Development will both be reported separately and on a consolidated basis with Think Childcare as the head entity of the consolidated group.

The financial statements of Think Childcare will include the goodwill recognised from the acquisition of Mature Child Care Services from Think Childcare Development.

The financial statements of Think Childcare Development will include the sale profits recognised from the sale of Mature Child Care Services to Think Childcare.

The separate reporting of Think Childcare and Think Childcare Development should enable their financiers to assess the entities on a stand-alone basis.

Think Childcare and Think Childcare Development will also qualify as an accounting group and will be reported on a consolidated basis with Think Childcare as the head of the consolidated entity.

The consolidated financial statements of the Stapled Group will eliminate the financial benefits of any intra-group transactions (e.g. goodwill and profit from sale of the Services).

b) **Financing structure and security groups**

Segregation of debt funding (and security) is a key feature of the Stapling Proposal as it enables Think Childcare and Think Childcare Development to enhance and optimise their access to finance. This segregation is critical for both entities but particularly for Think Childcare as the operation of Mature Child Care Services is expected to represent the significant majority of the Stapled Group's portfolio.

c) **Tax consolidation**

Think Childcare and Think Childcare Development will each be separate tax consolidated groups with each of Think Childcare and Think Childcare Development responsible for their tax obligations (and there is no cross collateralisation).

4.3.3 Role of Think Childcare and Think Childcare Development

a) **Think Childcare**

Following implementation of the Stapled Group, Think Childcare intends to:

- over time, have reduced exposure to the Trade-up risk associated with New Child Care Development and Trade-up Operations and will predominantly operate only Mature Child Care Services[2];
- cease to be permitted to undertake, and will no longer undertake, the 2-4 New Child Care Developments that it is currently permitted to undertake under the existing MBL Facility (see section 4.3.4(b) below);
- continue to derive earnings from operating Child Care Services;
- continue to provide management services to Third Party Incubators and will commence providing management services to Think Childcare Development; and
- continue to acquire Mature Child Care Services purpose built in accordance with the Nido model and brand from both TND and Third Party Incubators.

b) **Think Childcare Development**

Following implementation of the Stapled Group, Think Childcare Development intends:

- through wholly owned subsidiaries of TND established for this purpose, to lease and assume the role as tenant under agreements for lease and leases of various New Child Care Developments, New Child Care Services and Existing Child Care Services;
- to engage Think Childcare to provide management services pursuant to a Centre Management Deed for each Child Care Service it (or a wholly owned subsidiary) owns and operates;
- to undertake limited tenant works (that is generally only associated with the fit-out, upgrade of yards and learning resources of a Child Care Service);
- on behalf of the Stapled Group, except as otherwise disclosed in Section 8.2 of this Explanatory Booklet

2 As set out in further detail in section 8.2, TNK is scheduled to complete the Edhod 11 Acquisition on 31 October 2019. On completion, each of the Edhod 11 Child Care Services will be at various stages of Trade-up. Although the Edhod 11 Child Care Services relate to Trade-up Operations, these Services will be acquired by and operated under TNK.

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

in relation to the Edhod 11 Child Care Services to be acquired by TNK, to take on the risks associated with, and undertake, Trade-up Operations until each Service in Trade-up becomes a Mature Child Care Service and following a Trigger Event (ie. satisfaction of certain acquisition conditions under the relevant Centre Management Deed for that Service) is sold to Think Childcare. Following a Trigger Event, Think Childcare Development (or its relevant wholly owned subsidiary) will be required to enter into a business sale contract to effect the sale of the relevant Mature Child Care Service to Think Childcare (or a wholly owned subsidiary of Think Childcare);

- to generate revenue and earn profit from the sale of Mature Child Care Services to Think Childcare; and
- to reinvest a proportion of the profits derived from the sale of Mature Child Care Services to Think Childcare to fund TND's future pipeline of Nido Child Care Services (or otherwise distribute to Stapled Securityholders in accordance with TND's dividend policy).

4.3.4 Financing structure pre and post-implementation of the Stapling Proposal

a) Initial capitalisation of TND

Your Directors expect that TND will initially be capitalised by:

- the proceeds of the $6 million fully franked Special Dividend to be declared and applied on behalf of TNK Shareholders as consideration for new TND Shares to be Stapled to TNK Shares; and
- the Inter-Company Loan of up to $7.5 million from TNK.

Your Directors expect that the Special Dividend and the Inter-Company Loan from TNK will be sufficient to fully fund the Initial TND Pipeline.

TNK Shareholders should refer to the accounting and taxation consequences of the Special Dividend and Inter-Company Loan, which are detailed in sections 9 and 10.2 of this Explanatory Booklet.

b) TNK's existing debt facilities

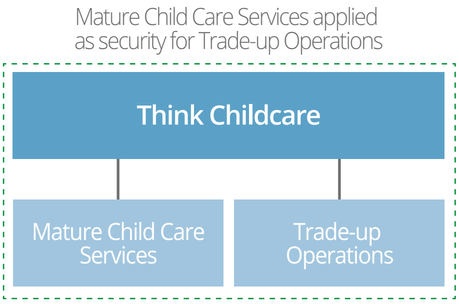
Under Think Childcare's existing debt facility agreement with Macquarie Bank dated 27 June 2018 (**MBL Facility**), Think Childcare is restricted from pursuing more than approximately 2-4 New Child Care Developments each year, which are defined as 'Permitted Greenfield Developments' under the MBL Facility. The MBL Facility provides that any loans made to or in respect of, or funds, assets or investments contributed to (as the case may be and in whatever form) to that 'Greenfield Development' must not exceed:

i. A$1,000,000, in aggregate; and

ii. A$3,000,000, when aggregated with the consideration paid for, loans made to or in respect of, or funds, assets or investments contributed to (as the case may be and in whatever form) to any other 'Greenfield Development' in the relevant Financial Year.

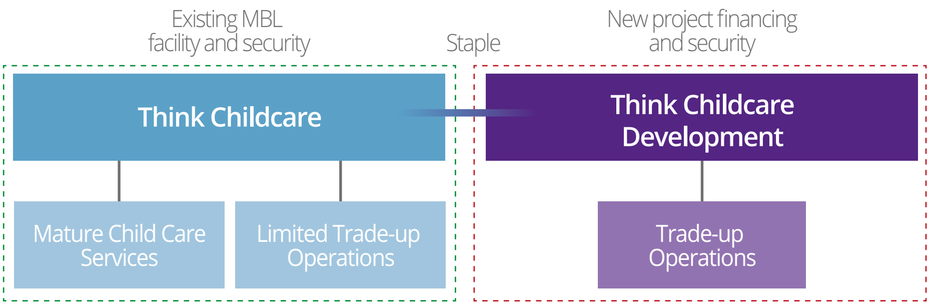
This is primarily to ensure that Think Childcare's level of exposure to the risks relating to Trade-up are minimised and to structure and secure the MBL Facility predominantly around TNK's Mature Child Care Services (which form the collateral under the MBL Facility).

FIGURE 4: FINANCING STRUCTURE PRE-IMPLEMENTATION OF THE STAPLING PROPOSAL



4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

FIGURE 5: FINANCING STRUCTURE
POST-IMPLEMENTATION OF THE STAPLING PROPOSAL



Following implementation of the Stapled Group:

- the MBL Facility will only be utilised to acquire Mature Child Care Services from Third Party Incubators and TND;
- TNK will no longer be permitted to undertake, and accordingly will not undertake, any further 'Permitted Greenfield Developments' under the MBL Facility;
- TND will obtain its own project financing and security arrangements, which are separate from the MBL Facility. However, TND will initially be capitalised by the Special Dividend of $6 million and the Inter-Company Loan from TNK of up to $7.5 million; and
- TND will be able to undertake its business operations without being required to seek the approval or consent from TNK's existing financier, Macquarie Bank.

4.3.5 The Trade-up process and the risks assumed by Think Childcare and Think Childcare Development

a) **Think Childcare Development – Trade-up Operations**

TNK has identified that the Trade-up or 'incubation' process of a Child Care Service comprises seven main stages, which are:

1. Site Approval: A third-party owned site is assessed as a potential location for a New Child Care Service and suitability is established;
2. Terms agreed: Once suitability of a site has been established, the proposed tenant entity negotiates and ultimately agrees terms with the landlord, including in relation to a heads of agreement, agreement for lease, lease and various other deeds;
3. Development Approval: Development approval is sought from the relevant State and local authorities;
4. Construction: Once development approval is obtained, the landlord of the site appoints a builder to carry out the development works required to construct the New Child Care Service;
5. Tenant works and licensing: Following construction, the tenant of the site carries out its permitted fit-out works, which may include landscaping of the outdoor yard and acquiring the necessary learning resources for the Service. TNK (or the relevant wholly owned subsidiary of TNK) that is the Approved Provider under the relevant Centre Management Deed will apply on behalf of the tenant for a Service Approval for the site, which is effectively a licence granted to the Approved Provider to commence operation of the New Child Care Service from the site;
6. Trade-up: Once the New Child Care Service has received Service Approval, the Service opens and remains as a Trade-up Service until it satisfies TNK's criteria as a Mature Child Care Service (ie. it achieves an average daily Occupancy Percentage of 75% and an annualised Seasonally Adjusted EBITDA of $250,000 based on the preceding three calendar month period).

   TNK and TND will have entered into a Centre Management Deed in respect of each New Child Care Service that will provide that TND will contract TNK to provide, amongst other things, operational management services and under which TNK will have a call option to acquire a Child Care Service once it satisfies TNK's criteria as a Mature Child Care Service; and

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

7. Maturity and sale to TNK: Once a Trigger Event has occurred under the relevant Centre Management Deed, which effectively occurs when the relevant Service has satisfied TNK's criteria as a Mature Child Care Service, TNK will have a right to exercise its call option to acquire the Service from TND.

The standard terms of an agreement for lease with the relevant landlord of a New Child Care Development provide that the landlord bears the majority of the risk in stages 1, 3 and 4, being the risk of construction delays and overruns and ultimately the risk that the site does not achieve the required development approval or practical completion of the construction. If a site did not achieve the required development approval or practical completion of the construction by the sunset date specified in the relevant agreement for lease, TND would have a right to terminate the agreement for lease in relation to that site.

Think Childcare Development assumes the risk in stages 5 and 6, being the risk of delays in completion of tenant works, the risk that the New Child Care Service does not receive a Service Approval to open and commence operating, and the risk that a New Child Care Service does not successfully Trade-up, become a Mature Child Care Service and achieve the criteria set out in the Centre Management Deed to cause a Trigger Event for Think Childcare to purchase the Child Care Service. In these circumstances, the New Child Care Service would remain in Think Childcare Development unless TND and TNK mutually agree to a sale and purchase of the service (or it is otherwise disposed to an unrelated third party).

b) Think Childcare – Mature Child Care Services and limited Trade-up

Following implementation of the Stapled Group, it is intended that Think Childcare will reduce its involvement with, and ultimately cease to undertake, Trade-up Operations. The intended risk profile of Think Childcare is one that predominantly relates to the operation of Mature Child Care Services, including the risk of a loss of occupancy and capital risk of owning and operating each Mature Child Care Service.

However, TNK has entered into binding agreements in relation to the Edhod 11 Acquisition, which provides TNK with a pipeline of 11 purpose built Nido Child Care Services for TNK at various stages of Trade-up. Accordingly, although it is intended that the Stapled Group should enable the separation of the operation of Mature Child Care Services in TNK from the risks relating to Trade-up Operations in TND, the Edhod 11 Child Care Services will be subject to Trade-up under TNK and are unlikely to satisfy TNK's criteria as a Mature Child Care Service on completion of the Edhod 11 Acquisition. The Edhod 11 Acquisition is subject to a number of conditions, including that Think Childcare receives approval from the various landlords of the Edhod 11 Child Care Services to assign the relevant leases to a wholly owned subsidiary of TNK.

Accordingly, on completion of the Edhod 11 Acquisition following implementation of the Stapling Proposal, TNK will be subject to the risk of Trade-up including as it relates to the Trade-up of the Edhod 11 Child Care Services until those Services satisfy the criteria of Mature Child Care Services.

Your Directors have decided to acquire the Edhod 11 Child Care Services and bring them under TNK (rather than TND) on the basis that (amongst other reasons) TNK has a reasonable expectation that each of the Edhod 11 Child Care Services is capable of satisfying TNK's criteria as a Mature Child Care Service on or before December 2020. Accordingly, Trade-up risk is only expected to remain in TNK for the period until each of the Edhod 11 Child Care Services satisfy TNK's criteria as a Mature Child Care Service. TNK Shareholders should refer to section 8.2 for more detail in relation to the Edhod 11 Acquisition.

c) Risk Sharing Framework

The diagram over (Figure 6) provides a graphical illustration of the risk framework of Think Childcare, Think Childcare Development and third-party landlords following implementation of the Stapled Group.

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

FIGURE 6: RISK SHARING FRAMEWORK

	LANDLORD		TND		TNK
Development Activities	**Pre-Development Approval (DA)**	**Construction**	**Tenant works and Licensing ***	**Trade up - 0-75% Utilisation**	**Maturity 75% + Utilisation**
Responsibility	100%	100%	40% 60%	100%	100%
Timeline	0-9 months	10-22 months	23-24 months	25-34 months	35+ months
Risks	› Legal costs, negotiation, architects and other general costs › Site does not achieve DA › Lease terms not agreed › Establishment fees not receivable by TNK	› Variations to plans by tenant › Construction delay › Cost over-run	› Works not fully completed › Families on the waitlist cancel care › Educators seek employment elsewhere › Defects in works are not rectified in a timely manner › Licensing delay due to landlord works	› Greater losses than forecast › Trade up delay resulting in delay in sale to TNK	› Services trades below 75% › Earnings potential not achieved
Mitigation	› Landlord engages with council and planning and or planners prior to submission › Replenishing the pipeline with another site at this early stage in the process › Strict site selection criteria to account for demographics and potential future competition	› Engage professional advisors, planners, Quantity Surveyor, Architects to act for tenant › Partner with landlords that have proven track record › Standardised design and materials › Preferred contractors	› Works reviewed throughout build by appropriate tenants' representative and identified throughout the process › Communications to families aligned with the build process › Employment of Educators › Change preferred TNK architects to Think Group architects › Experienced Service start up teams well aware of the licensing requirements and work closely with landlords › Use preferred TNK architects	› Intense management of operations and performance against budget › Ensure the correct due diligence is undertaken prior to approving site › Strategic local marketing campaigns begin 4-6 months prior to service opening, to build up the wait-list › Intensive management of operations	› TNK manages Service from commencement and the inputs › Ensure the correct due diligence is undertaken prior to approving site › Continuous profitability improvement initiatives. For example, optimized workforce planning and wait-list management

* Tenant works mainly include yard upgrade and resources

Landlord TND TNK

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

4.3.6 Sale of Mature Child Care Services from Think Childcare Development to Think Childcare

The standard terms of the Centre Management Deed that is proposed to be entered into between TNK and TND in respect of TNK's management of each Child Care Service owned by TND will provide that if:

- a Trigger Event has occurred; and
- certain general acquisition criteria have been satisfied (or waived by TNK),

then Think Childcare (or a wholly owned subsidiary of TNK) may issue to Think Childcare Development or its wholly owned subsidiary (as owner of the Service) a notice exercising a call option to purchase the Mature Child Care Service (**Business**) from Think Childcare Development.

The standard terms of the Centre Management Deed provide that a Trigger Event occurs at the end of the month when all of the following criteria are met:

- the relevant Child Care Service has achieved an Occupancy Percentage equal to or greater than 75% on average, over the Relevant Occupancy Period; and
- the Child Care Service has achieved an EBITDA equal to or greater than the relevant amounts prescribed under the Centre Management Deed for the relevant calendar month (and such amounts will increase annually from the commencement date of the relevant Centre Management Deed by 5%), over the Relevant Occupancy Period;
- the number of licensed child places at the Child Care Service is equal to or greater than 60.

When a Trigger Event occurs and other general acquisition criteria are satisfied (or waived by Think Childcare), Think Childcare Development may exercise its right to require Think Childcare to purchase the Child Care Service. The purchase price for the Child Care Service is to be calculated as follows:

Purchase Price = Annualised PP EBITDA x 4

Where:

EBITDA has the meaning as defined in the Glossary.

PP EBITDA means the EBITDA for the 3 months immediately preceding the month in which the relevant business acquisition contract is executed.

4.3.7 New Child Care Development and Trade-up Operations in TNK versus TND

The key differences between the incubation and Trade-up of a Child Care Service under Think Childcare (ie. the Company's existing model) and under Think Childcare Development (ie. as a component of the Stapled Group on implementation of the Stapling Proposal) are set out below.

TNK Shareholders should refer to Appendix 6 for a worked financial example of a New Child Care Service in Trade-up under TNK's existing model versus a pro forma example of a New Child Care Service in Trade-up under TND, including the eliminations and consolidated financials of the Stapled Group following implementation of the Stapling Proposal.

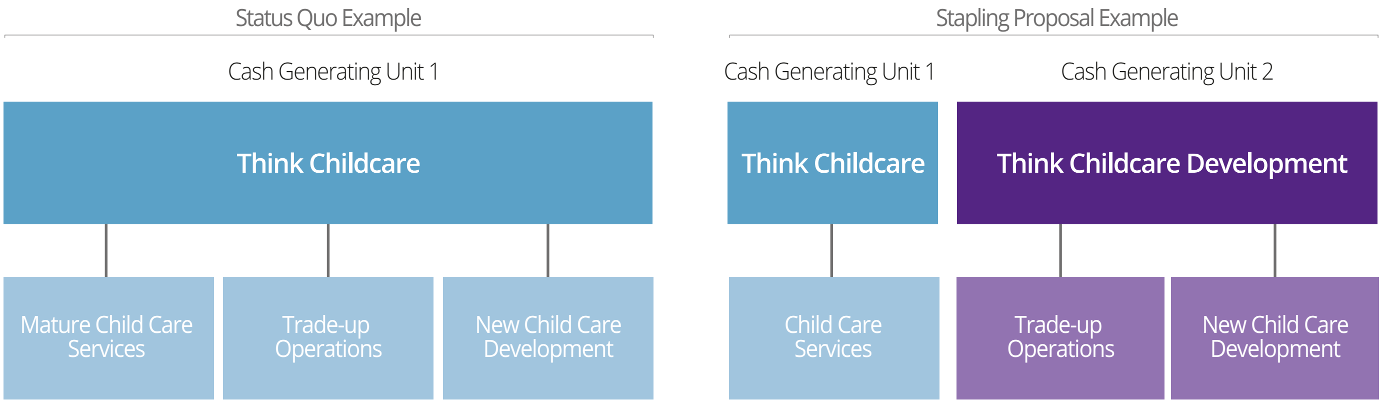
a) Greater earnings transparency between TNK and TND

TNK and TND will be reported as separate Cash Generating Units in the notes to the Think Childcare Group consolidated financial report. It is intended that this will provide transparency to Stapled Securityholders and financiers as to the earnings derived from the operation of Mature Child Care Services, the amount invested in New Child Care Development, and the level of working capital required for Trade-up Operations. Further, the Stapled Group's consolidated financial report will show the profile of each of TNK and TND's respective portfolios (ie. Mature Child Care Services and limited Trade-up Operations for TNK[3] and Trade-up Operations for TND).

3 See section 8.2 for further information in relation to the risks relating to Trade-up Operations that TNK is likely to have on implementation of the Stapling Proposal.

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

FIGURE 7: CASH GENERATING UNITS



b) Trade-up risk predominantly contained in TND

Post implementation of the Stapling Proposal, TND will predominantly incur and finance the Trade-up losses that otherwise would be incurred and financed by TNK under TNK's existing model.

A worked example of the lifecycle of a New Child Care Development under the Stapled Group is set out in Figure 8 below based on a recent New Child Care Development undertaken by TNK.

TND will initially undertake investment in tenant works and licensing for the New Child Care Development at an approximate cost of $0.74 million over a period of 3 months (being months 1 – 3 in Figure 8 below). Following completion of tenant works and receipt of the relevant licences, the New Child Care Service will commence Trade-up and TND will likely incur Trade-up losses of approximately $0.18 million over a period of 10 months (being months 4 – 13 in Figure 8 below) at which time the Service would be expected to achieve a breakeven average Occupancy Percentage of approximately 50-65%.[4]

The breakeven point would be expected to occur between months thirteen and fourteen. Following breakeven, TND would be expected to receive approximately $0.05 million in profits from operating the Service until the average Occupancy Percentage reaches greater than 75% for a continuous period of 3 calendar months (being months 17 – 19 in Figure 8 below) and a Trigger Event occurs.

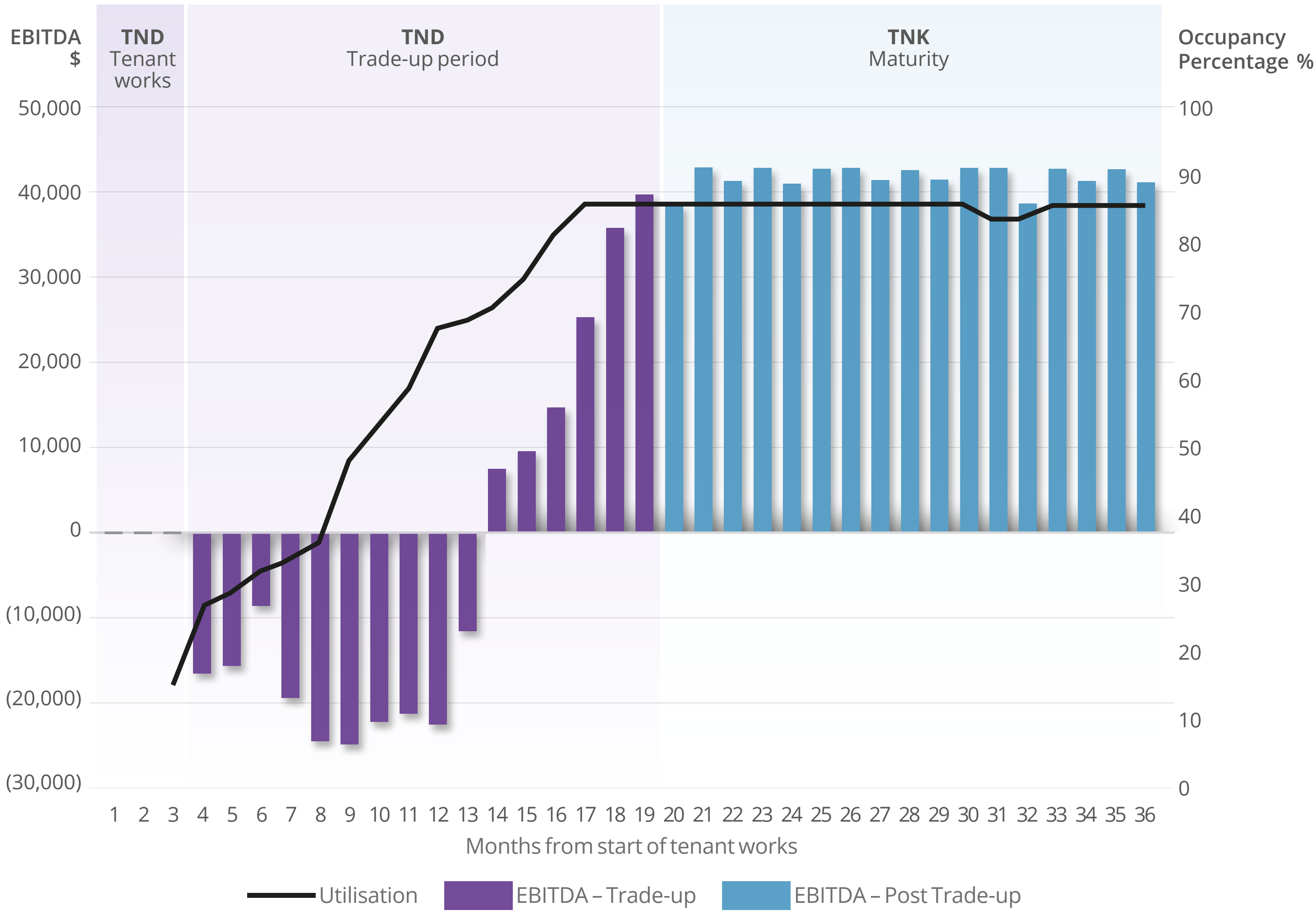
Based on the above figure, TND would incur an aggregate of approximately $0.87 million in investment and Trade-up losses (being the operational profit of the Service less the total cost of investment in tenant works, licensing and Trade-up losses).

This worked example illustrates that following implementation of the Stapling Proposal, the financial and Trade-up risks involved in a New Child Care Development and operation of a New Child Care Service would predominately be contained in TND. Without the Stapling Proposal, such financial and Trade-up risk involved in a New Child Care Development would be incurred and financed by TNK.

4 Refer to section 4.3.5 for further detail in relation to the various steps involved in Trade-up Operations.

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

FIGURE 8: WORKED EXAMPLE – NEW CHILD CARE DEVELOPMENT TRADE-UP AND MATURITY

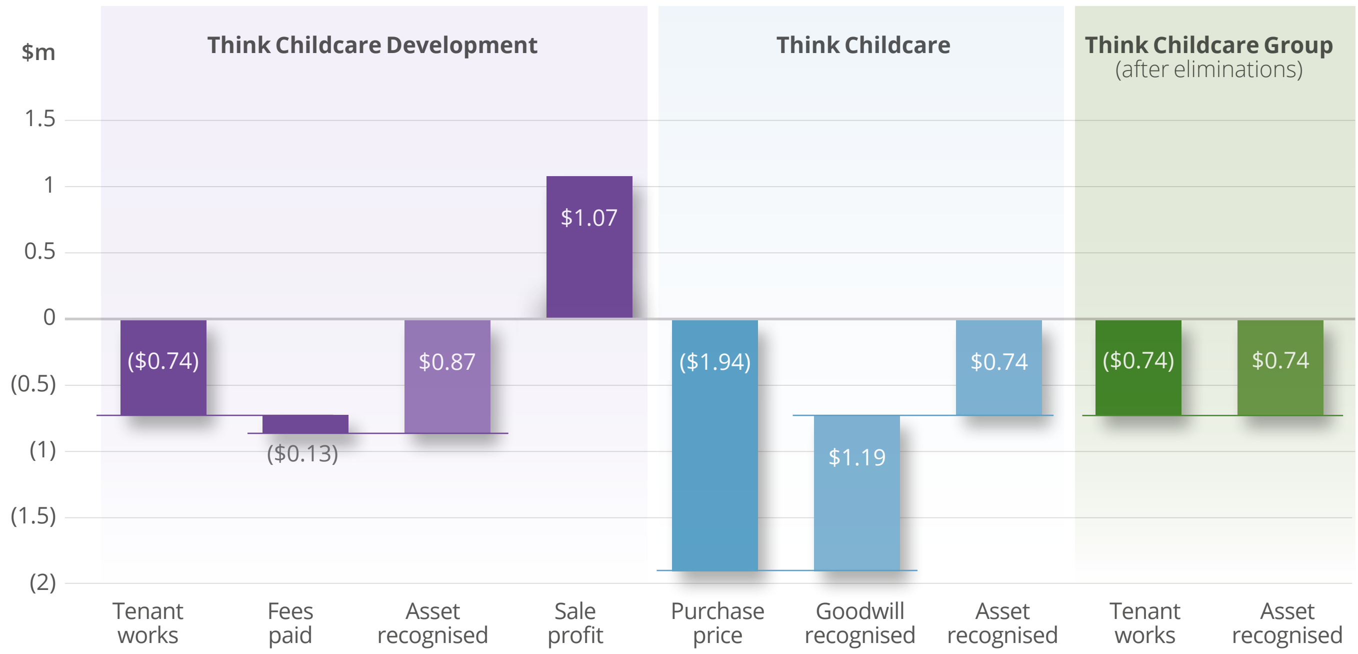


4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

c) Value recognition in TNK under the Stapling Proposal

Using the worked example from section 4.3.7(b), Figure 9 demonstrates the individual financial transactions throughout the lifecycle of a Service from a New Child Care Development to a Mature Child Care Service under the Stapled Group as outlined below.

FIGURE 9: GOODWILL GENERATED UNDER THE STAPLING PROPOSAL



In relation to TND (as highlighted in the purple section of Figure 9), the graph illustrates:

1. **Tenant works:** TND would recognise in its balance sheet $0.74 million as the cost of opening the New Child Care Service, which would predominantly relate to tenant works (including the purchase of plant and equipment);
2. **Fees paid:** TND would pay approximately $0.13 million in fees to TNK for services provided by TNK in relation to the establishment of the New Child Care Service;
3. **Asset recognised:** TND would recognise in its balance sheet $0.87 million in assets, which would reflect the sum of the tenant works of $0.74 million (see point 1 above) and the fees paid to TNK of $0.13 million (see point 2 above); and
4. **Sale profit:** TND would recognise a sale profit of $1.07 million (being the purchase price of $1.94 million (see point 5 below) less the asset value recognised of $0.87 million (see point 3 above)) following the sale of the Mature Child Care Service to TNK.

In relation to TNK (as highlighted in the blue section of Figure 9), the graph illustrates:

5. **Purchase price:** At a valuation of 4x annualised EBITDA, TNK would pay TND $1.94 million for the Mature Child Care Service;
6. **Goodwill recognised:** TNK would recognise in its balance sheet $1.19 million of the $1.94 million purchase price in goodwill, which is calculated by deducting the asset recognised amount (see point 7 below) from the purchase price of $1.94 million; and
7. **Asset recognised:** TNK would recognise in its balance sheet $0.74 million of the $1.94 million purchase price as assets, which would predominantly comprise the value of the plant and equipment acquired.

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

In relation to the Think Childcare Group (as highlighted in green section of Figure 9), the graph illustrates that the balance sheet of the Stapled Group would take into account the entire transaction (as set out in points 1 to 7 above).

Under the Australian Accounting Standards, the 'goodwill recognised' (at point 6 above) will be reversed in the Stapled Group's consolidated accounts, which will only show the cost of the tenant works of $0.74 million in the balance sheet. The sale and purchase transaction between TND and TNK will also be eliminated in the Think Childcare Group's consolidated accounts.

See section 4.3.7(d) for further information in relation to the taxation implications of a transaction of this kind.

d) **Higher tax payable in Think Childcare Group**

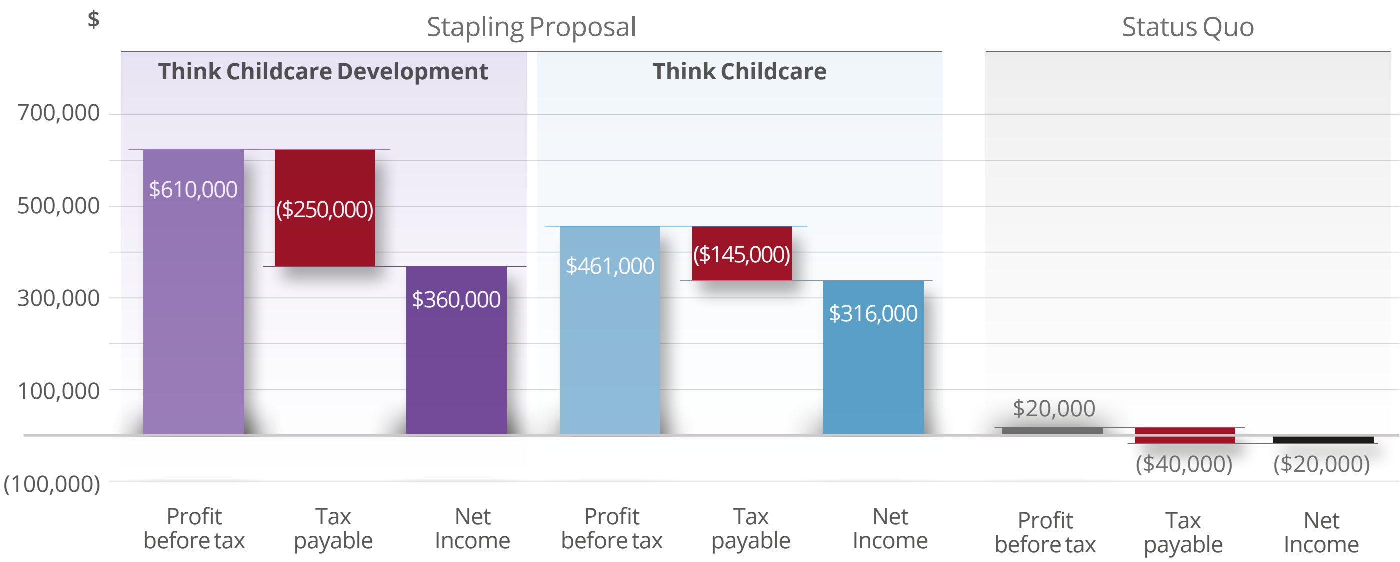
Using the worked example from section 4.3.7(b), Figure 10 illustrates the profit before tax, tax payable and net income under the Think Childcare Group following the purchase of a Mature Child Care Service by TNK from TND. Figure 10 illustrates that the Stapling Proposal is expected to have the effect of generating higher aggregated (TNK plus TND) net income and higher tax payable over the sample two year period as shown in Figure 8.

In relation to the 'Status Quo' (as highlighted in the grey section of Figure 10), that is, if the Stapling Proposal is not implemented and TNK continues to operate under its current structure, the graph illustrates how had a New Child Care Service been incubated and Traded-up in TNK, the tax payable on net income would be $40,000, which is less than the sum of the tax that is expected to be payable by TNK and TND following implementation of the Stapling Proposal (ie. $145,000 in TNK (as highlighted in blue in Figure 10) and $250,000 in TND (as highlighted in purple in Figure 10)). The lower expected tax payable under the Status Quo model is due to no tax being payable on the goodwill generated from the sale of the Mature Child Care Service by TND to TNK.

In relation to TNK (as highlighted in the blue section of Figure 10), the graph illustrates how TNK is expected to earn profits before tax following the purchase of the Mature Child Care Service from TND of $461,000.

In relation to TND (as highlighted in the purple section of Figure 10), the graph illustrates how TND is expected to earn profits before tax predominately from the sale of the New Child Care Service to TNK of $610,000.

FIGURE 10: TAX PAYABLE IN THINK CHILDCARE GROUP



4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

e) **Optimisation of debt financing in Think Childcare Group**

The Stapling Proposal is expected to enhance the ability of both TNK and TND to separately access debt markets and negotiate terms with financiers that reflect the different risk profiles of TNK and TND.

Appendix 6 provides further detail on the worked example. The financial statements of TNK, TND, and Think Childcare Group under both scenarios (i.e. New Child Care Development in Think Childcare versus Think Childcare Group) are provided. Eliminations are also presented.

In summary, your Directors believe that the worked example demonstrates that the Stapled Group provides:

1. optimisation of debt financing achieved through the Think Childcare Group;
2. value creation in TNK due to goodwill being able to be recognised in TNK from the acquisition of Mature Child Care Services from TND;
3. greater earnings transparency between TNK and TND; and
4. higher tax payable in the Stapled Group (Scenario B) versus TNK prior to implementation of the Stapling Proposal (Scenario A).

4.4 Boards and governance of TNK and TND

4.4.1 TNK Board

Your Directors expect that the TNK Board will remain unchanged on implementation of the Stapling Proposal and will consist of:

Name	Profile
Mark Kerr (Chairman and Non-Executive Director)	Mark Kerr is the Chairman of Think Childcare Limited. Mark has specialist expertise in the areas of finance, marketing and property, the stock market, political and issues management. Mark holds an LL.B. degree from the University of Melbourne, completed articles and practised as a solicitor.
Mathew Edwards (Managing Director and Chief Executive Officer)	Mathew Edwards has been involved in child care since 2001 and is the Managing Director and Chief Executive Officer of Think Childcare Limited. He was the Managing Director of Learning and Education Australia Pty Ltd from 2009 and has overseen the development of that company's business of improving and managing child care services, with ownership of child care services in VIC, NSW, WA & SA.
Joe Dicks (Non-Executive Director)	Joe has 17 years' multi-national experience as a Non-Executive Director in Aged Care, Agricultural and Vocational Education industries. With over 32 years' experience as a Chartered Accountant, company auditor and accredited business valuation expert, and 25 years as a founding Partner at PPB Advisory. Joe has in-depth experience in government funded and regulated industries, infrastructure and the education sector. Joe is a Chartered Accountant and holds a Bachelor of Commerce, Postgraduate Diploma in Accountancy, he is an Accredited Business Valuations Specialist and member of the Institute of Chartered Accountants in Australia.
Evonne Collier (Non-Executive Director)	Evonne Collier is a professional Non-Executive Director and an experienced leader in business scale-up and transformation, branding strategies, new to world and category innovation, digital disruption and B2B and B2C customer experience. She has 25 years' senior executive experience working within blue-chip multinational companies and brands in the FMCG, Packaged goods, Pharmaceutical and Entertainment/Technology sectors. Evonne holds a Bachelor of Arts (University of Queensland), Master of Business (Queensland University of Technology), Graduate Certificate in Applied Finance (Macquarie University) and is a Graduate member of the Australian Institute of Company Directors.

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

4.4.2 TND Board

Your Directors expect that the TND Board on implementation of the Stapling Proposal and will consist of:

Name	Profile
Mark Kerr (Chairman and Non-Executive Director)	See above.
Mathew Edwards (Non-Executive Director)	See above.
Joe Dicks (Non-Executive Director)	See above.
Michael Doble (Non-Executive Director)	Michael has enjoyed a long and distinguished career in the Australian property market. With over 32 years' experience, he started as a valuer with Knight Frank, moved into funds management with ANZ Funds Management and for the last 16 years has been at APN Fund Management Ltd (**APN**). Michael has been the Chief Executive Officer (Real Estate Securities) and more recently transitioned to Chief Investment Officer (Real Estate Securities) at APN. In the last 25 years in funds management, Michael has successfully invested in a range of listed and unlisted property entities in Australia across core asset classes and newer sectors in the listed property environment such as healthcare and child care. His experience dealing with large and small listed property entities has helped him develop a strong focus on strategy, governance, compliance and risk management. Michael has a Bachelor of Business (Property) and an Associate Diploma in Valuations from RMIT University, and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia. He is a Fellow of the Australian Property Institute, a Senior Fellow of the Financial Services Institute of Australia and a Member of the Australian Institute of Company Directors. In the last five years he has been a board member of St Kevin's College in Melbourne.

4. INFORMATION ABOUT THE PROPOSED STAPLED GROUP

4.5 Governance of Stapled Group

The Stapled Group will leverage from and intends to substantially replicate TNK's existing governance framework and capital management structure, taking into account the differing functions of TNK and TND.

TNK and TND will have separate Boards. Similar to TNK, the TND Board will comprise a majority of independent non-executive directors that will initially comprise members of the TNK Board and Mr Michael Doble. It is intended that TND will have an independent management team comprising a Chief Executive Officer, financial controller, property manager and legal counsel.

Synergies will be created through the association between TND and TNK and leveraging TNK's existing governance and operational infrastructure.

The Management Deed will govern the provision of various management and administrative services by TNK to TND, including the company secretarial function.

4.6 Public information available for inspection

TNK is listed on ASX. Following implementation of the Stapling Proposal, the Stapled Group will together be listed on ASX. The Stapled Group will be a disclosing entity for the purposes of the Corporations Act and the Listing Rules and will be subject to regular reporting and disclosure obligations that require the Stapled Group to immediately disclose to the market any information of which it is aware which a reasonable person may expect to have a material impact on the price or value of Stapled Securities.

ASIC also maintains a record of documents lodged with it by TNK and will, following implementation of the Stapling Proposal, maintain a record of documents lodged by the Stapled Group. These may be obtained from, or inspected at, any office of ASIC.

The Stapled Group will be required to prepare and lodge with ASIC and ASX both annual and half year financial statements accompanied by a statement and report from the Directors and an audit or review report.

Copies of these and other documents lodged with ASIC and ASX may be obtained from an ASIC office and are accessible from ASX's website at www.asx.com.au.

5 SUMMARY OF THE STAPLING PROPOSAL

Nido Early School, Bayswater North, VIC

5. SUMMARY OF THE STAPLING PROPOSAL

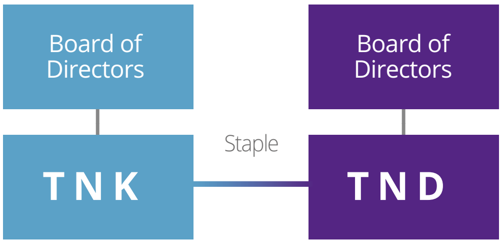
5.1 Introduction

On 14 August 2019, the TNK Board announced it had entered into a Scheme Implementation Deed with TND under which it is proposed that TNK and TND will create a Stapled Group to reduce the Company's reliance on Third Party Incubators to deliver its Child Care Service growth strategy.

Under the Stapling Proposal, it is proposed that TNK will predominantly focus on operating Mature Child Care Services while TND will predominantly take on the risks associated with the Trade-up of New Child Care Services and Existing Child Care Services to provide a pipeline to TNK of purpose-built Nido Child Care Services. The Stapling Proposal seeks to enhance TNK's control over its growth strategy by reducing TNK's reliance on Third Party Incubators over time, while also providing a structure that enables the structural separation of risks associated with the performance of Trade-up Operations in TND from the operation of Mature Child Care Services in TNK.

After considering the alternatives for Think Childcare and the advantages, disadvantages and risks associated with the Stapling Proposal, your Directors believe that the Stapling Proposal is in the best interest of TNK Shareholders.

FIGURE 11: THINK CHILDCARE GROUP STRUCTURE



TNK Shareholders should refer to section 8 for information in relation to the intended profile and risk composition of the Stapled Group on implementation of the Stapling Proposal.

The Stapling Proposal will be effected by a members' scheme of arrangement between TNK and its shareholders, the Special Dividend and the Supporting Resolutions. A copy of the Scheme Implementation Deed (without annexures) is included as Appendix 5 to this Explanatory Booklet.

This Explanatory Booklet contains information that your Directors consider is material to TNK Shareholders in making a decision whether or not to vote in favour of the Stapling Proposal. You should carefully read the whole of this Explanatory Booklet as part of your consideration of the Stapling Proposal.

5.2 Resolutions and interdependence

5.2.1 Resolutions and interdependence

In order for the Stapling Proposal to be implemented, TNK Shareholders must pass the Scheme Resolution at the Scheme Meeting and each of the Supporting Resolutions at the General Meeting by the required majorities.

The Supporting Resolutions comprise:

- the Constitution Replacement Resolution;
- the Stapling Deed Resolution; and
- the Management Deed Resolution.

The Scheme Resolution and each of the Supporting Resolutions are interdependent, meaning that each resolution must be successfully passed by TNK Shareholders in order for the Stapling Proposal to be implemented. See section 11.3 for further information on the Supporting Resolutions.

The agreements necessary to establish the Initial TND Pipeline are not a condition to implementation of the Stapling Proposal and do not require separate TNK Shareholder approval. Accordingly, the Stapling Proposal will proceed even if some (or all) of the Services in the Initial TND Pipeline do not proceed.

However, TNK Shareholders should note that:

- if the Stapling Proposal is not implemented, the 2 Child Care Services that are subject to a change in control approval will remain in Trade-up under TNK and TND will **not** proceed with acquiring each tenant entity that has entered into an agreement for lease in respect of these Child Care Services;
- if the Stapling Proposal is not implemented, the 2 Child Care Services that are subject to agreements for lease that are conditional on implementation of the Stapling Proposal will **not** proceed unless TNK obtains the approval of Macquarie Bank to the respective terms and conditions of the agreements for lease under the existing MBL Facility by 31 January 2020; and
- the remaining 2 Child Care Services in the Initial TND Pipeline are not conditional on the Scheme. These Child Care Services have already commenced operating under TND and will not be affected by whether or not the Stapling Proposal is implemented.

5. SUMMARY OF THE STAPLING PROPOSAL

5.2.2 Elements of the Stapling Proposal

The Stapling Proposal involves:

- TNK seeking shareholder and Court approval to implement the Scheme to Staple TNK Shares to TND Shares;
- TNK seeking shareholder approval in relation to the associated Supporting Resolutions;
- TNK declaring the Special Dividend;
- TNK applying on behalf of Scheme Shareholders for new TND Shares by using the proceeds of the Special Dividend and cancelling TNK's existing nominal shareholding in TND;
- the issue of TND Shares and their Stapling to TNK Shares; and
- TNK will enter into the Management Deed with TND under which TNK will provide management and administrative services to TND to assist TND in its day to day operations and the conduct of TND's business following implementation of the Stapling Proposal.

Each Stapled Security will comprise one TNK Share and one TND Share, with the effect that TNK and TND will operate as a single economic group to be known as the Think Childcare Group.

If all of the conditions and approvals for the Stapling Proposal are satisfied or waived (as applicable) the Scheme will constitute a binding arrangement between TNK and each TNK Shareholder participating in the Scheme to undertake the steps required to implement the Stapling Proposal.

If the Scheme becomes Effective, TNK Shareholders registered as such on the Record Date will be entitled to a pro rata share of a Special Dividend of $6 million. The Special Dividend will not be paid to those TNK Shareholders but will be applied, on their behalf under the Scheme, to acquire one TND Share for each TNK Share they hold as at the Record Date. TNK Shareholders should note that under the terms of the Scheme, trading in unstapled TNK Shares will be suspended on the Business Day after the Effective Date. Registration of transfers of unstapled TNK Shares will cease on and from the Special Dividend Record Date.

Foreign Scheme Shareholders will not receive TND Shares. Instead, TND Shares to which the Foreign Scheme Shareholders would have become entitled will be issued to the Sale Nominee to be sold on behalf of Foreign Scheme Shareholders, who will receive the net sale proceeds.

On their issue, the TND Shares will be Stapled to the TNK Shares on a one for one basis. Stapled Securities will trade and be quoted on ASX as if they were one security.

For example, if you hold 1,000 TNK Shares on the Record Date, you will hold 1,000 Stapled Securities after the Stapling Proposal is implemented, comprising your existing 1,000 TNK Shares and 1,000 new TND Shares which will be stapled to your TNK Shares.

5.3 What TNK Shareholders will receive under the Stapling Proposal

Provided the Supporting Resolutions are passed and the Scheme becomes Effective, TNK Shareholders registered as such on the Record Date (defined in the Scheme and this Explanatory Booklet as Scheme Shareholders) will be entitled to the Special Dividend which will be applied by TNK on their behalf for the issue of one new TND Share for each TNK Share they hold as at the Record Date. Under the Stapling Proposal, TNK Shares will be Stapled to TND Shares with the Stapled Securities to be quoted on ASX. TNK Shareholders should note that under the terms of the Scheme, trading in TNK Shares will be suspended between the Special Dividend Record Date and the Record Date (inclusive).

Foreign Scheme Shareholders will not be issued with any new TND Shares. Instead, the TND Shares that would otherwise have been issued to Foreign Scheme Shareholders, and the corresponding number of TNK Shares held by them at the Record Date, will be sold by the Sale Nominee and Foreign Scheme Shareholders will receive the net sale proceeds.

5.4 Potential risks and disadvantages

Although the Stapling Proposal is unanimously recommended by your Directors and the Independent Expert considers that the potential advantages of the Stapling Proposal outweigh the potential disadvantages of the Stapling Proposal and that the Scheme is in the best interest of TNK Shareholders, there are potential risks and disadvantages associated with the Stapling Proposal.

Your Directors have identified and considered the following potential key risks and disadvantages of the Stapling Proposal namely:

- TNK Shares and TND Shares will not be able to be traded separately;
- despite precedents for a stapled structure in other

5. SUMMARY OF THE STAPLING PROPOSAL

sectors, this will be the first instance in the child care sector and therefore it is uncertain how the equity market will price a Stapled Security;

- the Stapled Group will incur additional corporate and operating costs;
- TND and TNK will each be separate taxable entities and income tax will be payable on the profits arising from intra-group transactions, including the transfer of Services from TND to TNK;
- Foreign Scheme Shareholders cannot participate; and
- although the rationale of the Stapling Proposal is to enable the structural separation of Mature Child Care Services in TNK from New Child Care Development and Trade-up Operations in TND, on, and for a period of time following, implementation of the Stapling Proposal, TNK will remain subject to Trade-up risk associated with the Services comprising the Edhod 11 Acquisition.

Please refer to section 2 and section 7 for an explanation of the potential risks and disadvantages identified by your Directors in relation to the Stapling Proposal.

5.5 Other considerations for TNK Shareholders

5.5.1 The Stapling Proposal is conditional

The Stapling Proposal is subject to various conditions. These conditions are summarised in section 12.4.2 and set out in full in the Scheme Implementation Deed which is reproduced (without annexures) in Appendix 5. As at the date of this Explanatory Booklet, your Directors are not aware of any matter which would result in a breach, or lead to non-satisfaction, of any of those conditions.

5.5.2 Likelihood of a Superior Proposal

As at the date of this Explanatory Booklet, your Directors have no basis for believing that a Superior Proposal will be received. Your Directors will inform you of any material developments in relation to any Superior Proposal that may emerge.

5.5.3 All or nothing proposal

If all of the conditions and approvals for the Stapling Proposal are satisfied or waived (as applicable):

- the Stapling Proposal will bind all persons registered as TNK Shareholders as at the Record Date, including those who do not vote on the Stapling Proposal and those who vote against it;
- the Special Dividend will be declared and paid by TNK on behalf of Scheme Shareholders to TND;
- TND Shares will be issued to all persons registered as TNK Shareholders as at the Record Date (defined in the Scheme and this Explanatory Booklet as Scheme Shareholders), other than Foreign Scheme Shareholders, in satisfaction of their entitlement to the proceeds of the Special Dividend; and
- TNK Shares will be stapled to TND Shares and will trade as a single security on ASX.

Conversely, if all of the conditions and approvals for the Stapling Proposal are not satisfied or waived (as applicable), TNK will continue in its current form.

5.5.4 Implications of not pursuing the Stapling Proposal

If all the conditions and approvals for the Stapling Proposal are not satisfied or waived (as applicable) and if no Superior Proposal emerges:

- TNK Shareholders will retain all of their TNK Shares and will not receive Stapled Securities;
- the Special Dividend will not be declared;
- TNK Shareholders will retain their current investment in TNK and will continue to be exposed to the benefits and risks associated with that investment. These risks include general risks associated with any investment listed on ASX, together with specific risks associated with TNK's business and the execution of TNK's future strategy; and
- TNK will have incurred substantial costs and expended management time and resources. TNK is expected to incur costs of approximately $1.1 million to $1.3 million (exclusive of GST) in implementing the Stapling Proposal, a significant proportion of which have been incurred by TNK to the date of this Explanatory Booklet (including the retention of advisers, engagement of the Independent Expert and preparation of this Explanatory Booklet).

If the Stapling Proposal does not proceed and if no Superior Proposal emerges, the value of TNK Shares in the longer term may rise above or fall below the prevailing price of TNK

5. SUMMARY OF THE STAPLING PROPOSAL

Shares at the time of making your voting decision. Factors that could contribute to the change in the price of TNK Shares include (but are not limited to):

- TNK's ability to make future dividend payments and the level of those payments;
- TNK's ability to secure and finance acquisition and growth opportunities;
- TNK's need to raise equity capital to manage its gearing level and/or lower its cost of debt;
- TNK's ability to leverage and manage its fixed corporate costs;
- economic conditions in Australia and overseas;
- investor sentiment in local and international stock markets;
- competition in the markets in which TNK operates; and
- regulatory change in the markets in which TNK operates.

5.6 Approvals

Implementation of the Stapling Proposal requires, among other things:

- the approval of the Scheme by TNK Shareholders at the Scheme Meeting;
- the approval of the Supporting Resolutions by TNK Shareholders at the General Meeting;
- the approval of the Scheme by the Court; and
- the declaration of the Special Dividend by the TNK Directors.

The Scheme Meeting and the General Meeting will be held on Thursday, 5 December 2019 at the offices of MinterEllison, Level 23, 525 Collins Street, Melbourne VIC 3000, Australia. The Scheme Meeting and the General Meeting will commence at 10:30am (Melbourne time). Further information on the purpose and effect of the resolutions to be considered at these meetings is provided in sections 11.2 and 11.3.

5.7 Key conditions

In addition to the approvals noted in section 5.6, implementation of the Stapling Proposal is subject to the satisfaction or waiver (as applicable) of a number of other conditions, including the following:

- the Scheme Implementation Deed not being terminated by either party prior to the Second Court Hearing Date;
- obtaining all necessary regulatory approvals;
- obtaining approval from ASX for the admission to the official list of ASX of the Stapled Group and for the quotation of Stapled Securities; and
- no regulatory authority or judicial entity or authority takes any action or makes any preliminary or final order by the Second Court Hearing Date which restrains or prohibits the implementation of the Stapling Proposal or any transaction contemplated by the Stapling Proposal.

The full conditions are set out in clause 3 of the Scheme Implementation Deed, a summary of which is provided in section 12.4.2. The Scheme Implementation Deed (without annexures) is reproduced in Appendix 5. Each of the conditions must be satisfied by 8.00am (Melbourne time) on the Second Court Hearing Date, otherwise TNK has the right to terminate the Scheme Implementation Deed by notice, in which case the Stapling Proposal will not proceed.

5.8 Directors' recommendations and intentions

a) Alternatives considered by your Directors

Your Directors considered various alternative structures for Think Childcare prior to resolving to seek shareholder approval to implement the Stapling Proposal. For various reasons, which are set out briefly below, your Directors decided that the alternative structures considered were either not practicable for a company of Think Childcare's profile or did not deliver the same advantages expected to arise from the Stapling Proposal (having regard to the disadvantages of the Stapling Proposal). A number of the alternative structures considered by your Directors are set out below.

i) Do nothing: If TNK decided to 'do nothing', your Directors believe that TNK's future growth would be inhibited given that a significant majority of TNK's acquisition pipeline has historically been delivered by Edhod, which, as announced to ASX on 6 June 2019, has been placed into receivership by its secured creditor. For the reasons outlined below, your Directors believe that TNK would be unable to replicate the pipeline that has historically been provided by Edhod and it would pose certain risks to TNK's balance sheet:

5. SUMMARY OF THE STAPLING PROPOSAL

- the MBL Facility limits TNK from undertaking any more than 2-4 New Child Care Developments in any given financial year and consequently, TNK would only be able to incubate a small number of Services under its current structure;
- there is no guarantee that TNK would be able to find, or to reach commercially agreeable terms with, a new incubator partner(s), or that a new incubator partner(s) would be able to provide a pipeline of Services to TNK comparable with the pipeline that has historically been provided to TNK by Edhod;
- there is no guarantee that TNK would be able to find, or to reach commercially agreeable terms with the vendors of a portfolio of Services for acquisition. Further, in your Directors' experience, portfolio acquisitions often involve competitive market prices above the acquisition multiple that TNK has typically paid for Services and that such Services would involve high integration risk as well as high capital requirements to transition to TNK's standard and model (ie. Nido);
- there are limited quality on-market acquisition opportunities from individual vendors. Your Directors believe that individual vendor acquisitions often involve high integration risk and have high capital requirements (due to TNK having to transition the Service to TNK's standard and model (ie. Nido) and because individual vendors often under-invest in the fitout and/or outdoor areas of a Service); and
- if TNK undertook incubation and Trade-up of New Child Care Developments, TNK would incur Trade-up losses that would adversely impact TNK's earnings, leverage ratios and result in a higher cost of debt for TNK under the MBL Facility;

ii) Create a subsidiary structure: Due to the terms of the MBL Facility, if TNK incorporated a subsidiary or subsidiary structure to undertake New Child Care Development, it would remain subject to the same limitation on New Child Care Development as set out in section 5.8(a)(i) above. TNK would remain restricted from undertaking any more than 2-4 New Child Care Developments in any given financial year. In addition, this model would be subject to all of the other disadvantages set out in section 5.8(a)(i) above;

iii) Renegotiate the MBL Facility: Think Childcare considers that Macquarie Bank has limited appetite to finance a child care portfolio that contains exposure to Trade-up Operations (other than what is currently permitted under the MBL Facility) and accordingly, your Directors do not believe that renegotiation of the MBL Facility is commercially realistic and for TNK to be financed to incubate a pipeline of New Child Care Developments. Your Directors also believe that there is limited appetite in the Australian debt markets to finance incubation of New Child Care Development of the magnitude that would be intended by TNK; and

iv) Capital raising: Although TNK could undertake a capital raising with the intention of funding a pipeline of New Child Care Developments through equity, this model would remain subject to the same limitation on New Child Care Development under the MBL Facility as set out in section 5.8(a)(i) above, whether or not such operations were funded by way of equity or debt drawn under the MBL Facility. A new capital raising is only considered realistic at a price and on terms that would be highly dilutive to existing shareholders.

b) Directors' recommendation

After considering the alternatives for Think Childcare and the advantages, disadvantages and risks associated with the Stapling Proposal, your Directors believe that the Stapling Proposal is in the best interest of TNK Shareholders and unanimously recommend that, in the absence of a Superior Proposal, TNK Shareholders vote in favour of:

- the Scheme at the Scheme Meeting; and
- the Supporting Resolutions at the General Meeting.

Each Director intends to vote in favour of the Scheme and the Supporting Resolutions, in the absence of a Superior Proposal, in respect of all TNK Shares they hold or in which they otherwise have a relevant interest.

In forming their unanimous recommendation, your Directors have carefully considered the expected advantages and potential risks and disadvantages of the Stapling Proposal. These matters are discussed in sections 1, 2, 4 and 7 and in the Independent Expert's Report in Appendix 1. Your Directors believe that the expected advantages of the Stapling Proposal outweigh the potential risks and disadvantages.

Your Directors believe that the Stapling of TNK and TND, which they expect will create a well-capitalised Stapled Group, will deliver to TNK Shareholders the expected benefits referred to in sections 1 and 5.

6

SUMMARY OF HOW TO VOTE

Nido Early School Byford, WA

6. SUMMARY OF HOW TO VOTE

6.1 Two meetings

Two meetings are proposed, the Scheme Meeting and the General Meeting. Each meeting will be held at the offices of

MinterEllison, Level 23, 525 Collins Street,
Melbourne VIC 3000, Australia

on Thursday, 5 December 2019,
commencing at 10:30am (Melbourne time).

The notices convening the Scheme Meeting and the General Meeting are contained in Appendix 3 and Appendix 4 respectively. **Your vote at each meeting is important.** If you are registered as a TNK Shareholder by the TNK Share Registry at the Voting Entitlement Time (7.00pm (Melbourne time) on Tuesday, 3 December 2019), you will be entitled to vote at the Scheme Meeting and the General Meeting.

Voting at each meeting will be conducted by poll.

6.2 Voting in person

TNK Shareholders wishing to vote in person should attend the meetings commencing at 10:30am (Melbourne time) Thursday, 5 December 2019 and bring a form of personal identification (such as their driver's licence or passport). Please arrive at the venue 30 minutes prior to the time designated for the commencement of the Scheme Meeting and the General Meeting (10:30am (Melbourne time)), if possible, so that your holding of TNK Shares can be checked against the TNK Share Register and attendances noted. Attorneys should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the meetings.

6.3 Appointing a proxy

TNK Shareholders wishing to attend the meetings by proxy must complete and sign or validly authenticate the appropriate personalised proxy form or forms which are enclosed with this Explanatory Booklet. A person appointed as a proxy may be an individual or a body corporate. Completed proxy forms must be delivered to TNK by 10:30am (Melbourne time) on Tuesday, 3 December 2019 in any of the following ways:

By post in the enclosed reply paid envelope provided to **Computershare Investor Services Pty Limited** at
GPO Box 242,
Melbourne, VIC 3001
Australia

By hand delivery to **Computershare Investor Services Pty Limited** at
452 Johnson Street,
Abbotsford, VIC 3067
Australia

By fax to **Computershare Investor Services Pty Limited** on
1800 783 447 (within Australia) or
+61 3 9473 2555 (outside Australia)

Online by lodging a proxy online via **www.investorvote.com.au** using the control number noted on the front of your proxy forms which accompany this Explanatory Booklet along with your SRN/HIN number (as applicable) and your postcode and by following the instructions on that website or if you are a custodian (for intermediary online subscribers only), via www.intermediaryonline.com, and following the instructions on that website.

Note, proxy forms cannot be returned by email.

6. SUMMARY OF HOW TO VOTE

6.4 Voting by attorney

If a TNK Shareholder executes or proposes to execute any document, or do any act, by or through an attorney which is relevant to their shareholding in TNK, that TNK Shareholder must deliver the instrument appointing the attorney to the TNK Share Registry for notation.

TNK Shareholders wishing to vote by attorney at the meetings must, if they have not already presented an appropriate power of attorney to TNK for notation, deliver to the TNK Share Registry (at the address or facsimile number specified in section 6.3) the original instrument appointing the attorney or a certified copy of it by 5.00pm (Melbourne time) on Wednesday, 4 December 2019.

6.5 Voting by corporate representative

To vote in person at the meetings to be held on Thursday, 5 December 2019, a TNK Shareholder or proxy which is a body corporate may appoint an individual to act as its representative.

To vote by corporate representative at the meeting, a corporate TNK Shareholder or proxy should obtain a Certificate of Appointment of Corporate Representative form from the TNK Share Registry, and complete and sign the form in accordance with the instructions on it. The appointment form should be lodged at the registration desk on the day of the meetings.

6.6 Further information

Please refer to the Notice of Scheme Meeting in Appendix 3 and the Notice of General Meeting in Appendix 4 for further information on voting procedures and details of the resolutions to be voted on at the meetings.

6.7 Implementation and timetable

If all of the conditions and approvals for the Stapling Proposal are satisfied or waived (as applicable), your Directors expect that the Stapling Proposal will be fully implemented on the Implementation Date.

The key dates and times in relation to the Stapling Proposal are set out at the beginning of this Explanatory Booklet. Section 11.5 describes in further detail the procedural aspects of the Stapling Proposal and how it will be implemented.

7 RISKS

Nido Early School, Altona Meadows, VIC

7. RISKS

7.1 Introduction

This section contains information concerning the risks in relation to the Stapling Proposal, including the creation of TND as the incubator of Child Care Services and an investment in Stapled Securities generally. These risks are important and should be considered by TNK Shareholders before making their decision as to how to vote at the Scheme Meeting and the General Meeting. This section does not contain a full description of the risks associated with an investment in TNK in its present form, as TNK Shareholders are already investors in TNK.

7.2 Risks relating to implementation of the Stapling Proposal

There are some risks that are outside the control of your Directors which may result in the Stapling Proposal not proceeding as expected. These risks include the risks set out below.

7.2.1 Approvals

The Scheme Implementation Deed (summarised in section 12.4 and reproduced (without annexures) in Appendix 5) imposes obligations on TNK and TND to implement the Stapling Proposal. This deed is subject to a number of conditions and approvals. In particular, regulatory approvals, orders and relief including from ASIC and ASX, are required before the Stapling Proposal can be implemented. TNK Shareholders must approve the Stapling Proposal by the requisite majorities at the Scheme Meeting and the General Meeting. Further, the Stapling Proposal will not proceed, even if approved by TNK Shareholders if the Court does not approve the Scheme, as required by the Corporations Act.

7.2.2 Risks associated with holding Stapled Securities

Scheme Shareholders (other than Foreign Scheme Shareholders) will receive Stapled Securities following implementation of the Stapling Proposal. To date, there has been no market for these securities. The future market price of Stapled Securities is uncertain, as is their liquidity. The price of Stapled Securities will be influenced by a number of factors, some of which are outside the control of TNK and TND, including:

- the impact of adverse changes in the child care markets in which the Think Childcare Group will operate;
- factors affecting the value of land, property or growth opportunities, including environmental issues or development approval regulations;
- risks associated with incubation and Trade-up Operations including vacancy and unexpected capital expenditures; and
- changes in Australian legislation, regulation, funding, tax or government policy in relation to the child care sector.

In addition, there are a number of general and specific risks and possible disadvantages associated with the Stapling Proposal. Please refer to the remainder of this section 7 for further information on these risks and to section 5.4 for further information on the possible disadvantages.

7.3 Risks specific to New Child Care Services

7.3.1 Investment in and Trade-up of New Child Care Services

Part of the Stapled Group's strategy will be to identify, analyse and invest in New Child Care Developments and to Trade-up New Child Care Services to an operational level that qualifies the Child Care Service to be purchased from Think Childcare Development by Think Childcare.

7. RISKS

The landlord of any particular New Child Care Development site assumes the risk associated with obtaining development approval and the construction of the New Child Care Development. The Stapled Group will assume the following:

- a risk that quality sites for a Child Care Service cannot be identified, and the Stapled Group's growth strategy is hindered;
- a risk that tenant works (that is, works to be undertaken by Think Childcare Development generally associated with the fit-out, upgrade of the outdoor yard and purchase of learning resources) are delayed and/or the costs of tenant works are higher than anticipated;
- a risk that, following completion of the construction of a New Child Care Development and tenant works, the New Child Care Service experiences delays in obtaining the necessary licences and Service Approval to commence operating as a Child Care Service;
- a risk that, following receipt of the necessary licences to commence operating, a New Child Care Service Trades-up slower than anticipated or does not satisfy TNK's eligibility criteria for purchase and remains with TND, which may impact on earnings, cash flows and dividends of TND or requires TND to sell the Child Care Service to a third party which affects TNK's expected pipeline;
- a risk that the Stapled Group is unable to recruit suitable or appropriate staff to carry out the operations of the Stapled Group including at each of the Child Care Services;
- a risk that a competing New Child Care Service receives regulatory approval and is constructed within close proximity to one of the Stapled Group's Child Care Services (whether a Mature Child Care Service in TNK or a Child Care Service in Trade-up in TND) and adversely affects the performance and value of the Stapled Group's portfolio of Child Care Services, including the Trade-up prospects of a Child Care Service in TND;
- a risk that market conditions change during any New Child Care Development;
- a risk that TND is unable to obtain suitable funding for New Child Care Developments, or to fund its Trade-up Operations; and
- a risk that steps are taken to appoint a receiver, receiver and manager, a trustee in bankruptcy, a provisional liquidator, a liquidator, an administrator or other like person of the whole or part of TND's business.

Although some of these risks can be mitigated, it is not possible to remove entirely the risks inherent in the Trade Up of a New Child Care Service.

7.3.2 Due diligence risks

TNK's management team and TND's management team (through the services provided by TNK pursuant to the Management Deed) have performed certain due diligence on each of the Child Care Services that will comprise the Initial TND Pipeline, consistent with customary due diligence undertaken by TNK.

There is a risk that the due diligence conducted has not identified issues that would have been material to the decision to establish the Child Care Services or for TND to enter into an agreement for lease or lease with the relevant Child Care Service. A material adverse issue which has not been identified by TND, or which materialises after the date that the Stapling Proposal is implemented and the agreements binding TND become effective, could have an adverse impact on the financial or operational performance of the relevant Child Care Service and may lead to a material adverse impact on both TND and TNK's earnings and financial position.

There is a specific risk that historical data relied on by TND in its due diligence (e.g. relating to demographics, supply/demand data and other local operating information), including in relation to a particular Child Care Service (including in relation to any occupancy or performance of an existing competitor service in the area) may not be reliable or may be incorrect and this could have a material impact on TND or TNK's operational performance, earnings and financial position.

7. RISKS

7.3.3 Completion Risk

Completion of the agreements that together establish the Initial TND Pipeline are conditional on certain matters, including landlord consents to change of control, granting of leases, assignment of leases or subleases, service and supply agreements, employee retention arrangements and obtaining applicable operational permits, which are considered by TNK to be customary conditions for the opening of Child Care Services. TNK anticipates that the conditions will be able to be satisfied in the required timeframes to become effective on implementation of the Stapling Proposal.

However, there is a risk that certain of these conditions are not fulfilled or delayed in being satisfied and that agreements for lease or leases for certain Child Care Services in the Initial TND Pipeline do not become Effective either on implementation of the Stapling Proposal or at all.

Specific risks relating to completion and establishment of the Initial TND Pipeline include:

- that terms of the agreement for lease or lease relating to a Child Care Service are onerous and that negotiation with landlords may be protracted;
- a New Child Care Service not satisfying a condition precedent in the agreement for lease or lease, such as the receipt of the required regulatory approvals (ie. a Service Approval);
- TND experiencing delay in completion of the construction of a New Child Care Development or tenant works taking longer than expected or being at a cost higher than anticipated; and
- TND being unable to recruit suitable employees or source the required plant and equipment.

TND's ability to achieve its objectives, including to establish the Initial TND Pipeline, will depend on the ability of its directors and management to fulfil the conditions in the relevant agreements that establish the Initial TND Pipeline and ultimately to satisfy TND's obligations under those agreements and executed its proposed business plans to ensure that each of the Services that comprise the Initial TND Pipeline open for business and are able to Trade-up. This may include the capacity of TND's directors and management to respond efficiently and appropriately to unforeseen circumstances in performing its duties and obligations as the incubator of these Services.

Despite the considerable experience of TNK's directors and management in the child care sector, and despite the fact that management services are being provided to TND pursuant to the Management Deed, there is a risk that TND may not be able to successfully execute its proposed business plans and strategies, including, in particular, being unsuccessful in its Trade-up Operations (ie. Trade-up of the Initial TND Pipeline and any future TND pipeline).

7.4 Risks specific to Child Care Services

7.4.1 Occupancy

There is no assurance that occupancy levels at Child Care Services (whether Mature Child Care Services in TNK or Services in Trade-up in TND) will follow historical occupancy trends. Occupancy may fluctuate contrary to TNK's historical experience or estimations, including occupancy being higher, remaining static or being lower than expected. Fluctuating occupancy levels (whether increasing or decreasing) will have a direct impact on the financial performance and earnings of TNK and TND.

If a New Child Care Service or Existing Child Care Service Trades-up slower than anticipated or does not satisfy TNK's eligibility criteria for purchase from TND (such as in relation to a minimum occupancy condition), this may impact on earnings and cash flows of, and/or dividends paid by, TND or require TND to sell the Child Care Service to a third party which may be on terms less favourable than anticipated and which will affect TNK's expected pipeline of Mature Child Care Services.

7.4.2 Operational risk

Any deficiencies in the standard of care provided by the Stapled Group may cause the closure of a Child Care Service and/or reduced occupancy and bond levels, which may occur as a result of regulatory action or adverse publicity taken or received in relation to the conduct.

7. RISKS

7.4.3 Regulation risk

The child care industry in Australia is heavily regulated under the *Education and Care Services National Law* and supporting regulations which provide a detailed and prescriptive framework for the management and operation of Child Care Services in Australia.

Any change or addition to the laws, regulation or government policy imposed by the Commonwealth, State and Territory or local governments, or changes to their interpretation or enforcement, could have an effect on the operation of and demand for TNK and TND's Services and consequently impact on the future revenues, cashflows and profitability of TNK and TND. A regulatory or policy change could include a change to the level of funding and subsidies provided to families by the government or changes that impact the operating costs of running a Child Care Service. These changes may include changes to the operating requirements prescribed under the National Quality Framework, such as educator to child ratios and educator qualification requirements, which may increase operational expenses incurred by TNK and TND. Other government legislation, including changes to the taxation system, may affect future earnings of, and the relative attractiveness of an investment in, the Stapled Group.

7.4.4 Changes to government assistance

The Commonwealth Government provides substantial assistance to the child care industry and users of the child care industry through schemes such as child care subsidies. Child care subsidies are paid directly to the Child Care Service and represent a significant proportion of a Child Care Service owner's revenues (such as TNK and TND). These schemes are subject to review at any time by the Commonwealth Government. Any reduction in the funding level (or the proportion of funding allocated to Child Care Services) or changes to the eligibility criteria of these schemes will have a significant adverse impact on the operations of TNK and TND.

7.4.5 Increased or new competition

The market for Child Care Services in Australia is competitive due to its fragmented nature. TNK and TND will compete with other long day care and outside school hours care providers. Competition is primarily based on the quality of care offered, the location of a Service and cost.

Any increase in competition or deterioration in the competitive position of TNK and TND could have a material adverse impact on TNK and TND's earnings and financial position.

7.4.6 Access to qualified staff

The ongoing successful operation of TNK and TND's Child Care Services will depend on access to appropriately qualified staff. Although TNK currently has adequate staff resources, retaining and attracting qualified staff will be important to its operations following completion of the Stapling Proposal.

7.5 General business risk

7.5.1 Funding risk

Changes in the availability and cost of current and future borrowings may impact the Stapled Group's earnings.

7.5.2 Dividends

There are a range of factors that determine and will determine the payment of dividends by TNK and TND. These factors include the profitability of the respective businesses of TNK and TND, their cash reserves, future capital requirements and debt servicing obligations under debt facilities. The Boards of TNK and TND will separately determine any future dividend levels based on their respective operating results and financial standing at the time and otherwise in accordance with their respective dividend policies. There is no guarantee that any dividend will be declared and paid by TNK and/or TND or any guarantee that future dividends will equal or exceed previous payments.

7. RISKS

7.5.3 Tax

Changes in tax laws including income tax, capital gains tax, GST or stamp duty legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of tax authorities, or the way they are interpreted, may adversely affect the Stapled Group's financial position or performance.

7.5.4 Loss of key personnel

The loss of key executives or management personnel could cause material disruption to TNK and TND's activities in the short to medium term. TNK will need to attract and retain qualified staff. Failure to do so could have a material adverse impact on TNK's and TND's operations, earnings and financial position.

7.5.5 General economic conditions

Changes in the general economic outlook in Australia may impact the performance of the Stapled Group and its businesses. Such changes may include:

- contractions in the Australian economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- increases in expenses (including the cost of goods and services used by the Stapled Group);
- increases in unemployment rates; and
- fluctuations in equity markets in Australia.

7.5.6 Accounting standards

Australian accounting standards are subject to change from time to time which could adversely affect the Stapled Group's reported earnings performance in any given period and its financial position or performance from time to time.

7.5.7 Litigation

Legal proceedings and claims may arise from time to time in the ordinary course of the Stapled Group's business and may result in high legal costs, adverse monetary judgements and/or damage to the Stapled Group's reputation which could have an adverse impact on the respective financial positions and financial performance of TNK and TND and the price of the Stapled Securities.

7.6 General market risk

TNK Shareholders should be aware that the market price of Stapled Securities and the future distributions made to holders Stapled Securities will be influenced by a number of factors that are common to most listed investments. At any point in time, these may include:

- the Australian and international economic outlook;
- movements in the general level of prices on international and local stock markets;
- changes in economic conditions including inflation and interest rates;
- access to debt and capital markets;
- changes in government fiscal, monetary and regulatory policies; and
- the demand for listed stapled securities.

In addition, the market price of Stapled Securities may be impacted if the child care services sector in general underperforms relative to the rest of the market.

8 PIPELINE OF THE THINK CHILDCARE GROUP FOLLOWING IMPLEMENTATION OF THE STAPLING PROPOSAL

Nido Early School, Lakelands, WA

8. PIPELINE OF THE THINK CHILDCARE GROUP FOLLOWING IMPLEMENTATION OF THE STAPLING PROPOSAL

8.1 Proposed Initial TND Pipeline

As at the date of this Explanatory Booklet, TND (or wholly owned subsidiaries of TND) has entered into certain agreements to, and is currently undertaking due diligence in relation to various potential transactions that will, establish the Initial TND Pipeline on and from implementation of the Stapling Proposal. The Initial TND Pipeline proposes that a wholly owned subsidiary of TND has or will become the tenant under an agreement for lease or lease for particular Child Care Services or will obtain landlord consent to a change in control of an existing tenant under an agreement for lease or lease that is proposed to be acquired by TND. The Initial TND Pipeline does not require separate TNK Shareholder approval, but it is not proposed that the whole of the Initial TND Pipeline will proceed if the Stapling Proposal is not implemented.

As at the date of this Explanatory Booklet, TND (or a wholly owned subsidiary of TND) has entered into binding agreements that are expected to establish an Initial TND Pipeline comprising 6 Child Care Services at various stages of construction and Trade-up.

Of these 6 Child Care Services:

- 2 relate to a landlord consenting to change in control of existing TNK subsidiaries (from being subsidiaries of TNK to subsidiaries of TND) under the relevant agreement for lease or lease. TND has entered into share sale agreements with a subsidiary of TNK to acquire all of the issued share capital in two TNK subsidiaries that are parties to agreements for lease and lease with landlords in relation to 2 New Child Care Services. The share sale agreements and, accordingly, the transfer of the issued share capital in the two TNK subsidiaries to TND, is subject to each respective landlord's consent to a change of control and the Scheme becoming Effective;
- 2 relate to Child Care Services that are the subject of agreements for lease and that are currently under construction with an anticipated opening date in 1HY2020. The respective agreements for lease are conditional on implementation of the Stapling Proposal or alternatively, if the Stapling Proposal is not implemented, TNK obtaining the approval of Macquarie Bank to the respective terms and conditions of the agreements for lease under the existing MBL Facility before 31 January 2020; and
- the remaining 2 Child Care Services are the subject of leases and have already commenced operating under TND and will provide TND with two operating Child Care Services on implementation of the Stapling Proposal.

If the Stapling Proposal is not implemented:

- the 2 Child Care Services that are subject to a change in control approval will remain in Trade-up under TNK and TND will **not** proceed with acquiring each tenant entity that has entered into an agreement for lease in respect of these Child Care Services; and
- the 2 Child Care Services that are subject to agreements for lease that are conditional on implementation of the Stapling Proposal will **not** proceed unless TNK obtains the approval of Macquarie Bank to the respective terms and conditions of the agreements for lease under the existing MBL Facility before 31 January 2020 (failing which, the agreements for lease will automatically terminate).

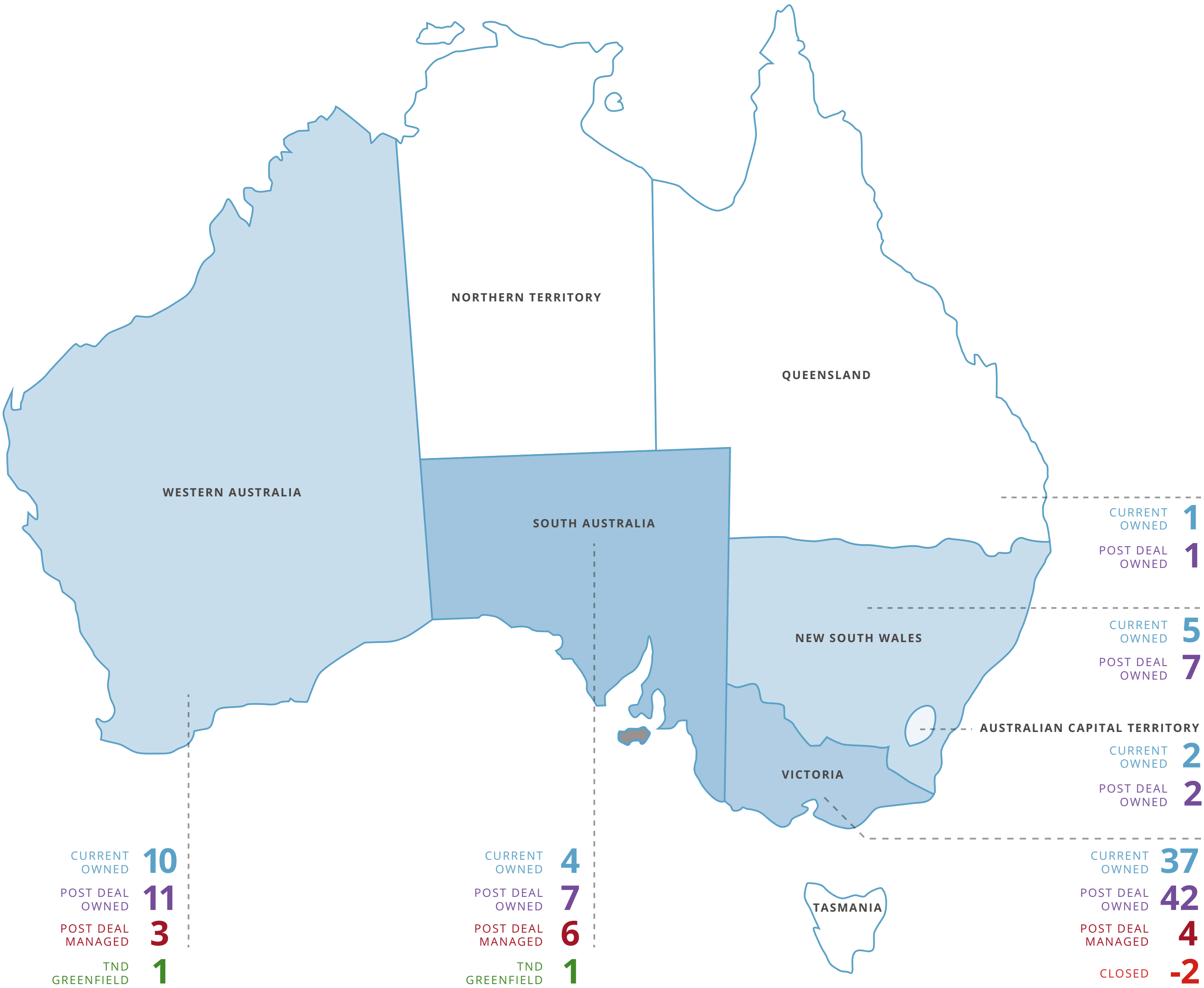
TNK Shareholders should note that if the Stapling Proposal is not implemented, any future Trade-up opportunities by TNK would be subject to the approval of the TNK Board and approval by Macquarie Bank under the existing MBL Facility. No assurance can be provided by the TNK Board that such approvals would be granted by Macquarie Bank should the Stapling Proposal not be implemented.

If the agreements become effective on implementation of the Stapling Proposal as planned:

- the future pipeline for Think Childcare Development and ultimately Think Childcare is expected to be enhanced; and
- Think Childcare Development would gain a geographically diverse portfolio with 1 Child Care Service in Victoria, 4 Child Care Services in Western Australia and 1 Child Care Service in South Australia.

8. PIPELINE OF THE THINK CHILDCARE GROUP FOLLOWING IMPLEMENTATION OF THE STAPLING PROPOSAL

FIGURE 12: GEOGRAPHY OF SERVICES OWNED AND MANAGED BY TNK FOLLOWING COMPLETION OF THE EDHOD 11 ACQUISITION



TNK Shareholders should be aware that Think Childcare (on behalf of TND) is currently in discussions with, and in the process of undertaking due diligence in relation to, 12 other potential Trade-up opportunities with the intention of expanding the TND pipeline following implementation of the Stapling Proposal. TNK will provide an update in relation to these matters should they progress to binding agreements or if required to be disclosed in accordance with TNK's disclosure obligations.

Summary of the Initial TND Pipeline

A summary of the proposed structure to establish the Initial TND Pipeline as at the date of this Explanatory Booklet and the expected position as at the date of implementation of the Stapling Proposal is as follows:

8. PIPELINE OF THE THINK CHILDCARE GROUP FOLLOWING IMPLEMENTATION OF THE STAPLING PROPOSAL

Service	Location	Status of documentation	Documentation effective date	Anticipated total child places	Estimated open date
Initial TND Pipeline Service 1	WA	Agreement for lease (**AFL**) and lease have been entered into between TND and the landlord. The lease commenced early October 2019.	Prior to Implementation Date	92	Open
Initial TND Pipeline Service 2	SA	AFL and lease have been entered into between TND and the landlord. The lease commenced in October 2019.	Prior to Implementation Date	63	Open
Initial TND Pipeline Service 3	WA	TND will take control of the existing leasing entity with effect from the Scheme becoming Effective (subject to landlord consent to a change of control). Transfer of shares in the relevant leasing entity from LEA Childcare Services Pty Ltd to TND.	On and from the Effective Date of the Scheme	62	December 2020
Initial TND Pipeline Service 4	VIC	TND will take control of the existing leasing entity with effect from the Scheme becoming Effective (subject to landlord consent to a change of control). Transfer of shares in the relevant leasing entity from LEA Childcare Services Pty Ltd to TND.	On and from the Effective Date of the Scheme	87	December 2020
Initial TND Pipeline Service 5	WA	AFL and lease have been entered into between TND and the landlord. The AFL is subject to the Stapling Proposal being implemented or, if the Stapling Proposal is not implemented, TNK's financier consenting to the terms and conditions of the AFL under the MBL Facility. If the Stapling Proposal is not implemented and TNK's financier does not consent to the terms and conditions of the AFL by 31 January 2020, the AFL will automatically terminate.	On and from the Effective Date of the Scheme	77	May 2020

8. PIPELINE OF THE THINK CHILDCARE GROUP FOLLOWING IMPLEMENTATION OF THE STAPLING PROPOSAL

Service	Location	Status of documentation	Documentation effective date	Anticipated total child places	Estimated open date
Initial TND Pipeline Service 6	WA	AFL and lease have been entered into between TND and the landlord. The AFL is subject to the Stapling Proposal being implemented or, if the Stapling Proposal is not implemented, TNK's financier consenting to the terms and conditions of the AFL under the MBL Facility. If the Stapling Proposal is not implemented and TNK's financier does not consent to the terms and conditions of the AFL by 31 January 2020, the AFL will automatically terminate.	On and from the Effective Date of the Scheme	92	April 2020

8.2 Edhod 11 Acquisition

8.2.1 Background

As announced to ASX on 21 October 2019, Think Childcare entered into binding agreements to purchase (or for wholly owned subsidiaries of TNK to purchase) 11 Child Care Services that were at various stages of Trade-up by Edhod (**Edhod 11 Acquisition**). The purchase price payable for the Edhod 11 Acquisition is $16 million. Subject to TNK receiving the approval of the various landlords of the Edhod 11 Child Care Services to assign the relevant leases to a wholly owned subsidiary of TNK and the satisfaction of other conditions, the Edhod 11 Acquisition is expected to complete on or around 31 October 2019.

8.2.2 The Edhod 11 Child Care Services

On completion of the Edhod 11 Acquisition, Think Childcare will:

- acquire 11 purpose built Child Care Services (nine of which are trading as Nido Services), which are at various stages of Trade-up; and
- enhance its geographically diversified portfolio with five Child Care Services in Victoria, one in Western Australia, two in New South Wales and three in South Australia.

TNK has entered into the Edhod 11 Acquisition on the basis that the TNK Board believes it has an opportunity to:

- add value by Trading-up the Edhod 11 Child Care Services without the obligation to pay any earnout to Edhod in respect of the Trade-up of those Services following completion of the Edhod 11 Acquisition. The TNK Board considers that not having to pay any earnout to Edhod in respect of the Edhod 11 Child Care Services will result in a saving to TNK of up to approximately $10 million (had those Services all satisfied the maximum earnout conditions as they relate to that Service). However, in consideration for not having to pay any earnout to Edhod in respect of the Edhod 11 Child Care Services, TNK have also agreed to forgo any right to claw back from the consideration paid for the Edhod 11 Acquisition (ie. due to a breach of warranties). The Board is comfortable to forgo any right of claw back against Edhod on the basis that TNK has designed, opened and managed the Edhod 11 Child Care Services from inception;
- increase value as the Edhod 11 Acquisition is expected to be value accretive for TNK Shareholders;
- secure a pipeline of 11 purpose built Child Care Services (nine of which are trading as Nido Services) to TNK and ensure the immediate payment of all TNK's outstanding fees and expenses owed by the Edhod group to TNK; and
- enjoy the associated scale benefits for TNK in owning these Child Care Services, complementing TNK's current footprint in those markets.

8. PIPELINE OF THE THINK CHILDCARE GROUP FOLLOWING IMPLEMENTATION OF THE STAPLING PROPOSAL

Under the implementation deed in respect of the Edhod 11 Acquisition dated 18 October 2019, the parties have agreed that:

- immediately on completion of the sale of the Edhod 11 Child Care Services to TNK, each Centre Management Deed in respect of those Services is terminated;
- immediately on completion of the sale of the Edhod 11 Child Care Services to TNK, each Centre Management Deed in respect of Child Care Services currently in Trade-up by Edhod will be amended to, among other things, remove TNK's right of first refusal and option to purchase the relevant Child Care Services;
- TNK will continue to provide certain pre-opening management services in respect of the Child Care Services remaining in Trade-up in the Edhod group. No management or other fees are payable by the Edhod group (approximating $100,000) to TNK for the provision of these pre-opening or management services until 31 March 2020. Any such fees payable after that date will be payable as agreed between the parties to which no assurance can be given that an agreement will be reached;
- TNK will continue to provide management services in respect of the remaining ELK Child Care Services in the Edhod group, to which it is entitled to be paid;
- TNK will forgo and waive its entitlement to certain amounts payable by the Edhod group to TNK in respect of certain business acquisition agreements from 31 August 2019 including clawback, earn-out and guarantee amounts (as defined in the relevant business acquisition agreements);
- TNK will support and provide all reasonable assistance to the receivers and the Edhod group to facilitate the sale of the ELK Child Care Services remaining in Trade-up in the Edhod group; and
- subject to the sale of the Child Care Services remaining in the Edhod group and the pipeline of Services in the Edhod group to a Third Party Incubator, TNK will use all reasonable endeavours to originate, identify and pursue future greenfield sites for the Third Party Incubator and provide reasonable assistance to the Third Party Incubator to develop and Trade-up the sites subject to TNK and the Third Party Incubator agreeing on the terms for the provision of those services.

8.2.3 Rationale for TNK as purchaser

Although it is intended that the Stapling Proposal should enable the separation of the operation of Mature Child Care Services in TNK from the risks relating to Trade-up Operations in TND, the Edhod 11 Child Care Services are to be acquired by TNK and will be subject to Trade-up under TNK despite each Edhod 11 Child Care Service not satisfying TNK's criteria as a Mature Child Care Service on completion of the Edhod 11 Acquisition.

Despite this, your Directors have decided to acquire the Edhod 11 Child Care Services and bring them under TNK (rather than TND) for the following main reasons:

- the Edhod 11 Acquisition completes acquisitions previously forecasted by TNK for Q42019 and brings forward some of the acquisitions previously forecast for 1HY2020;
- prior to implementation of the Stapling Proposal, TND is not capitalised and would not have the available funds to complete the Edhod 11 Acquisition;
- TNK has a reasonable expectation that each of the Edhod 11 Child Care Services are capable of satisfying TNK's criteria as a Mature Child Care Service on or before December 2020. Accordingly, Trade-up risk is only expected to remain in TNK for the period until each of the Edhod 11 Child Care Services satisfy TNK's criteria as a Mature Child Care Service; and
- through TNK's management under the Centre Management Deeds for each of the Edhod 11 Child Care Services, TNK has transparency over the current operational performance of these Services. Although each of the Edhod 11 Child Care Services will not satisfy TNK's criteria as a Mature Child Care Service on completion of the Edhod 11 Acquisition, TNK has a reasonable expectation that each of the Edhod 11 Child Care Services are capable of satisfying TNK's criteria as a Mature Child Care Service within the short to medium term. Accordingly, Trade-up risk is only expected to remain in TNK for the short to medium term.

9 TAXATION IMPLICATIONS

Nido Early School, Port Melbourne, VIC

9. TAXATION IMPLICATIONS

9.1 Introduction

This section provides a summary of the Australian income tax, goods and services tax (**GST**) and stamp duty implications for Scheme Shareholders who receive the Special Dividend and participate in the Stapling Proposal. It also considers the tax implications of holding and disposing of Stapled Securities.

This section is relevant for TNK Shareholders who hold their TNK Shares on capital account (and will hold any Stapled Securities on capital account).

This section does not consider the Australian tax consequences for TNK Shareholders:

- who hold their TNK Shares as trading stock or as revenue assets;
- who are non-residents and hold their TNK Shares in the course of carrying on a business at or through a permanent establishment in Australia;
- who acquired TNK Shares (or rights to acquire TNK Shares) under an employee share scheme arrangement;
- who may be subject to special tax rules, such as financial institutions, insurance companies, partnerships, (except where expressly stated), tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated); or
- who are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their TNK Shares or Stapled Securities.

TNK Shareholders who are tax residents in a country other than Australia should also take into account the tax consequences of the Special Dividend and the Scheme under the tax laws of their country of residence.

The information contained in this section is general in nature and should not be relied on by TNK Shareholders as tax advice. This section is not intended to be a complete statement of the taxation law applicable to the particular circumstances of every TNK Shareholder.

TNK Shareholders should obtain their own professional advice on the taxation consequences of participating in the Stapling Proposal.

The information contained in this section is based on the taxation law at the date of this Explanatory Booklet. The taxation consequences outlined in this section may alter if there is a change in the taxation law after the date of this Explanatory Booklet.

9.2 Income tax implications of the Stapling Proposal for Australian tax resident TNK Shareholders

9.2.1 Receipt of Special Dividend

A fully franked dividend of $6 million (the **Special Dividend**) will be declared and paid by Think Childcare to Scheme Shareholders. The Special Dividend will not be paid in cash, but will be applied on Scheme Shareholders' behalf as consideration to subscribe for new TND Shares.

Australian tax resident TNK Shareholders should include the amount of the Special Dividend as assessable income in their income tax return for the income year in which the Special Dividend is paid.

Where the TNK Shareholder is a 'qualified person' in relation to the Special Dividend and the franking integrity rules do not apply, they must also include the amount of the attached franking credits in their assessable income and will be entitled to a tax offset equal to the amount of the attached franking credits.

Qualifying person and Related Payment Rule

A TNK Shareholder will be a 'qualified person' in relation to a dividend (including the Special Dividend) if they hold their TNK Shares 'at-risk' for a continuous period of not less than 45 days (not including the day of the relevant share's acquisition or disposal) during a prescribed period (Primary Qualification Period).

The Primary Qualification Period begins the day after the shares are acquired, and ends 45 days after the ex-dividend date.

The Primary Qualification Period is modified where the 'related payment rule' applies.

The 'related payment rule' applies if a TNK Shareholder is under an obligation to pass the benefit of the Special Dividend to one or more other persons. Under the Stapling Proposal, the benefit of the Special Dividend will effectively

9. TAXATION IMPLICATIONS

be passed on to TND as the proceeds will automatically be applied as consideration for the issue of new TND Shares.

Where the 'related payment rule' applies, the prescribed period for the Special Dividend is the period commencing 45 days before the day on which the TNK Shares become ex the Special Dividend and ending on the day before the Record Date. The Record Date is currently scheduled to be Friday, 20 December 2019.

Accordingly, TNK Shareholders could only satisfy the 'related payment rule' in relation to particular TNK Shares if they acquired those TNK Shares on or before Monday, 4 November 2019.

TNK Shareholders will be considered to hold their TNK Shares 'at-risk' on a particular day provided that they have more than 30% of the ordinary financial risks of loss and opportunities for gain from owning those shares.

This will be a matter for each individual TNK Shareholder to determine in their own circumstances.

The 'holding period rule' does not apply to TNK Shareholders that are individuals where their total franking credit tax offset entitlement does not exceed A$5,000 for the year of income in which the Special Dividend is paid.

The ability of TNK Shareholders to benefit from the franking credit tax offset will depend on their income tax status and specific circumstances. The following comments are provided on the basis that the relevant TNK Shareholder is a 'qualified person' in relation to the Special Dividend and on the basis that the various franking integrity rules do not apply.

If either of these requirements is not met, then the franking credit tax offset will not be available.

Australian resident individuals and complying superannuation funds

TNK Shareholders who are individuals or complying superannuation funds will be entitled to a tax offset equal to the amount of the franking credits attached to the Special Dividend. Where these TNK Shareholders have franking credit tax offsets in excess of their total income tax liability they may be entitled to a refund equal to the excess.

Australian resident companies

TNK Shareholders that are Australian resident companies will be entitled to a tax offset equal to the amount of the franking credits attached to the Special Dividend and accordingly, should not pay any additional income tax on the Special Dividend.

Where a TNK Shareholder that is an Australian tax resident company has a franking credit tax offset that exceeds its total income tax liability, it may be able to convert the excess tax offsets into carried forward tax losses, but will not be eligible for a refund of the excess tax offset.

A franking credit will arise in the franking account of these TNK Shareholders equal to the amount of the franking credits attached to the Special Dividend.

*Australian resident trusts (other than an Attribution managed investment trust (**AMIT**))*

Where TNK Shares are held by an Australian resident trust (other than an AMIT) and Australian resident beneficiaries are presently entitled to income of the trust, including the Special Dividend, the benefit of the franking credit attached to the Special Dividend may also pass through to Australian resident beneficiaries. The income tax treatment of the Special Dividend and attached franking credits in the hands of those beneficiaries will depend on the income tax status of the trust and the beneficiaries.

Where the TNK Shareholder is an Australian resident trust (other than an AMIT) and there are no beneficiaries presently entitled to the Special Dividend, the Trustee will be liable for any income tax attributable to the Special Dividends and be entitled to a tax offset equal to the attached franking credits.

Australian resident AMITs

Where TNK Shares are held by an Australian resident AMIT, the beneficiaries of the AMIT will be attributed the income of the AMIT including the Special Dividend based on their clearly defined rights in the AMIT. The attached franking credits will flow to the relevant beneficiary in proportion to the attributed Special Dividend. The income tax treatment of the Special Dividend and attached franking credits in the hands of those beneficiaries will depend on the income tax status of those beneficiaries.

Australian resident partnerships

Where TNK Shares are held by an Australian resident partnership, the Special Dividend and the benefit of the franking credits attached to the Special Dividend may also pass through to Australian resident partners. The income tax treatment of the Special Dividend and attached franking

9. TAXATION IMPLICATIONS

credits in the hands of those partners will depend on the income tax status of the partners.

On the basis that TNK is a listed public company with a single class of shares at all times during the income year in which the Special Dividend is paid, the benchmark franking rule should not apply to TNK.

Importantly, as the Special Dividend will be applied by TNK on behalf of TNK Shareholders for the issue of one new TND Share for each TNK Share they hold as at the Record Date, TNK Shareholders should note that the Stapling Proposal may result in TNK Shareholders having a tax liability without receiving any cash. TNK Shareholders may need to meet the tax liability out of their own funds or sell Stapled Securities on market to fund the tax liability. TNK Shareholders should note that under the terms of the Scheme, trading in unstapled TNK Shares will be suspended on the Business Day after the Effective Date. Registration of transfers of unstapled TNK Shares will cease on and from the Special Dividend Record Date.

9.2.2 Subscription for TND Shares and impact of the Stapling Proposal

Under the Stapling Proposal, the Special Dividend will be applied by TNK on behalf of TNK Shareholders for the issue of one new TND Share for each TNK Share they hold as at the Record Date.

The TNK Shares and the TND Shares will be stapled to form a Stapled Security. The Stapled Security will be quoted on ASX and tradeable as a single security. However, the individual constituent securities (being one TNK Share and one TND Share) that are stapled together are treated separately for tax purposes, meaning that each TNK Share and each TND Share will have separate cost bases and dates of acquisition for capital gains tax (**CGT**) purposes.

The tax cost base of each TND Share should be equal to the consideration paid to acquire the new TND Share.

As the Special Dividend amount will be applied on behalf of Scheme Shareholders as consideration for the new TND Shares issued, this will constitute each Scheme Shareholder's tax cost base and reduced tax cost base in the newly acquired TND Shares.

For CGT purposes, Scheme Shareholders should be taken to have acquired the TND Shares when they become the owner of those TND Shares (ie. on the issue of the new TND Shares on the Implementation Date of the Scheme).

The tax cost base and date of acquisition of TND Shares is important for Scheme Shareholders in order to calculate whether a capital gain or loss is made and the availability of certain CGT concessions such as the discount capital gain for certain shareholders (such as Australian tax resident individuals, trusts and superannuation funds).

The tax cost base and date of acquisition of the TNK Shares for each TNK Shareholder will not be impacted by the Stapling Proposal.

9.3 Income tax implications for Foreign Scheme Shareholders of the Stapling Proposal

Foreign Scheme Shareholders cannot participate in the Stapling Proposal and will have their Stapled Securities sold by the Sale Nominee.

TND Shares that would otherwise be issued to Foreign Scheme Shareholders as a result of the Special Dividend will instead be issued to the Sale Nominee.

The Sale Nominee will then sell or facilitate the transfer of Stapled Securities attributable to Foreign Scheme Shareholders. The Sale Nominee will remit to Foreign Scheme Shareholders an amount equal to the net cash proceeds in respect of Stapled Securities attributable to them.

Subject to any integrity rules, the payment of the Special Dividend for the benefit of a Foreign Scheme Shareholder should not give rise to any Australian dividend withholding tax on the basis that the Special Dividend is fully franked.

The subsequent sale of Stapled Securities should not give rise to any Australian tax where the TNK Shares and the TND shares are not 'taxable Australian property' (**TAP**) for the purposes of Division 855 of the *Income Tax Assessment Act 1997* (Cth).

Broadly, shares will only be TAP where:

- a shareholder and its associates have held 10% or more in the entity at the time of the CGT event or for a 12 month period in the last 24 months prior to the CGT event; and
- at the time of the CGT event, more than 50% (by market value) of the underlying assets of the entity consist of

interests in Australian land or mining rights.

Your Directors have confirmed that the test in point 2 above is not expected to be satisfied on implementation of the Stapling Proposal. On this basis, neither the TNK nor the TND Shares are expected to be TAP and consequently no Australian CGT should apply on the disposal by Foreign Scheme Shareholders of their Stapled Securities. Additionally, your Directors do not expect there to be any unrealised gain in TND on implementation of the Stapling Proposal and consequently no taxable gain should arise in any case on the disposal of the TND Shares by the Sale Nominee.

9.4 Income tax implications of holding Stapled Securities (Australian and Foreign residents)

9.4.1 Subsequent Dividends from TNK and TND

Subsequent dividends paid to Australian tax resident shareholders should form part of their assessable income. Subject to the franking credit integrity rules, including the qualifying person rule, Australian tax resident shareholders should be entitled to gross up the dividend and claim a tax offset for the franking credit included. The treatment of the tax offset is detailed above under section 9.2.1.

Foreign tax residents should not be subject to Australian dividend withholding tax to the extent that the dividend is franked. Unfranked dividends received by foreign tax residents will be subject to dividend withholding tax at 30%, but this may be reduced by any applicable double tax agreement (**DTA**) between Australia and the country of residence of the foreign resident payee, provided that the payee can rely on the benefits of the DTA.

9.4.2 Subsequent Disposal of Stapled Securities

This section considers the Australian taxation implications for a Stapled Securityholder who holds their Stapled Securities on capital account and who, subsequent to the Stapling Proposal, disposes of their Stapled Securities (e.g. by sale on the ASX).

a) **Capital gains tax event**

The disposal of Stapled Securities will give rise to a CGT event at the time Stapled Securityholders enter into a contract for the disposal of their Stapled Securities (or on disposal if there is no contract for the disposal).

b) **Calculation of capital gain or loss**

As noted above, each of the TNK Shares and the TND Shares will be treated as separate assets for CGT purposes. Each of the TNK Shares and the TND Shares are referred to below as constituent securities.

Stapled Securityholders will make a capital gain on the disposal of each of the constituent securities to the extent that the capital proceeds received in respect of the disposal of that constituent security exceeds their cost base in that constituent security. Conversely, Stapled Securityholders will make a capital loss to the extent that the capital proceeds in respect of the disposal of each constituent security is less than their reduced cost base in respect of that constituent security.

c) **Capital proceeds**

The capital proceeds received on the disposal of Stapled Securities (which is generally equal to the amount received in respect of the disposal) must be allocated on a reasonable basis between the constituent securities. The capital proceeds in respect of the CGT event for each disposal of a constituent security is, subject to any relevant integrity rules, equal to this reasonable allocation.

d) **Cost base**

The cost base (or reduced cost base) of each constituent security will broadly be the amount paid or the market value of any property given to acquire the constituent security plus any incidental costs of acquisition and disposal plus any ownership costs not claimed as an income tax deduction, less any previous capital returns made by the relevant entity. The initial cost base in the TND Shares will be based on the amount of the Special Dividend reinvested by each eligible TNK Shareholder.

e) **CGT Discount**

The CGT discount should be available to Stapled Securityholders who are individuals, trusts or complying superannuation funds and have held their constituent securities for at least 12 months before the relevant CGT event occurs. This test is applied separately to each constituent security and it is possible that one constituent security will be eligible for the CGT discount while the other security will be ineligible.

Where the Stapled Securityholder is the trustee of a trust that has held the constituent securities for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are individuals, trustees or complying superannuation entities. The CGT discount rules applying to trusts are complex and Stapled Securityholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

Broadly, the CGT discount rules enable Stapled Securityholders to reduce their capital gain (after the application of any current year or prior year capital losses) by 50% for individuals and trusts (other than complying superannuation funds) and 33 1/3% for complying superannuation funds.

The CGT discount is not available to Stapled Securityholders that are companies.

f) **Capital losses**

A capital loss on the disposal of a constituent security may be used to offset any other capital gains derived by the Stapled Securityholders for the relevant year of income (including any capital gain derived by Stapled Securityholders on the disposal of other constituent securities) or may be carried forward to offset capital gains in future income years. Specific capital loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. Stapled Securityholders should obtain their own tax advice in relation to the operation of these rules. The loss recoupment rules in respect of capital losses do not apply to trusts.

g) **Foreign resident Stapled Securityholders**

Non-Australian tax residents should not be subject to Australian CGT on disposal of their Stapled Securities where each of the constituent securities are not TAP at the time of the CGT event.

This will need to be confirmed by the relevant foreign resident Stapled Securityholder at the time of the disposal.

9.5 Income tax implications of the Stapling Proposal for TNK and TND

9.5.1 Redemption of TND redeemable preference share

As set out in section 4.1.2, TND was incorporated as an Australian public company limited by shares with TNK as its sole shareholder holding one redeemable preference share issued for nominal consideration of $1.00.

If the Stapling Proposal is approved by TNK Shareholders, TNK will redeem its redeemable preference share in TND as part of the implementation of the Stapling Proposal.

The redemption by TNK of the redeemable preference share it holds in TND should cause CGT event C2 to occur.

The CGT liability should be equal to the capital proceeds received from the disposal less the cost base of the redeemable preference share.

Your Directors expect that there will be no CGT payable as the redeemable preference share has nominal value.

9.5.2 Tax profile of TNK and TND post Stapling

Each of TNK and TND will form a distinct income tax consolidated group and as a result will be assessed separately for tax and subject to income tax at the general corporate tax rate of 30%.

As separate taxable entities:

- both companies will need to file separate income tax returns;
- the TNK and TND income tax consolidated groups will not be able to utilise or transfer tax losses between the groups; and
- transactions between members of the TNK income tax consolidated group and members of the TND income tax consolidated group will be taxable.

9.5.3 Sale of Mature Child Care Services

a) **Treatment by TND**

The sale of Mature Child Care Services or assets by the TND income tax consolidated group to the TNK income tax consolidated group will be a taxable event.

The precise nature of the potential gain or loss on the sale will need to be determined at the time of the event, with regards to the specific assets being sold (for example, the sale of depreciating assets will give rise to balancing adjustment gains or losses, while the sale of other assets may give rise to gains or losses) and the method of the transaction (i.e. sale of shares or sale of assets).

Broadly, a gain will be made where the proceeds from the sale of the assets exceeds the underlying tax cost base of the assets sold. Integrity rules apply to ensure that the proceeds from the sale for tax purposes will not be lower than the market value of those assets.

b) **Treatment by TNK**

The tax cost base of assets acquired by the TNK income tax consolidated group will be determined by allocating, on a reasonable basis, the purchase consideration against underlying assets such that the tax cost base of these assets will be generally equal to the amount paid for the assets (and other incidental costs incurred in respect of the acquisition).

This will determine any future taxable gains and CGT and revenue assets and tax deductions that may be available in respect of depreciating assets, with certain exceptions (for example the availability of future capital works deductions under Division 43 are subject to limitations where they are acquired from an associate).

9.6 GST implications of the Stapling Proposal

9.6.1 Receipt of Special Dividend by TNK Shareholders

The declaration and payment of the Special Dividend by Think Childcare to Scheme Shareholders will not be subject to GST.

9.6.2 GST in connection with subscription for TND Shares

The issue of TND Shares to TNK Shareholders should be either input taxed or GST-free depending on the individual circumstances of the TNK Shareholders. In either case, no GST should apply.

9.6.3 GST implications for Foreign Scheme Shareholders

The issue of TND Shares to the Sale Nominee (that would otherwise be issued to Foreign Scheme Shareholders as a result of the Special Dividend) should also be input taxed, GST-free or out of scope depending on the circumstances. In any case, no GST should apply.

The subsequent sale or transfer of Stapled Securities attributable to Foreign Scheme Shareholders by the Sale Nominee should also be input taxed, GST-free or out of scope depending on the circumstances of the Foreign Scheme Shareholders and the purchaser/transferee of the Stapled Securities. In any case, no GST should apply.

9.6.4 GST on sale of Mature Child Care Service

The sale of Mature Child Care Services or assets by Think Childcare Development to Think Childcare should be taxable (i.e. subject to GST), unless it (or part of it) qualifies for a GST concession or exemption.

Relevantly, the sale of Mature Child Care Services or assets may qualify for the *GST-free going concern concession* if, amongst other things, Think Childcare Development supplies to Think Childcare *all the things necessary for the continued operation of an enterprise*. Each sale of a Mature Child Care Service or sale of assets will need to be considered on a case by case basis to determine whether the requirements of the *GST-free going concern concession* are satisfied.

If the sale of a Mature Child Care Service or assets is subject to GST, Think Childcare Development (as the *supplier* for GST purposes) would be liable to remit GST in its GST return in respect of these supplies. Think Childcare should be entitled to claim input tax credits in respect of the GST paid on the taxable acquisition of Mature Child Care Services and/or assets, subject to holding a valid tax invoice (and satisfying the other legislative requirements).

9.6.5 GST on subsequent sale of Stapled Securities

The subsequent sale of Stapled Securities by Stapled Securityholders should be input taxed, GST-free or out of scope depending on the circumstances of the Stapled Securityholder and the purchaser of the Stapled Securities. In any case, no GST should apply.

9.7 Stamp duty implications of the Stapling Proposal

9.7.1 Stamp duty in connection with subscription for TND Shares

Up to and including the time at which TNK Shareholders acquire their TND Shares under the Stapling Proposal, it is expected that:

- TND's only interests in land (held directly, or indirectly through interposed entities) will comprise leases (or agreements for lease) in Western Australia, South Australia and Victoria;
- the value of any such interests in Western Australia and Victoria (including tenant's fixtures) will fall below relevant thresholds such that TND is not a 'landholder' for the purposes of the duties legislation in those States; and
- no such interests in South Australia are in respect of residential or primary production land.

Given the above, TNK Shareholders should not be subject to any Australian stamp duty on the acquisition of TND Shares under the Stapling Proposal.

9.7.2 Stamp duty on acquisition of Child Care Services

Australian stamp duty may be payable by relevant Stapled Group entities in connection with the acquisition of (or the agreement to acquire) certain Child Care Services or assets. The duty payable (if any) in respect of a particular acquisition will depend on various matters, including the specific nature of the assets acquired and the State or Territory in which those assets are located (or deemed to be located).

Australian stamp duty may therefore be payable by:

- TND (or relevant subsidiaries) in respect of acquisitions of (or agreements to acquire) certain Child Care Services in the Initial TND Pipeline;
- TNK (or relevant subsidiaries) in respect of acquisitions of (or agreements to acquire) certain Child Care Services under the Edhod 11 Acquisition; and
- TNK (or relevant subsidiaries) in respect of acquisitions of (or agreements to acquire) Mature Child Care Services from TND (or relevant subsidiaries), noting that in certain circumstances duty exemptions or concessions may be available in respect of the transfer of assets between stapled group entities.

9.7.3 Stamp duty on subsequent sale of Stapled Securities

Stapled Securityholders should not be liable to stamp duty in respect of a sale or transfer of their Stapled Securities.

Persons or entities who acquire (or otherwise increase) interests in the Stapled Group in the future should generally not be liable to stamp duty, however they should seek their own independent stamp duty advice prior to their acquisition of Stapled Securities.

10 FINANCIAL AND ACCOUNTING INFORMATION

Nido Early School, Beeliar Village, WA

10. FINANCIAL AND ACCOUNTING INFORMATION

10.1 Financial

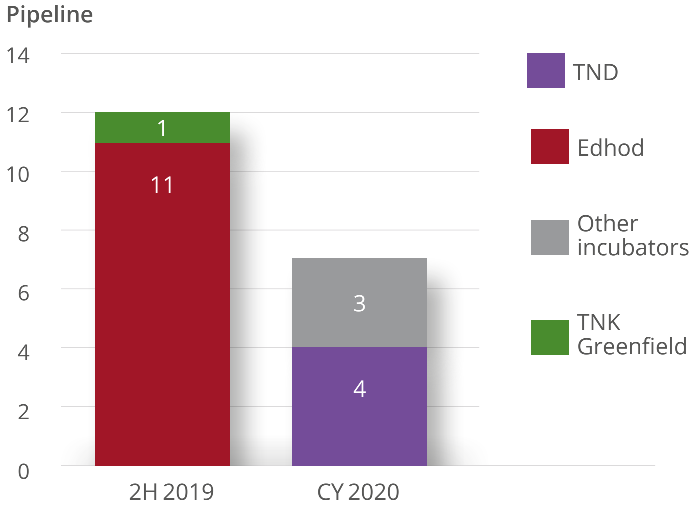
10.1.1 Think Childcare's pipeline of Services

As set out in this Explanatory Booklet, the Think Childcare Group intends to both operate Mature Child Care Services (predominantly in TNK) and deliver a pipeline of Traded-up Services (predominantly in TND) to TNK through Trade-up Operations in TND and by acquisition from Third Party Incubators. A Service in Trade-up by TND will be acquired by TNK when a Trigger Event occurs under the relevant Centre Management Deed entered into between TND and TNK. Further information in relation to Trigger Events and the criteria for a Trigger Event are set out in more detail in section 4.3.6.

As announced to ASX on 21 October 2019, Think Childcare entered into binding agreements with Edhod to complete the purchase of 11 Child Care Services that were at various stages of Trade-up by Edhod (being the **Edhod 11 Acquisition**). The Edhod 11 Child Care Services are currently being managed by TNK and are at various stages of Trade-up. Although the operational performance of each of the Edhod 11 Child Care Services have not satisfied the hurdles for a Trigger Event to occur, TNK has a reasonable expectation that each of these Services are capable of satisfying TNK's criteria as a Mature Child Care Services on or before December 2020.

Following completion of the Edhod 11 Acquisition, Think Childcare will have no further rights to any additional Services from Edhod and accordingly, no additional Services have been included in TNK's forecast from Edhod for 2HY2019 or CY2020 except the Edhod 11 Child Care Services.

FIGURE 13: TNK PIPELINE AS AT 21 OCTOBER 2019



10.1.2 Think Childcare financial performance

a) Number of Child Care Services

TNK forecasts an increase in the number of Services it owns and operates from 61 as at the Last Practicable Date to 77 Services by 31 December 2020.[5] This growth will largely be driven by the expected completion of the Edhod 11 Acquisition on 31 October 2019 and the acquisition of 4 Mature Child Care Services from TND in CY2020.[6] As the Edhod 11 Child Care Services are currently being managed by TNK, on completion of the Edhod 11 Acquisition, the number of Services under management (but not owned) by TNK will decrease by 11.[7]

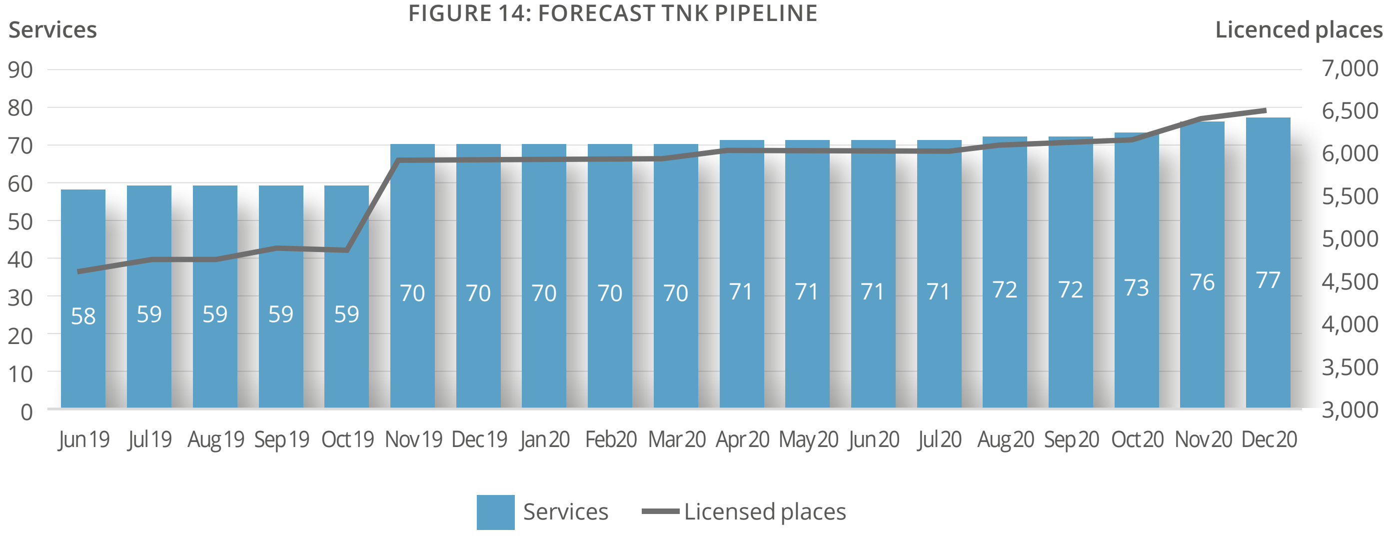
5 2 Child Care Services are currently owned and operated by TND as a wholly owned subsidiary of TNK. Following implementation of the Stapling Proposal, these 2 Child Care Services will be owned and operated by TND as a component of the Stapled Group (rather than as a subsidiary of TNK) and accordingly, the number of Child Care Services owned and operated by TNK (or its wholly owned subsidiaries) will reduce by 2.

6 The forecasted acquisition of 4 Mature Child Care Services from TND in CY2020 is subject to TND entering into binding agreements in respect of the 12 other Services outside of the Initial TND Pipeline that TNK is currently undertaking due diligence. No assurance can be provided by the TNK Board that such agreements can or will be reached in relation to some or all of these Services.

7 Figure 14 does not include the 2 Child Care Services currently owned and operated by TND as a wholly owned subsidiary of TNK. See Footnote 5 above for more information.

10. FINANCIAL AND ACCOUNTING INFORMATION

FIGURE 14: FORECAST TNK PIPELINE

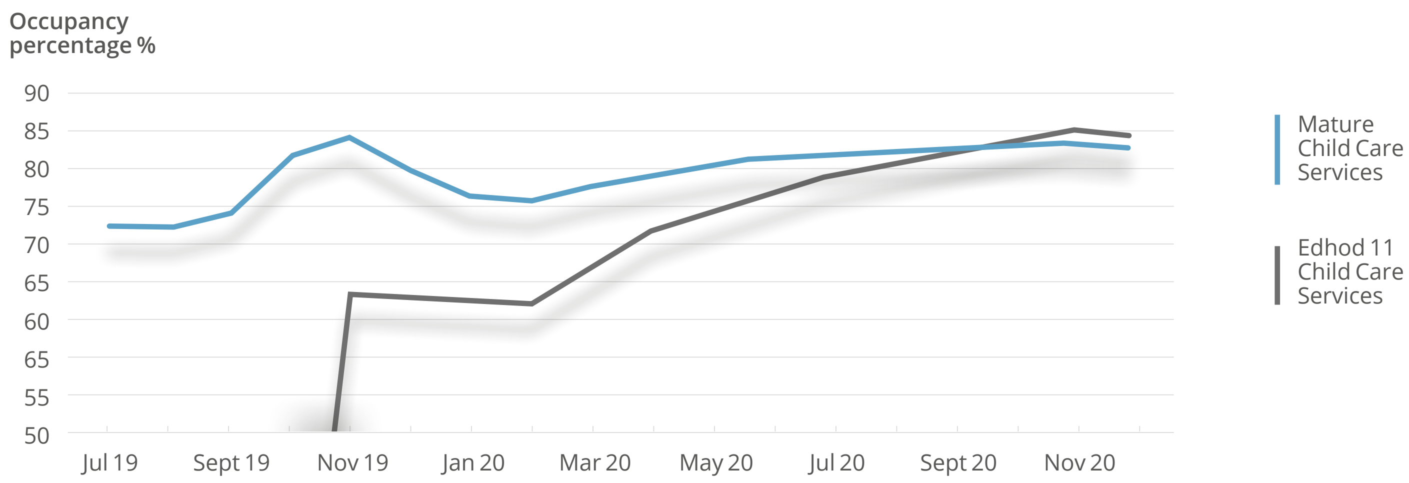


b) **Occupancy Percentage**

The average Occupancy Percentage of the TNK portfolio is forecast to grow as New Child Care Services acquired by TNK from TND and the Edhod 11 Child Care Services mature. TNK forecasts peak Occupancy Percentage at 85% before the lower seasonal occupancy during the December, January and February holiday periods.

TNK calculates that the average Occupancy Percentage for the Edhod 11 Child Care Services was approximately 60% on or around the Last Practicable Date. TNK has a reasonable expectation that the Edhod 11 Child Care Services can achieve an average Occupancy Percentage of 75% and will satisfy TNK's criteria as Mature Child Care Services on or before December 2020.

FIGURE 15: FORECAST TNK OCCUPANCY PERCENTAGE



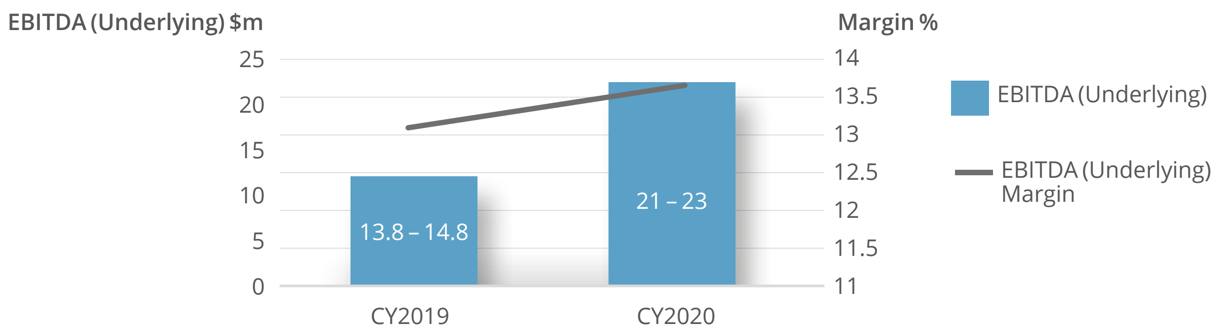
c) **EBITDA (Underlying)**

Figure 16 illustrates TNK's guidance for EBITDA (Underlying) and the EBITDA (Underlying) margin for TNK in CY2019 and in CY2020.

10. FINANCIAL AND ACCOUNTING INFORMATION

TNK's EBITDA (Underlying) guidance for CY2019 of $13.8 million to $14.8 million is reaffirmed. Guidance for Think Childcare EBITDA (Underlying) in CY2020 is $21.0 million to $23.0 million. The EBITDA (Underlying) increase in CY2020 is largely driven by the acquisition of New Child Care Services and the assumed increase in Occupancy Percentage as those Services mature.

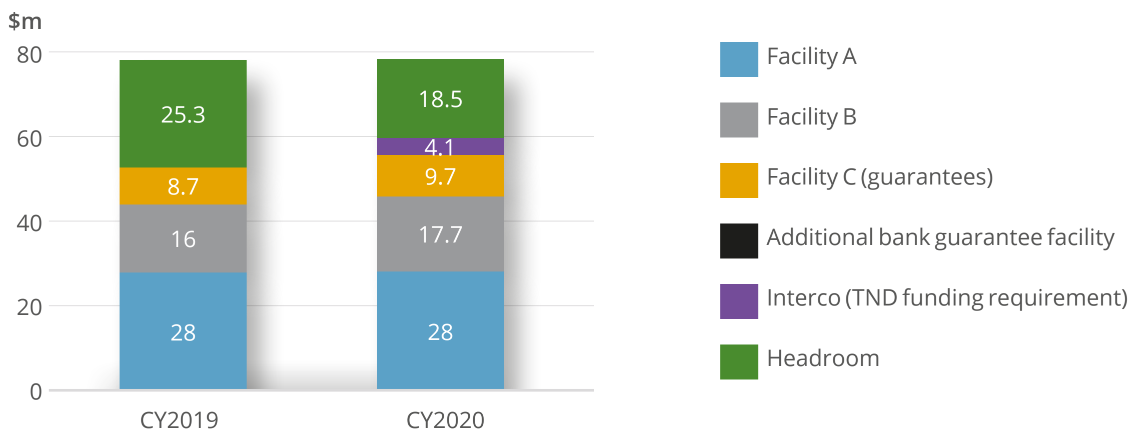
FIGURE 16: EBITDA (UNDERLYING) GUIDANCE



d) **Borrowings**

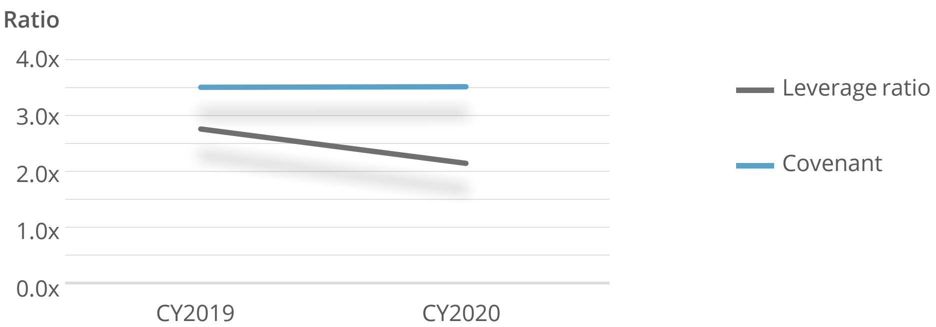
Up to the end of CY2020 (being the period which TNK has provided guidance), TNK expects drawn debt (gross) under the MBL Facility to peak at approximately $52.7 million in CY2019 and $60 million in CY2020. This includes TNK's initial funding of TND by way of the Inter-Company Loan of up to $7.5 million (which will be drawn from TNK's existing debt facility with Macquarie Bank) but excludes contingent bank guarantee facilities.

FIGURE 17: BORROWING GUIDANCE



TNK's debt leverage (being net debt/EBITDA) is forecast to remain within the previously announced target range of 1.6x – 2.4x and below the financial covenant under the MBL Facility of 3.5x.

FIGURE 18: FINANCIAL COVENANT – DEBT LEVERAGE



10. FINANCIAL AND ACCOUNTING INFORMATION

10.1.3 Think Childcare Development financial performance

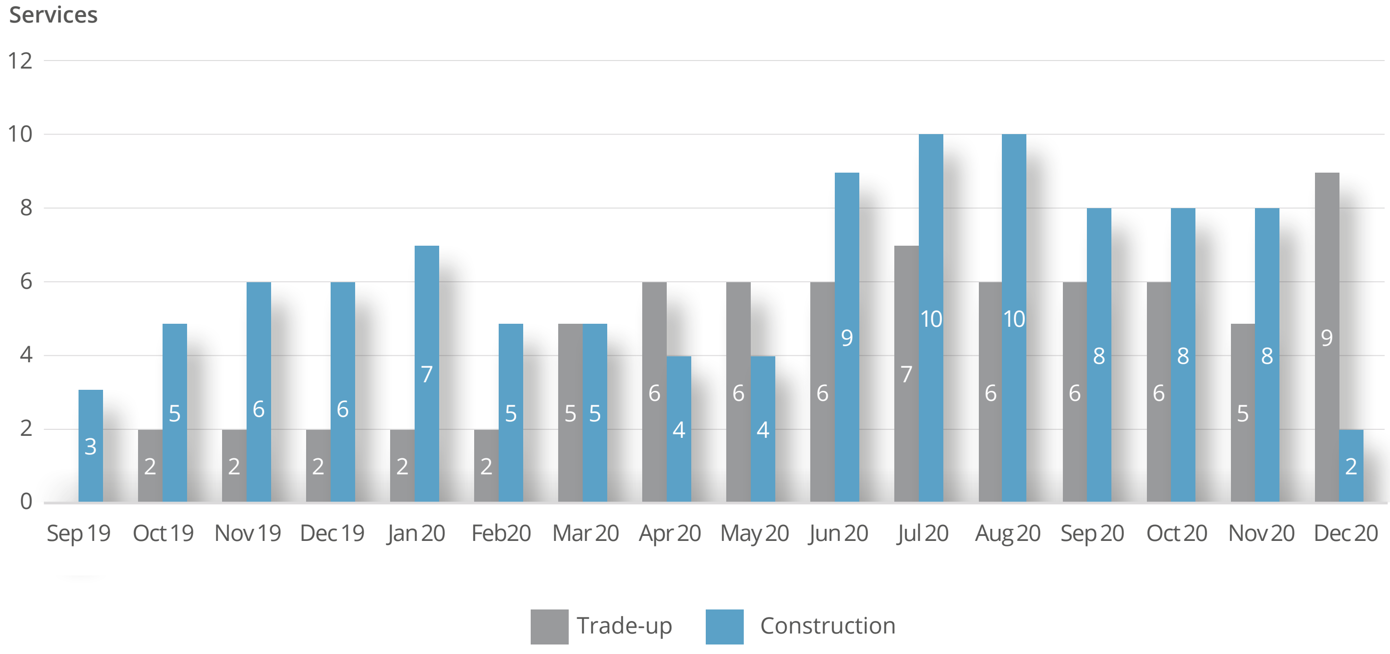
The following financial performance information has been prepared on the basis that, on implementation of the Stapling Proposal or shortly thereafter, the Initial TND Pipeline will comprise the 6 Child Care Services for which agreements have already been entered into by TND (or for which are already owned and operated by TND) and the 12 other potential services that TND is currently in the process of undertaking due diligence (see section 8.1 for more information). TNK Shareholders should note that TNK has not entered into binding agreements in respect of these 12 other Services and there is a risk that TND is unable to reach agreement in respect of some or all of these Services. No assurance can be provided by the TNK Board that such agreements can or will be reached in relation to some or all of these Services.

a) Number of Child Care Services

On implementation of the Stapling Proposal, the Initial TND Pipeline is expected to comprise 6 Child Care Services at various stages of construction and Trade-up. All 6 Child Care Services are expected to have commenced Trade-up by the end of CY2020.

Figure 19 below demonstrates the expected composition of Services in Trade-up and construction up to 31 December 2020 based on the 6 Child Care Services in the Initial TND Pipeline and the additional 12 other Services that TND is currently in the process of undertaking due diligence.

FIGURE 19: STATUS OF INITIAL TND PIPELINE AND OTHER SERVICES

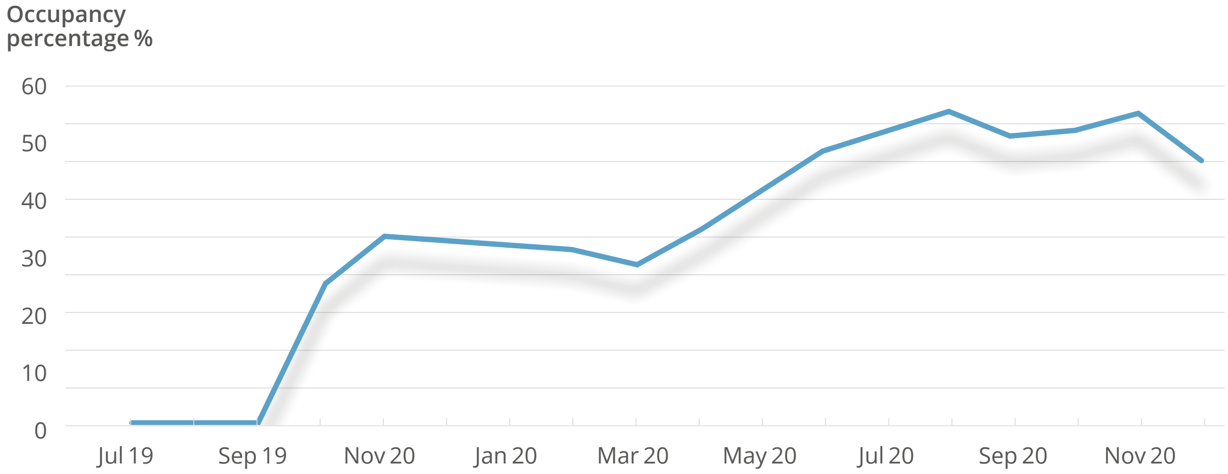


b) Occupancy Percentage

TND's Occupancy Percentage is expected to be consistent with that of a developer of New Child Care Services. That is, TND's average Occupancy Percentage will fluctuate based on the number of Services that TND has in construction, at various stages of Trade-up and ultimately upon sale to TNK when 75% Occupancy Percentage is achieved. TNK expects that, on average, it will take approximately 10 to 15 months for a purpose built Nido Child Care Service to reach an average daily Occupancy Percentage of 75%.

10. FINANCIAL AND ACCOUNTING INFORMATION

FIGURE 20: AVERAGE OCCUPANCY PERCENTAGE



c) **EBITDA (Underlying)**

TND's EBITDA (Underlying) will primarily be impacted by the Trade-up losses it incurs in respect of the Trade-up of New Child Care Services and the profits generated when a Trigger Event occurs and a Service is sold to TNK as a Mature Child Care Service. TNK forecasts that, on average, the total EBITDA (Underlying) loss that will be incurred by TND for the Trade-up of each New Child Care Service from commencement of trading to breakeven will be approximately $150,000 per Service.

FIGURE 21: EBITDA (UNDERLYING) GUIDANCE

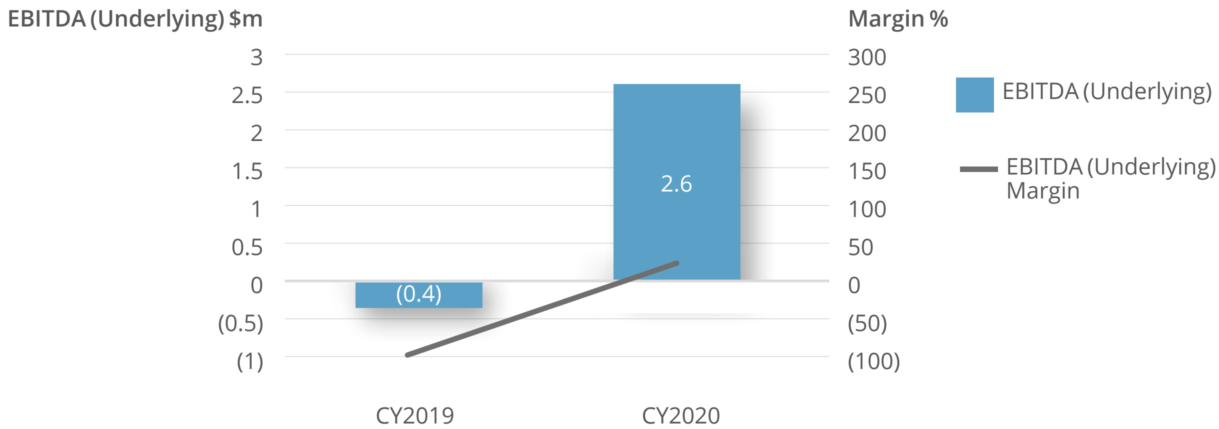


Figure 21 above illustrates TND's guidance for EBITDA (Underlying) and the EBITDA (Underlying) margin for TND in CY2019 and CY2020.

TND's EBITDA (Underlying) guidance for CY2019 is a loss of approximately $364,000, primarily due to the concentration of Trade-up losses expected in TND in respect of the Trade-up of New Child Care Services.

TND's EBITDA (Underlying) guidance for CY2020 is approximately $2.6 million, primarily due to profits derived from the sale of Mature Child Care Services to TNK.

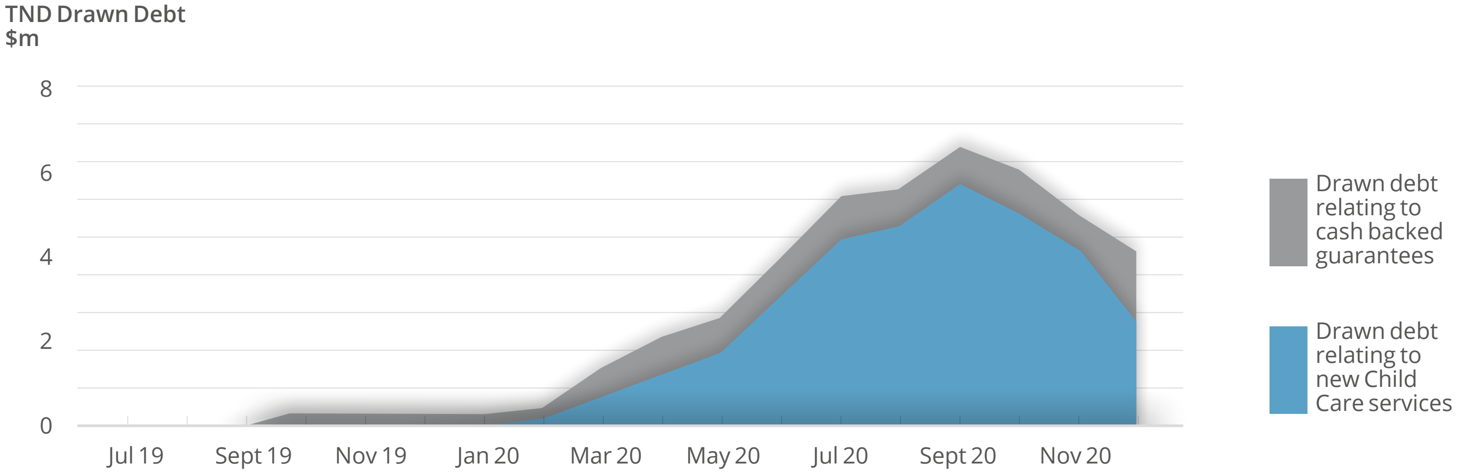
The EBITDA (Underlying) increase in CY2020 is expected to be largely driven by the acquisition by TNK of New Child Care Services from TND and the assumed increase in Occupancy Percentage as the Services Trade-up under TND.

10. FINANCIAL AND ACCOUNTING INFORMATION

d) Borrowings

TND's forecast drawn debt (gross) will peak at $7.5 million (inclusive of $2 million funding in respect of cash backed bank guarantees) and comprises an Inter-Company Loan from TNK.

FIGURE 22: BORROWING GUIDANCE



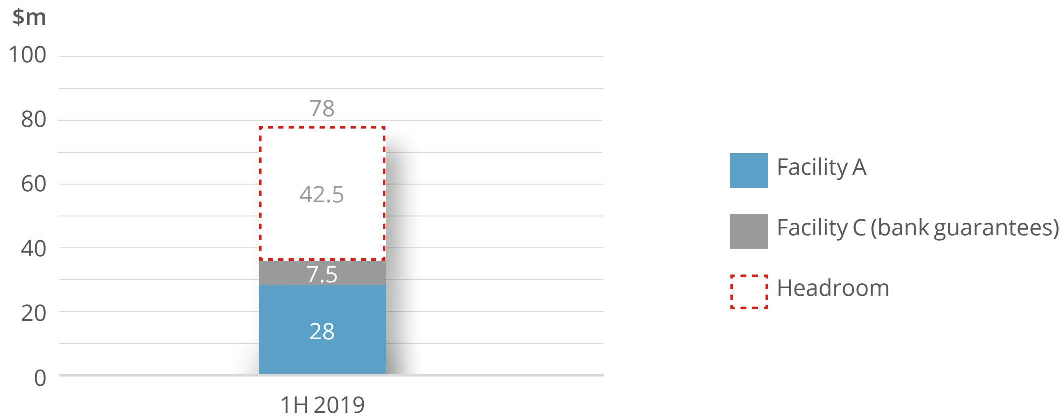
10.1.4 Think Childcare Group's funding requirements

Think Childcare has the capacity under the MBL Facility (and has received consent from Macquarie Bank to use this capacity) to fund the Initial TND Pipeline, with unutilised headroom under the MBL Facility of approximately $42.5 million as at 30 June 2019. Headroom also exists under TNK's MBL Facility financial covenants, with net leverage of 1.3x (compared with a covenant of 3.5x) and fixed charge cover of 1.9x (compared with a covenant of 1.5x).

TNK's existing financier has consented to the Inter-Company Loan.

Consideration for the Edhod 11 Acquisition is fixed at $16 million and is not subject to any earn-out, clawback or adjustment provisions. Macquarie Bank has permitted TNK to use funds available under the MBL Facility to complete the Edhod 11 Acquisition (and to provide the required replacement bank guarantees for each of the Edhod 11 Child Care Services).

FIGURE 23: TNK UTILISATION OF THE MBL FACILITY AS AT THE LAST PRACTICABLE DATE



Appendix 7 provides further detail on the pro forma financial performance of TNK, TND, and Think Childcare Group to the end of CY2019 and following implementation of the Stapling Proposal. The consolidated pro forma financial statements eliminate the impact of intercompany transactions including those arising from the sale of Mature Child Care Services by TND to TNK.

10. FINANCIAL AND ACCOUNTING INFORMATION

10.2 Accounting

10.2.1 Compliance with financial reporting requirements

The Stapled Group will prepare and present financial statements in accordance with the Australian Accounting Standards.

The consolidated financial statements will separately identify Think Childcare (including subsidiaries) as the parent entity whilst the consolidated entity will include Think Childcare and Think Childcare Development (including their respective subsidiaries).

The consolidated financial statements of the Stapled Group will identify two operating segments. Think Childcare (operating group) and Think Childcare Development (development group) and will disclose the financial information for each of these segments separately by way of a segment note to the Stapled Group accounts.

In addition to the Stapled Group's financial statements, financial statements will be prepared for Think Childcare Development. The provision of audited financial statements will enable Think Childcare Development to provide the same to future third party financiers.

10.2.2 Accounting Implications for Think Childcare

Acquisitions accounted for as business combinations

Acquisition of Child Care Services by Think Childcare from Think Childcare Development will be accounted in the same manner as acquisitions from third parties.

Once certain acquisition conditions are satisfied, the acquisition of the child care services by Think Childcare will be accounted for as business combinations. The consideration paid will be allocated to the identifiable assets and liabilities at the date of acquisition date and any excess consideration will be recorded as goodwill. The trading results of the services will be consolidated in Think Childcare from the date of control passing.

Inter-Company Loan to fund Initial TND Pipeline

The Initial TND Pipeline of Think Childcare Development will be funded by way of the Special Dividend of $6 million and the Inter-Company Loan from Think Childcare in the amount of up to $7.5 million. Interest in respect of amounts drawn under the Inter-Company Loan will be on the same terms as the MBL Facility plus a margin.

Think Childcare will treat the Inter-Company Loan as a related party loan receivable and interest will be treated as interest income.

Special Dividend

On implementation of the Stapling Proposal, Think Childcare will declare and pay the Special Dividend to Scheme Shareholders which will be applied on behalf of TNK Shareholders to subscribe for new TND Shares in Think Childcare Development on a one for one basis.

On the date the Special Dividend is declared, Think Childcare will record a $6 million liability and a corresponding reduction in equity, and Think Childcare Development will record a corresponding $6 million equity contribution. The liability will be extinguished once the dividend is paid.

10. FINANCIAL AND ACCOUNTING INFORMATION

10.2.3 Accounting implications for Think Childcare Development

Sale of Mature Child Care Service to be accounted as sale of "asset held for sale"

It is intended that Think Childcare Development will sell Mature Child Care Services to Think Childcare by exercising a put option (or Think Childcare exercising a call option) once certain financial and operational targets have been met. Refer to section 4.3.6 for further information on the sale and acquisition process. The sale will be recorded by transferring the net assets (of transferred services) to Think Childcare and any excess sales proceeds over the net assets transferred will be recorded as a gain on sale in the profit and loss statement.

Inter-Company Loan to fund Initial TND Pipeline

Think Childcare Development will treat the Inter-Company Loan from Think Childcare as a related party loan payable and interest will be treated as a finance cost.

Issue of TND shares

On implementation of the Stapling Proposal, Think Childcare Development will receive the proceeds of the $6 million Special Dividend in cash from Think Childcare on behalf of each TNK Shareholder and will then issue $6 million of new TND shares to Scheme Shareholders on a one for one basis proportionate to each TNK Shareholder's existing shareholding in TNK as at the Record Date.

10.2.4 Accounting implications for the Stapled Group

Sale and acquisition of Mature Child Care Services

For the purposes of complying with the Australian Accounting Standards, transactions between Think Childcare Development and Think Childcare in relation to the sale of Child Care Services will be treated as intra-group transactions and as a result will be eliminated in the consolidated accounts of the Stapled Group.

Debt funding of Think Childcare Development by Think Childcare

Similarly, for the purposes of complying with the Australian Accounting Standards, Transactions between Think Childcare Development and Think Childcare in relation to the Inter-Company Loan along with Inter-Company Loan interest expense and interest income will be eliminated in the consolidated accounts of the Stapled Group.

Special Dividend and issue of new TND Shares

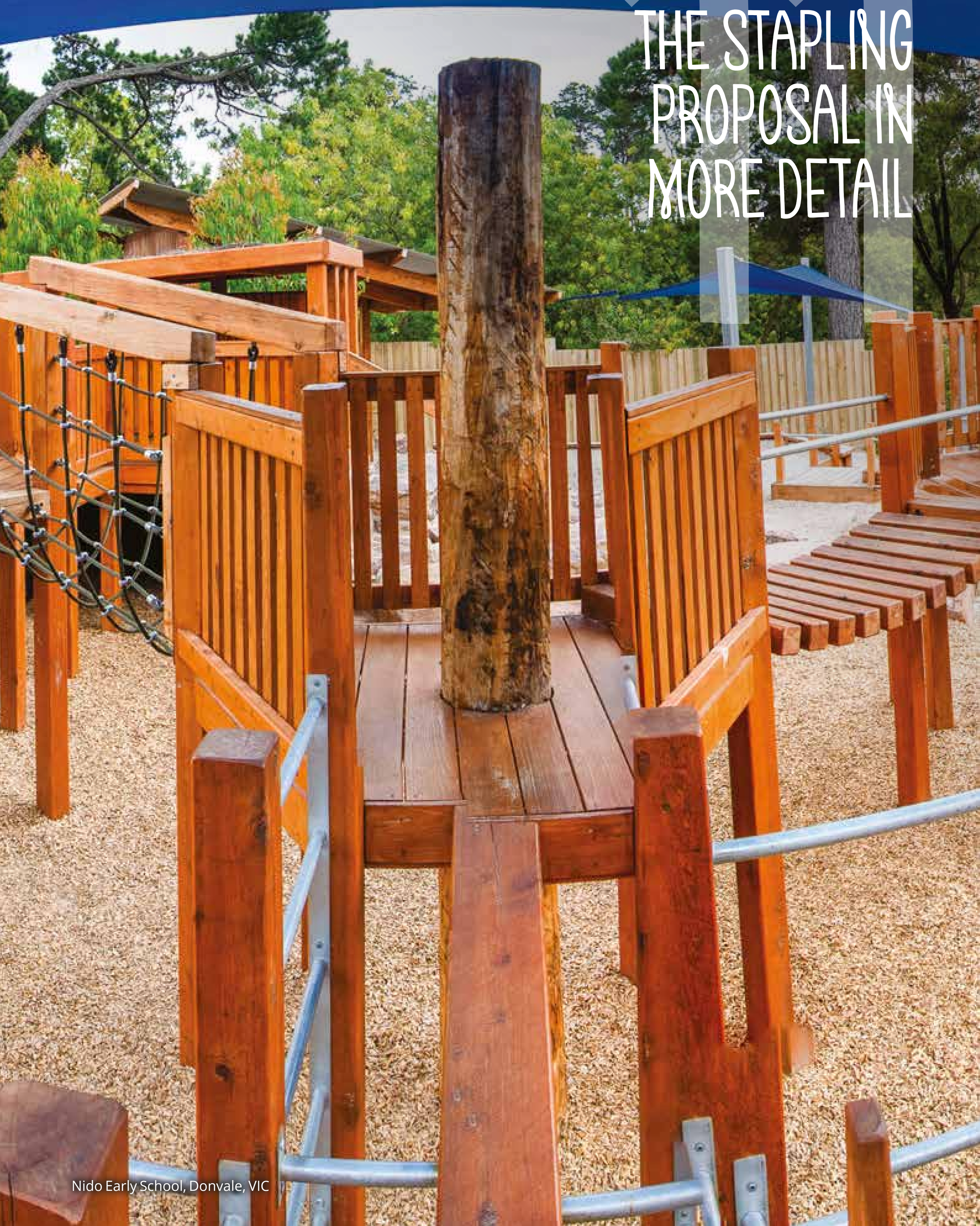
On consolidation of the Stapled Group, the entries for the Special Dividend in Think Childcare and the issue of new TND Shares to Scheme Shareholders will be eliminated.

Costs incurred to create Stapled Group

Think Childcare expects to incur expenses of between approximately $1.1 million to $1.3 million (exclusive of GST) to develop and implement the Stapling Proposal. TNK has already incurred a significant proportion of these costs in developing the Stapling Proposal to the date of this Explanatory Booklet. These costs include costs relating to professional advisors (legal, financial, accounting and tax advice) and the Independent Experts Report.

These costs will be apportioned between incremental costs that are attributable directly to the issue of the new TND Shares and other costs. Incremental costs attributable to issues of new shares will be recognised in equity and other costs will be expensed as incurred.

11 THE STAPLING PROPOSAL IN MORE DETAIL



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11. THE STAPLING PROPOSAL IN MORE DETAIL

11.1 Steps

The Stapling Proposal, which is outlined in the Chairman's letter and in section 5, involves a number of steps. The key steps may be summarised as follows.

11.1.1 Preliminary steps

Certain preliminary steps to the Stapling Proposal have already occurred and include:

- TNK and TND entering into the Scheme Implementation Deed;
- TNK obtaining Court approval to issue this Explanatory Booklet and to convene the Scheme Meeting for TNK Shareholders to consider the Scheme; and
- TNK convening the General Meeting to consider the Supporting Resolutions.

11.1.2 Approval steps

The parties to the Scheme Implementation Deed must seek to fulfil various conditions to enable the Stapling Proposal to be implemented. These conditions include (but are not limited to):

- certain regulatory approvals and consents from ASIC and ASX under the Listing Rules and Chapter 2E of the Corporations Act;
- the Stapled Group comprising TNK and TND being approved for admission to the official list of ASX;
- subject to obtaining necessary waivers from ASX and approval of the Scheme, TNK and TND taking steps to vary the terms of the TNK Performance Rights (including by obtaining the agreement of the TNK Performance Right Holders) such that following the Scheme becoming Effective, on exercise the TNK Performance Right Holders will be issued Stapled Securities instead of TNK Shares;
- approval of TNK Shareholders of the Scheme;
- TND Shareholders passing the Supporting Resolutions;
- approval to implement the Scheme by the Court; and
- declaration by the TNK Directors of the Special Dividend.

A more detailed summary of the conditions to which the Stapling Proposal is subject is provided in the summary of the Scheme Implementation Deed in section 12.4.

11.1.3 Implementation steps

If all the conditions and approvals for the Stapling Proposal are satisfied or waived (as applicable), the key steps for implementing the Stapling Proposal may be summarised as follows:

- TNK, together with TND, will be "re branded" and known as the Think Childcare Group;
- TNK will adopt a new constitution to provide for the stapling of TNK Shares which will restrict, while the Stapled Group subsists, the transfer of TNK Shares unless there is a transfer of a like number of TND Shares to the same transferee. The TNK Shares and TND Shares will together be quoted and trade on ASX as Stapled Securities;
- each of TNK and TND will enter into the Stapling Deed;
- each of TNK and TND will enter into the Management Deed;
- TNK will distribute to Scheme Shareholders their pro rata share of a $6 million Special Dividend and TNK will redeem the existing redeemable preference share held by TNK in TND;
- the pro rata entitlement of Scheme Shareholders to the Special Dividend will be immediately applied on behalf of all Scheme Shareholders as the application money for the issue to them (or in the case of each Foreign Scheme Shareholder (if any), to the Sale Nominee) of one TND Share for each TNK Share held by the Scheme Shareholder as at the Record Date;
- each TNK Share will be stapled to a TND Share, to create the Stapled Group; and
- the Stapled Group comprising TNK and TND will be admitted to the official list of ASX. As part of this step, TNK Shares will cease to be quoted on ASX alone and will trade with TND Shares as Stapled Securities.

Section 5.1 contains a diagram depicting the structure of the Stapled Group following the approval and implementation of the Stapling Proposal.

11.1.4 Implications for TNK distributions

The Stapling will not, of itself, result in any change to the distributions made by TNK, although the Stapling may result in Securityholders' distributions having a different profile. TNK believes that the expected growth which will result

11. THE STAPLING PROPOSAL IN MORE DETAIL

from reducing TNK's reliance on Third Party Incubators and facilitating the delivery of purpose built Child Care Services in TND facilitated by the Stapling will, over the long term, allow TNK to deliver greater value for all Securityholders through a combination of a reliable and growing yield and long term capital growth. TNK will seek to maintain or enhance distributions to TNK Shareholders.

11.1.5 Distribution statements

Securityholders will receive a distribution statement in relation to distributions from TNK and TND. Each distribution statement will set out the amount of distribution payable to a Securityholder in respect of a distribution period, the source of the distribution (being TNK or TND or both) and the taxation status of this distribution.

11.1.6 Taxation considerations

The general taxation implications of the Stapling for Scheme Shareholders are outlined in section 9. The description of tax matters in section 9 is not intended to provide taxation advice for the particular circumstances of any TNK Shareholder. TNK Shareholders should consult their own tax adviser for specific taxation advice relevant to their individual circumstances arising from the implementation of the Stapling Proposal (including tax return reporting requirements, applicable tax laws and the effect of any proposed changes in tax laws).

11.2 Scheme

11.2.1 Purpose and effect

The purpose of the Scheme is to implement the Stapling Proposal as an interdependent element of the Stapling Proposal. The terms of the Scheme are set out in full in Appendix 2. If the Scheme becomes Effective, it will constitute a binding arrangement between TNK and each Scheme Shareholder under which:

- TNK will be authorised and directed to apply the Special Dividend of $6 million in total to subscribe for TND Shares on behalf of each Scheme Shareholder in their respective proportions of TNK Shares held at the Record Date, which is expected to be 7.00pm (Melbourne time) on Friday, 20 December 2019; and
- each Scheme Shareholder agrees and authorises TNK to agree in writing on their behalf for the purpose of section 140(2) of the Corporations Act to the restriction on transfer of TNK Shares which is inherent in the Stapling Proposal, in essence being that, after Stapling, a TNK Share may only be transferred together with a TND Share.

All persons registered as TNK Shareholders on the Record Date, other than Foreign Scheme Shareholders, will, on the Implementation Date, be issued one TND Share for each TNK Share held. TNK Shareholders should note that under the terms of the Scheme, trading in unstapled TNK Shares will be suspended on the Business Day after the Effective Date. Registration of transfers of unstapled TNK Shares will cease on and from the Special Dividend Record Date. Each TNK Share will be Stapled to one TND Share on the issue of that TND Share.

11.2.2 Foreign Scheme Shareholders

Due to restrictions in foreign countries on offering or receiving securities, Foreign Scheme Shareholders will not participate in the Stapling Proposal. Instead, each Foreign Scheme Shareholder will have their existing TNK Shares transferred to the Sale Nominee who will also be issued the relevant TND Shares to which the Foreign Scheme Shareholders would otherwise be entitled under the Scheme and Special Dividend. The Sale Nominee will then sell the resulting Stapled Securities on ASX as soon as reasonably practical after implementation of the Stapling Proposal. The Sale Nominee will pay all Foreign Scheme Shareholders a price per Stapled Security equal to the average net selling price of the Stapled Securities. Foreign Scheme Shareholders should obtain their own tax advice in relation to the potential implications of such sale.

11.2.3 Scheme Meeting

On 31 October 2019, the Court ordered TNK to convene a meeting of TNK Shareholders to consider and vote on the Scheme (being the Scheme Meeting). The Scheme Meeting is scheduled to be held at 10:30am (Melbourne time) on Thursday, 5 December 2019.

The notice convening the Scheme Meeting is set out in Appendix 3. The order of the Court convening the Scheme Meeting is not, and should not be treated as, an endorsement of, or any other expression of opinion by the Court on, the Scheme or the Stapling Proposal.

11. THE STAPLING PROPOSAL IN MORE DETAIL

Each person who is registered on the TNK Share Register as a TNK Shareholder as at the Voting Entitlement Time (7.00pm on Tuesday, 3 December 2019) is entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney or, in the case of a corporate TNK Shareholder or proxy, by a representative.

Section 6 of this Explanatory Booklet provides a summary of how to vote at the Scheme Meeting. A proxy form for the Scheme Meeting is enclosed with this Explanatory Booklet.

TNK has only one class of shares on issue being fully paid ordinary shares. There are no separate classes of ordinary shareholders whose interests will be affected differently by the Scheme. Accordingly, all TNK Shareholders will vote on the Scheme as a single class at the Scheme Meeting.

The resolution to approve the Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act. The Scheme Resolution must be approved by:

- a majority in number (more than 50%) of TNK Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, attorney or, in the case of corporate TNK Shareholders or proxies, by corporate representative); and
- TNK Shareholders whose TNK Shares in aggregate account for at least 75% of the votes cast on the resolution.

The Scheme Resolution is also dependent on the approval of each Supporting Resolution.

11.3 Supporting Resolutions

11.3.1 Purpose

If the Scheme is approved by the requisite majority of TNK Shareholders at the Scheme Meeting, TNK Shareholders will be asked to consider and, if thought fit, approve the Supporting Resolutions at the General Meeting which will commence shortly after the Scheme Meeting concludes or is adjourned.

Each Supporting Resolution is dependent on the passage of each other Supporting Resolution and on the Scheme becoming Effective. The majorities required for each Supporting Resolutions are set out in the Notice of General Meeting and are summarised below.

Each of the Supporting Resolutions is discussed in section 11.3.3 below, in particular for the purposes of informing TNK Shareholders of relevant information required to be disclosed under the Corporations Act and the Listing Rules. However, TNK Shareholders should consider the whole of this Explanatory Booklet as material to the making of a decision whether to approve the Stapling Proposal.

11.3.2 Eligibility to vote at the General Meeting

Each person who is registered on the TNK Share Register as a TNK Shareholder as at the Voting Entitlement Time (7.00pm (Melbourne time) on Tuesday, 3 December 2019) is entitled to attend and vote at the General Meeting, either in person, by proxy or attorney or, in the case of a corporate TNK Shareholder or proxy, by a representative.

Section 6 of this Explanatory Booklet provides a summary of how to vote at the General Meeting. A proxy form for the General Meeting is enclosed with this Explanatory Booklet.

11.3.3 Explanation of Supporting Resolutions

a) Stapling Deed Resolution

The purpose of the Stapling Deed Resolution is for TNK Shareholders to consider approving the provision of financial benefits by TNK to related parties by giving effect to the terms of and transactions contemplated by the Stapling Deed. A summary of the key terms of the Stapling Deed is provided in section 12.3.

The Stapling Deed Resolution is a resolution which requires the approval of more than 50% of votes cast by TNK Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate TNK Shareholder or proxy, by a natural person representative.

The Stapling Deed is between TNK and TND. The Stapling Deed provides that TNK and TND must operate on a cooperative basis for the benefit of Securityholders as a whole. The Stapling Deed will reduce the need for independent valuations, reports and Securityholder approvals where there are transactions between TNK and TND or their controlled entities. This should result in savings of time and expense and assist in TNK and TND realising synergies from the Stapling Proposal.

Future dealings between TNK and TND or their controlled entities could also result in financial benefits being

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conferred by TNK on its related parties. These related parties may include TND, directors of TNK who will hold TND Shares (as part of their Stapled Securities) and will, as TND Shareholders, indirectly receive a benefit as a result of a benefit being given by TNK to TND.

The provisions of loans, guarantees and security for TND's borrowings or establishment of services, as well as any non-arm's length pricing of the cost of property or services provided to TND, could be regarded as financial benefits to TND.

The Stapling Deed Resolution seeks approval to the giving of financial benefits under the Stapling Deed. If granted, this approval would encompass any transaction entered into in accordance with the Stapling Deed.

This resolution is being proposed for the purpose of section 208(2) of Chapter 2E of the Corporations Act. The following information comprises the explanatory statement required by section 219 of the Corporations Act:

- the related parties to whom the resolution would permit financial benefits to be given are the related parties of TNK from time to time (including TND, directors of TNK and their respective controlled entities) who will hold Stapled Securities;
- the nature of the financial benefit is the effect on the value of TND Shares held by such related parties (as part of Stapled Securities which they hold) as a result of transactions in accordance with the Stapling Deed, which may include the effects of the settling of the price for property or services acquired from or sold to TND or its controlled entities being more or less (as the case may be) than would be the case if there was an independent assessor settling the price. Another example would be provision of borrowings, guarantees and supporting security to financiers and other creditors being given by TNK or any of its controlled entities to support the borrowings and other obligations of TND and its controlled entities;
- the TNK Directors unanimously recommend that TNK Shareholders approve the Stapling Deed Resolution, on the basis that giving effect to the terms of and the transactions under the Stapling Deed will be in the best interest of TNK Shareholders. The Stapling Deed will facilitate dealings between TNK and TND or their controlled entities and reduce transaction costs. The giving of any financial benefit in these circumstances will not be contrary to the interests of TNK Shareholders as they will, through the Stapled Securities that they hold, be the ultimate owners in the same proportions of TNK and TND. Accordingly, any transfer of value between TNK and TND would have no net effect on the then existing TNK Shareholders. Further, there will be no net benefit from these dealings for the related parties described above different from the benefit to all Securityholders, because such related parties will, through their holding of Stapled Securities, have an interest in each of TNK and TND;
- none of the TNK Directors have a personal interest in the outcome of the proposed Stapling Deed Resolution, other than as the holder of TNK Shares as disclosed in section 13.4.1, as the holder of Stapled Securities (if the Stapling Proposal is approved) or as a director of TNK or TND in respect of which they will be employed and/or remunerated on arm's length commercial terms; and
- other than as set out in this Explanatory Booklet, there is no information that is known to TNK or to any of its Directors which is reasonably required by TNK Shareholders in order to decide whether or not it is in the interests of TNK to pass the Stapling Deed Resolution.

b) Constitution Replacement Resolution

The purpose of the Constitution Replacement Resolution is for TNK Shareholders to consider repealing TNK's existing constitution and replacing it with the TNK Replacement Constitution that will be appropriate to TNK's reconstructed position as a stapled entity within the Stapled Group.

The Constitution Replacement Resolution is proposed as a special resolution and is being put to TNK Shareholders to obtain their approval under section 136(2) of the Corporations Act. This section requires that the repeal of TNK's existing TNK Constitution and the adoption of the proposed new TNK Replacement Constitution be approved by special resolution of TNK Shareholders. To be approved, this resolution must be passed by at least 75% of the votes cast either in person or by proxy at the meeting by TNK Shareholders entitled to vote on the resolution.

The proposed new TNK Replacement Constitution is summarised in section 12.2.

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The proposed new TNK Replacement Constitution is designed to permit and facilitate the stapling of TNK Shares to TND Shares. The new TNK Replacement Constitution:

- reflects TNK's obligations under the Stapling Deed and enables TNK to effect the Stapling of additional securities to Stapled Securities in the future; and
- updates the existing TNK Constitution, taking account of changes to the Corporations Act and the Listing Rules since the existing TNK Constitution was adopted and generally to reflect best practice in constitution drafting (including avoiding the restatement of compulsory requirements of the Corporations Act).

The key proposed changes to the existing TNK Constitution to provide for Stapling are as follows:

Main Stapling provisions

New clauses will be added, which will:

- render all relevant clauses of the constitution subject to the provisions regarding Stapling, while Stapling applies;
- effect the Stapling of TNK Shares to TND Shares;
- set out the procedure for the registration of holders of Stapled Securities;
- restrict TNK Directors from issuing TNK Shares to a person unless there is an issue at the same time of a corresponding number of TND Shares to the same person;
- require TNK Directors to use every reasonable endeavour to procure that Stapled Securities are dealt with under the constitution in a manner consistent with the provisions relating to those securities in the TND Constitution;
- effect the intention that from the Effective Date holders of TNK Shares will be identical to holders of TND Shares and the consequential intention that transfers of TNK Shares are to occur simultaneously with transfers of TND Shares;
- provide that the TNK Directors may cause stapling of any other securities to TNK Shares, subject to the Corporations Act and, while TNK Shares are Officially Quoted, in accordance with the Listing Rules; and
- provide that TNK Directors may cause the Stapled Securities to be unstapled at any time if approved by special resolution at a meeting of TNK Shareholders.

Consequential amendments concerning stapling

Amendments are also proposed in relation to the following matters to provide for the requirement that TNK Shares and TND Shares be Stapled:

- (**reorganisation**) subject to the termination of Stapling, the TNK Directors and TNK may not do anything which would result in a TNK Share no longer being part of a Stapled Security. In particular, the TNK Directors and TNK must not reorganise any TNK Share unless the ratio of TND Shares held by the Securityholder remains the same;
- (**liens**) TNK may only sell a TNK Share which is subject to a lien as part of a Stapled Security. If it does so, TNK may do all things necessary to effect the transfer and may receive the consideration given for the Stapled Security;
- (**partly paid shares**) TNK Shares issued as part of a Stapled Security where the accompanying TND Shares are to be partly paid must be issued with terms for the making and payment of calls and forfeiture which are compatible with the terms of issue of TND Shares;
- (**payment of calls**) calls on partly paid TNK Shares will only be satisfied where any amount payable at the same time in relation to each other partly paid security comprising the Stapled Security is also paid;
- (**forfeited TNK Shares**) a TNK Share may be forfeited where the call on the TNK Share or stapled TND Share has not been paid and a notice requiring payment has not been complied with. Forfeited TNK Shares may be sold together with the Stapled TND Share;
- (**transfers**) a TNK Share may only be transferred if at the same time the securities stapled to it are also transferred to the same transferee;
- (**registration**) a person can only be registered as the holder of a TNK Share if that person is also entitled to be registered as the holder of a stapled TND Share;
- (**general meetings**) a combined meeting of Securityholders may be convened in respect of TND and TNK. The auditor and representatives of TND may attend and speak at general meetings;
- (**proxy forms**) a TNK Shareholder may, subject to the Corporations Act, use the same proxy form for appointments in relation to their TNK Shares and TND Shares;

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- (**powers and duties of directors**) TNK Directors will be entitled, to the extent permitted by law, to have regard to the interests of TND Shareholders and may act in the best interests of the Stapled Group as a whole, rather than only in the interests of TNK;
- (**dividend reinvestment**) dividends can only be reinvested into Stapled Securities. While Stapling applies, no reinvestment by a TNK Shareholder may occur unless at the same time the TNK Shareholder acquires an identical number of TND Shares. The TNK Directors may provide for the amount of the reinvested dividends to be used to subscribe for TNK Shares and for TND Shares;
- (**capitalisation of profits**) profits may not be capitalised by the TNK Directors issuing TNK Shares to members unless at the same time an identical number of TND Shares are issued to the same TNK Shareholders; and
- (**small holdings**) small holdings (as described below) of TNK Shares can only be sold or transferred as part of Stapled Securities.

The following are the key changes or additions contained in the proposed new TNK Replacement Constitution. These change or additions take account of amendments to the Corporations Act and the Listing Rules since the existing TNK Constitution was adopted and generally reflect best practice in constitution drafting (including avoiding the restatement of compulsory requirements of the Corporations Act):

- (**variation of class rights**) A quorum of TNK Shareholders for a general meeting to vote on a variation of class rights is proposed to be changed from two persons holding or representing by proxy (whether or not the member or members they represent cast direct votes) 5% of the shares in a class to 25% of the shares in that class;
- (**non-marketable parcels**) TNK Shareholders who hold less than a marketable parcel of TNK Shares and who receive written notice from the TNK Directors in relation to that parcel will be given the opportunity to increase their holding of TNK Shares (or Stapled Securities for as long as Stapling subsists) to a marketable parcel to avoid TNK selling their holdings. Additionally, TNK Directors may remove or change a TNK Shareholder's rights to vote or receive dividends in respect of the TNK Shares constituting an unmarketable parcel;
- (**interest on calls**) Interest on any amount outstanding to TNK that is called but not paid before the due date is proposed to be changed to accrue interest at a rate determined by TNK Directors (such rate is proposed to be changed to a rate not exceeding 20% per annum from 10% per annum). Interest will accrue daily and may be capitalised monthly or at such other intervals as the TNK Directors decide;
- (**transfer procedures**) TNK may charge a fee for registering a transfer of TNK Shares if TNK is either not listed or the fee is not prohibited by the Listing Rules;
- (**reductions in capital**) If TNK reduces its share capital, TNK may resolve that such reduction be effected wholly or in part by the distribution of specific assets (whether in the name of TNK or a subsidiary of TNK), including fully paid shares, debentures, debenture stock or other securities of any other corporation or in any one or more ways. If TNK undertakes a capital reduction by distributing shares it holds in another corporation to TNK Shareholders, TNK Shareholders will be deemed to have agreed to (a) become members of that other corporation, and (b) appoint TNK or the TNK Directors as agent to execute any transfer of shares or other document required to facilitate or effect the distribution of shares to that TNK Shareholder;
- (**ancillary powers**) If a distribution, transfer or issue of specific assets, shares or securities to a particular TNK Shareholder is, in the TNK Directors' discretion, considered impracticable or would give rise to parcels of securities which are not marketable parcels, TNK Directors may cause TNK to make a cash payment to those TNK Shareholders or allocate the assets to be distributed to that TNK Shareholder to be sold for cash on behalf of that TNK Shareholder;
- (**buy-backs**) Subject to the Corporations Act and Listing Rules, TNK may buy back TNK Shares on terms and at times determined from time to time by the TNK Directors;
- (**business at meetings**) Except with the approval of TNK Directors or the chairperson, no person may at a general meeting move an amendment to a proposed resolution that is set out in the notice calling the meeting or to a document which relates to such a resolution and a copy of which has been made available to TNK Shareholders to inspect or copy;

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- **(quorum at meetings)** A quorum of TNK Shareholders at general meetings is proposed to be changed from five or more TNK Shareholders to two TNK Shareholders (unless there are less than two TNK Shareholders, in which event a quorum is those TNK Shareholders);
- **(conduct at meetings)** The chairperson at a general meeting may, at any time it considers necessary or desirable for the proper and orderly conduct of the meeting (a) impose a time limit that a person may speak on each motion or item of business and terminate debate or discussion and require the business, questions, motion or resolution to be put to a vote, and (b) adopt any procedures for casting or recording votes at the meeting whether on a show of hands or on a poll, including the appointment of any scrutineers;
- **(postponement of meetings)** The chairperson may postpone a meeting (to another time and which may be at another place) before it has started (regardless of whether a quorum is present) if he or she considers that (a) there is not enough room for the number of TNK Shareholders who wish to attend the meeting, or (b) it is necessary to postpone due to the behaviour of persons present or for any other reason so that the business of the meeting can be properly carried out;
- **(adjournment of meetings)** During the course of a meeting, the chairperson may at any time (a) adjourn the meeting or any business, motion, question or resolution being considered or remaining to be considered by the meeting either to a later time at the same meeting or to an adjourned meeting, and (b) suspend the proceeding of the meeting for such period(s) as he or she decides without effecting an adjournment for the purpose of allowing any poll to be taken or determined. If the meeting is suspended, no business may be transacted and no discussion may take place during such period unless the chairperson decides otherwise. Where a meeting is postponed or adjourned for 30 days or more, notice of the postponed or adjourned meeting must be given as in the case of the original meeting;
- **(decisions)** At a general meeting of TNK Shareholders, a poll must be demanded if (a) a vote by show of hands is taken on the resolution, (b) appointment of proxies have been received specifying the way the proxies are to vote on the resolution, and (c) votes cast in accordance with the appointments of proxies referred to in clause (b) could change the outcome on the resolution;
- **(admission to general meetings)** At a general meeting of TNK:
  a) the chairperson will be entitled to refuse admission of a person, or require a person to leave and not return, if the person causes disruption, including by refusing to comply with instructions of the chairperson or by behaving or threatening to behave in a dangerous, offensive or disruptive way;
  b) a person (whether a TNK Shareholder or not) invited by the TNK Directors or the chairperson to attend will be entitled to attend and, if requested by the chairperson, to speak at the general meeting;
  c) TNK Shareholders may observe or attend in a separate room where there is not enough room for attendance at the meeting; and
  d) TNK Shareholders will also be taken to be present at the general meeting and able to exercise all rights if in attendance at a separate meeting place linked by instantaneous audio-visual communication that allows a reasonable opportunity to participate, the chairperson to be aware of the proceedings in the other place and which enables voting on a show of hands or on a poll;
- **(retirement of directors)** Other than the Managing Director, no TNK Director may hold office for a continuous period in excess of three years or until the third annual general meeting since their appointment or election (whichever is longer) without submitting for re-election. In the case that no such TNK Director would be required to submit for re-election but the Listing Rules require an election to be held, the TNK Director to retire will be the TNK Director who has been longest in office since their last election;
- **(eligibility for directors)** A person will only be eligible for election as a TNK Director if (a) the person is in office as a TNK Director immediately before the meeting, (b) the person has been nominated by the TNK Directors for election, (c) if the person is a TNK Shareholder, the person has, at least 35 Business Days but no more than 90 Business Days before the general meeting, given TNK notice signed by the person stating their desire to be a

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candidate at the next election, or (d) if the person is not a TNK Shareholder, the person has, at least 35 Business Days but no more than 90 Business Days before the general meeting, given TNK notice signed by the TNK Shareholders stating their intention to nominate the person as a candidate at the next election, accompanied by a consent by the person to the nomination;

- (**director remuneration**) For the purpose of calculating a TNK Director's remuneration for the purposes of the aggregate maximum remuneration of all Directors as a whole (other than Executive Directors), any amount paid by TNK or a related body corporate of TNK (a) to a superannuation, retirement or pension fund of a TNK Director so that TNK is not liable to pay the superannuation guarantee charge is to be included, (b) any insurance premium paid or agreement to be paid is to be excluded, and (c) any TNK Shares, options, rights and other share-based payment is to be excluded;
- (**written resolutions**) A resolution will be taken to have been passed by TNK Directors without a meeting if all TNK Directors eligible to vote on a resolution (other than any TNK Director on a leave of absence or who disqualifies himself or herself or is disqualified by the Corporations Act from voting on the resolution) sign or consent to the resolution and those TNK Directors constitute a quorum would a meeting of those TNK Directors had been held. The TNK Replacement Constitution also contemplates various new ways that a TNK Director may consent to a resolution (such as by telephoning the secretary or chairperson and signifying assent to the resolution).
- (**restricted securities**) For as long as TNK has 'Restricted Securities' (as defined in the ASX Listing Rules) on issue (a) the holder of Restricted Securities must not dispose of, or agree or offer to dispose of, the Restricted Securities during the escrow period applicable to those Restricted Securities except as permitted by the ASX or ASX Listing Rules, (b) if the Restricted Securities are in the same class as quoted securities, the holders will be taken to have agreed in writing for the Restricted Securities to be kept on TNK's issuer-sponsored sub-register and to have a holding lock applied for the duration of the relevant escrow period, (c) TNK will refuse to acknowledge any disposal or transfer of the Restricted Securities during the relevant escrow period except as permitted by ASX or the ASX Listing Rules, (d) the holders will not be entitled to participate in any return of capital on the Restricted Securities during the relevant escrow period except as permitted by ASX or the ASX Listing Rules, and (e) if a holder breaches a restriction deed or a provision of the TNK Replacement Constitution restricting the disposal of Restricted Securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those Restricted Securities for as long as the breach continues.

c) Management Deed Resolution

The purpose of the Management Deed Resolution is for TNK Shareholders to consider approving TNK entering into the Management Deed with TND. The Management Deed Resolution is an ordinary resolution which requires the approval of more than 50% of votes cast by TNK Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate TNK Shareholder or proxy, by a natural person representative.

The Management Deed is summarised in section 12.1 which also includes an overview of the fees and costs payable under the Management Deed. The following provisions of the Corporations Act apply to the Management Deed Resolution.

Chapter 2E of the Corporations Act

The payment of fees and costs by TND to TNK for the term of the Management Deed will result in financial benefits being conferred by TND on TNK, who is a related party of TND. Accordingly, the provision of this financial benefit is assumed to be prohibited without TNK Shareholder approval, and TND Shareholder approval, each under section 208(2) of Chapter 2E of the Corporations Act.

The following information comprises the explanatory statement required by section 219 of the Corporations Act:

- the related party of TND to whom the resolution would permit financial benefits is to be given is TNK who is proposed to provide the management and administrative services under the Management Deed;
- the nature of the financial benefits to be provided is the payment of fees and costs by TND to TNK under the Management Deed;

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- the TNK Directors unanimously recommend that TNK Shareholders approve the Management Deed Resolution, on the basis that the transactions contemplated by the Management Deed will be in the best interest of TNK Shareholders. These transactions will facilitate the Stapling Proposal which your Directors unanimously recommend (in the absence of a Superior Proposal), for the reasons set out in sections 1 and 5 of this Explanatory Booklet;
- none of the TNK Directors have a personal interest in the outcome of the Management Deed Resolution other than as the holder of TNK Shares as disclosed in section 13.4.1 of this Explanatory Booklet, as the holder of Stapled Securities (if the Stapling Proposal is implemented) or as a director of TNK or TND in respect of which they will be employed and remunerated on normal commercial terms; and
- other than as set out in this Explanatory Booklet, there is no information known to TNK or to any of its Directors which is reasonably required by TNK Shareholders in order to decide whether or not it is in the interests of TNK to vote in favour of the Management Deed Resolution.

11.4 Conditions, termination and exclusivity

Under the Scheme Implementation Deed, TNK and TND have agreed to perform various steps and to assume certain obligations to give effect to the Stapling Proposal, subject to the satisfaction or waiver of a number of conditions which must be fulfilled on or before 30 June 2020. The performance of these steps and the discharge of these obligations is also subject to no circumstances arising that would entitle a party to terminate the Scheme Implementation Deed.

Please refer to the summary of the Scheme Implementation Deed in section 12.4 for an outline of the conditions to which the Stapling Proposal is subject and its termination rights. The Scheme Implementation Deed (without annexures) is reproduced in Appendix 5.

As at the date of this Explanatory Booklet, TNK is not aware of any circumstances which would:

- cause any of the conditions not to be satisfied;
- could result in termination of the Scheme Implementation Deed; or
- lead to TNK pursuing a competing transaction in preference to the Stapling Proposal.

TNK will make a statement regarding the status of the conditions to the Scheme Implementation Deed at the commencement of the Scheme Meeting.

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11.5 TND Shares – Rights and Liabilities

A summary of the key rights and liabilities attaching to TND Shares is set out below. The summary below does not set out all rights and obligations attaching to TND Shares and should be read subject to the full terms of the TND Constitution.

Rights and Obligations	Terms
Issue of further TND Shares	The TND Directors may issue, grant options in respect of, or otherwise dispose of, further TND Shares on such terms and conditions as they see fit. However, the TND Directors must act in accordance with the restrictions imposed by the TND Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the TND Shares in any special class of TND Shares. If a TND Share is issued as part of a Stapled Security and the attached securities are to be issued partly paid the TND Share must be issued with terms for the making and payment of calls and forfeiture which are compatible with the terms of issue of the attached securities.
Stapling	Each TND Share is to be Stapled to one TNK Share to form one Stapled Security. Unless and until unstapling occurs, the TND Directors must not by act or omission cause a TND Share to cease being part of a Stapled Security. While Stapling applies, the TND Directors may only issue TND Shares as part of a Stapled Security. The number of issued TND Shares must equal the number of issued attached securities. The only attached securities currently contemplated are TNK Shares. If further attached securities are issued in the future, they will also be Stapled to TND Shares. The TND Directors may, subject to the Corporations Act and the Listing Rules, cause the Stapling of any other security or securities to TND Shares. Subject to the Corporations Act, the Listing Rules and the approval by a special resolution of TND Shareholders and TNK Shareholders (and, where appropriate, by holders of any additional attached securities), the TND Directors may determine that Stapling ceases to apply.
Transfer	Subject to the TND Constitution, the Corporations Act, the Listing Rules and the following paragraph, TND Shares are freely transferable. The shares are transferable by an instrument of transfer in the usual common form or any other form approved by the TND Directors and must be executed by the transferor and transferee. A written transfer instrument must be: a) executed by the transferor or (where the Corporations Act permits) stamped by the transferor's broker; b) unless the TND Directors decide otherwise in the case of a fully paid TND Share, executed by the transferee or (where the Corporations Act permits) stamped by the transferee's broker; and c) in the case of a transfer of partly paid TND Share, endorsed or accompanied by an instrument executed by the transferee or by the transferee's broker to the effect that the transferee agrees to accept the TND Share subject to the terms and conditions on which the transferor held them, to become a TND Shareholder and to be bound by the TND Constitution. TND may participate in any computerised or electronic system for market settlement, securities transfer and registration in accordance with the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules (or corresponding laws or financial markets rules in any other country). *Continued over*

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Rights and Obligations	Terms
Transfer *Continued*	TND Directors: a) may, in their absolute discretion, refuse to register any transfer of TND Shares or other securities, if the Listing Rules permit TND to do so; b) must refuse to register any transfer of TND Shares which are restricted securities if that transfer is or might be in breach of the Listing Rules or any restriction agreement entered into by TND of the TND Shareholder under the Listing Rules in relation to the TND Shares; and c) must refuse to register any transfer where TND is, or the TND Directors are, required to do so by the Listing Rules. Where Stapling applies, no transfer of a TND Share will be registered unless the Stapled TNK Share and any other relevant attached security is also transferred simultaneously to the same transferee.
Shareholder liability	As TND Shares will be fully paid, they will not be subject to any calls for money by the TND Directors and will therefore not become liable for forfeiture. TND will have a lien on every partly paid share (if any) in TND for due and unpaid calls and instalments as well as interest accruing and expenses. While any amount payable is unpaid, all voting rights and entitlements are suspended. The holder of a TND Share which has been forfeited remains liable to TND for all outstanding money, costs and interest. While Stapling applies, TND may sell any TND Share on which it has a lien as part of a Stapled Security upon at least 14 days' notice that it intends to do so.
Registers	While Stapling applies, a Stapled Security Register must be maintained which records details of all Stapled Securities held by Stapled Security holders.
General meetings and notices	Each TND Shareholder is entitled to receive a notice of, attend and vote at general meetings of TND and to receive all notices, accounts and other documents required to be sent to TND Shareholders under the TND Replacement Constitution, the Corporations Act or the Listing Rules. A TND Shareholder is entitled to be counted in a quorum only in respect of TND Shares on which all calls due and payable have been paid. While Stapling applies, the TND Directors may convene a combined meeting of holders of Securityholders of TND and TNK and may make such rules for the conduct of the combined meeting as they determine. A quorum for a general meeting is two (2) TND Shareholders unless there is only one (1) TND Shareholder, in which event a quorum is that TND Shareholder.
Voting	Subject to any right of restriction for the time being attached to any class of shares in TND, at any general meeting each TND Shareholder present in person or by proxy, attorney or representative has one vote by a show of hands and, on a poll, one vote for each fully paid TND Share held. For each partly paid share held by the member, a fraction of a vote equivalent to the proportion which the amount paid is of the total amount paid and payable on the TND Share. A member is entitled to vote only in respect of TND Shares on which all calls due and payable have been paid. If, under the Corporations Act or the Listing Rules, a notice calling a meeting and proposing a resolution specifies that: a) a TND Shareholder must not vote in favour of the resolution; b) must not vote on the resolution; or c) a vote on the resolution by the TND Shareholder will be disregarded, and that TND Shareholder or a proxy, attorney or representative on that TND Shareholder's behalf does tender a vote, in the case of paragraph (a) in favour of, or in the case of paragraph (b) or (c) on, the resolution, their vote will not be counted.

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Rights and Obligations	Terms
Number of TND Directors	Until TND in general meeting determines otherwise the minimum number of directors is three (3) and the maximum number is seven (7).
Appointment and retirement of TND Directors	The TND Directors may at any time appoint any person to be a director, either to fill a casual vacancy or as an addition to the board. A TND Director appointed in this way holds office until the conclusion of the next annual general meeting but is eligible for election at that meeting. No TND Director may hold office for a continuous period in excess of three years or until the third annual general meeting following the TND Director's appointment or election, whichever is the longer, without retiring and submitting for re-election. The Managing Director does not have to do so. A person (other than a retiring director or a casual appointee standing for election) must give or have someone give notice of their candidature not less than 35 Business Days but not longer than 90 Business Days before the relevant general meeting.
Powers and duties of TND Directors	While Stapling applies, the TND Directors will be entitled, to the maximum extent permitted by law, to have regard to the interests of TND Shareholders and may act in the best interests of the Stapled Group as a whole, rather than only in the interests of TND.
Remuneration of TND Directors	TND Directors are entitled to be remunerated for their services as directors. The amount or value of the remuneration must not exceed the annual aggregate maximum sum determined from time to time by TND in general meeting (currently $750,000 per annum). For additional duties, a TND Director may receive remuneration as determined by the TND Directors in addition to or in place of their existing remuneration. A TND Director is also entitled to be reimbursed for such reasonable travelling, accommodation and other expenses which the TND Director may incur when travelling to and from meetings of the TND Directors or a general meeting of TND. The remuneration of a managing or executive TND Director may be fixed by the TND Directors and may be by way of salary or commission or participation in profits by all or any of these modes, but may not be by a commission on or percentage of operating revenue. TND may pay a former TND Director a retirement benefit in accordance with the Corporations Act. TND may also enter into a contract with a current TND Director providing for the payment of a retirement benefit.
Dividends	Dividends are divisible amongst the shareholders in proportion to the amount paid on the TND Shares held by them. Each partly paid TND Share is entitled to a fraction of the dividend declared or paid equivalent to the proportion which the amount paid on each TND Share bears to the total amounts paid and payable. The TND Directors may deduct from a dividend payable to a member all sums presently payable by the member to TND on account of calls or otherwise in relation to shares.
Dividend Reinvestment Plan	The TND Constitution authorises the TND Directors to establish, vary or terminate a dividend reinvestment plan (where any member may elect that dividends payable by TND be reinvested by way of application for additional TND Shares). While Stapling applies, no reinvestment by TND Shareholders may occur unless, at the same time, the TND Shareholder acquires an identical number of TNK Shares. The TND Directors may make provision for the amount of the reinvested dividends that is to be used to apply for TND Shares and the amount to be used to apply for TNK Shares having regard to the issue price of TNK Shares.

11. THE STAPLING PROPOSAL IN MORE DETAIL

Rights and Obligations	Terms
Winding up	If TND is wound up, the liquidator may with the sanction of a special resolution divide among TND Shareholders all or any of TND's assets, and for that purpose, the liquidator may determine how he or she will carry out the division between TND Shareholders. If at the time of winding up part of the issue price of shares remains unpaid, holders of TND Shares can be liable to contribute to the payment of TND's debts and liabilities and the costs, charges and expenses of the winding up to the amount of the issue price unpaid.
Restricted securities	For as long as TND has 'Restricted Securities' (as defined in the ASX Listing Rules) on issue (a) the holder of Restricted Securities must not dispose of, or agree or offer to dispose of, the Restricted Securities during the escrow period applicable to those Restricted Securities except as permitted by the ASX or ASX Listing Rules, (b) if the Restricted Securities are in the same class as quoted securities, the holders will be taken to have agreed in writing for the Restricted Securities to be kept on TND's issuer-sponsored sub-register and to have a holding lock applied for the duration of the relevant escrow period, (c) TND will refuse to acknowledge any disposal or transfer of the Restricted Securities during the relevant escrow period except as permitted by ASX or the ASX Listing Rules, (d) the holders will not be entitled to participate in any return of capital on the Restricted Securities during the relevant escrow period except as permitted by ASX or the ASX Listing Rules, and (e) if a holder breaches a restriction deed or a provision of the TND Constitution restricting the disposal of Restricted Securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those Restricted Securities for as long as the breach continues.
Non-marketable parcels of shares	The TND Directors may cause the sale of any TND Shares held by a TND Shareholder which comprise less than a marketable parcel (under the Listing Rules). The TND Constitution sets out a procedure that must be followed for this to occur and allows individual TND Shareholders to opt out of the application of the procedure to them, including by increasing their holding of TND Shares before the required date to a marketable parcel.
Variation of rights	The rights attached to any class of shares can only be varied or cancelled by a special resolution passed at a general meeting of the holders of shares of that class or with the written consent of the holders of 75% of shares of that class on issue.
TND Directors' Indemnity and insurance	To the extent permitted by law, TND indemnifies each TND Director, secretary, officer and full-time employee (as determined by the TND Directors) of TND against any liability incurred by the person, in the relevant capacity, to another person unless the liability arises out of conduct involving lack of good faith or is contrary to TND's express instructions. TND must indemnify such persons against liability for costs and expenses incurred in successfully defending proceedings or in connection with an application in relation to such proceedings in which the Court grants relief to the person under the Corporations Act. To the extent permitted by law, TND may take out and maintain insurance for liability incurred by its TND Directors and officers in their capacity as such.

11. THE STAPLING PROPOSAL IN MORE DETAIL

11.6 Implementation Procedures

11.6.1 Introduction

If:

- the Scheme is approved by TNK Shareholders at the Scheme Meeting;
- the Supporting Resolutions are approved by TNK Shareholders at the General Meeting; and
- all other conditions to the Scheme (other than Court approval of the Scheme) are satisfied or waived (as applicable),

the further general steps required to implement the Stapling Proposal are described in this section 11.5.

11.6.2 Court approval of Scheme

TNK will apply to the Court for orders approving the Scheme. Your Directors expect that the Court hearing to approve the Scheme will be held on or about Thursday, 12 December 2019. The Court has a wide, overriding discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act.

The Corporations Act and the *Federal Court (Corporations) Rules 2000* provide a procedure for TNK Shareholders to oppose the approval by the Court of the Scheme. If you wish to oppose the approval of the Scheme at the approval hearing of the Court, you may do so by filing with the Court and serving on TNK an interlocutory process in the prescribed form together with any affidavit on which you wish to rely at the hearing. With leave of the Court, you may also oppose the approval of the Scheme by appearing at the approval hearing of the Court and applying to raise any objections you may have at the hearing. TNK should be notified in advance of an intention to object. The date for the approval hearing of the Court is currently scheduled to be Thursday, 12 December 2019, though an earlier date may be sought. Any change to this date will be announced through ASX.

11.6.3 Receipt of Court orders

If the Court makes orders approving the Scheme, TNK will lodge a copy of those orders with ASIC under section 411(10) of the Corporations Act. As soon as the copies of the Court orders approving the Scheme are lodged with ASIC, the Scheme becomes legally Effective. This is expected to occur on or about Friday, 13 December 2019.

If the Scheme becomes legally Effective, TNK and TND will become bound to implement the Stapling Proposal in accordance with the terms of the Scheme and the Stapling Deed.

Only TNK Shareholders who qualify as Scheme Shareholders will be bound by and have the benefit of the Scheme. Section 11.6.5 summarises the principles in the Scheme for determining the identity of Scheme Shareholders.

If the Scheme does not become Effective by 30 June 2020, the Scheme will lapse.

11.6.4 Suspension of trading of TNK Shares

If the Court approves the Scheme, TNK will notify ASX of that approval on the day it is received (expected to be on about Thursday, 12 December 2019). Your Directors expect that suspension of trading in TNK Shares on ASX will occur from the close of trading on that day.

11. THE STAPLING PROPOSAL IN MORE DETAIL

11.6.5 Determination of Scheme Shareholders

For the purpose of establishing the persons who are Scheme Shareholders, dealings in TNK Shares will only be recognised if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered in the TNK Share Register as the holder of the relevant TNK Shares by the Record Date; and
- in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the TNK Share Registry by the Record Date.

TNK Shareholders should note that under the terms of the Scheme, trading in unstapled TNK Shares will be suspended on the Business Day after the Effective Date. Registration of transfers of unstapled TNK Shares will cease on and from the Special Dividend Record Date. TNK will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Scheme Shares received after the Record Date.

TNK will maintain or procure the maintenance of the TNK Share Register in accordance the above. The TNK Share Register in this form will solely determine the persons who are Scheme Shareholders and their entitlements to the Special Dividend and new TND Shares.

From the Record Date, all holding statements for TNK Shares will cease to have effect as documents of title, and each entry on the TNK Share Register at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Special Dividend and new TND Shares.

11.6.6 CHESS and holding statements

Shortly following becoming registered as holders of Stapled Securities, Scheme Shareholders will receive an initial statement of holding (similar to a bank account statement) that sets out the number of Stapled Securities which have been issued to them. This statement will also provide details of a shareholder's HIN in the case of a holding on the CHESS subregister or SRN in the case of holding on the issuer sponsored subregister.

11.7 Availability of documents for review

The documents detailed in sections 11.3 and 11.5 are available for inspection at the offices of TNK, Suite 3, 1 Park Avenue, Drummoyne NSW 2047 on Business Days between 9.00am and 5.00pm (Sydney time). Alternatively, copies are available on request and free of charge by contacting the TNK Shareholder Information Line on 1300 069 254 (within Australia) or +61 3 9415 4153 (outside Australia).

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Nido Early School, Lakelands, WA

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12.1 Summary of Management Deed

12.1.1 Provision of management and administrative services

Under the Management Deed, TNK agrees to provide certain management and administrative services to TND to assist TND in its day to day operations of its business. TNK is entitled to subcontract all or any of the management and administrative services, provided that TNK must not subcontract any management and administrative services which is likely to provide a lower standard of services than that which could reasonably be expected to be provided by TNK.

TND may, subject to the consent of TNK which consent must not be unreasonably withheld, acquire management services, in addition to management and administrative services provided by TNK, from a person other than TNK and may also perform the management services on its own behalf.

The management and administrative services to be provided by TNK include (but are not limited to):

- assistance with applicable development and leasing services necessary for TND to conduct its business, such as submissions relating to and obtaining the required Service Approvals and development approvals for a Child Care Service, preparation of contracts, agreements and related documents, internal and external policies;
- provision of all necessary financial and administrative services including a chief financial officer and supporting accounting team and office employees and assistance with reporting and audit obligations of TND as an ASX listed entity;
- corporate governance and secretarial support to the company secretary and board of TND;
- assistance with compliance obligations and financial and administrative matters;
- assistance with implementation of TND's strategic plan and policies as well as with managing and forecasting expenditure and budgeting on behalf of TND in accordance with TND's budget and strategic plan;
- negotiating and procuring supply agreements on behalf of TND;
- employee management services, such as payroll;
- procuring insurances on behalf of TND; and
- allowing and providing access to TND and its employees for use of TNK's office and property, equipment, materials and facilities to assist TND in its day to day operations and management to the extent TND determines (acting reasonably) as reasonably necessary to conduct its operations.

12.1.2 Management Fee

The Management Fee to be paid by TND to TNK in accordance with the terms of the Management Deed is $20,000 per month or such other amount mutually agreed between TNK and TND. TND will pay the Management Fee to TNK on the first business day of each month, in advance, unless otherwise agreed between TNK and TND.

12.1.3 Term and termination

The term of the Management Deed commences on the date that the Management Deed is executed by both TNK and TND, and continues until terminated in accordance with the terms of the Management Deed. Either TNK or TND may terminate the Management Deed with immediate effect by giving notice to the other party if:

- the other party breaches any provision of the Management Deed and fails to remedy the breach within 30 days after receiving notice requesting it to do so;
- the other party breaches a material provision of the Management Deed where that breach is not capable of remedy; or
- TNK and TND determine (acting reasonably) that the Management Deed should terminate on a date mutually agreed between the parties,

in which case, TND must pay all amounts payable to TNK in respect of the provision of the management and administrative services accrued to the date of termination or payable under the Management Deed.

12.2 Summary of the TNK Replacement Constitution

The Constitution of TNK contains the internal rules of TNK. It deals with matters such as the rights, duties and powers of TNK Shareholders and the Directors. The main provisions of the proposed new TNK Replacement Constitution are summarised below. This summary should be read together with the

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summary of key differences between the proposed new TNK Replacement Constitution and existing TNK Constitution which appears in section 11.3.3(b). That section deals with the material changes made to effect the Stapling of TNK Shares to TND Shares.

Rights and Obligations	Terms
Issue of further Shares	The Directors may issue, grant options in respect of, or otherwise dispose of, further TNK Shares on such terms and conditions as they see fit. However, the Directors must act in accordance with the restrictions imposed by the Constitution, the Listing Rules, the Corporations Act and any rights for the time being attached to the TNK Shares in any special class of TNK Shares. If a TNK Share is issued as part of a Stapled Security and the attached securities are to be issued partly paid the TNK Share must be issued with terms for the making and payment of calls and forfeiture which are compatible with the terms of issue of the attached securities.
Stapling	Each TNK Share is to be Stapled to one TND Share to form one Stapled Security. Unless and until unstapling occurs, the Directors must not by act or omission cause a TNK Share to cease being part of a Stapled Security. While Stapling applies, the Directors may only issue TNK Shares as part of a Stapled Security. The number of issued TNK Shares must equal the number of issued attached securities. The only attached securities currently contemplated are TND Shares. If further attached securities are issued in the future, they will also be Stapled to TNK Shares. The Directors may, subject to the Corporations Act and the Listing Rules, cause the Stapling of any other security or securities to TNK Shares. Subject to the Corporations Act, the Listing Rules and the approval by a special resolution of TNK Shareholders and TND Shareholders (and, where appropriate, by holders of any additional attached securities), the Directors may determine that Stapling ceases to apply.
Transfer	Subject to the TNK Replacement Constitution, the Corporations Act, the Listing Rules and the following paragraph, TNK Shares are freely transferable. The shares are transferable by an instrument of transfer in the usual common form or any other form approved by the Directors and must be executed by the transferor and transferee. A written transfer instrument must be: › executed by the transferor or (where the Corporations Act permits) stamped by the transferor's broker; › unless the Directors decide otherwise in the case of a fully paid TNK Share, executed by the transferee or (where the Corporations Act permits) stamped by the transferee's broker; and › in the case of a transfer of partly paid TNK Share, endorsed or accompanied by an instrument executed by the transferee or by the transferee's broker to the effect that the transferee agrees to accept the TNK Share subject to the terms and conditions on which the transferor held them, to become a TNK Shareholder and to be bound by the TNK Replacement Constitution. TNK may participate in any computerised or electronic system for market settlement, securities transfer and registration in accordance with the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules (or corresponding laws or financial markets rules in any other country). The Directors: › may, in their absolute discretion, refuse to register any transfer of TNK Shares or other securities, if the Listing Rules permit TNK to do so; › must refuse to register any transfer of TNK Shares which are restricted securities if that transfer is or might be in breach of the Listing Rules or any restriction agreement entered into by TNK of the TNK Shareholder under the Listing Rules in relation to the TNK Shares; and › must refuse to register any transfer where TNK is, or the Directors are, required to do so by the Listing Rules. Where Stapling applies, no transfer of a TNK Share will be registered unless the Stapled TND Share and any other relevant attached security is also transferred simultaneously to the same transferee.

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Rights and Obligations	Terms
Shareholder liability	As TNK Shares will be fully paid, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture. TNK will have a lien on every partly paid share (if any) in TNK for due and unpaid calls and instalments as well as interest accruing and expenses. While any amount payable is unpaid, all voting rights and entitlements are suspended. The holder of a TNK Share which has been forfeited remains liable to TNK for all outstanding money, costs and interest. While Stapling applies, TNK may sell any TNK Share on which it has a lien as part of a Stapled Security upon at least 14 days' notice that it intends to do so.
Registers	While Stapling applies, a Stapled Security Register must be maintained which records details of all Stapled Securities held by Stapled Securityholders.
General meetings and notices	Each TNK Shareholder is entitled to receive a notice of, attend and vote at general meetings of TNK and to receive all notices, accounts and other documents required to be sent to TNK Shareholders under the TNK Replacement Constitution, the Corporations Act or the Listing Rules. A TNK Shareholder is entitled to be counted in a quorum only in respect of TNK Shares on which all calls due and payable have been paid. While Stapling applies, the Directors may convene a combined meeting of Securityholders of TNK and TND and may make such rules for the conduct of the combined meeting as they determine. A quorum for a general meeting is two (2) TNK Shareholders unless there is only one (1) TNK Shareholder, in which event a quorum is that TNK Shareholder.
Voting	Subject to any right of restriction for the time being attached to any class of shares in TNK, at any general meeting each TNK Shareholder present in person or by proxy, attorney or representative has one vote by a show of hands and, on a poll, one vote for each fully paid TNK Share held. For each partly paid share held by the member, a fraction of a vote equivalent to the proportion which the amount paid is of the total amount paid and payable on the TNK Share. A member is entitled to vote only in respect of TNK Shares on which all calls due and payable have been paid. If, under the Corporations Act or the Listing Rules, a notice calling a meeting and proposing a resolution specifies that: a) a TNK Shareholder must not vote in favour of the resolution; b) must not vote on the resolution; or c) a vote on the resolution by the TNK Shareholder will be disregarded, and that TNK Shareholder or a proxy, attorney or representative on that TNK Shareholder's behalf does tender a vote, in the case of paragraph (a) in favour of, or in the case of paragraph (b) or (c) on, the resolution, their vote will not be counted.
Number of Directors	Until TNK in general meeting determines otherwise the minimum number of directors is three (3) and the maximum number is seven (7).

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Rights and Obligations	Terms
Appointment and retirement of Directors	The Directors may at any time appoint any person to be a Director, either to fill a casual vacancy or as an addition to the board. A Director appointed in this way holds office until the conclusion of the next annual general meeting but is eligible for election at that meeting. No Director may hold office for a continuous period in excess of three years or until the third annual general meeting following the Director's appointment or election, whichever is the longer, without retiring and submitting for re-election. The Managing Director does not have to do so. A person (other than a retiring director or a casual appointee standing for election) must give or have someone give notice of their candidature not less than 35 Business Days but not longer than 90 Business Days before the relevant general meeting.
Powers and duties of Directors	While Stapling applies, the Directors will be entitled, to the maximum extent permitted by law, to have regard to the interests of TND Shareholders and may act in the best interests of the Stapled Group as a whole, rather than only in the interests of TNK.
Remuner-ation of Directors	The Directors are entitled to be remunerated for their services as Directors. The amount or value of the remuneration must not exceed the annual aggregate maximum sum determined from time to time by TNK in general meeting (currently $750,000 per annum). For additional duties, a Director may receive remuneration as determined by the Directors in addition to or in place of their existing remuneration. A Director is also entitled to be reimbursed for such reasonable travelling, accommodation and other expenses which the Director may incur when travelling to and from meetings of the Directors or a general meeting of TNK. The remuneration of a managing or executive Director may be fixed by the Directors and may be by way of salary or commission or participation in profits by all or any of these modes, but may not be by a commission on or percentage of operating revenue. TNK may pay a former Director a retirement benefit in accordance with the Corporations Act. TNK may also enter into a contract with a current Director providing for the payment of a retirement benefit.
Dividends	Dividends are divisible amongst the shareholders in proportion to the amount paid on the TNK Shares held by them. Each partly paid TNK Share is entitled to a fraction of the dividend declared or paid equivalent to the proportion which the amount paid on each TNK Share bears to the total amounts paid and payable. The Directors may deduct from a dividend payable to a member all sums presently payable by the member to TNK on account of calls or otherwise in relation to shares.
Dividend Reinvestment Plan	The TNK Replacement Constitution authorises the Directors to establish, vary or terminate a dividend reinvestment plan (where any member may elect that dividends payable by TNK be reinvested by way of application for additional TNK Shares). While Stapling applies, no reinvestment by TNK Shareholders may occur unless, at the same time, the TNK Shareholder acquires an identical number of TND Shares. The Directors may make provision for the amount of the reinvested dividends that is to be used to apply for TNK Shares and the amount to be used to apply for TND Shares having regard to the issue price of TND Shares.

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Rights and Obligations	Terms
Winding up	If TNK is wound up, the liquidator may with the sanction of a special resolution divide among TNK Shareholders all or any of TNK's assets, and for that purpose, the liquidator may determine how he or she will carry out the division between TNK Shareholders. If at the time of winding up part of the issue price of shares remains unpaid, holders of TNK Shares can be liable to contribute to the payment of TNK's debts and liabilities and the costs, charges and expenses of the winding up to the amount of the issue price unpaid.
Restricted securities	For as long as TNK has 'Restricted Securities' (as defined in the ASX Listing Rules) on issue (a) the holder of Restricted Securities must not dispose of, or agree or offer to dispose of, the Restricted Securities during the escrow period applicable to those Restricted Securities except as permitted by the ASX or ASX Listing Rules, (b) if the Restricted Securities are in the same class as quoted securities, the holders will be taken to have agreed in writing for the Restricted Securities to be kept on TNK's issuer-sponsored sub-register and to have a holding lock applied for the duration of the relevant escrow period, (c) TNK will refuse to acknowledge any disposal or transfer of the Restricted Securities during the relevant escrow period except as permitted by ASX or the ASX Listing Rules, (d) the holders will not be entitled to participate in any return of capital on the Restricted Securities during the relevant escrow period except as permitted by ASX or the ASX Listing Rules, and (e) if a holder breaches a restriction deed or a provision of the TNK Replacement Constitution restricting the disposal of Restricted Securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those Restricted Securities for as long as the breach continues.
Non-marketable parcels of shares	The Directors may cause the sale of any TNK Shares held by a TNK Shareholder which comprise less than a marketable parcel (under the Listing Rules). The TNK Replacement Constitution sets out a procedure that must be followed for this to occur and allows individual TNK Shareholders to opt out of the application of the procedure to them, including by increasing their holding of TNK Shares before the required date to a marketable parcel.
Variation of rights	The rights attached to any class of shares can only be varied or cancelled by a special resolution passed at a general meeting of the holders of shares of that class or with the written consent of the holders of 75% of shares of that class on issue.
Directors' Indemnity and insurance	To the extent permitted by law, TNK indemnifies each Director, secretary, officer and full-time employee (as determined by the Directors) of TNK against any liability incurred by the person, in the relevant capacity, to another person unless the liability arises out of conduct involving lack of good faith or is contrary to TNK's express instructions. TNK must indemnify such persons against liability for costs and expenses incurred in successfully defending proceedings or in connection with an application in relation to such proceedings in which the Court grants relief to the person under the Corporations Act. To the extent permitted by law, TNK may take out and maintain insurance for liability incurred by its Directors and officers in their capacity as such.
Alteration of TNK Replacement Constitution	The TNK Replacement Constitution can only be amended by a special resolution passed by at least 75% of Shareholders present and voting at a general meeting.

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12.3 Summary of Stapling Deed

The Stapling Deed sets out the terms and conditions governing the relationship between TNK and TND in respect of the Stapled Securities. Aspects of that relationship dealt with in the Stapling Deed include the following:

12.3.1 Stapling

TNK Shares and TND Shares will remain Stapled unless:

- otherwise determined by special resolutions passed by TNK Shareholders and TND Shareholders;
- Stapling becomes unlawful or prohibited by the Listing Rules; or
- either of TNK or TND becomes insolvent or commences winding up.

TNK and TND may also determine to Staple the Stapled Securities to the securities of another entity in accordance with the Listing Rules, the Corporations Act and their constitutions. TNK and TND must ensure that if Stapling occurs with the securities of another entity, that a stapling agreement or deed on substantially the same terms as the Stapling Deed with such changes as are necessary to reflect that Stapled Securities includes such further securities, is entered into between TNK, TND and the other entity.

12.3.2 Co-operation and Consultation

TNK and TND agree to co-operate to give effect to the Stapling Deed and to ensure that they both comply with their obligations under the Listing Rules, co-ordinate their disclosures, adopt consistent accounting policies and valuation policies, take a consistent approach on proposed investments and keep each other properly informed of their investment policies. They also agree to co-operate so as to hold their Securityholder meetings concurrently and jointly, or (where required) consecutively, agree on capital issues, consult before taking action (or not taking action) which may materially affect the value of Stapled Securities, co-ordinate the announcement and payment of dividends and distributions, retain the same auditor and, to the extent possible, have substantially the same boards of directors and perform their duties under the Stapling Deed in order to enhance the market value of Stapled Securities.

12.3.3 Dealing in Stapled Securities

Unless and until unstapled in accordance with the Stapling Deed, TNK Shares and TND Shares may only be issued or transferred as Stapled Securities. A TNK Share may not be transferred without the TND Share to which it is Stapled. A TNK Share cannot be issued without being Stapled to a TND Share. While TNK and TND will remain as separate legal entities and separately admitted to the official list of ASX, their securities will be jointly quoted on ASX as Stapled Securities.

12.3.4 Financial Benefits

Subject to certain limitations, TNK and TND each agree that, if requested, and if it is reasonably capable of so doing, it will enter into agreements or arrangements to provide financial accommodation to the other of them or any of its subsidiaries, provide guarantees, securities, undertakings and pledges in connection with such financial accommodation and enter into joint borrowings.

12.3.5 Allocation of the Issue Price

TNK and TND must agree from time to time the proportion of the issue price of a Stapled Security to represent the issue price of the TNK Share and the TND Share. The allocation of this amount must be determined on the basis of fair value by agreement between TNK and TND prior to the relevant issue of the Stapled Security.

Where Stapled Securities are issued partly paid, TNK and TND must agree the terms of issue of those partly paid Stapled Securities, including the making of calls on those Stapled Securities. Similarly, if options are issued TNK and TND must agree the allocation of the issue price of the Stapled Security. The proportion allocated must be consistent for each TND Share and TNK Share issued, redeemed or bought back at the same time.

12.3.6 Registers

TNK and TND must maintain or procure the maintenance of a register of Stapled Securities including the appointment of a common registrar.

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12.3.7 Duties

To the extent permitted by law, in exercising any power or discretion TNK and TND may have regard to the interests of the holders of Stapled Securities as a whole, not only the interests of TNK Shareholders or the TND Shareholders, considered separately.

12.3.8 Dispute Resolution

If there is a dispute arising out of the Stapling Deed, TND and TNK must use their best endeavours to resolve it and to negotiate in good faith to resolve the dispute before instituting proceedings.

12.4 Summary of the Scheme Implementation Deed

12.4.1 Background

The Stapling Proposal cannot be implemented unless various steps are taken, consents and approvals obtained and transactions effected in the appropriate sequence. The Scheme Implementation Deed sets out the terms and conditions on which the parties agree to implement the Stapling Proposal.

The Scheme Implementation Deed was entered into by TNK and TND on 14 August 2019.

12.4.2 Conditions

Implementation of the Stapling Proposal under the Scheme Implementation Deed is subject to the satisfaction or waiver, on or before 30 June 2020 (or another date and time agreed in writing between TNK and TND), of certain conditions (**Conditions**) being:

a) **(regulatory approvals)** ASIC and ASX issue or provide such consents, waivers or approvals as are necessary or which TNK and TND agree are necessary or desirable to implement the Scheme and such consent, approval or other act has not been withdrawn or revoked before the Second Court Hearing Date;

b) **(listing of TND)** the Stapled Group comprising TNK and TND must be approved for admission to the official list of ASX (subject only to customary listing conditions);

c) **(quotation of Stapled Securities)** ASX has indicated in writing that it will grant permission for the quotation of the Stapled Securities (subject only to customary pre-quotation listing conditions);

d) **(no TNK prescribed occurrences)** no 'TNK Prescribed Occurrence' (as that term is defined in the Scheme Implementation Deed) occurs between the date of the Scheme Implementation Deed and the Scheme Delivery Time on the Second Court Hearing Date;

e) **(no change of TNK Board recommendations)** between the date of the Scheme Implementation Deed and the date of the Scheme Meeting, none of the Directors of TNK changing, qualifying or withdrawing their unanimous recommendation to TNK Shareholders to vote in favour of the Scheme;

f) **(TNK warranties)** the warranties given by TNK being true and correct in all material respects on the date of the Scheme Implementation Deed and at the Scheme Delivery Time on the Second Court Hearing Date;

g) **(TND warranties)** the warranties given by TND being true and correct in all material respects on the date of the Scheme Implementation Deed and at the Scheme Delivery Time on the Second Court Date;

h) **(shareholder approval of the Scheme)** the Scheme is approved by TNK Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;

i) **(shareholder approval of Supporting Resolutions)** the Supporting Resolutions are approved by TNK Shareholders at the TNK general meeting by the majorities required under the Corporations Act;

j) **(shareholder approval of Supporting Resolutions)** the Supporting Resolutions are approved by TND Shareholders at the TND General Meeting by the majorities required under the Corporations Act;

k) **(Stapling Deed)** the Stapling Deed has been executed to take effect on the Implementation Date;

l) **(TNK Performance Rights)** the TNK Performance Rights Plan is amended with effect from the Implementation Date so that on vesting and exercise of all existing and future TNK Performance Rights after the Implementation Date, the TNK Performance Right Holders will acquire, by way of issue or transfer, a Stapled Security and not a TNK Share;

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m) (**Court approval**) the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably); and

n) (**Independent Expert**) the Independent Expert concluding in the Independent Expert's Report that in its opinion the Scheme is in the best interest of TNK Shareholders and the Independent Expert maintaining that opinion (including by not withdrawing, qualifying or changing that opinion) at all times up to the Second Court Hearing Date.

TNK and TND agree to use their respective reasonable endeavours to procure that each of the Conditions (as applicable) is satisfied as soon as reasonably practicable after the date of the Scheme Implementation Deed and continues to be satisfied at all times until the last time they are to be satisfied (as the case may require).

12.4.3 Termination Events

The Scheme Implementation Deed may be terminated in certain circumstances. TNK or TND each have a right to terminate the Scheme Implementation Deed at any time prior to the Second Court Hearing Date by notice if:

a) (**material breach**) the other is in material breach of its obligations under the Scheme Implementation Deed and has failed to remedy that breach within 10 Business Days (or the Scheme Delivery Time on the Second Court Hearing Date if earlier) of receipt by it of a notice in writing from the terminating party setting out details of the relevant circumstance and requesting the other party to remedy the breach;

b) (**no quotation**) receipt by TNK and TND of the conditional consent of ASX to grant official quotation of the Stapled Securities on terms which, in the reasonable opinion of the directors of TNK and TND, are unsatisfactory, or the failure to receive conditional consent in writing of ASX to grant official quotation of the Stapled Securities on terms which, in the reasonable opinion of the directors of TNK and TND, are satisfactory;

c) (**no Court approval**) if the Court refuses to make any order directing TNK to convene the Scheme Meeting, provided that both TNK and TND have met and consulted in good faith and agreed that they do not wish to proceed with the Scheme; or

d) (**End Date**) if the Effective Date for the Scheme has not occurred on or before the 'End Date' (as that term is defined in the Scheme Implementation Deed, being on or before 30 June 2020 or such other date agreed in writing between TNK and TND).

TNK may terminate the Scheme Implementation Deed:

a) if a Condition becomes incapable of being satisfied before the 'End Date' (as that term is defined immediately above); or

b) at any time prior to the Delivery Time on the Second Court Hearing Date, if a number of TNK Directors as constitutes a majority of the TNK Board withdraws or adversely modifies their recommendation of the Stapling Proposal or recommends or supports a Superior Proposal.

TNK and TND may terminate the Scheme Implementation Deed by agreement at any time before Court approval of the Scheme. The Scheme Implementation Deed will terminate automatically if the Scheme is not approved by the necessary majorities at the Scheme Meeting.

12. KEY DOCUMENTS

12.4.4 Implementation

In the Scheme Implementation Deed, TNK and TND agree to implement various steps in the Stapling Proposal, subject to satisfaction of the Conditions and each of TNK and TND agree to implement or procure implementation of certain steps.

From the date of the Scheme Implementation Deed until the date of implementation of the Stapling Proposal or the date the Scheme Implementation Deed is terminated, TNK and TND agree to:

a) (**Explanatory Booklet**) prepare this Explanatory Booklet in accordance with the principles set out in the Scheme Implementation Deed;

b) (**Independent Expert**) promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;

c) (**approval of draft for ASIC**) as soon as reasonably practicable after the preparation of an advanced draft of the Explanatory Booklet suitable for review by ASIC, procure that a meeting of the TNK Board, or of a committee of the TNK Board appointed for the purpose, and a meeting of the appropriate representatives of TND are held to consider approving that draft as being in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act;

d) (**liaison with ASIC**) as soon as reasonably practicable after the date of the Scheme Implementation Deed:

    i. provide an advanced draft of this Explanatory Booklet, in a form approved by TNK and TND, to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act; and

    ii. liaise with ASIC during the period of its consideration of that draft of the Explanatory Booklet and keep each other informed of any matters raised by ASIC in relation to the Explanatory Booklet and use reasonable endeavours, in consultation with each other, to resolve any such matters;

e) (**approval of Explanatory Booklet**) as soon as reasonably practicable after the conclusion of the review by ASIC of the Explanatory Booklet, procure that a meeting of the TNK Board, or of a committee of the TNK Board appointed for the purpose, and a meeting of the appropriate representatives of TND are held to consider approving the Explanatory Booklet for dispatch to the Think Shareholders, subject to orders of the Court under section 411(1) of the Corporations Act;

f) (**section 411(17)(b) statements**) apply to ASIC for the production of statements in writing under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;

g) (**first Court hearing**) lodge all documents with the Court and take all other reasonable steps to ensure that promptly after, and provided that, the approvals of TNK and TND have been received, an application is heard by the Court for an order under section 411(1) of the Corporations Act directing TNK to convene the Scheme Meeting;

h) (**registration of explanatory statement**) request ASIC to register the explanatory statement included in the Explanatory Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;

i) (**convene Scheme Meeting**) take all reasonable steps necessary to comply with the orders of the Court including, as required, despatching the Explanatory Booklet to the TNK Shareholders and convening and holding the Scheme Meeting on the same day and at the same time or immediately before the General Meeting;

j) (**convene General Meeting**) take all reasonable steps necessary to convene and hold the General Meeting to be held on the same day as the Scheme Meeting and promptly after the Scheme Meeting concludes;

k) (**convene TND general meeting**) take all reasonable steps necessary to convene and hold a general meeting of TND to be held on the same day as the Scheme Meeting and promptly after the Scheme Meeting concludes;

l) (**lodge amendments to TNK Constitution**) lodge with ASIC the TNK Replacement Constitution under section 136(5) of the Corporations Act;

12. KEY DOCUMENTS

m) **(return of capital)** ensure that:

   i. TNK declares the Special Dividend; and

   ii. TND issues the TND Shares to Scheme Shareholders such that TND Shares are allotted and issued to Scheme Shareholders and rank pari passu in all respects with each other and all other TND Shares on issue at that time (if any);

n) (**Stapling**) ensure the Stapling of TNK Shares to TND Shares;

o) (**court approval application if parties agree that conditions are capable of being satisfied**) if the resolution submitted to the Scheme Meeting is passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act and, if necessary, the parties agree on the Business Day immediately following the Scheme Meeting that it can be reasonably expected that all of the Conditions will be satisfied or waived prior to the proposed Second Court Date, apply to the Court for orders approving the Scheme;

p) **(implementation of Scheme)** if the Scheme is approved by the Court:

   i. subject to the Listing Rules, promptly lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act;

   ii. applying on behalf of Scheme Shareholders for TND Shares by using the proceeds of the Special Dividend and Stapling of TNK Shares to the TND Shares issued by TND; and

   iii. do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;

q) **(regulatory notifications)** in relation to the regulatory approvals required in connection with the Scheme, lodge with any Governmental Agency within the relevant periods all documentation and filings required by law to be so lodged by TNK and TND in relation to the Scheme;

(r) **(shareholder support)** promote to TNK Shareholders the merits of the Scheme, including soliciting proxy votes in favour of the Scheme; and

s) **(compliance with laws)** do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws and regulations.

12.5 Availability of documents for review

The documents summarised in sections 12.1 to 12.4 inclusive are available for inspection at the offices of TNK, Suite 3, 1 Park Avenue, Drummoyne NSW 2047 on Business Days between 9.00am and 5.00pm Sydney time until the date of the Scheme Meeting. Alternatively, other than in respect of the Scheme Implementation Deed (reproduced without annexures in Appendix 5) copies are available on request and free of charge by contacting the TNK Shareholder Information Line on 1300 069 254 (within Australia) or +61 3 9415 4153 (outside Australia).

13 ADDITIONAL INFORMATION

Nido Early School, Banksia Grove, WA

13. ADDITIONAL INFORMATION

13.1 Introduction

This section 13 sets out the statutory information required by section 412(1)(a) of the Corporations Act and Part 3 of Schedule 8 to the Corporations Regulations to be included in the Explanatory Booklet, but only to the extent that this information is not otherwise disclosed in other sections. This section also includes additional information that your Directors consider material to a decision on how to vote on the resolutions to be considered at the Scheme Meeting.

In this section, the terms 'associate', 'executive officer', 'marketable securities', 'related body corporate' and 'subsidiary' have the meanings given to them in the Corporations Act.

13.2 Capital structure and Securityholders

13.2.1 TNK Shares

As at Last Practicable Date (being 18 October 2019), TNK had 60,862,889 TNK Shares on issue, held by approximately 1,166 Shareholders. TNK's shareholder distribution as at Last Practicable Date is as follows:

Number of TNK Shares held	Number of Shareholders
1 – 1000	289
1,001 – 5,000	487
5,001 – 10,000	164
10,001 – 100,000	197
100,001 +	29
Total	**1,166**

Based on notices filed with TNK and ASX under Chapter 6C of the Corporations Act prior to the Last Practicable Date, the persons who have a substantial holding (as that term is defined in section 9 of the Corporations Act) were as follows:

Substantial holder	Number of TNK Shares held	% of total number of issued TNK Shares held[8]
Mathew Edwards*	14,335,198[9]	23.55%
FIL Limited (and certain other entities)	6,100,335	10.02%
AustralianSuper Pty Ltd	5,132,213	8.43%
Microequities Asset Management Pty Ltd	3,513,616	5.77%
Celeste Funds Management Limited	3,447,000	5.66%

**Held directly and/or through a nominee.*

13.2.2 Performance Rights

As at Last Practicable Date, TNK had 46,367 TNK Performance Rights on issue, held by 2 TNK Performance Rights Holders. TNK's Performance Rights distribution as at Last Practicable Date is as follows:

Name of Performance Rights Holder	Number of Performance Rights held
Mathew Edwards*	14,621
Jennifer Saliba*	31,746
Total	**46,367**

** Held directly and/or through a nominee.*

13.3 Treatment of TNK Securities under the Stapling Proposal

13.3.1 TNK Shares

If the Stapling Proposal is approved and implemented, TNK Shares will be reconstructed so that they are stapled to TND Shares in accordance with the terms of the Scheme and the Stapling Deed.

8 As a proportion of the total number of TNK Shares on issue as at the Last Practicable Date, being 60,862,889.

9 Actual shareholding as at the Last Practicable Date. The last substantial holding notice filed with TNK and ASX by Mathew Edwards was on 2 April 2019 and stated that Mathew Edwards held 14,287,246 TNK Shares at that time.

13. ADDITIONAL INFORMATION

13.3.2 TNK Performance Rights

TNK Performance Rights have been issued under and are governed by the terms in TNK's Performance Rights Plan. 'Vesting' of TNK Performance Rights is determined according to the achievement of certain measures of performance set by the TNK Board. A right to receive newly issued TNK Shares 'vests' and becomes exercisable after the relevant vesting conditions have been satisfied. On exercise, each TNK Performance Right entitles the relevant TNK Performance Right Holder to acquire by way of issue one fully paid ordinary TNK Share, at no cost.

Under the Scheme Implementation Deed as originally announced to ASX on 14 August 2019, TNK and TND agreed for the terms of the TNK Performance Rights to be amended from the Scheme becoming Effective to effect the immediate vesting of all TNK Performance Rights outstanding and to enable the exercise of all TNK Performance Rights on terms agreed between TNK and TND (acting reasonably).

TNK and TND subsequently agreed to amend the Scheme Implementation Deed by an amending deed dated 15 October 2019 to provide that the terms of the TNK Performance Rights Plan be amended to change the securities to be issued on vesting and exercise of the TNK Performance Rights (from TNK Shares to Stapled Securities following implementation of the Stapling Proposal). The proposed amendment does not concern the removal or relaxation of any existing vesting conditions which TNK Shareholders have previously approved.

TNK has sought and obtained relief from ASX under Listing Rule 6.23.4 from the requirement to receive separate shareholder approval for the amendment of the terms of the TNK Performance Rights.

13.4 Interests of TNK Directors

The TNK Board consists of the following four Directors:

Director's name	Position
Mark Kerr	Chairman and Non-Executive Director
Mathew Edwards	Managing Director and Chief Executive Officer
Evonne Collier	Non-Executive Director
Joe Dicks	Non-Executive Director

13.4.1 Marketable securities of TNK held by or on behalf of TNK Directors

As at Last Practicable Date, the number of TNK Shares and TNK Performance Rights held by or on behalf of each of the TNK Directors is as follows:

Director's name	Number of TNK Shares	Number of TNK Performance Rights
Mark Kerr*	1,624,066	Nil
Mathew Edwards*	14,335,198	14,621
Evonne Collier	Nil	Nil
Joe Dicks	Nil	Nil
Total	**15,959,264**	**14,621**

** Held directly and/or through a nominee.*

13.4.2 Directors' fees

The table below sets out the fees currently paid to the Directors of TNK and the fees that are proposed to be paid to the Directors of TND if the Stapling Proposal is approved and implemented:

Name	TNK	TND	Annual aggregate fee
Mark Kerr (as Chairman and Non-Executive Director of TNK and TND)	$100,000	$60,000	$160,000
Mathew Edwards (as Managing Director and Chief Executive Officer of TNK and a Non-Executive Director of TND)	$235,000	$40,000	$275,000
Joe Dicks (as Non-Executive Director of TNK and TND)	$75,000	$40,000	$115,000
Evonne Collier (as Non-Executive Director of TNK)	$75,000	N/A	$75,000
Michael Doble (as Non-Executive Director of TND)	N/A	$40,000	$40,000

13. ADDITIONAL INFORMATION

13.4.3 Directors' interests in agreements connected with or condition on the Stapling Proposal

No Director has an interest in any agreement connected with or conditional on the Stapling Proposal, other than as follows. If the Stapling Proposal is approved and implemented:

- each Director will remain on the TNK Board; and
- each Director (other than Evonne Collier) will be the initial members of the TND Board in addition to Michael Doble (who was appointed as a Director of TND on 14 October 2019).

13.4.4 Retirement benefits

No payment or other benefit is proposed to be made or given in connection with the Stapling Proposal to any Director, secretary or executive officer of TNK, or of any related body corporate of TNK, as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in TNK or in a related body corporate.

13.4.5 Material changes in the financial position of TNK

So far as the Directors are aware, except as disclosed in this Explanatory Booklet or as otherwise disclosed to ASX by TNK, the financial position of TNK has not materially changes since the date of its interim financial report for the half year ended 30 June 2019, as lodged with ASX on 14 August 2019. TNK Shareholders wishing to consider TNK's financial performance for the half year ended 30 June 2019, should review the interim financial report lodged with ASX on 14 August 2019. Other than the Stapling Proposal, there are no significant changes to the nature of TNK's activities as at the date of this Explanatory Booklet.

13.4.6 TNK Directors' interests and dealings in TND securities

No Director, nor any of his or her associates, has any relevant interest in any marketable security issued by TND.

13.4.7 TNK Directors' interests in any contracts with TND

No Director, nor any of his or her associates, has entered into, or otherwise has any interest in, any contract entered into by TND.

13.5 Directors' intentions regarding the business assets and employees of TNK

If the Stapling Proposal is approved and implemented, all of the TNK Directors will remain directors of Think (to be re-named Think Childcare Group). It is the current intention of the TNK Directors that if the Stapling Proposal is approved and implemented:

- (continuation of TNK's business) As at the date of this Explanatory Booklet, it is intended that TNK's business will continue in its current form and, apart from matters which may arise from time to time as a result of being integrated as part of the Stapled Group, there will be no major changes to TNK's business on a day to day basis;
- (no major change to be made to TNK's business or redeployment of fixed assets) As at the date of this Explanatory Booklet, it is not intended that there will be any major changes to the business of TNK, including any major change as a result of redeployment of TNK's fixed assets; and
- (TNK current employees) As at the date of this Explanatory Booklet, it is intended that all present employees of TNK will be retained if the Stapling Proposal is approved and implemented, subject to any changes which may arise in the usual and ordinary course of TNK carrying on its business.

13.6 Formula for determining entitlements to TND Shares under Scheme

Under the terms of the Scheme, it is proposed that the pro rata entitlement of each Scheme Shareholder to the $6 million Special Dividend will be applied as the consideration for the subscription of one TND Share for each TNK Share held at the Record Date. TNK Shareholders should note that under the terms of the Scheme, trading in unstapled TNK Shares will be suspended on the Business Day after the Effective Date. Registration of transfers of unstapled TNK Shares will cease on and from the Special Dividend Record Date.

13. ADDITIONAL INFORMATION

13.7 ASIC and ASX waivers and consents

13.7.1 ASIC waivers

ASIC has confirmed or granted the following modifications and exemptions in relation to the operation of the Corporations Act as it applies to the Stapling Proposal:

- permission under section 224 of the Corporations Act for TNK, as the sole shareholder of TND, to pass resolutions on behalf of TND approving resolutions corresponding to the Management Deed Resolution and the Stapling Deed Resolution for the purposes of sections 208(2) and 217 – 227 of the Corporations Act.

13.7.2 ASX waivers

ASX has granted waivers or provided confirmation in relation to the operation of the following Listing Rules as they apply to the Stapling Proposal:

- waivers from condition 3 of Listing Rule 1.1 to allow TNK to issue an information memorandum in lieu or a prospectus or a product disclosure statement;
- waivers from condition 8 of Listing Rule 1.1 the extent necessary not to require TND to comply with the spread requirements in that rule, on condition that each ordinary share in TND is stapled to an ordinary share in the Company, and the Company satisfies listing rule 12.4 at the time of admission of TND to the official list of ASX;
- waivers from condition 9 of Listing Rule 1.1 to extent necessary not to require TND to comply with listing rules 1.2 or 1.3, on condition that each ordinary share in TND is stapled to an ordinary share in TNK, and TNK satisfies listing rules 12.1 and 12.2 at the time of admission of the TND to the official list of ASX;
- waivers from condition 2 of Listing Rule 2.1 to the extent necessary not to require the issue price or value of each ordinary share in TND to be at least 20 cents, on condition that each ordinary share in TND is stapled to an ordinary share in the TNK;
- waivers from Listing Rule 6.23.4 in relation to TNK Performance Rights to amend their terms to allow for the issue of Stapled Securities (instead of TNK Shares) on their exercise;
- waivers from Listing Rule 8.10 to permit TNK to refuse to register the transfer of a TNK Share unless the transfer document for a corresponding TND Share is provided; and
- waivers from Listing Rule 10.1 in relation to intra-group transactions between TNK and TND as a result of implementation of the Stapling Proposal.

13.7.3 Chapter 2E of the Corporations Act

In general terms, section 208 of the Corporations Act requires shareholder approval for a public company to give a financial benefit to a related party. Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company:

a) the public company or entity must:

   i) obtain the approval of the public company's members in the way set out in sections 217 to 227; and

   ii) give the benefit within 15 months after the approval; or

b) the giving of the benefit must fall within an exception set out in sections 210 to 216.

Resolutions 1 and 3 of the Supporting Resolutions (being the Stapling Deed Resolution and the Management Deed Resolution) are proposed for the purposes of this section and sections 217 to 227 of the Corporations Act to enable financial benefits to be given by TND to TNK and vice versa under respectively, the Management Deed and the Stapling Deed.

13.8 No unacceptable circumstances

The TNK Board believes that the Scheme does not involve any circumstances in relation to the affairs of TNK that could reasonably be characterised as constituting unacceptable circumstances for the purposes of section 657A of the Corporations Act.

13. ADDITIONAL INFORMATION

13.9 Disclosure of fees and other benefits

No person has paid or agreed to pay any amount, or provided or agreed to provide any benefit to a director or proposed director of TNK:

- to induce them to become or to qualify as a director of TNK; or
- for services provided by that person in connection with the formation or promotion of TNK.

There is no additional agreement or arrangement made between any TNK Director and another person in connection with or conditional on the outcome of the Scheme.

The persons named in this Booklet as performing a material function in a professional or advisory capacity in connection with the Scheme and with the preparation of the Explanatory Booklet on behalf of TNK are outlined in section 13.10 below.

The aggregate amount of the fees and expenses associated with the Scheme and the preparation of this Explanatory Booklet incurred (or to be incurred) by TNK are expected to be approximately $1.1 million to $1.3 million (exclusive of GST). Of this amount, $1.1 million to $1.2 million (exclusive of GST) is expected to be payable by TNK irrespective of whether or not the Scheme becomes Effective.

13.10 Consents and disclaimers

The following parties have given and have not, before the time of registration of this Explanatory Booklet by ASIC, withdrawn their written consent to be named in this Explanatory Booklet in the form and context in which they are named:

- MinterEllison as legal adviser to TNK;
- 333 Capital as financial adviser to TNK;
- KPMG as taxation adviser to TNK;
- Ernst & Young Transaction Advisory Services Limited as the Independent Expert and to the inclusion of the Independent Expert's Report set out in Appendix 1 to this Explanatory Booklet;
- Canaccord Genuity (Australia) Limited as the Sale Nominee.

Each of the above persons:

- has not authorised or caused the issue of this Explanatory Booklet;
- does not make, or purport to make, any statement in this Explanatory Booklet or any statement on which a statement in this Explanatory Booklet is based other than a statement or report included in this Explanatory Booklet with the written consent of that party; and
- makes no representation regarding, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for, any statements in or omissions from any part of this Explanatory Booklet, other than a reference to its name and any statement or report which has been included in this Explanatory Booklet with the written consent of that party.

13.11 Independent advice

TNK Shareholders should consult their financial, legal or other professional adviser if they have any queries regarding:

- the Stapling Proposal;
- the taxation implications for them if the Stapling Proposal is implemented;
- your Directors' recommendations and intentions in relation to the Stapling Proposal; or
- any other aspects of this Explanatory Booklet.

TNK Shareholders may also call the TNK Shareholder Information Line on 1300 069 254 (within Australia) or +61 3 9415 4153 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time) with any queries they may have on the Stapling Proposal. All calls made to the TNK Shareholder Information Line will be recorded.

13. ADDITIONAL INFORMATION

13.12 Other material information

Except as set out in this Explanatory Booklet, in the opinion of the Directors, there is no other information material to the making of a decision in relation to the Scheme and the Supporting Resolutions, being information that is within the knowledge of any Director or of any related body corporate of TNK which has not been previously disclosed to TNK Shareholders.

TNK will issue a supplementary document to this Explanatory Booklet if it becomes aware, between the date of lodgement of this Explanatory Booklet for registration by ASIC and the Effective Date, of any of the following:

- a material statement in this Explanatory Booklet is false or misleading;
- a material omission from this Explanatory Booklet;
- a significant change affecting a matter included in this Explanatory Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Explanatory Booklet if it had arisen before the date of lodgement of this Explanatory Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, TNK may circulate and publish any supplementary document by any of the following methods as TNK in its absolute discretion considers appropriate:

- making an announcement to ASX; and/or
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia; and/or
- posting the supplementary document to TNK Shareholders at their registered address as shown in the TNK Share Register.

13.13 Privacy

TNK may collect personal information in the process of implementing the Scheme. Such information may include the name and contact details and security holding of Scheme Shareholders, and the name of persons appointed by Scheme Shareholders to act as proxy, corporate representative or attorney at any or all of the meetings. The primary purpose of collection of the personal information is to assist TNK in the conduct of the meetings and to enable the Scheme to be implemented by TNK in the manner described in this Explanatory Booklet. Without this information, TNK may be hindered in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the TNK Share Registry, print and mail service providers, authorised securities brokers, related bodies corporate of TNK and parties to the Scheme Implementation Deed.

Scheme Shareholders have certain rights to access personal information that has been collected. Scheme Shareholders should contact TNK's Company Secretary in the first instance, if they wish to request access to their personal information.

Scheme Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the Scheme Meeting and/or the General Meeting should ensure that they inform that person of the contents of this section 13.13.

14 GLOSSARY

Nido Early School, Banksia Grove, WA

14. GLOSSARY

ACECQA	Australian Children's Education & Care Quality Authority
Approved Provider	A person or entity who holds a 'Provider Approval' granted under the Education and Care Services National Law authorising that person or entity to operate a Child Care Service
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691 or, if the context requires, the financial market known as the Australian Securities Exchange operated by it
AASB	Australian Accounting Standards Board
Australian Accounting Standards	The: a) accounting standards made by the AASB in accordance with the Corporations Act, and the requirements of that Act relating to the preparation and content of accounts; and b) generally accepted accounting principles that are consistently applied in Australia, except those inconsistent with the standards or requirements referred to in paragraph (a).
Business Day	A weekday on which Australian banks are open for business in Victoria, Australia
Cash Generating Unit	Has the meaning given by the Australian Accounting Standards, being 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
Centre Management Deed or **CMD**	A management deed entered into between the third party owner of a Child Care Service, a third party lessee (as tenant) and TNK under which TNK agrees to manage the Child Care Service on behalf of the third party owner
CHESS	The Clearing House Electronic Subregister System for the electronic securities operated by ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532
Child Care Service or **Service**	A place: a) that provides, or is proposed to provide, long day care for children all of whom are residing in their own homes; and b) that provides, or is proposed to provide, child care of the kind described under point (a): i) for not less than 8 hours on each normal working day; and ii) on all normal working days for not less than 48 weeks in the year; whether or not all or the majority of the children for whom child care is provided at the place attend the place on a regular basis
Close of Trading	Close of trading on ASX on the Effective Date
Constitution Replacement Resolution	The proposed special resolution to repeal the TNK Constitution and to replace it with the TNK Replacement Constitution, set out as resolution 2 in the Notice of General Meeting and described generally in section 11.3.3(b)
Corporations Act	The *Corporations Act 2001* (Cth)
Court	The Federal Court of Australia

14. GLOSSARY

CY	Calendar year
Director	A director of TNK (the Directors as at the date of this Explanatory Booklet are the persons specified in section 11.2.4 of this Explanatory Booklet)
Dollar or **$**	The lawful currency for the time being of the Commonwealth of Australia
EBITDA	The service's earnings (before interest, tax, depreciation and amortisation) but including operational expenses (excluding any management fees paid or payable to Think Childcare) and excluding any allocation for head office costs, training costs, recruitment costs, or financing costs unless such costs are directly attributable to the service, as accounted for in accordance with the Australian Accounting Standards
EBITDA (Underlying)	Earnings for the reporting entity (namely, TNK, TND or the Think Childcare Group) for the relevant financial year and includes the underlying financial performance before interest, taxation, depreciation and amortisation and excludes AASB 16 leases, acquisition expenses, development costs and earn-out and clawback adjustments
Edhod	Edhod Pty Ltd as trustee for the Edhod Unit Trust, being the holding company of the 'Edhod Group' of companies
Edhod 11 Acquisition	The transaction between TNK and Edhod (and its related subsidiaries) under which TNK has agreed to buy and Edhod has agreed to sell 11 Child Care Services as announced by TNK to ASX on 21 October 2019
Edhod 11 Child Care Service	Any one or all of the 11 Child Care Services agreed to be purchased by TNK pursuant to the Edhod 11 Acquisition
Education and Care Services National Law	The *Education and Care Services National Law Act 2010* (Vic), which has been adopted in all states in Australia by way of an 'Application Act' other than Western Australia, where the *Education and Care Services National Law (WA) Act 2012* applies
Effective	When used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court approving the Scheme under section 411(4)(b) and, if applicable section 411(6) of the Corporations Act
Effective Date	When used in relation to the Scheme, the date on which the order of the Court approving the Scheme under section 411(4)(b) and, if applicable section 411(6) of the Corporations Act comes into effect pursuant to section 411(10) of the Corporations Act, which is currently expected to be on or about 13 December 2019
ELK Child Care Service or **ELK**	A Child Care Service owned and operated under TNK's original 'ELK' model and branding
Existing Child Care Service	An existing Child Care Service that is trading or has previously traded under a third party operator at the point in time that the business is acquired by TND or TNK (or a wholly owned subsidiary of TND or TNK) and that does not satisfy the criteria to be classified as a Mature Child Care Service
Explanatory Booklet	This Explanatory Booklet dated 31 October 2019 in relation to the Stapling Proposal
Foreign Scheme Shareholder	A Scheme Shareholder who is a citizen or resident of a jurisdiction outside Australia or New Zealand or who is located in or whose address in the TNK Share Register is a place outside Australia or New Zealand and their respective external territories, unless TND is satisfied before the Effective Date that it is not precluded from lawfully issuing TND Shares to the Scheme Shareholder either unconditionally or after compliance with conditions which the board of directors of TND in its sole discretion regards as acceptable and not unduly onerous

14. GLOSSARY

FY	The financial year ended or ending 31 December (as the context requires)
General Meeting	The general meeting of TNK Shareholders to be held at 10:30am Melbourne time on Thursday, 5 December 2019 to consider and vote on the Supporting Resolutions. The notice convening the General Meeting is contained in Appendix 4
GST	Goods and Services Tax
HY	Calendar half year
Implementation Date	The date that the Stapling Proposal is to be implemented according to its terms. The Implementation Date is expected to be on or about 23 December 2019
Independent Expert	Ernst & Young Transaction Advisory Services Limited
Independent Expert's Report	The report of the Independent Expert expressing an opinion on whether the Scheme is in the best interest of TNK shareholders. The Independent Expert's Report is set out in full in Appendix 1
Initial TND Pipeline	The proposed initial pipeline of Child Care Services to be operated by TND, a summary of which is included in section 8
Inter-Company Loan	A loan totalling up to $7.5 million to be paid by TNK to TND on implementation of the Stapling Proposal
Last Practicable Date	18 October 2019
Listing Rules	The ASX Listing Rules as applied by ASX from time to time
Macquarie Bank	Macquarie Bank Limited ABN 46 008 583 542
Management Deed	The *Think Childcare – Management and Administrative Services Deed* for TND between TNK and TND, as summarised in section 12.1
Management Deed Resolution	The proposed ordinary resolution in respect of the Management Deed set out as resolution 3 in the Notice of General Meeting and described generally in section 11.3.3(c)
Management Fees	The fees payable by TND to TNK under the Management Deed and described generally in section 12.1.2
Mature Child Care Service	A Child Care Service that has satisfied the following criteria: a) has achieved annualised Seasonally Adjusted EBITDA that exceeds $250,000 over the Relevant Occupancy Period; and b) has reached an average daily Occupancy Percentage equal to or greater than 75% over the Relevant Occupancy Period
MBL Facility	Has the meaning given in section 4.3.4(b)
National Quality Standard or **NQS**	The National Quality Standard prescribed by the national regulations, being the regulations made under the Education and Care Services National Law
New Child Care Development	The development and establishment of a new Child Care Service, which TND or TNK (or a wholly owned subsidiary of TND or TNK) has entered into an agreement for lease to lease and operate from practical completion of the development, but which has not yet been issued with a licence from the relevant authority to commence trading as a Child Care Service

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New Child Care Service	A Child Care Service that was a New Child Care Development but which has commenced trading as a Child Care Service and which is operated by TND or TNK (or a wholly owned subsidiary of TND or TNK) from that day. A Child Care Service ceases to be a New Child Care Service when it satisfies the criteria to be classified as a Mature Child Care Service
Notice of General Meeting	The notice convening the General Meeting, as set out in Appendix 4
Notice of Scheme Meeting	The notice convening the Scheme Meeting, as set out in Appendix 3
Occupancy Percentage	The ratio, expressed as a percentage, of the number of paying children over the number of licensed places at the Child Care Service
Record Date	the date for determining entitlements to participate in the Scheme, being 7.00pm (Melbourne time) on the fifth Business Day following the date on which the Scheme becomes Effective. The Record Date is expected to be 7.00pm (Melbourne time) on Friday, 20 December 2019
Related Body Corporate	Has the meaning given to that term in section 50 of the Corporations Act
Relevant Occupancy Period	The period of at least 3 consecutive calendar months immediately preceding the Trigger Event
Sale Nominee	Canaccord Genuity (Australia) Limited ACN 075 071 466, being the person nominated by TNK to sell or facilitate the transfer of the Stapled Securities attributable to Foreign Scheme Shareholders, on their behalf, under the terms of the Scheme
Scheme or **Scheme of Arrangement**	The proposed members' scheme of arrangement between TNK and its shareholders under Part 5.1 of the Corporations Act to give effect to the Stapling Proposal, subject to any modifications or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by TNK and TND
Scheme Delivery Time	The delivery time for the Scheme as defined in the Scheme Implementation Deed, being 2 hours before the commencement of the hearing on the Second Court Hearing Date or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act in relation to the Scheme
Scheme Implementation Deed	The deed of that name between TNK and TND dated 14 August 2019 as amended under which each party undertakes specific obligations to give effect to the Stapling Proposal reproduced (without annexures) in Appendix 5
Scheme Meeting	the meeting of Scheme Shareholders to be held at 10:30am (Melbourne time) on Thursday, 5 December 2019 to consider and vote on the Scheme Resolution. The notice convening the Scheme Meeting is contained in Appendix 3
Scheme Resolution	The resolution to approve the Scheme to be considered by TNK Shareholders at the Scheme Meeting set out in the Notice of Scheme Meeting in Appendix 3
Scheme Share	A TNK Share on issue as at the Record Date
Scheme Shareholder	A registered holder of TNK Shares as at the Record Date

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<table>
<tr><td>Seasonally Adjusted EBITDA</td><td>In respect of a Child Care Centre, actual EBITDA with the relevant monthly contribution adjusted in accordance with the following table:
<table>
<tr><th>Month</th><th>Jan</th><th>Feb</th><th>Mar</th><th>Apr</th><th>May</th><th>Jun</th><th>Jul</th><th>Aug</th><th>Sep</th><th>Oct</th><th>Nov</th><th>Dec</th></tr>
<tr><td>EBITDA monthly contribution per calendar year</td><td>7%</td><td>7%</td><td>7%</td><td>8%</td><td>8%</td><td>8%</td><td>8%</td><td>8%</td><td>8%</td><td>10%</td><td>10%</td><td>10%</td></tr>
</table></td></tr>
<tr><td>Second Court Hearing Date</td><td>The final date on which the application to the Court for the Court to approve the Scheme under section 411(4)(b) of the Corporations Act is heard</td></tr>
<tr><td>Securityholder</td><td>A holder of a Stapled Security</td></tr>
<tr><td>Service Approval</td><td>Approval granted by the relevant state department of education (for the relevant jurisdiction) permitting a site proposed to be used for the purposes of providing a Child Care Service to commence operating as a Child Care Service</td></tr>
<tr><td>Special Dividend</td><td>The proposed special dividend in an aggregate amount of $6 million for the purposes of the Scheme</td></tr>
<tr><td>Special Dividend Record Date</td><td>the date for determining entitlements to receive the Special Dividend,
which is expected to be 7.00pm (Melbourne time) on Tuesday, 17 December 2019</td></tr>
<tr><td>Stapled or Stapling</td><td>In the case of two or more securities, being quoted on ASX together so that one such security may not be dealt with without the other or others being dealt with in an identical manner and at the same time and with such restriction on dealing being denoted on the register of each such stapled security</td></tr>
<tr><td>Stapled Group</td><td>The group formed by TNK Shares and TND Shares following Stapling</td></tr>
<tr><td>Stapled Security</td><td>One TNK Share and one TND Share in their legal capacity as separate securities but which are listed for quotation on ASX and traded together following Stapling in accordance with the proposed new TNK Constitution, the TND Constitution and the Stapling Deed</td></tr>
<tr><td>Stapling Deed</td><td>The deed of that name between TNK and TND, as summarised in section 12.3</td></tr>
<tr><td>Stapling Deed Resolution</td><td>The proposed resolution of TNK Shareholders, set out as resolution 1 in the Notice of General Meeting and described generally in section 11.4.3(a)</td></tr>
<tr><td>Stapling Proposal</td><td>The proposed Stapling of TNK Shares to TND Shares on a one for one basis under the Scheme, Special Dividend and the Supporting Resolution, to form Stapled Securities</td></tr>
<tr><td>Subsidiary</td><td>Has the meaning given to that term in section 46 of the Corporations Act</td></tr>
<tr><td>Superior Proposal</td><td>A competing proposal which in the determination of the TNK Board acting in good faith and in order to satisfy its fiduciary or statutory duties would, if completed substantially in accordance with its terms, be likely to result in a transaction more favourable to TNK Shareholders as a whole than the Restructure Proposed</td></tr>
<tr><td>Supporting Resolutions</td><td>The resolutions to be considered and voted on at the General Meeting, comprising the Constitution Replacement Resolution, the Stapling Deed Resolution and the Management Deed Resolution</td></tr>
<tr><td>Think Childcare or TNK</td><td>Think Childcare Limited ACN 600 793 388</td></tr>
<tr><td>Think Childcare Development or TND</td><td>Think Childcare Development Limited ACN 635 178 166</td></tr>
</table>

14. GLOSSARY

Third Party Incubator	A third party that has entered into a Centre Management Deed with TNK
TND Constitution	Means the constitution of TND as at the date of this Explanatory Booklet
TND Director	A director of TND following implementation of the Stapling Proposal, being the persons specified in section 4.4.2 of this Explanatory Booklet
TND Share	A fully paid ordinary share in the capital of TND
TNK Board or **Board**	The Board of Directors of TNK as at the date of this Explanatory Booklet
TNK Constitution	Means the constitution of TNK as at the date of this Explanatory Booklet
TNK Group	TNK and its Subsidiaries
TNK Performance Right	A right granted under the TNK Performance Rights Plan to acquire by way of issue a TNK Share subject to the terms of such plan
TNK Performance Right Holder	Any person who is registered as the holder of a TNK Performance Right
TNK Performance Rights Plan	Means TNK's Employee Share Option Plan dated 10 March 2016
TNK Replacement Constitution	Means the proposed new constitution of TNK in a form consistent with TNK implementing the Stapling Proposal, in particular the stapling of TNK Shares and TND Shares
TNK Share	A fully paid ordinary share in the capital of TNK
TNK Share Register	The register of members of TNK maintained in accordance with section 168(1) of the Corporations Act
TNK Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277
TNK Shareholder	Any person who is registered in the TNK Share Register as the holder of at least one TNK Share
TNK Shareholder Information Line	A telephone line to enquire about the Stapling Proposal, being 1300 069 254 (within Australia) or +61 3 9415 4153 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Sydney time)
Trade-up	The process by which an Existing Child Care Service or a New Child Care Service is operated with the strategic objective of satisfying the criteria to be classified as a Mature Child Care Service and to trigger a Trigger Event (and **Traded-up** refers to this process having been completed)
Trade-up Operations	The predominant business operations of TND, being the Trade-up of Existing Child Care Services and New Child Care Services
Trigger Event	The occurrence of a New Child Care Service or an Existing Child Care Service satisfying the performance criteria which entitles TNK to exercise a call option under the relevant Centre Management Deed to purchase the relevant Child Care Service and which is further explained in section 4.3.6
Voting Entitlement Time	The time for determining eligibility of TNK Shareholders to vote at the Scheme Meeting and the General Meeting, being 7.00pm (Melbourne time) on 3 December 2019

APPENDIX

Nido Early School, QV1, WA

APPENDIX 1 – INDEPENDENT EXPERT'S REPORT

Independent Expert's Report and Financial Services Guide

Scheme of Arrangement and General Meeting in relation to the Stapling Proposal

29 October 2019

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APPENDIX 1 - INDEPENDENT EXPERT'S REPORT

Ernst & Young Transaction Advisory Services Limited
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Part 1 – Independent Expert's Report

The Directors
Think Childcare Limited
Suite 3, 1 Park Avenue
Drummoyne
NSW 2047

29 October 2019

Dear Directors

Independent expert's report in relation to the proposed Scheme of Arrangement

Background

On 14 August 2019, Think Childcare Limited ("TNK" or the "Company") announced that it intended to pursue a new strategy through a stapled security structure ("Stapling Proposal"). The Stapling Proposal will be implemented through a scheme of arrangement between TNK and its shareholders and a number of supporting resolutions ("Scheme").

If the Scheme is approved and implemented, TNK will form a stapled group with Think Childcare Development Limited ("TND"). TND is currently a wholly owned subsidiary of TNK. Under the Scheme, a fully franked special dividend of $6 million will be paid by TNK to TNK shareholders, which will be immediately applied on their behalf to subscribe for new fully paid ordinary shares in TND. The ordinary shares in TND will be issued to all existing shareholders of TNK in their respective proportions they hold in TNK. In addition, TNK's constitution will be replaced to provide for the ordinary shares in TNK and TND to be "stapled" and the resulting stapled shares would be traded as a single security on the Australian Securities Exchange ("ASX"). A management agreement would govern the provision of support services by TNK to TND ("Management Deed").

The effect of the Scheme and supporting resolutions, if approved and implemented, is that shareholders in TNK would also become shareholders in TND, and the two stapled shares ("the Stapled Group") would trade on the ASX as a single security, meaning shareholders cannot sell their shares in TND without selling their shares in TNK (and vice versa).[1] The overall effect of the Stapling Proposal, if implemented, is to separate TNK's current activities into two corporate entities. TNK's business will be largely consistent with its current focus, namely the operation of mature child care centres (referred to in this report as "services") and the provision of support services to child care service incubators (including TND). TND's focus will be on the establishment and trade up of new child care services in Australia. Once certain occupancy levels and other metrics (including profitability) are achieved, the services will be sold by TND to TNK at a pre-agreed multiple of earnings.

While TNK has historically established and traded up a limited number of its own services, the majority of its growth in service numbers has been through acquisitions of services from third party incubators. Third party incubators work with landholders to establish and trade up a licensed child care centre, under long term lease arrangements. TNK also provides support to the incubator during this process in return for management and other fees. Once the centres are traded up, the incubator sells the business (including the lease) to TNK. The building and land remains with the landlord. The incubation model is described more fully in section 4.3 of this report.

[1] TNK also has on issue 46,367 performance rights, issued in accordance with the terms of its employee share plan ("Performance Rights"). These vest over a number of years, depending upon the achievement of performance hurdles and other vesting conditions. Since the announcement of the Stapling Proposal to the ASX, TNK has determined that the outstanding Performance Rights should not be subject to accelerated vesting but rather that their terms should be amended by agreement between TNK and the Performance Right holders such that on vesting and exercise after the Scheme Record Date the holders will be issued shares in the Stapled Group rather than unstapled TNK shares. On this basis the Performance Rights will not participate in the Scheme unless they vest and are exercised prior to the Scheme Record Date.

APPENDIX 1 - INDEPENDENT EXPERT'S REPORT

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At the date of this report, TND (or a subsidiary of TND) has entered into binding agreements that are expected to provide TND with an initial pipeline of 6 child care services ("Initial TND Contracted Pipeline"). Of these agreements 4 are conditional on the implementation of the Stapling Proposal. The remaining 2 agreements are unconditional and will proceed irrespective of whether the Stapling Proposal is implemented.

Subject to the Scheme being implemented, TND has also identified 12 additional pipeline services ("Initial TND Uncontracted Pipeline") and Management are currently in discussions with and in the process of undertaking due diligence in relation to these services. Whilst there are no contractual agreements in place, i.e. agreements to lease, these additional child care services are considered in TND's pipeline, bringing its total initial pipeline (contracted and uncontracted) to 18. While TNK shareholder approval is not required for these transactions, TNK will not proceed with pursuing the 12 uncontracted pipeline services unless the Scheme is implemented, because TNK's existing debt facilities would not permit TNK to have more than 4 greenfield leases in place at any one time. Should the Scheme be implemented, TND will commit to the establishment and trade up of its initial pipeline, funded by the $6 million equity capital provided by TNK shareholders, and an unsecured loan from TNK of up to $7.5 million, drawn down from TNK's existing debt facilities.

The strategic rationale for the Scheme is primarily to reduce TNK's reliance on third party incubators, and to more rapidly establish and trade up services than would otherwise be the case, to facilitate growth. The third party incubator model has come under recent strain, primarily due to tightening of funding available to certain incubators, and more onerous security requirements by landlords. This has reduced the number of centres potentially available to be acquired by TNK, thereby constraining its growth. In June 2019, TNK's largest incubator partner (holding 80% of TNK's potential acquisition pipeline), Edhod Pty Ltd ("Edhod"), was placed into receivership by its lenders, creating uncertainty surrounding the future direction of the third party incubator model. The board of TNK consider that the stapled structure will best facilitate growth by allowing the Stapled Group to establish and trade up services more rapidly than if TNK, as an unstapled entity, continued to establish and trade up its own greenfield child care services.

On 21 October 2019, TNK entered into binding agreements with Edhod to accelerate the purchase of 11 child care services that are in the process of trade up by Edhod. The transaction is subject to the approval from the various landlords to assign the leases. The agreement includes a term for the immediate payment by Edhod to TNK of outstanding fees and expenses owed to TNK by the Edhod group. The Edhod 11 Acquisition is unconditional on the Stapling Proposal being implemented and does not require shareholder approval. Further details of this transaction are set out in Section 8.2 of the explanatory booklet.

TNK shareholders are to consider a resolution seeking approval of the proposed Scheme and supporting resolutions at a meeting of the Company that is to be held on or about 5 December 2019 (the "Scheme Meeting"). If the Scheme is approved by the required majorities, a general meeting of the Company ("General Meeting") will immediately follow the Scheme Meeting and TNK shareholders will consider a number of supporting resolutions required to be passed in order for the Scheme to be implemented and the Stapling Proposal to proceed. If the Scheme is approved, and all of the other conditions precedent are met (including approval of the Federal Court) or waived, the Scheme will be implemented. We recommend that TNK shareholders read the accompanying Explanatory Booklet to obtain a full understanding of the proposed Scheme and Stapling Proposal.

Requirement for an independent expert's report

Under clause 8303 of Schedule 8 of the Corporations Regulations 2001 (the "Regulations"), if the other party to a proposed scheme has a 30% or more interest in the company the subject of the scheme, or if the parties to the scheme have a common director, then the documents to be sent to shareholders must be accompanied by a report prepared by an independent expert in which that person provides an opinion as to whether or not the proposed scheme is in the best interests of shareholders and sets out the reasons for that opinion. Under the Regulations, TNK is required to engage an independent expert as the parties to the scheme, TNK and TND, have common directors.

The Directors of TNK have engaged Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services") to prepare an independent expert's report to consider whether or not, in our opinion, the Scheme is in the best interests of TNK shareholders and setting out the reasons for that opinion.

APPENDIX 1 – INDEPENDENT EXPERT'S REPORT

Building a better working world

Our report is to be included in the Explanatory Booklet being sent to TNK shareholders in respect of the Scheme Meeting and the General Meeting.

The Stapling Proposal involves a series of resolutions to be put to TNK shareholders:

- ► A resolution to enter into the Scheme ("Scheme Resolution"). Under the Scheme, TNK will be authorised to apply a special dividend of $6.0 million to subscribe for TND shares on behalf of each TNK shareholder, on a one for one basis, and each TNK shareholder agrees to the restriction on transfer of TNK shares, such that after stapling, a TNK share may only be transferred together with a TND share;
- ► Supporting resolutions to approve the replacement of the constitution of TNK, to approve TNK and TND to enter into the Stapling Deed, and to approve TNK entering into the Management Deed with TND (the "Supporting Resolutions").

The Scheme Resolution and the Supporting Resolutions are interdependent. This means that all of the resolutions must be passed by TNK Shareholders by the requisite majority in order for the Stapling Proposal to be implemented. Should TNK Shareholders not approve the Scheme Resolution, they will not be required to vote on the Supporting Resolutions. All of the Supporting Resolutions are also interdependent. If the Scheme and Supporting Resolutions are passed by TNK shareholders, but the Scheme is not implemented (for instance because the Federal Court does not approve it), then the Supporting Resolutions will be of no effect.

Given this interdependency, we have therefore considered the Scheme Resolution and the Supporting Resolutions together, in forming our opinion on the Scheme.

Approach

Neither the Corporations Act (the "Act") nor the Regulations define the term 'in the best interests of'. The Australian Securities and Investments Commission has however issued Regulatory Guide 111: *Content of expert reports* ("RG 111") which provides guidance as to what matters an independent expert should consider when determining whether or not a particular transaction is in the best interests of shareholders.

Under the proposed Scheme, TNK shareholders will commit to reinvest a $6.0 million special dividend to be paid by TNK in return for shares in TND. TNK shareholders will hold their shares in TND in the same proportion as their shareholding in TNK and TND's and TNK's shares will be stapled, such that they cannot be traded separately. The initial value of the shares subscribed for in TND will be $6 million, equal to the value of the dividend paid. As such, the Scheme does not change the underlying economic interest of TNK shareholders but rather splits their interest into shares in TND and shares in TNK. In this regard, the proposed Scheme is similar in effect to a demerger, with the important difference that shares in both TNK and the "demerged" entity, TND, are stapled and cannot be traded separately.

In the circumstances of a transaction that does not involve a change in the underlying economic interests of shareholders, a change of control in the company or the selection treatment of different shareholders, RG 111 suggests that the independent expert should consider the advantages and disadvantages of the transaction. If after consideration of the advantages and disadvantages, in the independent expert's opinion the advantages outweigh the disadvantages then RG 111 states considers the expert should conclude that the scheme is in the best interests of the shareholders.

On this basis, in considering the advantages and disadvantages of the Scheme we have not had to undertake an assessment of the fair value of TNK or TND.

In forming our opinion as to whether the Scheme is in the best interests of TNK shareholders, we have considered:

- ► The rationale for the Scheme and Supporting Resolutions
- ► The impact of the stapling on the underlying businesses
- ► All factors relevant to the Scheme, both quantitative and qualitative
- ► Whether or not TNK shareholders are likely to be better off if the proposed Scheme is implemented than it if is not; and
- ► The alternatives available to TNK shareholders.

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APPENDIX 1 - INDEPENDENT EXPERT'S REPORT

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Summary of opinion

In section 6.1 we discuss the rationale for the Scheme.

In section 6.2 we describe the impact the Scheme is expected to have on the underlying businesses and its future strategy and operations.

In section 6.3 we set out the commercial and qualitative factors which should be taken into consideration. We have considered, amongst other matters, the following:

- Advantages of the Scheme being more rapid development of pipeline at a lower cost of funds, reduced complexity in managing covenant position, acceleration of TNK's growth strategy, financial transparency, recording full acquisition price by TNK and maintaining sale proceeds in the Think Childcare Group.
- Disadvantages of the Scheme being increased exposure to trade-up risk, additional corporate costs, tax implications for the Think Childcare Group and shareholders, and unknown marketability and liquidity of the Stapled Securities.

In section 6.4 we consider the alternatives and other matters relevant to TNK shareholders.

Ernst & Young Transaction Advisory Services consider the potential advantages of the Stapling Proposal outweigh the potential disadvantages of the Stapling Proposal and that the Scheme is in the best interests of TNK shareholders.

Other matters

This independent expert's report has been prepared specifically for TNK shareholders. Neither Ernst & Young Transaction Advisory Services, Ernst & Young nor any employee thereof undertakes responsibility to any person, other than TNK shareholders, in respect of this report, including any errors or omissions however caused.

In preparing this independent expert's report we have considered relevant regulatory guides issued by ASIC, with particular reference to Regulatory Guide 111 *Content of experts reports* and Regulatory Guide 112 *Independence of experts*.

This independent expert's report constitutes general financial product advice only. In forming our opinion we have considered the interests of TNK shareholders as a whole, and we have not considered, nor is it practical or possible to consider, the individual circumstances of each TNK shareholder. The decision to vote for or against the proposed Scheme is a matter for individual shareholders. TNK shareholders should consider the advice in the context of their own circumstances, including investment objectives, liquidity preferences, risk profiles, tax position and expectations of future market conditions. This report should be considered in conjunction with, and not independently of, the information set out in the Explanatory Booklet prepared by the directors and management of TNK. Shareholders who are in doubt as to the action they should take in relation to the proposed Scheme should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in TNK or the Stapled Group. This is an investment decision upon which we do not offer an opinion and is independent of a decision to vote for or against the proposed Scheme. Shareholders should consult their own professional adviser in this regard.

Our opinion is as at the date of this letter and reflects circumstances and conditions as at that date. This letter must be read in conjunction with, and not independently of information set out in the remainder of this report, including the appendices.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

APPENDIX 1 - INDEPENDENT EXPERT'S REPORT

Yours faithfully

Ernst & Young Transaction Advisory Services Limited

Julia Fry
Director and Representative

Stuart Bright
Director and Representative

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APPENDIX 1 - INDEPENDENT EXPERT'S REPORT

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Contents

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1. Introduction

1.1. Overview of the Stapling Proposal

On 14 August 2019, (the "Announcement Date"), TNK announced that it had entered into a Scheme Implementation Deed with TND with the intention of forming a Stapled Group with TND. TND is currently a wholly owned subsidiary of TNK. The Scheme Implementation Deed sets out how the proposed Scheme between TNK and its shareholders is to be undertaken, the terms and conditions of the Scheme and the rights and obligations of TNK and TND through the Scheme process.

The Scheme forms one element of a proposal for TNK to form a stapled group with TND (the "Stapling Proposal"). Under the Stapling Proposal:

- a fully franked special dividend of $0.10 per share ($6.0 million in total, to be funded from TNK's existing cash reserves) will be declared by TNK but will not be paid in cash to TNK shareholders. Rather, the dividend will be immediately applied on behalf of TNK shareholders by way of subscription for TND shares;
- ordinary shares in TND will be issued to all existing shareholders of TNK (on a one for one basis) and TNK's existing shareholding in TND would be cancelled;
- TNK's constitution would be replaced to provide for the ordinary shares in TNK and TND to be "stapled" ("the Stapled Securities");
- TNK and TND will enter into a stapling deed ("Stapling Deed"), setting out that TNK and TND must operate on a cooperative basis for the benefit of Stapled Security holders as a whole and will also enter into a Management Deed, setting out the basis of management and support services to be provided by TNK to TND;
- the Stapled Securities in the Stapled Group (known as "Think Childcare Group") would be traded as a single security on the ASX.

The effect of these transactions, if implemented, is that shareholders in TNK would also become shareholders in TND, and the shares in TNK and TND would trade on the ASX as a single security, meaning shareholders cannot trade their securities separately.

Should the Scheme be approved and implemented, TND intends to focus its initial activities on the establishment and trade up of to 18 purpose-built Nido child care services located in Western Australia, South Australia and Victoria. The funding required for these activities will be via the $6.0 million cash provided by TNK shareholders, and a loan from TNK of up to $7.5 million, which will be sourced by TNK under its existing Syndicated Debt Facility ("SFA").

A summary of the structure and activities of TNK and TND immediately before and after the implementation of the proposed Scheme is set out below.

APPENDIX 1 – INDEPENDENT EXPERT'S REPORT

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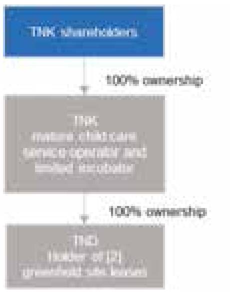
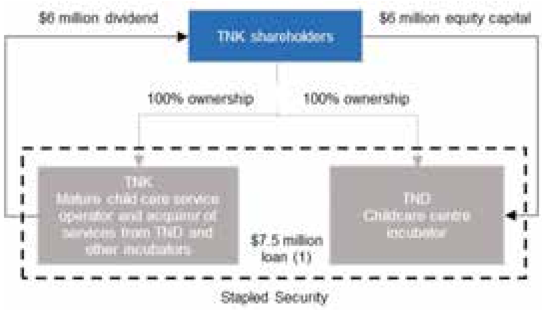
Summarised structure pre-Scheme



Summarised structure post-Scheme implementation



(1) The amount of this loan will be drawn over time and will depend upon the number of greenfield leases secured by TND after the implementation of the Scheme

1.2. Resolutions to be considered by TNK shareholders

The Stapling Proposal involves a series of resolutions to be put to TNK shareholders:

- A resolution to enter into the Scheme ("Scheme Resolution"). Under the Scheme, TNK will be authorised to apply a special dividend of $6.0 million to subscribe for TND shares on behalf of each TNK shareholder, and each TNK shareholder agrees to the restriction on transfer of TNK shares, such that after stapling, a TNK share may only be transferred together with a TND share;
- Supporting resolutions to approve the replacement of the constitution of TNK, to approve TNK and TND to enter into the Stapling Deed, and to approve TNK entering into the Management Deed with TND (the "Supporting Resolutions"). The latter two resolutions are required because the Stapling Deed and the Management Deed represent financial benefits to a related party, which require shareholder approval under the Corporations Act. The replacement of the Constitution is required to ensure the constitution is appropriate for the proposed stapled structure.

The Scheme Resolution and the Supporting Resolutions are interdependent. This means that all of the resolutions must be passed by TNK Shareholders by the requisite majority in order for the Stapling Proposal to be implemented. Should TNK Shareholders not approve the Scheme Resolution, they will not be required to vote on the Supporting Resolutions. If the Scheme is approved, but is not implemented (for instance because the Federal Court does not approve it), then the Supporting Resolutions will be of no effect.

Given this interdependency, we have therefore considered the Scheme Resolution and the Supporting Resolutions together, in forming our opinion on the Scheme.

The Scheme Resolution and the Supporting Resolutions are to be considered by TNK Shareholders at the Scheme Meeting and General Meeting, both to be held on 5 December 2019.

1.3. Overview of TNK

TNK is an Australian incorporated company with its head office in Sydney, Australia. TNK's primary business activity is the operation of mature child care services in Australia. As at the end of September 2019, TNK operated 82 services around Australia, 59 of which are owned (under long term leases[2]) by TNK, while 23 are managed on behalf of third parties.

TNK's growth strategy has been primarily to work with third-party incubators, who develop and trade-up services, which are subsequently sold to TNK on pre-agreed terms, once minimum occupancy levels are

[2] TNK holds leasehold interests in its "owned" centres, rather than freehold interests. The land and buildings are owned by third party landlords.

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achieved, the service is profitable and other metrics (such as meeting threshold earnings) are met.[3] In this way, TNK has not been exposed to delays in the receipt of relevant government licenses required to open a service, or to losses during the period of the trade up (as it can take up to 18 months[4] for a service to reach viable occupancy levels). TNK also provides a range of services to incubators, including assistance with locating suitable new child care development sites, liaising with landlords in relation to leases, obtaining relevant development and licensing approvals, centre design and management services during the trade-up phase. Under the terms of these arrangements, TNK will acquire the child care service once occupancy and other metrics are met ("mature child care service"). Should the Stapling Proposal be implemented, TNK will continue to provide these services to third party incubators as well as TND.

In addition to these activities, TNK has also historically undertaken its own limited greenfield activity (ie identified sites, entered into agreements for lease, and traded up its own services). However, should the Stapling Proposal be approved and the Scheme implemented, TNK will no longer trade up services[5], and all trading-up activities of the Stapled Group will be undertaken by TND[6] (or other unrelated third-party incubators). TNK will continue to acquire services from TND and other incubators once the services have reached pre-agreed occupancy levels and other metrics.

TNK's activities, including the incubator model, is described more fully in section 4.

TNK is currently listed on the ASX and as at 30 September 2019, has a market capitalisation of around $82 million. TNK's major shareholder, holding over 23% of its issued capital, is its Managing Director and Chief Executive Officer, Mathew Edwards. Mr Edwards also holds over 31% of issued Performance Rights, issued in accordance with TNK's employee option plan.

1.4. Overview of TND

TND was incorporated on 29 July 2019 as an Australian public company limited by shares. TND is currently a wholly owned subsidiary of TNK, with TNK holding one redeemable preference share issued for nominal consideration of $1.00. At the date of this report, TND (or a subsidiary of TND) has entered into binding agreements that are expected to provide TND with an initial pipeline of 6 child care services ("Initial TND Contracted Pipeline").

Of these agreements, 4 are conditional on the implementation of the Stapling Proposal. Of these 4 agreements, 2 child care services are held by a subsidiary of TNK and are waiting for landlord consent to a change of control from an existing TNK subsidiary to a subsidiary of TND and subject to the Stapling Proposal being implemented. If the Stapling Proposal is not implemented, these 2 child care services will remain in trade up under TNK and TND will not proceed with acquiring each tenant entity. The other 2 child care services are the subject of agreements for lease and are currently under construction. The respective agreements for lease are conditional on implementation of the Stapling Proposal. If the Stapling Proposal is not implemented, these 2 child care services will trade up in TNK, subject to the approval of the existing lender, otherwise the agreements for lease will terminate.

The remaining 2 agreements are unconditional and will proceed irrespective of whether the Stapling Proposal is implemented. These 2 child care services have leases in place and have commenced operating under TND.

Subject to the Scheme being implemented, TND has also identified 12 additional pipeline services ("Initial TND Uncontracted Pipeline") and Management are currently in discussions with and in the process of undertaking due diligence in relation to these services. Whilst there are no contractual agreements in place, i.e. agreements to lease, these additional child care services are considered in TND's pipeline, bringing its total initial pipeline (contracted and uncontracted) to 18. While TNK shareholder approval is not required for these transactions, TNK will not proceed with pursuing the 12 uncontracted pipeline services unless the Scheme is implemented, because TNK's existing debt facilities would not permit TNK to have more than 4 greenfield leases in place at

[3] The arrangement between the third party incubator and TNK is set out in a Centre Management Deed, under which TNK has a first right of refusal to acquire the service, should the incubator wish to sell. Put and call options are also granted, the effect of which are to require TNK to acquire the service once trigger events occur and other acquisition criteria are satisfied.
[4] TNK has experienced shorter trade up periods in instances where they have direct control over marketing and tenant works
[5] In the short term, following the Edhod 11 acquisition, TNK will trade up existing child care services, which are expected to take between 2 to 9 months.
[6] TND will hold leasehold interests in its "owned" centres, rather than freehold interests. The land and buildings are owned by third party landlords. Following the trade-up of services the leasehold interests will be sold to TNK for a pre-determined multiple.

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any one time. Should the Scheme be implemented, TND will commit to the establishment and trade up of its initial contracted and uncontracted pipeline, funded by the $6.0 million equity capital provided by TNK shareholders, and an unsecured loan from TNK of up to $7.5 million, drawn down from TNK's existing debt facilities.

TND's initial contracted and uncontracted pipeline are located in Western Australia, South Australia and Victoria. The location and status of initial contracted pipeline of 6 leases or agreements for lease, is set out in Section 8 of the Explanatory Booklet.

Should the Scheme be implemented, it is expected that TND's business will be initially the establishment and trade-up of the 18 pipeline child care services, all of which are expected to be purpose-built Nido services. TND will require capital to fund tenant contributions, management service fees paid to TNK and trade-up losses. The total capital outlay of TND to open and trade-up the 18 centres is estimated by management at $12.8 million and is expected to occur over 36 months. During the trade up period, TNK will provide management services to TND in respect of the service, and once the service has been traded up it will be sold to TNK at a pre-agreed 4 times multiple of earnings. The terms of this arrangement are set out in Section 4 of the Explanatory Booklet and are largely consistent with the arrangements between TNK and third-party incubators.

TND's funding for these activities will be the initial $6.0 million capital contributed by TNK shareholders, plus an intercompany loan from TNK of up to $7.5 million. This loan will be drawn down by TNK under the terms of the SFA[7], and lent via an intercompany loan to TND. The interest rate on this loan is assumed to be at the same cost of funds paid by TNK under the SFA, plus a small margin by management.

As services are traded up and sold to TNK, TND is expected to generate profits on sale that will be reinvested into the trade-up of remaining services. It is not expected, at this stage, that additional external funding will be required, and management expects the original loan from TNK will be repaid by the beginning of 2022.

We note that shareholder approval is not required for TNK to enter into or acquire any of these 18 agreements for leases or leases. However, development of all 18 greenfield sites within a reasonable timeframe will not be possible under the terms of the existing SFA and will only be pursued if the Scheme is implemented and the Stapled Group established.

If the Stapling Proposal is not implemented:

- the 2 child care services that are subject to a change in control approval will remain in trade-up under TNK and TND will not proceed with acquiring each tenant entity that has entered into an agreement for lease in respect of these child care services; and
- the 2 child care services that are subject to agreements for lease that are conditional on implementation of the Stapling Proposal will not proceed unless TNK obtains the approval of its financier, to the respective terms and conditions of the agreements for lease under the existing debt facility before 31 January 2020 (failing which, the agreements for lease will automatically terminate).

As set out in Section 4.4 Explanatory Booklet, the board of TND will have a majority independent board that will include certain members of the TNK board of directors (including Mr Edwards). TND will have its own management team, separate from TNK.

1.5. Strategic rationale

The strategic rationale for the Stapling Proposal is primarily to reduce TNK's reliance on third-party incubators to provide suitable high quality services for acquisition by TNK and establish a model for sustainable growth and shareholder returns. The incubator model has come under recent strain, primarily due to tightening of traditional bank funding available to landlords and incubators, and more onerous security requirements being sought by landlords from tenants before granting long term leases. These trends have reduced the number of services potentially available to be acquired by TNK, thereby constraining its growth. On 6 June 2019, TNK

[7] We understand that the lender has consented in principal to the proposed Scheme and creation of the Stapled Group, and the use of funds drawn down by TNK for lending to TND, subject to amendments being made to the SFA and subject to the Scheme being approved and implemented.

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announced that receivers had been appointed to TNK's main incubator partner, Edhod Pty Limited ("Edhod"). At the time of the announcement, Edhod's services represented 80% of TNK's acquisition pipeline. This announcement created uncertainty regarding the ability of TNK to acquire suitable high quality services and grow its service numbers.

On 21 October 2019, TNK announced that it had entered into binding agreements with Edhod and its receivers to accelerate the acquisition of 11 existing child care services ("Edhod 11") for $16 million that were in various stages of trade-up when Edhod went into receivership ("Edhod 11 Acquisition"). The Edhod 11 Acquisition is unconditional on the Stapling Proposal being implemented and does not require shareholder approval. The acquisition is expected to complete on or around 31 October 2019. The rationale for this transaction through TNK is it is expected to be earnings accretive, underpins the 2020 earnings guidance and secures TNK's Edhod pipeline for 2020. This is further discussed further in Section 4.7.

While TNK has been able to open its own greenfield services, its ability to fund this activity is limited under the terms of the SFA. The creation of the Stapled Group is therefore expected to realise a number of benefits, including greater control over the Stapled Group's acquisition pipeline, separating (or quarantining) the earnings of the mature operator business (TNK) from the trade-up business (TND) thereby reducing the overall cost of funding for the Stapled Group compared to if TNK undertook the greenfield activities itself, and providing TND with access to capital markets. The strategic rationale is discussed further in Section 6.

1.6. Impact of the implementation of the Scheme

If the Scheme is approved by TNK shareholders, and all of the other conditions precedent are met or waived (including approved by the Federal Court), and the Supporting Resolutions are passed the Scheme will be implemented.

Upon implementation of the Stapling Proposal, TNK shareholders will become shareholders in TND and the shares in TNK and TND will be stapled and listed on the ASX under a single ticker. This means that shareholders will not be able to sell their shares in TNK without selling their shares in TND, and vice versa. While TNK and TND are separate legal entities, stapling will mean shareholders are exposed to the underlying financial performance of both TNK and TND.

The TNK Board of Directors have unanimously recommended that TNK shareholders vote in favour of the Scheme and Supporting Resolutions, in the absence of a superior proposal, and have stated that they intend to do so in regards to their own shareholdings in TNK.

1.7. Capital structure of Stapled Group

As at 30 September 2019, TNK had 60,862,889 ordinary shares on issue and 46,367 Performance Rights over ordinary shares issued under TNK's employee share option plan, which vest over a number of years, depending upon the achievement of vesting conditions. It is anticipated that the terms of the outstanding Performance Rights will be amended by agreement between TNK and the Performance Rights holders such that on vesting and exercise after the Scheme Record Date the holders will be issued shares in the Stapled Group rather than unstapled TNK shares. On this basis the Performance Rights will not participate in the Scheme unless they vest and are exercised prior to the Scheme Record Date.

Subject to this vesting and exercise of any Performance Rights, the total number of Stapled Securities in the Stapled Group, upon implementation of the Scheme, will be 60,862,889.

1.8. Conditions precedent

Completion of the Scheme is subject to a number of conditions being met (some of which, pursuant to the Scheme Implementation Deed, may be waived by TNK) including, amongst other matters:

- The independent expert commissioned by TNK in relation to the Scheme concluding that the Scheme is in the best interests of TNK shareholders
- None of the TNK directors changing their recommendation to vote in favour of the Scheme
- TNK shareholder approval of the Scheme and required supporting resolutions

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- Any regulatory authority approvals necessary to implement the Scheme (including from ASIC and ASX) being obtained
- ASX granting quotation of the Stapled Securities on the ASX
- Federal Court approval of the Scheme
- No TNK prescribed occurrences as defined in the Scheme Implementation Deed (such as no insolvency event occurring, or disposals of business, or any transactions impacting share capital).

Full disclosure of the conditions precedent to the Scheme is included in the Explanatory Booklet in section 5.7.

1.9. Foreign Shareholders

TNK shareholders located outside Australia and New Zealand ("Foreign Shareholders") will not participate in the Scheme, should it be approved and implemented. TND shares that would otherwise be issued to Foreign Shareholders as a result of the special dividend will issued to a nominee, who will then sell or facilitate the transfer of Stapled Securities attributable to Foreign Shareholders on the ASX within 30 days of implementation of the Stapling Proposal. The nominee will then remit to Foreign Shareholders an amount equal to the net cash proceeds in respect of Stapled Securities attributable to them. We understand that less than 1% of shareholders are expected to be impacted.

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2. Scope of the independent expert's report

2.1. Purpose of the independent expert's report

The proposed Scheme is being conducted under the provisions of Section 411 of the Corporations Act (the "Act").

Part 3 of Schedule 8 to the Corporations Regulations 2001 (the "Regulations") prescribes the information to be sent to the security holders in relation to schemes of arrangement pursuant to Section 411. Clause 8303 of Schedule 8 of the Regulations requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement holds at least 30% of the company subject to the scheme, or if the parties have a common director. In those circumstances, the documents to be sent to shareholders must be accompanied by a report prepared by an independent expert in which that entity provides an opinion as to whether or not the proposed scheme is in the best interests of shareholders subject to the scheme and set out the reasons for that opinion.

The directors of TNK have engaged us to prepare an independent expert's report setting out whether or not, in our opinion, the Scheme is in the best interests of TNK shareholders and the reasons for that opinion. Our report will accompany the Explanatory Booklet to be sent to TNK shareholders.

2.2. Basis of evaluation

There is no legal definition of the term "in the best interests of" in the Act or the Regulations. However, the Australian Securities and Investment Commission ("ASIC") has issued Regulatory Guide 111: *Content of expert reports* ("RG 111") which provides guidance as to what matters an independent expert should consider when determining whether or not a particular transaction is in the best interests of shareholders.

Under the proposed Scheme, TNK shareholders will, in effect, be required to subscribe for new TND shares using the proceeds of a $6.0 million special dividend to be declared by TNK. TNK shareholders will hold their shares in TND in the same proportion as their shareholding in TNK and TND's and TNK's shares will be stapled, such that they cannot be traded separately. The initial value of the shares in TND will be $6.0 million, equal to the value of the dividend paid by TNK. As such, there is no change in the underlying economic interests of shareholders. In effect, the Scheme is similar to a demerger, with the important difference that shares in both TNK and the "demerged" entity, TND, are stapled and cannot be traded separately.

In the circumstances of a transaction that does not involve:

- a change in the underlying economic interests of shareholders;
- a change of control in the company; or
- the selective treatment of different shareholders

RG 111 suggests that the independent expert should consider the advantages and disadvantages of the transaction. If after consideration of the advantages and disadvantages, in the independent expert's opinion the advantages outweigh the disadvantages then RG 111 states, inter alia, that "the expert should say that the scheme is in the best interests of the members.

On this basis, in considering the advantages and disadvantages of the proposed Scheme we have not had to undertake an assessment of the fair value of TNK or TND, or the Stapled Group.

In forming our opinion as to whether the Proposed Scheme is in the best interests of TNK shareholders, we have considered:

- The rationale for the proposed Scheme
- The impact of the stapling on the underlying businesses
- All factors relevant to the proposed Scheme, both quantitative and qualitative
- Whether or not TNK shareholders are likely to be better off if the proposed Scheme is implemented than if it is not and

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- The alternatives available to TNK shareholders.

In undertaking our assessment of the Scheme we have had regard to a number of references including ASIC Regulatory Guidelines, in particular, RG 111 and Regulatory Guide 112 *Independence of experts*.

A glossary summarising the abbreviations we have used in this report is contained in Appendix C – *Glossary*.

2.3. Independence

Prior to accepting this engagement, we considered our independence with respect to TNK and TND with reference to ASIC Regulatory Guide 112 *Independence of experts*. In our opinion, we are independent of TNK and TND.

Ernst & Young, and global affiliations, have not provided any services to TNK or TND in relation to the Scheme.

2.4. Limitations and reliance on information

We have considered a number of sources of information in preparing our report and arriving at our opinion. These sources of information are detailed in Appendix B – *Sources of information*.

The information provided to us for the preparation of our report has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the proposed Scheme is in the best interests of TNK shareholders. We also held discussions with TNK management in relation to the proposed Scheme, as well as the operations, financial position and operating results of TNK and TND. However, we do not warrant that our enquiries have identified all of the matters that an audit, an extensive examination or tax investigation might disclose.

Preparation of this report does not imply that we have, in any way, audited the accounts or records of TNK. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards and International Financial Reporting Standards, as applicable.

In forming our opinion we have also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed
- the assessments by TNK and its advisers with regard to legal, regulatory, tax and accounting matters relating to the transaction are complete and accurate
- the information set out in the Scheme, Explanatory Booklet and accompanying documents to TNK shareholders is complete, accurate and fairly presented in all material respects
- the publicly available information relied upon by us in our analysis was accurate and not misleading
- the proposed Scheme will be implemented in accordance with its terms
- To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations and policies, we assume no responsibility and offer no legal opinion or interpretation on any issue.

The statements and opinions given in this independent expert's report are given in good faith and in the belief that such statements and opinions are not false or misleading. This report should be read in the context of the full qualifications, limitations and consents set out in Appendix A – *Statement of qualifications and declarations* of this report.

Our assessment of the proposed Scheme is based on economic, market and other conditions prevailing as at the date of this independent expert's report. As evidenced in recent years these conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, our opinion could be different.

We provided draft copies of this independent expert's report to the directors and management of TNK for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone.

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Amendments made to this independent expert's report as a result of this review by the directors and management of TNK have not changed the conclusions reached by us.

2.5. Shareholders' decisions

This independent expert's report constitutes general financial product advice only. In forming our opinion, we have considered the interests of TNK shareholders as a whole, and we have not considered, nor is it practical or possible to consider, the individual circumstances of each TNK shareholder. The decision to vote for or against the proposed Scheme is a matter for individual shareholders. TNK shareholders should consider the advice in the context of their own circumstances, including investment objectives, liquidity preferences, risk profiles, tax position and expectations of future market conditions. Shareholders should also have regard to the Explanatory Booklet prepared by the directors and management of TNK. Shareholders who are in doubt as to the action they should take in relation to the proposed Scheme should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in TNK or the Stapled Group. This is an investment decision upon which we do not offer an opinion and is independent of a decision to vote for or against the proposed Scheme. Shareholders should consult their own professional adviser in this regard.

Ernst & Young Transaction Advisory Services has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is included as Part 2 of this report.

3. Overview of the Australian child care sector

TNK operates in the child care services sector in Australia, operating services in all states and territories except the Northern Territory and Tasmania. The section below sets out a summary of the child care industry in Australia, including the key drivers and current supply and demand trends impacting the Australian market.

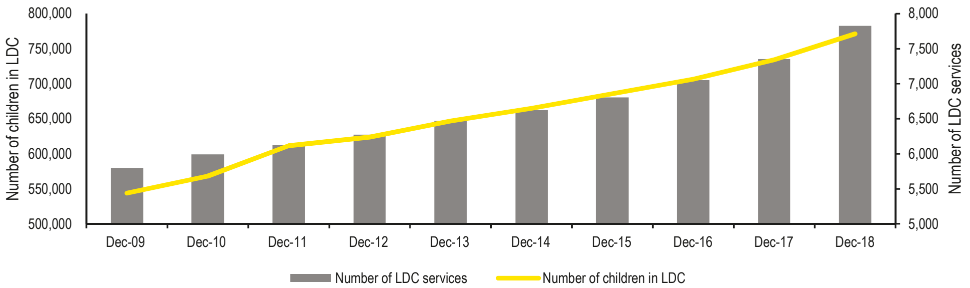
3.1. Overview

The child care industry in Australia provides care and early stage education to children from birth to 12 years old. The services offered by providers include long day care ("LDC"), outside school-hours care, occasional care and family day care.

Australia's child care industry is highly fragmented with the largest top five child care providers holding approximately 20% in aggregate of market share, approximately 70% of centres are run by small operators.[8] Industry providers are both for-profit and not-for-profit operators, 38% of approved providers operate only one service. The largest for-profit operator in the industry is G8 Education, while the largest not-for-profit operator is Goodstart Early Learning.[9]

The industry has experienced strong growth in demand over the past decade, driven by a range of factors discussed in section 3.7 below. In the December 2018 quarter, there was over 1.3 million children in care representing an increase of approximately 50% from December 2009.[10] As demonstrated in the chart below, the number of LDC services has increased to match the increase in demand for child care.

Children in LDC and number of services



Source: Department of Education, Early Childhood and child care in Summary Quarterly Reports, Child Care in Australia report December quarter 2018

The industry is estimated to generate $14.5 billion in revenue in FY19 and grow at a real compound average growth rate ("CAGR") of 3.4% to FY25.[11]

3.2. LDC sector

TNK operates LDC and outside school-hours care services. LDC centres provide full-day or part-day care and offer educational and developmental programs typically catering to children below school age with working parents. The LDC sector caters to the greatest number of children and is dominated by for-profit service providers. During the December 2018 quarter, LDC providers operated 61.0% of the 12,886 approved child care services and provided care to 58.6% of children using an approved child care service. During the December 2018 quarter, there were over 770,00 children in LDC, representing an increase of 5.0% compared

[8] G8 Education 31 December 2018 Investor Presentation
[9] IBISWorld, Childcare Services in Australia Industry Report, 2019
[10] Children's Education and Care Quality Authority quarterly reports
[11] IBISWorld, Childcare Services in Australia Industry Report, 2019

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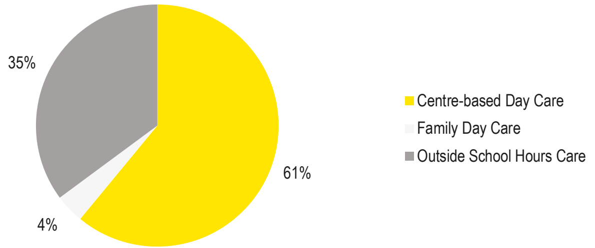
to December 2017. During this period children attending family day care decreased by 24.1%, which is largely attributable to compliance measures implemented by the Federal Government.[12]

Services segmentation December 2018 Quarter



Source: Child Care in Australia December 2018 Quarterly Report

3.3. Major operators in the LDC sector

Interest in the child care sector from the corporate sector has grown in recent years with an increase in the number of for-profit operators entering the market and opening LDC services. In FY19, two thirds of LDC providers were for-profit operators.[13] Corporate participants are generally focussed on opening or acquiring new services with a view to generating economies of scale, by leveraging fixed overhead costs (including training, policies, administrative support, quality frameworks and regional managers) and reducing variable expenses (such as nappies, food and learning materials) through volume purchasing.

G8 Education is Australia's largest ASX-listed child care provider. As at 30 June 2019, G8 Education operated 524 early childhood education centres in Australia and Singapore with approximately 41,000 licensed places[14]. G8 Education is estimated to have approximately 6.4% of the Australian market, other major competitors include Goodstart and Affinity Education Group ("Affinity"), are estimated to have approximately 7.9% and 2.0% market share, respectively[15]. This market share data highlights the fragmented nature of the sector.

The sector has experienced an increase in investment from corporate and private investors including;

- Bain Capital Private Equity, global private equity firm, acquired a majority stake in Only About Children in August 2016, acquiring Little Learning School as a bolt-on acquisition in May 2018.[16]
- Anchorage Capital Partners, a specialised private equity firm, acquired ASX-listed Affinity in 2016 for over $200 million, outbidding G8 Education. Anchorage reportedly considered selling the business in mid-2018 before pulling the business from the market in late 2018, due to concerns of oversupply in the sector.[17]
- Partners Group, a global private markets investment manager, acquired a majority stake in Guardian Early Learning Group from Navis Capital Partners in February 2016, for $440 million.[18]
- Fullshare Holdings, a Chinese-conglomerate listed on the Hong Kong Stock Exchange, acquired 90% of Sparrow Early Learning for $66 million in 2016 with the intention of further expanding its presence throughout Australia.[19]

Private equity and other funds are expected to play a greater role in the future.[20]

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[12] Children's Education and Care Quality Authority Quarterly Reports
[13] IBISWorld, Childcare Services in Australia Industry Report, 2019
[14] G8 Education 30 June 2019 Investor Presentation
[15] IBISWorld, Childcare Services in Australia Industry Report, 2019
[16] https://www.baincapital.com/news/only-about-children-advances-leadership-early-childhood-education-significant-investment-bain
[17] Australian Financial Review Article, *Anchorage Capital Partners puts Affinity Education sale on ice,* 3 September 2018
[18] Australian Financial Review Article, *Partners Group buys Guardian Early Learning for $440m,* 2 February 2016
[19] Australian Financial Review Article, *Hong Kong's Fullshare buys into Sparrow childcare,* 12 December 2016
[20] IBISWorld, Childcare Services in Australia Industry Report, 2019

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3.4. Regulation

The child care sector in Australia is highly regulated and child care services are required to operate under the National Quality Framework ("NQF") established by the Australian Children's Education & Care Quality Authority ("ACECQA"). The NQF operates under an applied law system, comprising the Education and Care Services National Law and the *Education and Care Services National Regulations*. Individual state and territories have their own regulatory bodies, who work with ACECQA and the NQF to regulate child care services.[21]

In order for LDC services to comply with the NQF at least 50% of staff must be working towards a diploma qualification or higher and the remaining 50% must be working towards a Certificate III level education and care qualification. Staffing requirements differ with the age of children in care with educator to child ratios decreasing as the age of the children increase.[22]

The minimum staffing requirements regulated by the NQF has increased the wage costs of operating services. Coupled with recent award wage increases, the industry's wages costs as a proportion of revenue over the past five years has increased.[23] Child care providers are focusing on wage and occupancy efficiencies to absorb increases in child care educators' wages.[24]

In April 2019, the ACECQA announced the terms of reference for the 2019 National Quality Framework Review. The review will assess whether the NQF's objectives are being met and any improvements to the framework with regards to funding regulatory services and appropriate governance arrangements.

3.5. Government funding

Commonwealth and State Governments act to jointly regulate the industry, while the Commonwealth Government is the major provider of subsidies to the industry. Regulation and subsidies have a major impact on child care operators and a substantial portion of revenue is underwritten by government funding, meaning any changes to subsidies impacts the earnings profile of providers.

On 2 July 2018, the Commonwealth Government introduced the Child Care Subsidy ("CCS"), replacing the Child Care Benefit ("CCB") and Child Care Rebate schemes with a single, means testing subsidy aimed at providing more assistance to low and middle income families. The CCS is both activities tested and means tested with the subsidy being paid directly to child care operators (rather than families). The number of hours of subsidised care families can access is determined by an activity test in relation to hours worked or studied, including unpaid work in a family business, hours looking for work and hours volunteering. The subsidy is means tested based on family income and as the combined family income increases the rate of subsidy rate declines. In 2018-19, families earning under $66,958 received the largest benefit (85% subsidy rate) and families earning over $351,248 received no subsidy[25].

Industry analysts generally view the change in Government funding has been a net positive for the industry through increased affordability and a noticeable increase in occupancy rates. However, the CCS has had bifurcated benefits. Some analysts estimate that areas with typically higher family income have had occupancy headwinds, and the activity test requirements have negatively affected poorer families, while families of middle-income levels have derived the greatest benefits from the CCS.[26]

Following the introduction of the CCS there was an increase in the number of families and children attending child care. During the September 2018 quarter, the number of families with at least one child in approved child

[21] National Quality Framework
[22] National Quality Framework
[23] IBISWorld, Childcare Services in Australia Industry Report, 2019
[24] G8 Education 2019 Half year Results
[25] Australian Government, Department of Education
[26] Macquarie Research, G8 Education broker report, 10 June 2019

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care and children attending approved child care increased by 5.5% and 3.7%, respectively, compared to the June 2018 quarter. [27]

Analysts note that CCS has also reportedly brought about an increase in occupancy rates through an approximate 8% uplift in affordability.[28] To July 2019, the scheme was reported to have benefitted roughly one million lower income families while adversely affecting 280,000 families.[29] In May 2018, TNK announced that its modelling estimated that over 99% of the families using its services, for which TNK was able to estimate family income based on their current levels of the CCB percentage, would benefit under the CCS.

3.6. Fees

It is noted that fee increases are becoming more regular across the industry and multiple fee increases per annum are not uncommon. Increasing government subsidies and demand places upwards pressure on child care fees. The below table demonstrates the increase in fees to December 2018 since the introduction of the CCS:

Average hourly fees – all care types				
	Jun-18	**Sep-18**	**Dec-18**	**Mar-19**
Average hourly fee	$9.25	$9.50	$9.55	$9.55
Increase since previous quarter	1.6%	2.7%	0.5%	0.0%

Source: Child Care in Australia March 2019 Quarterly Report

The fee growth between September 2017 to September 2018 was 5.8%, which was in line with the 10-year long-term average growth (5.8% per annum).[30] Under the CCS the hourly rate for each type of care is capped. The hourly rate cap for LDC-based child care is currently $11.77, while average daily rates for LDC range between $8.95 in the Northern Territory to $11.30 in the ACT. Regional areas typically have the lowest fees with the highest average hourly fees in parts of Sydney, Melbourne, Perth, Canberra, Brisbane and in some mining-dependent regions.[31]

3.7. Industry drivers

The number in families using child care services has grown in the past decade, driven by the following factors:[32]

- higher workforce participation, particularly by females
- population growth of children of child care age
- level of government assistance increasing the accessibility of child care
- growth in real household disposable incomes

3.7.1. Female participation in the labour force

The workforce participation rate of women with dependent children is a key driver of the demand for child care services. Participation of working aged women has risen to just over 60%, this is supplemented by an increase in maternal workforce participation rates.[33]

[27] Child Care in Australia report September quarter 2018
[28] Macquarie Research, G8 Education broker report, 7 August 2019
[29] IBISWorld, Childcare Services in Australia Industry Report, 2019
[30] Child Care in Australia report September quarter 2018
[31] Child Care in Australia report December quarter 2018
[32] Think Childcare company website
[33] IBISWorld, Childcare Services in Australia Industry Report, 2019

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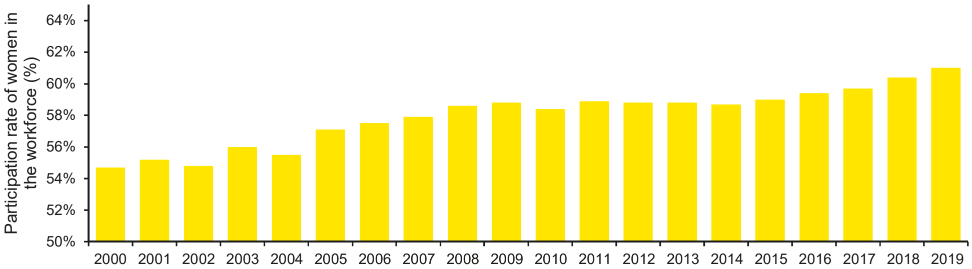
Female participation rate in the workforce 2000 to 2019



Source: ABS 6202.0 Labour Force, Australia

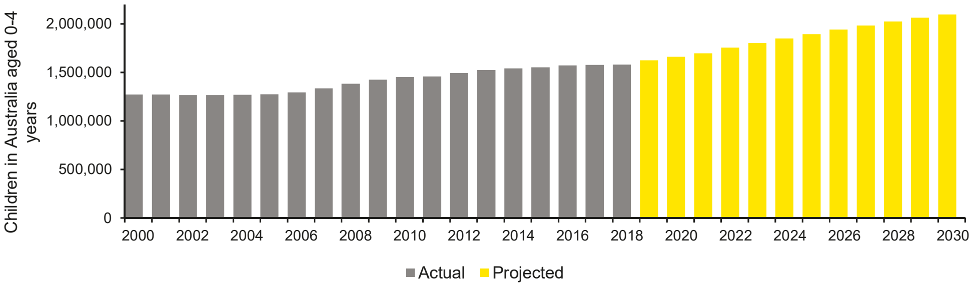
While the maternal participation rate increases the demand for child care, the decision for a family's primary carer (typically women) to return to the workforce is affected by out-of-pocket costs and accessibility of child care services.

Common reasons provided by parents not participating in the workforce due to caring for their children include the cost of child care and preferences to care for children.[34] As such, increases in child care subsidies may further increase the participation rate of women in the workforce and therefore increase demand for child care services.

3.7.2. Population of eligible children

Demand for child care services is in part driven by the population of eligible children requiring the services. As can be seen in the graph below the population of preschool aged children has increased since 2000:

Australian children aged 0-4 years



Source: ABS 3101.0 Australian Demographic Statistics

The population of children aged 0 to 4 years is forecast to increase to 2.1 million by 2030. This implies a CAGR of 2.4% per annum from 2019 to 2030 and is likely to increase demand for child care services.

Between June 2009 to June 2018, the growth in the number of children in approved child care has outpaced the growth in Australian children aged 0-4 years. The growth in the number of children in approved child care has increased at a CAGR of 5.3%[35] relative to an increase in children aged 0 – 4 years of 1.2%.

[34] Productivity Commission 2019
[35] Department of Education, Early Childhood and Child Care in Summary Quarterly Reports

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3.7.3. Level of social assistance and government funding

Increased government expenditure on subsidies and child care services has also fuelled growth in the industry. Government expenditure on child care fee assistance is expected to rise by 11.4% to $8.0 billion in the year to June 2019, and by 32.7% over four years to $9.5 billion in 2022.[36] As discussed in section 3.5 above, the introduction of the CCS on 2 July 2018 has generally benefited child care providers, by making care more affordable, thereby positively impacting occupancy rates.

3.7.4. Real household discretionary income

Discretionary income is a key driver of demand for child care. Child care services are typically more available to families with higher discretionary income while weak discretionary income growth can act to constrain industry growth. Mean weekly disposable income increased from $1,046 in FY16 to $1,062 in FY18, an increase of 1.5%.[37]

There is currently concern over the sustainability of growth in discretionary income. In the year to December 2018, consumption grew by 2% while disposable income grew by 0.4%.[38]

3.8. Market supply

Due to favourable industry dynamics, and a relatively low cost of funding, the child care sector has seen above average growth in supply of new services from developers and, as a consequence, average occupancy levels in some areas have decreased. Across the past five years supply has grown at a CAGR of 3.9% while demand has grown at a CAGR of 3.5%[39] with growth corridor outer suburbs of Melbourne and Sydney particularly impacted, as reflected in falling occupancy rates in 2018.[40]

Occupancy rate by state

State	CY17	CY18	Movement (%)
New South Wales	79%	81%	2%
Victoria	82%	79%	(4%)
Queensland	80%	72%	(11%)
Western Australia	71%	71%	0%
South Australia	78%	71%	(10%)

Source: Child care Alliance Occupancy and Performance Appraisal: Early Childhood Education and Care Sector

Oversupply has negatively impacted the share price of listed child care operators, particularly during 2018. Despite the oversupply, analysts note that occupancy rates in higher quality child care services have remained strong through the current market cycle, with larger operators better positioned to provide differentiated and higher quality services.[41]

Supply and demand imbalances in some regions are still impacting the industry, albeit at a decreasing rate. The annual net increase in child care services looks to have peaked in CY17 (4.2%) compared to the increases in CY16 and CY18, 3.1% and 3.8% respectively.[42]

The rate of growth in supply has slowed partly due to tighter credit conditions imposed by banks to reduce speculative development in the industry. Analysts expect there to be a more rational supply response in the medium term, driven by restriction in credit to the sector by banks and a response to falling industry wide

[36] Bankwest Future of Business: Focus on Childcare (2019 release)
[37] ABS 6523 Household income and Wealth Australia, 2017-18
[38] Macquarie Macro Strategy and Business Insider article, *The Largest part of Australia's economy is looking vulnerable and in need of help*, 6 March 2019
[39] UBS G8 Education Analyst report, 16 August 2019
[40] IBISWorld, Childcare Services in Australia Industry Report, 2019
[41] G8 Education 30 June 2019 Investor Presentation
[42] TNK CY18 Investor Presentation

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occupancy levels last 18 months.[43] TNK expect that the full effect of tighter lending conditions will have a greater impact on supply in 2019 relative to 2018.[44]

The slowdown in the rate of supply is relative to a 5.0% increase in children attending LDC between December 2017 and December 2018.[45] Demand has increased due to a number of factors, suggesting that the market may be moving back towards equilibrium.

3.9. Outlook

The outlook for the Australian child care services industry remains strong with forecast annual growth in revenue of 3.4% (real) from 2020 to 2025, however this is slightly lower than the annual growth of 4.1% experienced from 2015-20.[46] The following factors will play a large role in impacting the industry over the coming years:

- The need for economies of scale among recent corporate entrants will drive industry consolidation as for-profit players pursue market share in an effort to derive economies of scale. Many new operators are entering the market with a 'roll-up' style acquisition model, capitalising on the fragmented nature of the industry. Although there will likely be significant acquisition activity, it is expected that the industry will remain fragmented over the next five years as continued revenue growth encourages new entrants to the market.[47]
- A continued challenge will be oversupply in the industry placing pressure on occupancy rates (although there is evidence that new supply is moderating as banks restrict credit to the sector). As such, the industry's largest players are anticipated to implement strategies to boost occupancy rates in existing services to retain existing customer base. Analysts expect improvements in programs and refreshed facilities to improve occupancy. [48]
- Demand for child care and industry revenue growth is likely to remain steady over the medium term. Analysist note that the key drivers of growth (population growth, female workforce participation, growing awareness and belief in developmental benefits, and increasing affordability through government funding) remain strong.[49]
- Industry wage costs are projected to rise in both absolute terms and as a proportion of revenue driven by child care workers upskilling and staff-to-child ratios. To maintain profit margins, operators are expected to target premium services and niche markets.[50]
- Analysts note that the child care industry is relatively less mature in Western Australia, but that a growing population and rising participation of females in the workforce are contributing to an increase in demand for child care services[51]. Increasing demand in WA has driven expansion in child care services, approved child care services increased by 27.2% between 2014 and 2018, relative to national average of 15.4%. However, in 2018 WA had the lowest number of children in care, 22.8% relative to 31.4% across Australia, as well as the second lowest average hours of attendance at LDC services, 25 hours relative to 29 hours nationally.[52] Therefore, it is expected that Western Australia presents opportunities for child care providers to expand.

[43] RBC Markets, G8 Education broker report, 25 February 2019
[44] TNK CY18 Investor Presentation
[45] Children's Education and Care Quality Authority Quarterly Reports
[46] IBISWorld, Childcare services in Australia Industry Report, 2019
[47] IBISWorld, Childcare services in Australia Industry Report, 2019
[48] Morgan Stanley, G8 Education broker report, 25 February 2019
[49] UBS Research, G8 Education broker report, 15 April 2019
[50] IBISWorld, Childcare Services in Australia Industry Report, 2019
[51] Bankwest Future of Business: Focus on Childcare (2019 release)
[52] Productivity Commission 2019

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4. Overview of TNK

4.1. Description of TNK

TNK is a provider of child care and education facilities in Australia for children between the ages of six weeks and six years old. The company owns, manages and operates long day child care facilities in Australia under the Nido Early School ("Nido") and Early Learning & Kinder ("ELK") brand names. As at /30 September 2019, TNK operated 82 services located in Victoria, New South Wales, Australian Capital Territory, South Australia, Western Australia and Queensland with a combined daily licenced capacity of 7,023 children. TNK is the second largest ASX-listed child care provider, behind G8 Education.

4.2. Company background

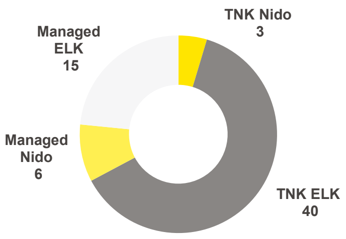
TNK was incorporated in 2014, when it acquired 15 centres from Learning & Education Australia ("LEA") and a further 15 centres when it took control of Baker Street Childcare Education Propriety Limited ("Baker Street"). LEA was previously formed by Mathew Edwards and a partner in 2009 to own and operate child care services, acquiring 12 loss-making services from the receiver of the failed ABC Learning Group. TNK had an initial portfolio of 30 owned services and 17 managed services owned by third parties. TNK was listed on the ASX in October 2014, raising $22 million to fund the cash component of the consideration for the acquisition of the LEA services and the Baker Street services.

TNK was established to provide fair value child care with the benefits of corporate ownership in the rapid growth and consolidation phase of the child care sector in Australia. TNK's strategy is to acquire and integrate mature child care services identified on the basis of strict acquisition criteria and to optimise the performance of services that it owns and manages to increase their profitability.

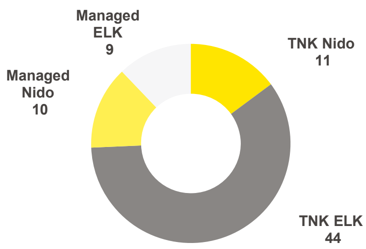
TNK's strategy is to build "best in the sector" child care facilities, offering a national curriculum which exceeds existing standards, delivered through state of the art environments and a highly motivated and engaged team.

TNK currently operates services under two brands, Nido and ELK. A break-down of TNK's services at the end of 2017 and 2018[53] is illustrated in the charts below:

Childcare centre breakdown 2017



Childcare centre breakdown 2018



Source: TNK Annual Report 2017, 2018

4.3. Incubator strategy

Historically, since listing, TNK has acquired child care facilities through its third-party incubator partner strategy. Under this strategy, TNK partners with an incubator, who develops and trades up a greenfield child care service. In return for a range of fees, set out in a Centre Management Agreement, TNK provides assistance and support to the incubator during the process, including site location, liaising with landlords, architecture and design, development approval, licensing and centre management services during the trade-up period. Put and calls options under the Centre Management Agreement means that TNK will acquire a child care service once a Trigger Event has occurred and if certain general acquisition criteria have been met. For a Trigger Event to

[53] TNK has a calendar year end.

occur, the relevant service must achieve the occupancy threshold of 75%, the number of licenced places must be equal to or greater than 60 and the service must achieve certain EBITDA targets over a period of at least three consecutive calendar months immediately preceding the Trigger Event. In addition, there are a series of other general acquisition criteria that must be satisfied (or waived) before the acquisition will proceed including a minimum lease term (ten years) and net wages and rent combined to not exceed 60% of revenue. Once all criteria are met, TNK has the right to acquire the mature child care service at an agreed multiple of earnings (4 times annualised service performance EBITDA). The number of services managed by TNK on behalf of incubators is therefore a lead indicator of TNK's acquisition pipeline.

Under the incubator strategy, TNK does not incur any trade-up losses (as it can take up to 18 months[54] for a service to reach 75% occupancy levels), nor does it pay any tenant contribution required by landlords for siteworks. These costs are both borne by the third-party incubator, along with the risk that the service opening will be delayed due to construction taking longer than expected or delays in licensing approval. Should the service not meet pre-determined occupancy levels, it may be sold by the incubator to a third-party (TNK holds the first right of refusal in respect of any services sold to third parties).

TNK does not own any child care services land or buildings, instead it purchases the mature child care operations (including staff and leases) and continues to lease the facility from landlords under long term lease arrangements (typically 20 years plus). Long term leases are generally required by landlords as they underpin any financing required to construct the building from which the service operates.

In August 2016, TNK completed its first own greenfield development, complementing its third-party incubator strategy. Since then, TNK has established four additional greenfield services (another has recently opened), meaning that TNK has funded any required contribution tenant contribution and trade-up losses. These services are also operated under long term leases with landlords.

A summary of the services owned by TNK, acquired from incubator partners and other parties, and greenfield services opened by TNK itself (net of closures) for the period 31 December ("CY16", "CY17", "CY18") an as at 30 September 2019 is set out below:

TNK – owned and managed services	CY16	CY17	CY18	Period to Sept-19 (1)
Services owned at beginning of period	32	38	43	55
Services acquired from third parties	3	1		
Services acquired from Edhod incubator partner	3	1	9	
Services acquired from other incubator partners		3		4
Greenfield services opened by TNK			3	2
Services closed				(2)
Services owned at end of period	**38**	**43**	**55**	**59**
Services managed at end of period	**13**	**21**	**19**	**23**
Total services at end of period	**51**	**64**	**74**	**82**

(1) Excludes the child care services in the Edhod 11 Acquisition and the 2 child care services operating in TND
Source: TNK management.

As noted above, Edhod-incubated services have represented the bulk of TNK's acquisitions. As at 30 September a substantial amount of TNK's growth is reliant on third party incubators, with TNK's largest incubator, Edhod, representing approximately 80% of TNK's acquisition pipeline. We understand that TNK's own established greenfield services have traded up relatively quickly, compared to those traded-up by Edhod. This is partly because TNK's own services have been purpose built high quality Nido facilities. TNK's Nido strategy is discussed below.

4.4. Nido strategy

In October 2017, TNK acquired three Nido services along with the Nido brand as a platform to execute its strategy to offer a higher quality of care and education to families. The Nido brand is currently being rolled out

[54] TNK has experienced shorter trade up periods in instances where they have direct control over marketing and tenant works

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across all TNK services and is positioned as an aspirational brand underpinned by high quality, innovation in service management and architecturally designed spaces. Up until 2017, all TNK child care services were operated under the ELK Brand. During 2018, TNK commenced a program of work to transition the existing services to the Nido brand and ten established services have since been transitioned to Nido with an additional five in progress. As at the end of September 2019, around 44% of TNK's 82 owned and managed services were Nido facilities. Occupancy levels for purpose built Nido branded services are currently higher than the ELK-branded services.

4.5. Current Operations

TNK's services have a combined daily licensed capacity of 7,023 children as at 30 September 2019. TNK's services are located in VIC, NSW, ACT, SA, WA and QLD. The majority (80%) of TNK's child care services are located in metropolitan areas with approximately 2% located within 2km of a central business district.

The following table summarises the child care portfolio owned and managed by TNK as at 31 August 2019:

TNK – services by state

State	Child care services owned by TNK	Child care services Managed by TNK
Australian Capital Territory	2	-
New South Wales	5	2
Queensland	1	-
South Australia	4	8
Victoria	37	9
Western Australia	10	4
Total	**59**	**21**
Number of licensed places	**4,902**	**2,121**

Source: TNK Management. Since 30 June 2019, TNK has completed the acquisition of two more services located in Western Australia and one service located in ACT, bringing total services owned by TNK to 59, and total licensed places to 4,902.

Each individual service's capacity is limited to the regulated maximum number of places, referred to as licensed places. The total number of licensed places increased by 23% from 5,687 at 30 June 2018 to 7,023 at the end of September 2019. The increase was primarily driven through acquisitions of services from Edhod and other third-party incubator partners.

Occupancy represents the number of enrolled children (and, therefore paying a daily fee), as a percentage of a service's licensed places. The occupancy of each individual child care service is a key driver of profitability of a service.

The following table shows the increase in the services, licensed places and the average licensed places per service for the period CY16, CY17, CY18 and six months ended 30 June 2019 ("1H CY19"):

TNK – occupancy rates and licensed places

	CY16	CY17	CY18	CY19[1]
Number of services owned and managed	**51**	**64**	**74**	**82**
Number of licensed places	4,382	5,192	6,143	7,023
Average licensed places per child care service	86	81	83	86

Source: TNK Management
[1] As at 30 September 2019

Average occupancy rates decreased in CY18 due partly to oversupply in the industry. Rates decreased marginally in 1H CY19, recognising that a TNK-owned greenfield site was opened during the first half of the year, which has not yet achieved occupancy targets. TNK considers that there are positive signs that the

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oversupply issue within the sector is easing, with new supply peaking in 2017 and tighter lending conditions leading to developers vying for a smaller pool of tenants.

As the number of licensed places per child care service increases we would expect to see benefits from economies of scale, albeit the NQF determines minimum staffing requirements for child care workers based on the number and age of children in care, meaning that in room staffing costs generally increase with the number of licensed places. However, increasing the number of services owned or managed benefits TNK as it is able to more effectively leverage largely fixed corporate overhead costs.

4.6. Financial information

4.6.1. Financial performance

The following table outlines TNK's audited consolidated profit and loss statement for the last three financial years, CY16, CY17, CY18, and reviewed half year results for the six months ended 1H CY19.

TNK – consolidated profit and loss statement					
A$m	CY16[5]	CY17	CY18	1H CY19 statutory	1H CY19 adjust.
Services revenue	53.5	63.1	80.6	47.9	47.9
Labour	(31.9)	(38.4)	(49.2)	(30.1)	(30.1)
Occupancy	(6.2)	(8.7)	(12.4)	(2.2)	(8.1)
Service overheads	(3.8)	(4.8)	(6.2)	(3.5)	(3.5)
Service performance	**11.5**	**11.2**	**12.8**	**12.0**	**6.2**
Management fee income[2]	1.2	2.4	4.6	2.1	2.1
Corporate overheads[5]	(4.2)	(4.2)	(6.7)	(3.9)	(4.0)
Net corporate costs	**(3.0)**	**(1.8)**	**(2.1)**	**(1.8)**	**(1.9)**
EBITDA (underlying)	**8.6**	**9.4**	**10.7**	**10.2**	**4.3**
Other income[3]	-	1.4	0.5	-	-
Acquisition expenses	(0.1)	(0.6)	(0.5)	(0.2)	(0.2)
EBITDA (statutory)	**8.5**	**10.2**	**10.7**	**10.0**	**4.1**
Finance costs	(0.4)	(0.8)	(2.0)	(5.2)	(1.8)
Depreciation	(0.6)	(1.0)	(1.6)	(5.1)	(1.1)
PBT	**7.5**	**8.4**	**7.0**	**(0.3)**	**1.2**
Tax	(2.2)	(2.6)	(2.1)	(0.1)	(0.6)
NPAT	**5.4**	**5.8**	**5.0**	**(0.4)**	**0.6**
KPIs					
Revenue growth	*17.6%*	*17.8%*	*27.8%*	*n/a*	*n/a*
Labour to sales ratio[4]	*59.7%*	*60.9%*	*61.0%*	*62.9%*	*62.9%*
Occupancy to sales ratio[4]	*11.5%*	*13.8%*	*15.4%*	*4.6%*	*16.7%*
Service performance margin	*21.6%*	*17.7%*	*15.9%*	*25.1%*	*12.9%*
Corporate overheads to income ratio	*7.7%*	*6.4%*	*7.9%*	*7.8%*	*7.9%*
EBITDA (underlying) margin	*15.7%*	*14.1%*	*12.5%*	*20.4%*	*8.6%*

Source: TNK CY16 Annual Report and Investor Presentation, TNK CY17 Annual Report and Investor Presentation, TNK CY18 Annual Report and Investor Presentation, TNK 1H CY19 Financial Statements and Investor Presentation, TNK Management

[1] Adjusted for the impact of AASB 16 Leases, removed the notional depreciation and interest relacing with a rent expense.

[2] Management fees include establishment and license fees

[3] Other income includes the reversal of contingent consideration. TNK includes the fair value of contingent consideration as a liability for the acquisition of a business where it expects the earn-out target to be met during the measurement period, following settlement of the final instalment the contingent consideration is reversed and recognised as other income.

[4] Ratios are calculated based on services revenue and labour relating to services revenue / occupancy expenses relating to service revenue

[5] Does not include any adjustment for a correction of error in accounting for long service leave provision as per the CY18 Annual Report

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In relation to TNK's financial performance we note:

- The 1H CY19 statutory earnings have been impacted by the AASB 16 *Leases*, the new leasing standard, which required operating leases to be brought on balance sheet from 1 January 2019. Effectively, rent expense is replaced by notional depreciation of the right of use asset and notional interest associated with the lease liability. We have adjusted the 1H CY19 statutory earnings to show earnings on a consistent basis with prior periods.
- Total revenue consists of sales revenue for the provision of child care services, management fees, establishment and licence fees, as well as government grants.
  - Revenue earned from the provision of child care services, including government grants, contributes over 90% of total revenue. Total revenue earned from services performed increase from $53.5 million in CY16 to $80.6 million in CY18. The increase in income has been driven by an increase in the number of child care services owned, in 1H CY16 TNK owned 32 child care services, increasing to 55 in 2H CY18 increasing revenue earned from the provision of child care services.
  - TNK also received management fees, earned from greenfield child care services opened by third party incubators which TNK manages until the service meets performance hurdles and a sale occurs. TNK provides a range of services, including administration, reporting and payroll services to its clients. In CY18 and 1H CY19, TNK also earned establishment and licence fees from third-party incubator partners for consultancy services and the use of the Nido brand and intellectual property, respectively.
- The largest expense for TNK is in-centre wages, which are under pressure as child care staff upskill. Wage costs as a percentage of service revenue remained between 60% to 61% from CY16 to CY18 despite automatic award increases each year. However, in 1H CY19, wages as a percentage of revenue earned from services performed increased to 63%, driven by an increase in base pay offset by a decrease in working hours.
- TNK's net profit is primarily impacted by the cost of operating services. Expenses relating to services primarily comprise of employee and occupancy (rent) expenses. Expenses relating to services performed have increased at a CAGR of 27.1% between CY16 and CY18, relative to revenue from services performed which has increased at a CAGR of 22.7% placing pressure on TNK's operating margins.
- This trend has continued in 1HCY19, as both the wages to sales ratio increased from 61.0% to 62.9% and occupancy to sales ratio from 15.4% to 16.7% (adjusting for the impact of AASB 16). In response, TNK has deferred the hire of new roles, has delayed some uncommitted capex and is continuing to complete capital improvements works to upgrade services. In addition, key indicators have been put in place to ensure services work meet agreed objectives, namely to deliver an increase in average days of learning per child whilst improving profitability through better cost management.

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4.6.2. Financial position

The following table outlines TNK's audited consolidated statement of financial position for the last three financial years ended 31 December ("Dec16", "Dec17", "Dec18") and reviewed half year at 30 June 2019 ("Jun19"):

TNK - statement of consolidated financial position				
A$m	**Dec16[3]**	**Dec17**	**Dec18**	**Jun19**
Cash and cash equivalents	1.8	0.5	3.6	9.1
Trade and other receivables	1.9	3.0	3.2	5.9
Other current assets	1.2	2.1	1.1	0.4
Total current assets	**4.9**	**5.5**	**7.9**	**15.4**
Net Property, Plant & Equipment[1]	3.3	4.7	11.0	133.8
Intangible assets	31.4	43.5	57.3	63.1
Deferred tax asset	1.5	1.4	1.9	2.6
Other receivables	2.3	0.0	0.0	0.0
Total non-current assets	**38.5**	**49.6**	**70.2**	**199.5**
Total assets	**43.4**	**55.2**	**78.0**	**214.9**
Borrowings[1]	0.1	0.1	0.2	12.3
Trade and other payables	4.6	6.2	6.9	6.5
Employee benefits	1.8	2.6	3.3	4.0
Income tax payable	0.5	0.4	0.4	0.1
Other current liabilities	2.5	0.8	1.2	1.7
Total current liabilities	**9.5**	**10.0**	**12.0**	**24.5**
Borrowings[1]	10.3	19.4	26.2	135.2
Derivative financial instruments	0.0	0.1	0.3	0.8
Other current liabilities	2.4	0.6	1.0	0.7
Total non-current liabilities	**12.7**	**20.1**	**27.4**	**136.7**
Total liabilities	**22.2**	**30.1**	**39.4**	**161.3**
Net assets	**21.2**	**25.1**	**38.6**	**53.7**
Contributed equity	40.4	42.5	53.8	72.3
Reserves	(18.8)	(18.9)	(19.0)	(18.9)
Retained earnings	(0.4)	1.5	3.8	0.3
Total equity	**21.2**	**25.1**	**38.6**	**53.7**
Debt to equity (%)	*49%*	*78%*	*68%*	*48%[2]*
Debt to asset (%)	*24%*	*35%*	*34%*	*28%[2]*

Source: TNK CY16 Annual Report and Investor Presentation, TNK CY17 Annual Report and Investor Presentation, TNK CY18 Annual Report and Investor Presentation, TNK 1H CY19 Financial Statements and Investor Presentation
AASB16 requires operating leases to be capitalised as a right of lease asset with a corresponding liability representing the net present value of the minimum lease payments over the expected lease term.
[2]Ratios have been adjusted to remove the impact of AASB16 as per the TNK 1H CY19 Investor Presentation
[3] Does not include any adjustment for a correction of an error in accounting for long service leave provision noted in the CY18 Annual Report

In relation to TNK's consolidated financial position we note the following:

- Cash and cash equivalents have increased from $3.6 million at Dec18 to $9.1 million at Jun19. This is due to a capital raising in March 2019, which raised approximately $18 million. The purpose of the capital raise was to allow TNK to acquire four newly constructed, purpose-built Nido services in Perth at a 4.0 times EBITDA multiple (total purchase price of $6.5 million). The remaining funds were expected to fund

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the replacement of the $3.2 million underwritten dividend reinvestment plan ("DRP") with Canaccord and capital expenditure, refer to cash flow statement at section 4.6.3 below.

- Intangible assets have increased from $31.4 million at Dec16 to $63.1 million at Jun19, this balance mostly represents goodwill and has increased in line with the acquisitions of mature services by TNK.
- Property, plant and equipment ("PPE") has increased from $11.0 million at Dec18 to $133.8 million at Jun19. This is primarily due to the requirements of AASB16, which requires leased assets to be capitalised as a "right of use asset" and depreciated over the lease period. The PPE balance as at Jun19 includes a $119.7 million right of use asset, which represents $123.5 million asset at the date of initial recognition (1 January 2019) less $4.0 million accumulated depreciation
- Current borrowings have increased from $0.1 million at Dec18 to $12.3 million at Jun19 and non-current borrowings have increased from $26.2 million at Dec18 to $135.2 million at Jun19. This increase is primarily due to the requirements of AASB 16, which requires the net present value of the minimum lease payments over the expected lease term to be booked as a liability. As at Jun19, TNK recorded a lease liability of $121.1 million as a result of AASB 16.
- In addition to the lease liability, total non-current borrowings include $26.4 million of external debt. TNK entered into a SFA on 27 June 2018. The SFA provides TNK with a $58 million loan facility through several tranches:
  - Facility A being a term loan facility for $28 million for refinancing existing debt and for general corporate purposes related to core business activities (being the operation of services)
  - Facility B being a revolving credit facility for $20 million for permitted acquisitions and growth capital expenditure
  - Facility C being a revolving credit facility for $10 million for letters of credit and bank guarantees (for working capital and rental bond purposes).

  The SFA includes an "Accordion Facility" for $20 million, which allows TNK to seek commitments for additional facilities to be provided, if required at a later date.

  The interest rate payable on each facility is based on the bank bill swap rate ("BBSW") plus the lender's margin. The margin is variable, depending upon various covenant ratios, primarily the leverage coverage ratio (net debt/EBITDA). The higher the leverage ratio, the higher the debt margin. The maturity date of the SFA is June 2023.

  The unused portion of the $58 million SFA at Jun19 is $22.5 million plus the Accordion of $20 million. This provides TNK with the ability to fund future acquisitions. However, the SFA effectively restricts development and trade up activity by TNK by limiting the amount that TNK can spend on certain permitted greenfield development activities (including the trade up of greenfield child care centres) in each rolling 12-month period to $3 million (and $1 million per individual development), and by charging an additional margin on the full amount drawn depending upon the leverage ratio. On balance sheet greenfield development adversely impacts TNK's leverage ratio due to trade-up losses depressing EBITDA, and this will consequently result in an increase in the margin applied to the entire drawn facility (not just the amounts drawn to fund greenfield development).

  In a letter dated 13 August 2019, the lender consented for TNK to declare and pay a dividend with the purpose of establishing a stapled structure and, following stapling, to enter into an intercompany loan agreement with TND for an amount not exceeding $6 million in any calendar year or $7.5 million in aggregate at any time which TND can spend on certain permitted greenfield development activities.

  In a letter dated 18 October 2019, the lender consented for TNK to acquire the Edhod 11. The lender consented to the Accordion Facility being made available by way of a new Letter of Credit facility and a new Facility in order to provide Letters of Credit to landlords and to fund the acquisition respectively. The lender consented to the Edhod 11 Acquisition being a permitted acquisition in accordance with the SFA.
- Debt to equity decreased from 68% as at Dec18 to 48% at Jun19 (excluding the impact of AASB 16) due to the capital raising which occurred during the 6-month period to Jun19.

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4.6.3. Consolidated statement of cash flows

The following table outlines TNK's audited cash flow statement for the last three financial years, CY16, CY17, CY18, and reviewed half year results for the six months ended1H CY19:

TNK - consolidated cash flow statement				
A$m	**CY16**	**CY17**	**CY18**	**1H CY19**
Cash flows from operating activities				
Receipts from parents and government funding	52.0	63.0	84.0	46.4
Payment to suppliers and employees	(44.9)	(55.6)	(72.5)	(44.4)
Government grants received	2.0	1.7	1.7	0.8
Interest and other finance costs paid	(0.3)	(0.8)	(2.0)	(0.5)
Income taxes paid	(3.1)	(3.0)	(2.3)	(1.0)
Net cash from operating activities	**5.6**	**5.4**	**8.9**	**1.4**
Cash flows from investing activities				
Payments for acquisition of business	(6.8)	(10.6)	(14.5)	(6.4)
Nido transition/Capital expenditure	0.0	0.0	0.0	(3.7)
Payments for property, plant and equipment	(1.6)	(2.1)	(6.0)	0.0
Payments for intangibles	(0.2)	(0.0)	(0.0)	0.0
Payments for security deposits	(0.5)	0.0	(0.0)	0.0
Payments for contingent and deferred consideration	0.0	(2.3)	(0.8)	(1.1)
Net cash used in investing activities	**(9.2)**	**(15.0)**	**(21.3)**	**(11.2)**
Cash flows from financing activities				
Proceeds from issue of shares (net of transaction costs)	2.8	2.0	11.2	17.6
Proceeds from borrowings	4.9	10.0	6.9	0.0
Dividends paid	(4.5)	(3.8)	(2.6)	(2.2)
Payments of costs relating to bank facility	(0.1)	0.0	0.0	0.0
Net cash from financing activities	**3.0**	**8.2**	**15.6**	**15.4**
Net decrease in cash and cash equivalents	(0.6)	(1.3)	3.1	5.6
Cash and cash equivalents at the beginning of the year	2.4	1.8	0.5	3.6
Cash and cash equivalents at the end of the year	**1.8**	**0.5**	**3.6**	**9.1**

Source: TNK CY16 Annual Report and Investor Presentation, TNK CY17 Annual Report and Investor Presentation, TNK CY18 Annual Report and Investor Presentation, TNK 1H CY19 Financial Statements and Investor Presentation

In relation to TNK's statement of cash flows we note that over CY17 and CY18, TNK's net operating cash flows were significantly less than net investing cash flows. This is largely reflective of payments for acquisition of mature services and payments for PPE. The increase in payments for PPE in CY18 partly reflects the capital investment program to uplift TNK's existing services to Nido quality standards, along with greenfield development. The resulting shortfall was financed predominantly by borrowings in CY17 and proceeds from issue of shares in CY18 and 1HCY19. Interest and finance costs in CY18 were relatively high, due to the refinance of loan facilities with the SFA.

4.7. Edhod 11 Acquisition

On 21 October 2019, TNK announced that it had entered into binding agreements with Edhod and its receivers to accelerate the acquisition of 11 existing child care services that were in various stages of trade-up when Edhod went into receivership. The appointment of the receivership to Edhod resulted in some uncertainty around the viability of the Edhod pipeline and the recovery of outstanding development fees. The Edhod 11 Acquisition has been negotiated with Edhod and is expected to complete on or around 31 October 2019, prior to the implementation of the Stapling Proposal.

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The rationale for this transaction through TNK is it is expected to be earnings accretive, underpins the 2019 earnings guidance, secures TNK's future pipeline and the outstanding development fees. The acquisition will secure 11 purpose built child care centres (9 of which are currently trading as Nido services) across Victoria, Western Australia, New South Wales and South Australia. The Edhod 11 will increase TNK's current owned licensed places by approximately 20%, the acquisition will complement TNK's existing child care portfolio and is expected to enhance economies of scale.

The 11 existing child care services will be completed for $16 million and is to be 100% debt funded within the existing debt facilities. TNK is not subject to earnout on the Edhod 11 as part of the agreement, it is estimated by Management that this could be value accretive of up to $10 million (had the Edhod 11 child care services satisfied the maximum earn out conditions). However, as part of the Edhod 11 Acquisition agreement, TNK will waive its entitlement to certain amounts including clawback and guarantee amounts.

We recognise that in the short term, TNK will be exposed to trade up risk and higher cost of funding as a result of the Edhod 11 Acquisition. However, we understand Managements rationale for acquiring these existing child care services through TNK rather than TND for the following reasons:

- Prior to Edhod entering receivership the Edhod 11 were expected to be acquired by TNK between Q4 CY19 and Q3 CY20, the Edhod 11 Acquisition merely accelerates the acquisition of the Edhod 11. Management expect the Edhod 11 Acquisition to impact the leverage coverage ratio and subsequently their cost of funding is expected to increase by 50bps for approximately 3 months before returning to the existing margins (prior to the Edhod 11 Acquisition).
- TNK has oversight on the current performance of each of the 11 existing child care centres, under their current Centre Management Deeds, 8 of the 11 facilities are at break-even utilisation and it is expected that all of the centres will have viable occupancy within 9 months of completion of the Edhod 11 Acquisition and are expected to satisfy TNK's criteria as a Mature Child Care Service on or before December 2020.

The lender has permitted the use of funds to acquire the Edhod 11, despite the child care services not yet achieving the requirements for a Trigger Event. The lender has consented to Edhod 11 Acquisition being a permitted acquisition under the SFA.

As part of the Edhod 11 Acquisition agreement, TNK has agreed to provide pre-opening and management services to Edhod in respect of the remaining new child care developments and services ("the remaining Edhod pipeline") which do not comprise the Edhod 11. No management or other fees are payable by Edhod and its subsidiaries (approximately $100,000) to TNK for the provision of these services until 31 March 2020. The receivers of Edhod are seeking to sell the remaining Edhod pipeline, however these are expected to be sold to third parties and TNK does not expect any of these services to form part of TND's pipeline. Under the agreement, TNK is to consider any potential agreement with the third party incubators in relation to providing management services and acquiring the services comprising remaining Edhod pipeline. We understand that this relationship will be on similar terms to TNK's historical relationship with Edhod.

The agreement for the Edhod 11 Acquisition is unconditional on the Stapling Proposal being implemented and does not require shareholder approval.

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4.8. Capital structure and major shareholders

As at 30 September 2019, TNK had 60,862,889 fully paid ordinary shares on issue. The substantial shareholders in TNK as at 30 September 2019 are set out in the table below:

TNK – Substantial shareholders

Shareholder	Number of shares	% of total shares outstanding
Mathew Edwards	14,335,198	23.6%
FIL Investment Management (Singapore) Ltd.	5,758,035	9.5%
AustralianSuper	5,528,085	9.1%
Microequities Asset Management Pty Ltd.	3,533,616	5.8%
Celeste Funds Management Limited	3,447,000	5.7%
Total shares held by other substantial shareholders	**32,601,934**	**53.8%**
Other shareholders	28,260,955	46.2%
Total shares	**60,862,889**	**100.0%**

Source: TNK internal report as at 15 July 2019, TNK Appendix 3Y dated 6 August 2019, TNK Appendix 3Y dated 21 August 2019

TNK's largest single shareholder is Mathew Edwards who currently controls 23.6% of TNK's total shares outstanding.

As at 30 September 2019, TNK had 46,367 Performance Rights on issue, issued to executives in accordance with TNK's 2017 employee share option plan:

TNK – Performance Rights

Shareholder	Non-Quoted Performance Rights	% of number of rights on issue
Mathew Edwards	14,621	31.5%
Jenny Saliba	31,746	68.5%
Total Performance Rights	**46,367**	**100.0%**

Source: TNK Appendix 3Y dated 21 August 2019 and TNK management

The Performance Rights held by Mathew Edwards vest in three equal portions over a three year period commencing from date of grant, subject to TNK achieving budgeted targets set by the non-executive members of the Board from time to time that relate to the overall shareholder returns over the mid to longer term. The Performance Rights do not hold voting rights or the right to receive dividends. No amount is payable upon the issue or exercise of Performance Rights.

The Performance Rights held by Jenny Saliba vest equally over a three year period (with two tranches left to vest over the next two years) and are not subject to vesting conditions, other than continuing employment.

As discussed in section 1.7 above, since the Scheme Implementation Deed was executed and announced to the ASX, TNK has determined that the outstanding Performance Rights should not be subject to accelerated vesting but rather that their terms should be amended by agreement between TNK and the holders of the Performance Rights such that on vesting and exercise after the Scheme Record Date the holders will be issued shares in the Stapled Group rather than unstapled TNK shares. On this basis the Performance Rights will not participate in the Scheme unless they vest and are exercised prior to the Scheme Record Date.

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4.9. Distributions

The table below presents TNK's historical dividends for the last three and half years (CY16 to 1H CY19), comprising of both interim and final dividends:

TNK – Historical distributions

Year	Distribution type	Dividend (c/share)	Franking %
CY16	Interim	4.0	100%
	Final	5.0	100%
	Total CY16	**9.0**	**100%**
CY17	Interim	4.0	100%
	Final	6.0	100%
	Total CY17	**10.0**	**100%**
CY18	Interim	-	-
	Final	6.5	100%
	Total CY18	**6.5**	**100%**
1H CY19	Interim	2.0	100%
	Final	n/a	n/a
	Total CY19	n/a	n/a

Source: TNK CY16, CY17, CY18 Annual Report and TNK 1H CY19 Financial Statements and Investor Presentation

The TNK Board has determined to pay annual dividends of up to 65% of profits derived, enabling TNK to retain sufficient earnings to support the growth objectives of the Company. The Company also implemented a DRP under which Shareholders are able reinvest dividends that they would otherwise receive in cash to acquire more shares. Shareholders that elect to take shares instead of cash under the DRP will receive their shares at a discount of up to 5% of the volume weighted average market price over a period determined by the TNK Board.

Under the Scheme, a special dividend of $6 million will be paid by TNK to TNK shareholders, which will be immediately applied as consideration for the issue of new fully paid ordinary shares in TND. This dividend will only be declared if the Scheme is approved and implemented. The special dividend will not be received in cash by TNK shareholders.

4.10. Share price performance

The chart below shows the daily volume weighted average price ("VWAP") and trading volumes of TNK shares on the ASX between 1 January 2018 and 30 September 2019. Over that period, TNK's share price traded from a high of $2.29 on 19 January 2018, to a low of $1.10 on 7 November 2018. TNK's closing share price on 13 August 2019, being the last trading day prior to the Announcement Date, was $1.49.

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TNK – Share Trading Price and Volume

Source: S&P Capital IQ, ASX announcements

In addition to the regular half year and annual reporting announcements, the material announcements made by TNK between 1 January 2018 and 30 September 2019 that may have had an impact on TNK's share price, annotated on the graph above, are summarised below:

1. 16 February 2018: TNK announced its earnings results for CY17.

2. 7 March 2018: TNK announced it would acquire four child care services from its incubator partner for $5.7 million, the transaction was funded through a capital raising. The capital raising raised approximately $10 million, the funds were used also to strengthen the balance sheet and for other working capital purposes.

3. 31 May 2018: updated the market on the impact of the CCS. TNK offered guidance that approximately 99% families using TNK child care services will benefit under the CCS.

4. 28 June 2018: TNK announced that it has executed a Syndicated Facility Agreement for a five-year facility.

5. 9 November 2018: TNK announced it had agreed to purchase five child care services from its incubator partners at a multiple of 4.0x EBITDA. It was also announced that TNK's year on year occupancy gap had closed to 0.5% in comparison to CY17.

6. 27 February 2019: TNK announced earnings for CY18.

7. 25 March 2019: TNK announced capital raising to fund four newly constructed, purpose-built Nido child care services in Perth.

8. 6 June 2019: TNK announced that receivers had been appointed to Edhod, TNK's main incubator partner.

9. 4 July 2019: TNK announced it had completed the acquisition of four newly constructed, purpose-built Nido child care services from two incubator partners as announced to the market on 25 March 2019 and opened one new greenfield child care service.

10. 14 August 2019: TNK announced Scheme with TND to form a stapled structure. The announcement includes details of the proposed transaction with Mathew Edwards to sell to TND seven lease agreements for consideration of $5 million in shares in the Stapled Group.

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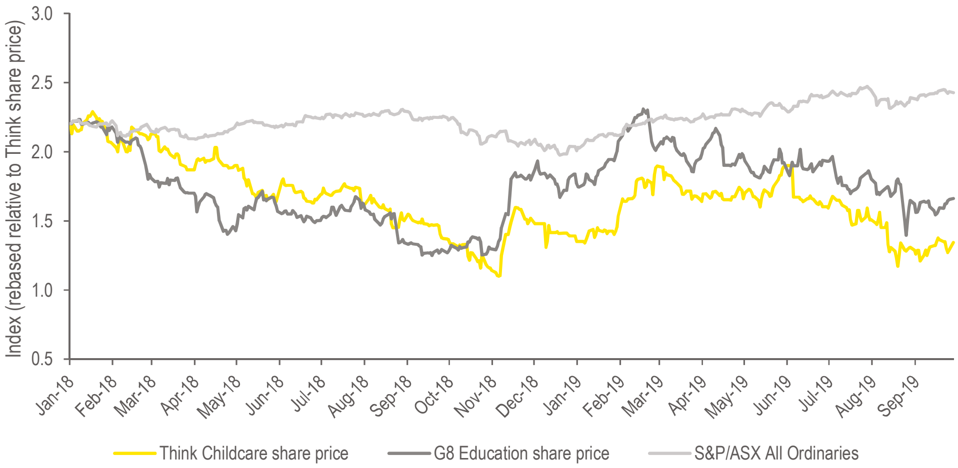
11. 23 August 2019: TNK announced an amendment to the proposed transaction, whereby Mathew Edwards will surrender all leases leaving TND to enter into new leases directly with landlords without the issue of equity or any payments to Mathew Edwards or any of his related entities.

Our analysis of the movements in TNK's share price and trading volumes indicates that its shares are not overly liquid:

- Over the past 12 months to 13 August 2019, the average monthly liquidity in TNK shares was 2.4%, implying annualised turnover of around 29% of total issued capital.
- TNK's shares that are likely to trade (i.e. all shares excluding those held by substantial shareholders or Directors) is only approximately 44%.
- TNK is covered by only four analyst firms.
- TNK is not a member of any index, other than the ASX All Ordinaries and as such, many funds are not required to, or may be restricted from, holding its stock.

The following chart illustrates the correlation between movements in TNK's share price with the S&P/ASX All Ordinaries Index and G8 Education's share price:

TNK share price vs G8 Education and S&P/ASX All Ordinaries Index (rebased to TNK share price)



Source: S&P Capital IQ and EY Transaction Advisory Services analysis

The graph shows that over the period from January 2018 to October 2018, TNK's share price outperformed G8 Education's share price, however since October 2018, G8 Education's share price has outperformed TNK's. G8 Education's share price experienced a 16.6% increase between 14 November 2018 and 16 November 2018, which coincided with an announcement to the market on 15 November 2018 providing updates on debt refinancing and the performance of G8 Education's greenfield portfolio cohorts, its primary driver of growth. G8 Education's share price has continued to outperform TNK's share price since.

Despite G8 Education's outperformance, movements in the share price of both companies has largely mirrored each other, indicating that competitor performance and industry wide trends are significantly impacting TNK's share price. In particular, during 2018 there were concerns of oversupply and uncertainty in relation to the impact of the new CCS regime. In CY19, these concerns appear to have eased, leading to an increase in relative share price performance. Both companies have underperformed relative to the S&P/ASX All Ordinaries Index.

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5. Overview of the Stapled Group

5.1. Summary of activities

If the Scheme is approved and implemented, TNK and TND will form a Stapled Group, to be known as Think Childcare Group. An overview of the anticipated activities, funding sources and Board members of both entities is set out below

	TNK	TND
Board members	► Mark Kerr (chair) ► Joe Dicks (independent non-executive director) ► Evonne Collier (independent non-executive director) ► Mathew Edwards (executive director and CEO)	► Mark Kerr (chair) ► Joe Dicks (independent non-executive director) ► Mathew Edwards (executive director and CEO) ► Michael Doble (non-executive director)
Key funding sources	► $58 million loan facility ($22.5 million undrawn) ► Existing cash flow from mature services.	► $6 million capital contribution from TNK shareholders ► $7.5 million loan funding from TNK ► Profits on sale of traded up services to TNK
Key activities	► Operator of owned mature leasehold services. ► Provision of management and other services to both TND and other incubators in return for a range of fees. ► Acquisition of services from TND and third-party incubators once they have been traded up. The acquisition purchase price mechanism is pre-agreed with TND and the incubators under Centre Management Agreement, and is generally 4 times annualised EBITDA.	Responsible for all greenfield site development costs, including: ► payment of fees to TNK for establishment and management services[55] ► tenant contributions ► costs of bank guarantees provided to landlords ► trade-up losses ► Initial focus will be on the 18 initial pipeline

Source: EY and Explanatory Booklet

5.2. Management

TND will have an its own management team, separate from TNK. The team will include a chief development officer ("CDO"), financial controller, legal and a project manager. The TND management team will work closely with TNK to manage the trade-up of the initial new child care developments and new child care services.

TNK will provide certain management and administration services to TND under the terms of the Management Deed, described in more detail in Section 12.1 of the Scheme Booklet. The Management Deed appoints TNK to assist TND with its day to day operations of the business including financial, administration, and compliance services. TNK will also support TND's management with corporate governance, secretarial support, budgeting, strategic planning, development and leasing services. TND and its employees are also allowed the use of TNK's office and property equipment, facilities and materials to assist with day to day operations and management of TND. TND will pay a management fee to TNK of $20,000 per month (or other amount agreed by the parties).

Each individual new child care service will have a separate Centre Management Agreement between TNK and TND, these agreements will be on substantially the same terms as those with existing third-party incubator partners.

[55] TND will pay TNK a range of fees for support during establishment and trade-up, including one off establishment fees, site approval fees, licence fees to use the Nido brand and monthly management fees for provision of support during trade-up. These intergroup transactions will be eliminated in the consolidated accounts. These fees will not be paid by TND once the centre is sold to TNK.

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TNK and TND will form separate cash generating units (or business units) and will be reported in the notes to the consolidated report.

5.3. Intercompany transactions

TNK and TND will prepare separate audited accounts and for presentation purposes, a notional consolidation will also be prepared. The consolidated accounts will eliminate all intercompany transactions between TNK and TND, including those arising from the sale of services from TND to TNK, intercompany charges and other fees and loans between the two entities. However, TND and TNK will remain separate legal entities for the purposes of lending covenants, and cross-guarantees across the staple will not be permitted. In effect, this means that financiers lending to TNK will not be able to obtain security or otherwise access the assets of TND, and vice versa.

5.4. Dividend policy

TNK and TND will have separate dividend policies, reflecting their different activities and cash flows, and any dividends will be declared and paid separately by TND and TNK. Subject to amendments to TNK's dividend reinvestment plan, dividends can only be reinvested into Stapled Securities. This means that shareholders will receive an identical number of TNK and TND shares should they elect to reinvest a dividend under the revised DRP. The amount used to apply for TNK shares and TND shares may be provided for by the Directors with regard with the issue price of TNK shares.

TNK's current stated dividend policy is to pay out up to 65% of net profit after tax, subject to retention of sufficient funds to support the growth objective of TNK. Following implementation of the Scheme, the dividend policy of TNK will remain unchanged. TND is unlikely to pay a dividend in the short to medium term, as it will reinvest any profits into the development of its future trade-up pipeline.

5.5. Future capital raising

To the extent that the Stapled Group undertakes future capital raising, capital will be allocated in accordance with the Scheme Implementation Deed. This ratio is initially set at 90% TNK and 10% TND, but this may change over time. The allocation is to be determined on the basis of fair value by agreement among TND and TNK. If the parties cannot agree, then an independent accountant jointly nominated by the parties must be instructed to determine allocation based on fair market value determined by the independent accountant having regard to the respective net tangible asset backing of the TNK and TND shares immediately prior to the issue.

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6. Evaluation of the Scheme

In forming our opinion as to whether the Scheme is in the best interests of TNK shareholders, we have considered:

- The rationale for the Scheme
- The impact on the underlying businesses
- Other qualitative factors which we believe represent either advantages or disadvantages to TNK shareholders; and
- The alternatives available to TNK shareholders

Consistent with RG 111 we have considered the potential advantages and disadvantages to the TNK shareholders of the proposed Scheme and considered whether the advantages outweigh the disadvantages in the context of TNK's position in the future.

In this regard, we consider that the advantages and disadvantages or rejecting the Scheme are the inverse of the advantages and disadvantages of accepting the Scheme.

6.1. Rationale for the Scheme

The rationale for the Stapling Proposal is to reduce TNK's dependency on third party incubators and establish a model for sustainable growth and shareholder returns, through the development of high quality child care services. To date TNK has primarily relied on third party incubators to deliver its new child care services with Edhod being TNK's main incubator. The announcement on 6 June 2019, that Edhod, had been placed into receivership by its lenders further supported the rationale for a new strategy to secure its future pipeline. Edhod is the holding company of the Edhod Group and held leases or agreements for lease over a number of greenfield and trading up child care services. Edhod's pipeline represented 80% of TNK's acquisition pipeline, all of which were to be purpose built Nido facilities.

The appointment of a receiver to Edhod raised some doubt over whether TNK would be able to acquire traded up services from Edhod as it had planned, and its growth pipeline of new mature services would be constrained. In response, the share price of TNK fell 14% in one day from $1.89 on 6 June 2019 to $1.62 on 7 June 2019.

On 14 August 2019, TNK announced the Stapling Proposal. TNK's stated benefits for the creation of the Stapled Group include the following:

- Provides a structural platform to allow TNK to become an operator of only mature child care services over time
- Enables the Think Childcare Group to reduce its reliance on Third Party Incubators by partially internalising new child care services and the trade up of new child care services TND
- Enables the separation of financing of mature child care services in TNK from the financing of new child care services in TND, thereby expecting to optimize debt financing costs
- Allows TNK to recognise on TNK's balance sheet a proportion of the goodwill value created on trade-up operations in TND
- Allows the Think Childcare Group to retain profits derived by TND from the sale of mature child care services to TNK will, in part, fund TND's future development pipeline
- Provides Stapled Securityholders transparency of earnings from what is intended to be mature child care services in TNK and new child care development and new child care services in TND

We note that some of these benefits could be achieved through TNK continuing to undertake its own greenfield activities and may not require the implementation of the Stapling Proposal. For instance, TNK could control its own pipeline by no longer working with third party incubators and undertake greenfield trade up activities itself (which it has historically done).

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However, TNK's stated strategy is to grow the number of mature services it operates, specifically high-quality purpose built Nido services. Given the superior occupancy rates (and associated profitability) of these services, it is reasonable to assume that should TNK increase its number of owned purpose-built Nido services, this is likely to lead to an improvement in its underlying earnings, through improved economies of scale.

Due to the constraints of the SFA, the Stapled Structure is considered the most appropriate mechanism through which to achieve this. Under the SFA, TNK is entitled to undertake development and trade up of greenfield services, however this is limited to $3 million in funding (approximately 2-4 services) in the relevant financial year. This has effectively constrained TNK's ability to open greenfield services and increased its reliance on third-party incubators in order to grow its number of mature services. TNK has opened only 5 greenfield services between listing in 2015 and 30 September 2019, however has acquired 26 services over the same period.

The debt covenants under the SFA have also constrained greenfield activity. The cost of funds drawn under the Facility A, B and C is based on a base rate plus a margin. The margin is variable and ranges from 2.5% to 3.5% depending upon TNK's total leverage ratio (net debt/EBITDA). Greenfield sites can take up to 18 months[56] to generate profits and these losses decrease earnings which in turn increases TNK's leverage ratio. This results in a higher margin being charged on the entire drawn facility, not just on the funds drawn to support greenfield activities. The resulting increase in debt costs further erodes cash flows.

Given these constraints, in order to grow its service numbers, TNK will have to acquire existing mature services, or continue to work with third-party incubators. There are risks associated with each of these activities. The acquisition of mature services acquired from non-incubators are likely to require additional integration costs, including re-branding to Nido standards. As noted in section 1.5, some incubators are coming under some pressure following reduced banking appetite to fund the child care sector and increasing security requirements sought by landlords in the terms and conditions of leases. This has also limited incubation activity and impacted TNK's acquisition pipeline. The creation of the Stapled Group, and initial capitalisation of TND with equity and debt funding from TNK, mitigates these risks and allows TND (as part of the Stapled Group) to develop and trade up services more rapidly than would otherwise be case if TND remains a subsidiary entity of TNK.

Many of the other stated benefits of the Proposed Stapling are ancillary to this primary rationale and are discussed below.

6.2. The impact on the underlying businesses

6.2.1. TNK shareholders' ownership interests

The Scheme is effectively splitting the future operations of TNK into two distinct companies. The $6 million dividend, reinvested by TNK shareholders, along with a loan from TNK to TND, forms the initial capital estimated to be required to allow TND to trade-up its initial pipeline of up to 18 services. This is expected to take some 36 months.

The Scheme does not result in a change in the shareholders economic interest in the businesses currently owned by TNK. As a result, the relative ownership interest held by TNK shareholders will be equal to their ownership interest prior to implementation of the Scheme, albeit the ownership will be held in two separate companies which are stapled and cannot be traded separately.

6.2.2. Operation and strategy

As discussed above, one of the main reasons underpinning the Stapled Proposal is the ability to mitigate the impact of the constraints on TNK under its existing loan facilities to acquire and trade up greenfield child care services.

As a separate entity, TNK will only operate mature child care services, and its earnings will not be impacted by new child care services trade up losses (as all new child care development and new child care services would be undertaken by TND)[57]. This "quarantining" of cash flows means that TNK would be expected to benefit from a relatively low leverage ratio, resulting in a lower margin applied under the SFA. The

[56] TNK has experienced shorter trade up periods in instances where they have direct control over marketing and tenant works
[57] TNK will undertake trade up in the short term following the acquisition of the Edhod 11 existing child care services

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intercompany loan provided by TNK to TND, drawn under the SFA, will attract a lower margin (because it is supported by mature service earnings) than if TND sought its own debt funding.

TND will be capitalised under the Scheme with equity funding, and an intercompany loan from TNK, being total capital of up to $13.5 million, and will use this capital for new child care development and new child care services. Financial modelling prepared by TNK indicates these funds are expected to be sufficient for TND to commence establishment and trade-up of its initial pipeline of up to 18 services, which is expected to take some 36 months to complete (because the establishment of centres will be staggered). As services are established, they will be acquired by TNK, growing its portfolio of mature services. Based on a number of assumptions, the modelling indicates that TNK has sufficient funding under its existing SFA and cash flows from operations of mature services to fund the acquisitions. TND is expected to generate profits on the sale of these service to TND and it is expected that TND will be in a position to repay its loan from TNK from TND by the beginning of CY22.

There are risks that the services established by TND do not perform as expected, and trade up losses are greater than anticipated, such that the acquisition does not occur. Should services not perform, the Stapled Group may choose to seek to dispose of the service. In extreme circumstances, TND may exit the lease and close the service, which is likely to trigger penalties under the lease. However, TNK's historical experience with purpose built high quality Nido services is that they reach required occupancy levels relatively quickly.

When TND has developed its initial 18 child care services in its initial pipeline, it will continue to work with landlords to identify and establish new services. TND's capital for these activities could be from project finance sources or from future capital raises of the Stapled Group. TNK's assets would not be able to be used to guarantee any of TND's borrowings, and any obligations to financiers would be limited to TND's assets.

6.2.3. Management and board of directors

As referred to above in sections 1.4 and 5.2, the two companies will have separate management teams, but will share some common directors, including a common non-executive director. It is expected that TND will benefit from the governance and infrastructure of TNK, and also its expertise in working with incubators. This benefit however could be achieved in the absence of a Stapled Group.

6.3. Other qualitative factors

6.3.1. Advantages of the Scheme

More rapid development of pipeline at a lower cost of funds

The initial capitalisation of TND will be via $6.0 million equity investment from TNK shareholders, and a loan from TNK of up to $7.5 million (total up to $13.5 million). This is more than the annual $3.0 million permitted under the SFA for greenfield activities and should mean TNK is able to trade up a higher number of services than permitted under the SFA in a shorter timeframe.

Interest on the intercompany loan will be based on the margin being paid by TNK under the SFA, plus a small additional margin. It is expected the cost of these funds will be lower than if TND directly sought debt funding for its new child care development and new child care services, because it will be supported by TNK's earnings from mature service and its consequently lower leverage ratio. If TND remains as a subsidiary of TNK, TND would not be able to benefit from this reduced cost of funds, achieved by quarantining earnings from mature services from trade up activities.

While TNK will be subject to trade up risk and an increase in the cost of funding immediately following the Edhod 11 Acquisition, Management forecast this to be short term and expect the Edhod 11 to trade up on or before December 2020. Going forward, trade up is to be quarantined within TND and TNK will transition the composition of its portfolio over time to solely own and operate mature child care centres and cease to undertake greenfield developments.

Reduced complexity in managing covenant position

Each of TNK's services are typically contained within a separate legal entity. As the business has grown, TNK's corporate structure has become more complex (TNK currently has over 50 entities). Structural separation of the security pools will mean that TNK as operator can offer lenders (current and future) a simpler group where

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all subsidiaries within the group are obligors (guarantors). This facilitates simpler financing and lower administration costs.

More control over TNK's pipeline to accelerate its growth strategy

TNK is transitioning all its operating services to the Nido brand and philosophy. TND will develop and trade-up only Nido services. The close relationship between TNK and TND will mean that it is better able to control its acquisition pipeline and its trade-up partner, TND. This reduces the relative risks compared to the acquisition of mature services from third parties, which may lead to greater integration and/or execution risk. We note that this benefit could be achieved if TND remained a subsidiary of TNK and the stapling did not proceed.

Increased transparency of the financial results of the trade-up partner and operator

The Stapled Group will prepare audited accounts for both TNK and TND, together with a consolidated position that eliminates all transactions between TNK and TND. By reporting TNK and TND as separate segments, this is expected to provide shareholders will a greater degree of visibility and transparency over the financial performance and financial position of TNK and TND, compared to TND as a subsidiary of TNK. We note that separate financial reporting of trade up activities could be undertaken by TNK even if the Stapling Proposal does not proceed.

Recording of the full acquisition price by TNK

Currently, when TNK established a greenfield service, it capitalises the associated costs on its balance sheet, and amortises this cost over five years. Because the site is never "acquired", the full value of the service once it has been traded up is not recorded in TNK's financial statements. In contrast, as two separate entities, when TNK acquires services from TND, it will record the full value of the service as an acquired asset (predominantly goodwill). This will positively impact TNK's debt to total asset and debt to equity ratios and may be favourably viewed by investors when comparing TNK's gearing levels (being the mature service operating entity) with other listed competitors. We note however that these transactions will be eliminated upon consolidation and there will be no impact on these ratios at a consolidated level.

Sale proceeds will be retained in the Think Childcare Group

Currently, when TNK acquires a mature child care service from an incubator, the sale proceeds are received by a third party. The Stapled Structure will reduce TNK's reliance on third party incubators as it is expected to acquire a significant number of its mature child care centres from TND, the sale proceeds for these acquisitions will be retained in the Think Childcare Group. The sale proceeds are expected to fund the future new child care development and trade up operations in TND. Management expect the intercompany loan between TNK and TND, to fund the initial pipeline, to be repaid in early CY22.

6.3.2. Disadvantages of the Scheme

Increased exposure to trade-up risks

The separation of TNK's and TND's activities via the Scheme is designed to allow TND to develop and trade-up services more rapidly than would otherwise be the case. This increases the risk profile of the Stapled Group, compared to TNK's current activities, which include only limited greenfield activity. Should the Stapling Proposal be implemented, the Stapled Group will be in a position to establish and trade up initially up to 18 services (staggered over 36 months), with more expected to follow. TND will be likely required to spend money on tenant contributions and will be exposed to losses during the trading up of these services and the risk they underperform. Delays in opening services and/or poor performance of services held in TND may delay the sale of services to TNK (as the services will not meet the required hurdles for acquisition by TNK), which will then impact TNK's ability to grow its service numbers.

TNK's main incubator partner recently went into receivership as the incubator model comes under pressure following reduced banking appetite and increasing security requirements sought by landlords in the terms and conditions of leases. TNK is an established, incorporated business with corporate governance and an experienced management team. TNK's established business model and relationships with landlords may enable them to negotiate more favourable terms than third party incubators.

The stapling of TNK and TND's shares means that the share price performance of the Stapled Group will be impacted by the financial performance and risk profile of both TNK and TND. Some TNK shareholders may

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not wish to be exposed to a greater level of trade-up risk than what TNK currently is exposed, under its existing SFA.

Additional costs of Stapled Structure

It is expected there will be some additional costs associated with the operation of the Stapled Group, including ASX listing fees, annual reporting, audit fees, directors' fees for those directors acting on both boards and a new additional director in TND, directors' and officers' insurance premiums, registry costs and costs associated with company secretarial support. ASX listing fees are expected to be approximately $156,000 and recurring fees are expected to be less than $300,000 (inclusive of directors' fees) per annum.

TNK and TND do not form a tax consolidated group

As a Stapled Group, TNK and TND will be separate legal entities and will not be grouped for tax purposes. As such, income tax will be payable on the earnings generated from intercompany transactions between TNK and TND including sale proceeds earned by TND from the sale of mature child care services to TNK and management fees earned by TNK from the provision of services to TND. This may generate a higher level of income tax payable by the Think Childcare Group compared to TNK trading up greenfield child care services within the current business model of TNK. It will however be partly mitigated by the fact that TND will be realising profits leading to their tax obligations. Under the previous model profits were generated (and taxes presumably paid) by the third party external incubators, who represented historically over 70% of TNK's pipeline.

Additionally, any losses generated by TND during trade up of services will not be able to offset against profits made by TNK's operating business activities, which may have a consequent impact on TNK's income tax expense. Forecast modelling provided suggests development profits and tax payable from CY20. Tax losses generated by TND can be utilised by TND in future years.

Transaction costs

TNK estimates that it will have incurred or committed to incur total transaction costs of approximately A$1.1 to A$1.3 million, excluding GST in relation to the Scheme prior to the Scheme Meeting. These costs would be incurred irrespective of whether or not the proposed Scheme was approved and implemented.

Tax implications

There may be certain tax implications for individual TNK shareholders in connection with the Scheme if it is approved and implemented. The exact nature and impact is uncertain and will depend on the profile of each TNK shareholder. These specific consequences need to be borne in mind by each TNK shareholder in weighing up the merits of the Scheme. In broad terms, Australian resident TNK shareholders will be required to include the grossed-up amount of the dividend as assessable income in their tax returns but will receive a credit for the amount of tax paid by TNK applied to that dividend (the dividend is expected to be fully franked at 30% tax rate). Consequently, there may be TNK shareholders with a marginal tax rate of over 30% who may ultimately pay tax on the dividend, notwithstanding that the cash amount of that dividend will be reinvested rather than be received by those shareholders. The amount of the dividend for each TNK shareholder will form the cost base of the TND shares received by TNK shareholders.

As such, TNK shareholders should refer to section 9 of the accompanying Explanatory Booklet for a detailed explanation of the potential tax consequences.

Market for Stapled Securities

As a Stapled Group, TNK and TND will be listed on the ASX under one ticker. While stapled securities have become more common in recent years, this has predominately been in relation to the real estate property investment sector and to date there has been no market for stapled securities in the child care sector. The future market price and liquidity of the Stapled Security and will be impacted by a number of factors including the performance of TND.

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6.4. Alternatives available

Prior to considering the implementation of a stapled structure, the alternatives considered by the Directors are as follows:

- ***Do nothing***: if TNK decided to do nothing, the Directors believe that TNK's future growth would be inhibited given that a significant majority of TNK's acquisition pipeline has historically been delivered by Edhod, which, as announced to ASX on 6 June 2019, has been placed into receivership.
- ***Create a subsidiary structure:*** if TNK incorporated a subsidiary or subsidiary structure (i.e. with TND continuing to operate as a subsidiary) to undertake development and trade up, then both TNK and their subsidiary would remain subject to the same limitations of the existing SFA.
- ***Renegotiate the SFA***: the Directors consider that the existing lender has limited appetite to finance a child care portfolio that contains exposure to trade-up operations (other than what is currently permitted under the existing SFA). The Directors also consider there to be limited appetite in the Australian debt markets to finance the incubation of child care developments of the magnitude that is intended by TNK.
- ***Capital raising:*** Alternatively, TNK may seek to raise further equity capital to fund the establishment of its new child care services. However, TNK would remain subject to the same limitations of new child care developments under the existing SFA. The Directors consider that a new capital raising is only realistic at a price and on terms that would be highly dilutive to existing shareholders.

After considering the alternatives, should the Stapling Proposal not proceed, TND (as a subsidiary of TNK) will be unlikely to be in a position, under existing financing arrangements, to incubate the 2 agreements for lease and all of the 12 uncontracted new child care development opportunities within a reasonable timeframe. This is likely to mean TND will no longer pursue the 12 uncontracted opportunities because landlords are unlikely to delay projects until TND can obtain funding. While this is not expected to result in penalties being paid by TND, it could adversely affect TND's relationship with landlords. The reduction in the pipeline could adversely affect the market's perception of TNK's ability to grow its service numbers and underlying EBITDA, particularly in light of TNK's major incubator partner, Edhod, being in receivership.

6.5. Other relevant factors

6.5.1. Stapled groups

Stapled groups have become more common in recent years on the ASX, particularly in relation to the listed real estate property investment sector. Stapled groups typically involve the stapling of a property management or trading company, and a property ownership trust. The trust receives passive rental or finance income from the company, while the company carries out trading operations. Historically, stapled groups have provided tax advantages to investors (due to the "flow through" nature of the trust), however, these benefits have diminished for investors (in particular foreign investors) in some stapled entities due to Federal legislation enacted in April 2019.

However, it is important to note that the proposed TNK Stapled Group is different to traditional stapled structures. Firstly, it involves the stapling of two companies (not a company and a trust) and any dividends declared by either entity will be treated the same in the hands of stapled security holders. Secondly, it is not proposed that TND or TNK will invest in real estate or receive passive rental income. Rather, TND and TNK will be tenants under long term leases, responsible for rent payments to landlords. The Stapled Group is therefore not impacted by the recent legislative changes.

6.5.2. Board view

We note the Directors of TNK have unanimously recommended the Scheme to TNK shareholders, in the absence of a superior proposal.

6.5.3. Market reaction to the proposed Scheme

The last traded price of a TNK share on 13 August 2019, being the day before the Scheme was announced, was $1.48. Since the announcement (which coincided with the release of TNK's half-year financial results), the share price has declined, as shown in the following chart:

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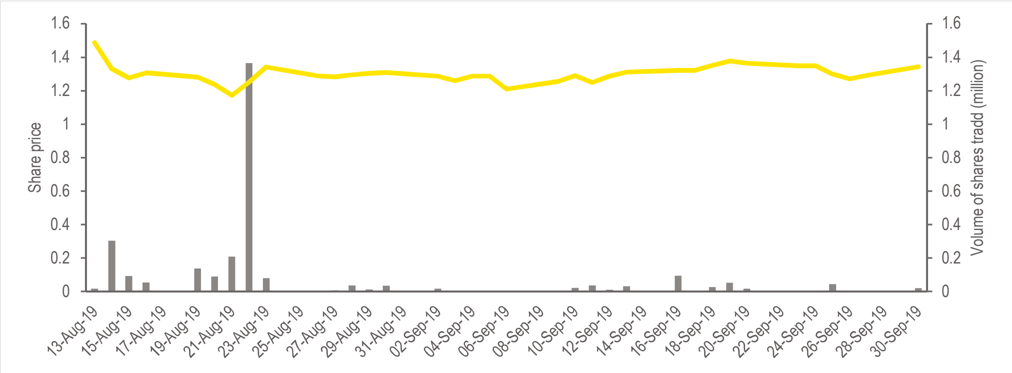
TNK - Share Trading Price and Volume



Source: S&P Capital IQ and EY Transaction Advisory Services analysis

We note that on 22 August 2019, a large volume of shares was traded, and the share price increased from $1.17 to $1.25, which coincided with TNK's announcement that the leases associated with Mr Edwards would not be acquired by TNK for consideration. It is difficult to clearly ascertain the market reaction to the Proposed Scheme as TNK's shares are relatively illiquid and TNK has only limited broker coverage.

6.6. Conclusion on the Scheme

Ernst & Young Transaction Advisory Services consider the potential advantages of the Stapling Proposal outweigh the potential disadvantages of the Stapling Proposal and that the Scheme is in the best interests of TNK shareholders.

This independent expert's report has been prepared to assist TNK's Shareholders in assessing the merits of the Scheme. In doing so, the report provides general information only and does not consider the individual situation, objectives and needs of each TNK shareholder. On this basis, TNK shareholders should consider whether this report is appropriate for their circumstances, having regard to their own situation, objectives and needs before relying on or taking action based on this report. If there is any doubt, TNK Shareholders should seek their own professional advice.

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Appendix A Statement of qualifications and declarations

Ernst & Young Transaction Advisory Services Limited, which is wholly owned by Ernst & Young, holds an Australian Financial Services Licence under the Corporations Act and its representatives are qualified to provide this Independent Expert's Report. The directors and representatives of Ernst & Young Transaction Advisory Services Limited responsible for this Independent Expert's Report have not provided financial advice to TNK.

Prior to accepting this engagement, we considered our independence with respect to TNK with reference to Regulatory Guide 112: *Independence of experts*.

This Independent Expert's Report has been prepared specifically for the shareholders of TNK in relation to the Proposed Transaction. Neither Ernst & Young Transaction Advisory Services Limited, Ernst & Young, nor any member or employee thereof, undertakes responsibility to any person, other than the shareholders of TNK, in respect of this Independent Expert's Report, including any errors or omissions howsoever caused.

The statements and opinions given in this Independent Expert's Report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this Independent Expert's Report we have relied upon and considered information believed after due inquiry to be reliable and accurate. We have no reason to believe that any information supplied to us was false or that any material information has been withheld from us. We have evaluated the information provided to us by TNK and its advisors through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our Independent Expert's Report. We do not imply and it should not be construed that we have audited or in any way verified any of the information provided to us, or that our inquiries could have verified any matter which a more extensive examination might disclose. Specifically, our review of the property valuation reports does not, however, imply that the valuations reviewed have been subject to any form of audit or due diligence.

TNK has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us by them in the preparation of this Independent Expert's Report.

EY Transaction Advisory Services provided draft copies of this Independent Expert's Report to the directors and management of TNK, including Ms Saliba, for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of us alone. Changes made to this Independent Expert's Report as a result of this review by the directors and management of TNK have not changed the methodology or conclusions reached by us.

EY Transaction Advisory Services will receive a professional fee based on time spent in the preparation of this Independent Expert's Report estimated at approximately $165,000 (inclusive of GST). We will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the preparation of this Independent Expert's Report.

The principal persons responsible for the preparation of this report are Julia Fry and Stuart Bright. Julia Fry, a director and representative of Ernst & Young Transaction Advisory Services Limited and a partner of Ernst & Young Australia has over 20 years experience in providing valuation advice and has professional qualifications appropriate to the advice being offered. Julia has read the Federal Court's Harmonised Expert Witness Code of Conduct, and agrees to be bound by it. Stuart Bright, a director and representative of Ernst & Young Transaction Advisory Services Limited and a partner of Ernst & Young Australia has nearly 30 years experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered. We have made all inquiries which the we believe are desirable and appropriate (save for any matters identified explicitly in our report), and that no matters of significance which we regard as relevant have, to our knowledge, been withheld from the Court.

The preparation of this Independent Expert's Report has had regard to ASIC Regulatory Guides and APES 225 *Valuation Services* issued by the Accounting Professional and Ethical Standards Board Limited in July 2012. It is not intended that the Independent Expert's Report should be used for any other purpose other than to accompany the Notice of Meeting and Explanatory Booklet to be sent to TNK Shareholders. In particular, it is not intended that this Independent Expert's Report should be used for any other purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is in the best interests of the shareholders of TNK as a whole.

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Any forward looking information prepared by TNK and used as a basis for the preparation of this Independent Expert's Report reflects the judgement of TNK management based on the present circumstances, as to both the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the relevant future period will almost always differ from the forward looking information and such differences may be material. To the extent that our conclusions are based on such forward looking information, we express no opinion on the achievability of that information.

We consent to the issue of this Independent Expert's Report in the form and context in which it is included in the Explanatory Booklet.

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Appendix B Sources of information

In arriving at our views, we have had regard to the following sources of information:

- Audited Financial Statements of TNK CY15, CY16, CY17, CY18 and 2019
- The reviewed half year results of TNK at 1H CY16, 1H CY17, 1H CY18, 1H CY19
- Scheme Implementation Deed and supporting Schedules
- Explanatory Booklet: Scheme of Arrangement and General Meeting in relation to the Restructure Proposal
- Details of TNK shareholders and Performance Rights as provided by Management
- Various strategy papers prepared by Management
- Details on the SFA as provided by Management
- Details on TNK's pipeline as provided by Management
- Details on child care services occupancy, licenses places and greenfield establishment and trade up costs as provided by TNK Management
- Example Lease agreement and Centre Management Deed
- Financial Model as provided by Management
- ASX announcements for Think and comparable companies
- Company websites for Think and comparable companies
- Market data obtained from sources including ThomsonOne, S&P Capital IQ, Mergermarket & Factiva
- Government data obtained from sources including Department of Education, Productivity Commission, Australian Bureau of Statistics
- Reports on Preschool Education and Childcare services industry in Australia published by IBISWorld

In addition, we held discussions with Jenny Saliba, Chief Financial Officer and Matthew Bode, of Think.

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Appendix C Glossary

Glossary	
Abbreviation	Full Title / Description
$ or AUD	Australian Dollars
1H CYXX	First half calendar year XX
Accordion Facility	Debt provision that allows the borrower to seek commitments for additional facilities to be provided
ACECQA	Australian Children's Education & Care Quality Authority
Act	Corporations Act
Affinity	Affinity Education Group
Announcement date	14 August 2019
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Baker Street	Baker Street Childcare Education Propriety Limited
BBSW	Bank bill swap rate
CAGR	Compound average growth rate
CCB	Child Care Benefit
CCS	Child Care Subsidy
Child care service	A place that provides, or is proposed to provide, long day care services
Company	Think Childcare Limited
Corporations Act	The Corporations Act 2001
CYXX	Calendar year XX
DecXX	Financial year ended 31 December 20XX
DRP	Dividend Reinvestment Plan
ELK	Early Learning & Kinder
Edhod	Edhod Pty Ltd as trustee for the Edhod Unit Trust being the holding company of the 'Edhod Group' of companies
Edhod 11	11 child care services to be acquired by TNK
Edhod 11 Acquisitions	the transaction between TNK and Edhod (and its related subsidiaries) under which TNK has agreed to buy and Edhod has agreed to sell 11 child care services as announced by TNK to ASX on 21 October 2019
Ernst & Young Transaction Advisory Services	Ernst & Young Transaction Advisory Services Limited
Existing child care services	an existing Child Care Service that is trading or has previously traded under a third party operator at the point in time that the business is acquired by TND or TNK (or a wholly owned subsidiary of TND or TNK) and that does not satisfy the criteria to be classified as a Mature Child Care Service.
Foreign Shareholders	TNK Shareholders located outside Australia and New Zealand
FSG	Financial Services Guide
Greenfield	Denoting or relating to a child care service that has not previously traded, a child care service ceases to be a greenfield child care service when it satisfies the criteria to be classified as a mature child care service
LDC	Long day care
LEA	Learning & Education Australia
Management	TNK Management
Management Deed	Management agreement governing the provision of support services by TNK to TND
Mature child care service	A child care service will become a mature child care service once occupancy and other metrics are met

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New child care development	The development and establishment of a new child care service, which TND (or a wholly owned subsidiary of TND) has entered into an agreement for lease to lease and operate from practical completion of the development, but which has not yet been issued with a licence from the relevant authority to commence trading as a child care service
New child care service	a child care service that was a new child care development but which has commenced trading as a child care service and which is operated by TND (or a wholly owned subsidiary of TND) from that day. A child care service ceases to be a new child care service when it satisfies the criteria to be classified as a mature child care service
Nido	Nido Early School
NQF	National Quality Framework
Performance Rights	Performance rights issued in accordance with TNK's employee option plan
PPE	Property, plant and equipment
Regulations	Schedule 8 of the Corporations Regulations 2001
Report	Independent Expert Report dated 29 October 2019
RG 111	Regulatory Guide 111: Content of expert reports
RG 112	Independence of experts
Scheme Booklet	The scheme booklet in respect of the Proposed Scheme
Scheme Consideration	Think Childcare Limited shareholders will receive a fully franked special dividend, which will be immediately applied on their behalf by to subscribe for new fully paid ordinary shares in TND
Scheme Implementation Deed	Agreement between TNK and TND with the intention of forming a Stapled Group
Scheme Meeting	General meeting of the Think Childcare to be held on 5 December 2019
Scheme Resolution	Resolution to enter into the Scheme Implementation Deed
SFA	Syndicated Facility Agreement
Special dividend	The proposed fully franked special dividend in an aggregate amount of $6 million upon implementation of the Scheme
Stapled Group	Stapled security structure known as Think Childcare Group
Stapled Securities	TNK and TND shares which trade under one ticker on the ASX
Stapling Proposal	Proposal for TNK to form a stapled group with TND
Supporting Resolutions	Resolutions to approve the replacement of the constitution of TNK, to approve TNK and TND to enter into the Stapling Deed and to approve TNK entering into the Management Deed with TND
The Scheme	The scheme of arrangement between TNK and its shareholders and supporting resolutions
Trigger Event	The occurrence of a greenfield child care service, new child care service or existing childcare service satisfying the performance criteria which entitles TNK to exercise a call option under the relevant Centre Management Deed to purchase the relevant child care service.
TND	Think Childcare Development Limited
TNK	Think Childcare Limited
VWAP	Volume weighted average price

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Ernst & Young Transaction Advisory Services Limited
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT EXPERT'S REPORT

29 October 2019

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited ("Ernst & Young Transaction Advisory Services" or "we," or "us" or "our") has been engaged to provide general financial product advice in the form of an Independent Expert's Report ("Report") in connection with a financial product of another person. The Report is set out in Part 1.

2. Financial Services Guide

This Financial Services Guide ("FSG") provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.

5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is $165,000 (inclusive of GST).

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Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits referred to above, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services, if any, is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services	**Contacting the Independent Dispute Resolution Scheme:**
AFS Compliance Manager Ernst & Young 200 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Australian Financial Complaints Authority Limited GPO Box 3 Melbourne, VIC 3001 Telephone: 1800 931 678

This Financial Services Guide has been issued in accordance with ASIC Corporations (Financial Services Guides) Instrument 2015/541

A member firm of Ernst & Young Global Limited
Ernst & Young Transaction Advisory Services Limited, ABN 87 003 599 844
Australian Financial Services Licence No. 240585
AFS 00290522

Nido Early School, Hocking, WA

APPENDIX 2 – SCHEME OF ARRANGEMENT

Scheme of Arrangement

Think Childcare Limited ABN 81 600 793 388 (**Think**)
Scheme Shareholders

Level 23 Rialto Towers 525 Collins Street
Melbourne Vic 3000 Australia DX 204 Melbourne
T +61 3 8608 2000 F +61 3 8608 1000
minterellison.com

ME_161273928_5

MinterEllison

APPENDIX 2 - SCHEME OF ARRANGEMENT

Scheme of Arrangement

APPENDIX 2 - SCHEME OF ARRANGEMENT

Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

Think Childcare Limited ABN 81 600 793 388 of Suite 3, 1 Park Avenue, Drummoyne NSW 2047

and

Each Scheme Shareholder

1. Definitions and interpretation

1.1 Defined terms

In this Scheme, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Melbourne, Australia.

CHESS means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.

CHESS Holding has the meaning given in the Settlement Rules.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporation Act agreed in writing between Think and TND.

Deed Poll means the deed poll dated 28 October 2019 executed by TND under which TND covenants in favour of the Scheme Shareholders to perform the actions attributed to TND under this Scheme.

Delivery Time means, in relation to the Second Court Date, 2 hours before the commencement of the hearing (or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing), of the Court to approve this Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means the 'End Date' specified or determined in accordance with the Scheme Implementation Deed.

Explanatory Booklet means the document despatched to Think Shareholders comprising:

APPENDIX 2 - SCHEME OF ARRANGEMENT

(a) the terms of this Scheme;

(b) a notice convening the Scheme Meeting and a notice convening the General Meeting (together with proxy forms for those meetings);

(c) an explanatory statement issued by Think under the Corporations Act in relation to this Scheme and the supporting resolutions the subject of the General Meeting;

(d) an independent expert's report in relation to this Scheme and the supporting resolutions the subject of the General Meeting; and

(e) a copy of the Scheme Implementation Deed and the Deed Poll.

Foreign Scheme Shareholder means a Scheme Shareholder who is a citizen or resident of a jurisdiction outside Australia or New Zealand or who is located in or whose address in the Think Share Register is a place outside Australia or New Zealand and their respective external territories, unless TND is satisfied before the Effective Date that it is not precluded from lawfully issuing TND Shares to the Scheme Shareholder either unconditionally or after compliance with conditions which the board of directors of TND in its sole discretion regards as acceptable and not unduly onerous.

General Meeting means the general meeting of Think Shareholders to be held to consider and, if thought fit, approve various resolutions to give effect to this Scheme, as set out in detail in the Explanatory Booklet.

Implementation Date means the later of:

(a) the fifth Business Day following the Scheme Record Date; and

(b) the fifteenth Business Day following the date of the Scheme Meeting,

or such other Business Day as agreed between Think and TND, following the Scheme Record Date.

Issuer Sponsored Holding has the meaning given in the Settlement Rules.

Management Deed means the management and administrative services entered into between Think and TND dated 28 October 2019, which is effective from the 'Effective Date' (as that term is defined in the Explanatory Booklet) under which Think will provide management and administrative services to TND, as more particularly described in the Explanatory Booklet.

Performance Right means a right granted to acquire by way of issue a Think Share.

Registered Address means, in relation to a Think Shareholder, the address shown in the Think Share Register as at the Scheme Record Date.

Regulatory Authority means:

(a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;

(b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or

(c) any regulatory organisation established under statute,

in Australia whether federal, state, territorial or local

APPENDIX 2 - SCHEME OF ARRANGEMENT

Related Body Corporate of a person, means a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted; and

Sale Nominee means Canaccord Genuity (Australia) Limited ACN 075 071 466 or any other person agreed between Think and TND.

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between Think and the Scheme Shareholders, subject to any alterations or conditions that are:

(a) agreed to in writing by Think and TND, and approved by the Court; or

(b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by Think and TND.

Scheme Implementation Deed means the agreement of that name between Think and TND dated 14 August 2019 in relation to the implementation of this Scheme and the resolutions the subject of the General Meeting (as amended).

Scheme Meeting means the meeting of Think Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Record Date means 7.00pm on the fifth Business Day (or such other Business Day as agreed between Think and TND), following the Effective Date.

Scheme Share means a Think Share on issue as at the Scheme Record Date.

Scheme Shareholder means a person who holds one or more Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Settlement Rules means the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.

Special Dividend means the proposed fully franked special dividend in an aggregate amount of $6 million that is proposed to be declared and paid by Think for the purposes of the Scheme.

Special Dividend Record Date means 7:00pm on the second Business Day (or such other Business Day as agreed between Think and TND), following the Effective Date.

Stapling Deed means the deed entered into between Think and TND dated 28 October 2019 implementing, together with the TND Constitution and the Think Constitution, the stapling arrangements between Think and TND contemplated by this Scheme.

Stapled Security means one Think Share stapled to one TND Share, in accordance with the Think Constitution, the TND Constitution and the Stapling Deed. For the avoidance of doubt, each reference to a Stapled Security in this Scheme is taken to refer to one Think Share and one TND Share in their legal capacity as separate securities but which are traded and quoted on ASX together following the implementation of this Scheme.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

APPENDIX 2 – SCHEME OF ARRANGEMENT

Think means Think Childcare Limited ABN 81 600 793 388 of Suite 3, 1 Park Avenue, Drummoyne NSW 2047.

Think Constitution means the constitution of Think (as amended or repealed and replaced from time to time).

Think Share means an issued fully paid ordinary share in the capital of Think.

Think Share Register means the register of members of Think maintained in accordance with the Corporations Act.

Think Registry means Computershare Investor Services Pty Ltd of 452 Johnston Street, Abbotsford VIC 3067 or any replacement provider of share registry services to Think.

Think Shareholder means a person who is registered in the register maintained by Think under section 168(1) of the Corporations Act as a holder of one or more Think Shares.

TND means Think Childcare Development Limited ACN 635 178 166 of Suite 3, 1 Park Avenue, Drummoyne NSW 2047.

TND Constitution means the constitution of TND (as amended or repealed and replaced from time to time).

TND Share means a fully paid ordinary share in the capital of TND.

TND Share Register means the register of shareholders maintained by TND in accordance with section 169 of the Corporations Act and after the implementation of this Scheme, includes the register of holders of Stapled Securities.

Trust Account means an Australian dollar denominated trust account operated by Think as trustee for the benefit of Scheme Shareholders.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

(a) The singular includes the plural, and the converse also applies.

(b) A gender includes all genders.

(c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.

(e) A reference to a clause or schedule is a reference to a clause of or schedule to this Scheme.

(f) A reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document.

(g) A reference to a party to this Scheme or an agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).

APPENDIX 2 - SCHEME OF ARRANGEMENT

(h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

(i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.

(j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.

(k) A reference to **dollars** and **$** is to Australian currency.

(l) All references to time are to Melbourne, Australia time.

(m) Mentioning anything after *includes*, *including*, *for example*, or similar expressions, does not limit what else might be included.

(n) A reference to, an officer or subsidiary is to that term as it is defined in the Corporations Act.

1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or operating rule of a financial market and a Market Integrity Rule will be regarded as
a law, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 Think

(a) Think is a public company limited by shares, registered in Victoria and admitted to the official list of ASX. Its registered office is at Suite 3, 1 Park Avenue, Drummoyne NSW 2047. Australia.

(b) The Think Shares are officially quoted on ASX. As at the date of the Scheme Implementation Deed:

(i) 60,598,288 Think Shares were on issue which are officially quoted on ASX; and

(ii) 46,367 Performance Rights were on issue which are not quoted on any financial market.

2.2 TND

(a) TND is a public company limited by shares registered in Victoria, Australia on 29 July 2019.

(b) From the date of its incorporation to the date of the Scheme Implementation Deed, TND has not conducted any business and holds no material assets.

APPENDIX 2 - SCHEME OF ARRANGEMENT

2.3 Supporting documents

(a) Think and TND have agreed by executing the Scheme Implementation Deed to propose this Scheme and, it is becomes Effective, implement it.

(b) This Scheme attributes actions to TND but does not itself impose an obligation on it to perform those actions, as TND is not a party to this Scheme. TND has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme.

(c) If this Scheme becomes Effective, Think undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against TND on behalf of and as agent and attorney for the Scheme Shareholders.

2.4 Consequence of this Scheme becoming Effective

(a) If this Scheme becomes Effective:

(i) TND Shares will be issued to Scheme Shareholders on the basis of one TND Share for each Think Share registered in their name as at the Scheme Record Date;

(ii) all Scheme Shares (together with all rights and entitlements attaching to them) will be stapled to TND Shares and trade on ASX as Stapled Securities; and

(iii) Think and TND will be listed on ASX as a stapled entity operating as 'Think Childcare Group' under their respective constitutions, the Stapling Deed and the Management Deed,

in accordance with the terms of this Scheme and the Scheme Implementation Deed.

(b) If this Scheme becomes Effective, it will:

(i) bind Think and all Scheme Shareholders, including those who do not attend the Scheme Meeting, those who do not vote at that meeting and those who vote against this Scheme at that meeting; and

(ii) override the provisions of Think's Constitution, to the extent of any inconsistency.

3. Conditions

3.1 Conditions precedent

(a) This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(i) all the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(m) of the Scheme Implementation Deed (Court approval)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed by no later than the Delivery Time on the Second Court Date;

(ii) neither the Scheme Implementation Deed nor the Deed Poll having been terminated in accordance with their terms as at the Delivery Time on the Second Court Date;

(iii) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under

APPENDIX 2 - SCHEME OF ARRANGEMENT

section 411(6) of the Corporations Act as are agreed to in writing by Think and TND;

(iv) any other conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to Think and TND, having been satisfied or waived; and

(v) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date (or any later date Think and TND agree in writing).

(b) The satisfaction of the conditions referred to in clause 3.1(a) of this document is a condition precedent to the operation of clause 4.

4. Implementation

4.1 Lodgement of Court orders

Think must lodge with ASIC office copies of any Court orders under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as reasonably practicable after the Court approves the Scheme and in any event no later than by 5.00pm on the first Business Day after the Court approves this Scheme.

4.2 Special Dividend and issue of TND Shares

On the Implementation Date, each Scheme Shareholder authorises and directs Think to, and Think must:

(a) give TND the name and address of each Scheme Shareholder and the number of Think Shares held by each Scheme Shareholder and such other information as TND may require to implement this Scheme;

(b) apply on behalf of each Scheme Shareholder to TND for the issue of one TND Share for each Scheme Share held by that Scheme Shareholder as at the Scheme Record Date;

(c) declare and pay the Special Dividend to Think Shareholders registered as such on the Special Dividend Record Date by applying the Special Dividend on behalf of those Shareholders to TND in subscription for one TND Share for every one Scheme Share held by Scheme Shareholders on the Scheme Record Date;

(d) procure that TND issues one TND Share for each Scheme Share held by a Scheme Shareholder on the Scheme Record Date, in consideration of the payment of the Special Dividend by Think to TND; and

(e) procure that TND enters into the TND Share Register the name and address of each Scheme Shareholder as the holder of the TND Shares allotted to it.

4.3 Issue and stapling

(a) TND Shares issued to Scheme Shareholders under clause 4.2 will:

(i) be issued pursuant to TND's Constitution; and

(ii) be stapled to that Scheme Shareholder's Think Shares,

APPENDIX 2 - SCHEME OF ARRANGEMENT

with effect from 5.00pm (Melbourne time) on the Implementation Date.

(b) With effect on and from 5.00pm (Melbourne time) on the Implementation Date, each Scheme Shareholder agrees to be bound by TND's Constitution.

(c) TND Shares will be issued to Scheme Shareholders on the condition that Think and TND will not issue certificates in respect of the Stapled Securities.

4.4 Restriction on transfer of Think Shares

(a) Each Scheme Shareholder agrees for the purpose of section 140(2)(c) of the Corporations Act that from 5.00 pm (Melbourne time) on the Implementation Date, Think Shares may only be transferred if there is a simultaneous transfer of the same number of TND Shares to the same transferee.

(b) Each Scheme Shareholder authorises Think to agree in writing on behalf of the Scheme Shareholder to any modification or provision of the Think Constitution imposing the restriction on the right to transfer Think Shares provided in clause 4.4(a). The form of this agreement will be determined by Think on or before the Implementation Date and it may take the form of one instrument executed by Think on behalf of all Scheme Shareholders.

(c) On the Implementation Date, Think must execute the form of the instrument referred to in clause 4.4(b) on behalf of all Scheme Shareholders.

4.5 Foreign Scheme Shareholders

(a) On the Scheme Record Date:

(i) each Foreign Scheme Shareholder authorises and directs Think to, and Think must, transfer to the Sale Nominee the unencumbered beneficial and legal title in all Think Shares registered in their name on that date; and

(ii) the Sale Nominee will become registered as the legal and beneficial owner of the Think Shares transferred to it under this clause 4.5 without the need for further acts by the relevant Foreign Scheme Shareholders.

(b) The transfer of Think Shares contemplated by clause 4.5(a) will be effected by a proper instrument of transfer for the purpose of section 1071B of the Corporations Act, which may be a master transfer of those Think Shares.

(c) On the Implementation Date, each Foreign Scheme Shareholder agrees and directs that TND Shares will be issued as provided in clause 4.2 to the Sale Nominee rather than to the Foreign Scheme Shareholder and further that the Sale Nominee will be registered as the holder of the resulting Stapled Securities subject to the operation of clause 4.5(d).

(d) Within 30 days after the Implementation Date, Think must procure that the Sale Nominee:

(i) disposes of the Stapled Securities held by the Sale Nominee in respect of Foreign Scheme Shareholders; and

(ii) pays to each Foreign Scheme Shareholder an amount equal to the number of Stapled Securities held by the Sale Nominee on behalf of that Foreign Scheme Shareholder multiplied by the average net selling price of all Stapled Securities

APPENDIX 2 - SCHEME OF ARRANGEMENT

sold by the Sale Nominee after deduction of the Sale Nominee's fees and expenses.

5. Dealings in Think Shares

5.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Think Shares or other alterations to the Think Share Register will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Think Share Register as the holder of the relevant Think Shares on or before 7.00pm on the Scheme Record Date; and

(b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 5.00pm on the day that is the Scheme Record Date at the place where the Think Share Register is kept,

and, to ensure that Think Shareholders entitled to the Special Dividend are Scheme Shareholders, Think will not accept for registration, nor recognise for any purpose, any transfer, registrable transmission application or other request received after 7:00pm on the Special Dividend Record Date, or received prior to that time but not in registrable or actionable form, as appropriate, other than in each case as a component security of Stapled Securities or following unstapling in accordance with the Think Constitution.

5.2 Register

(a) (**Registration of transfers**) Think must register registrable transmission applications or transfers of the kind referred to in clause 5.1(b) before 7:00pm on the Special Dividend Record Date (provided that for the avoidance of doubt nothing in this clause 5.2 requires Think to register a transfer that would result in a Think Shareholder holding a parcel of Think Shares that is less than a 'marketable parcel' (as defined in the Settlement Rules).

(b) (**No registration after Scheme Record Date**) Think will not accept for registration or recognise for any purpose any transfer in respect of Think Shares received after 7.00pm on the Special Dividend Record Date other than as a component security of Stapled Securities or following unstapling in accordance with the Think Constitution.

(c) (**Maintenance of Think Share Register**) For the purpose of determining entitlements to the Scheme Consideration, Think must maintain the Think Share Register in accordance with the provisions of this clause until the TND Shares have been issues to the Scheme Shareholders. The Think Share Register in this form will solely determine entitlements to be issued the TND Shares.

(d) (**No disposal between the Scheme Record Date and the Implementation Date**) From the Scheme Record Date until the Implementation Date, no Think Shareholder may dispose or otherwise deal with Think Shares in any way except as set out in this Scheme and any attempt to do so will have no effect and Think shall be entitled to disregard any disposal or dealing of this nature.

(e) (**Provision of Scheme Shareholder details**) As soon as practicable on or after the Scheme Record Date and in any event within one Business Day after the Scheme Record Date, Think will ensure that details of the names, Registered Addresses and holdings of Think

APPENDIX 2 – SCHEME OF ARRANGEMENT

Shares for each Scheme Shareholder are available to TND in the form TND reasonably requires.

6. Suspension of Think Shares

It is expected that the suspension of trading in Think Shares on ASX will occur from the close of trading on the Effective Date.

7. Quotation of Stapled Securities

Think will apply and will procure TND to apply for the official quotation of the Stapled Securities on ASX to commence on or as soon as practicable after the Implementation Date.

8. General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

(a) Think may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which TND has consented in writing; and

(b) each Scheme Shareholder agrees to any alterations or conditions to which counsel for Think has consented.

8.2 Binding effect of Scheme

This Scheme binds Think and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of Think.

8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder:

(a) agrees to any variation, cancellation or modification of the rights attached to their Think Shares constituted by or resulting from this Scheme;

(b) acknowledges and agrees that this Scheme binds Think and all Scheme Shareholders (including those who did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting); and

(c) consents, for the purposes of section 231(b) of the Corporations Act, to become a member of TND on and from the Implementation Date.

8.4 Authority given to Think

(a) Scheme Shareholders will be deemed to have authorised Think to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme.

(b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Think and each of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of executing any document necessary to give effect to this Scheme.

APPENDIX 2 - SCHEME OF ARRANGEMENT

9. General

9.1 Notices

(a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to Think, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Think's registered office or at the office of the Think Registry.

(b) The accidental omission to give notice of the Scheme Meeting or the non receipt of a notice by any Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.2 Further assurances

(a) Think must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.

(b) Each Scheme Shareholder consents to Think doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

9.3 No liability when acting in good faith

Each Scheme Shareholder agrees that neither Think or TND nor any director, officer, secretary or employee of any of those companies shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

9.4 Costs

Think will pay the costs of this Scheme.

9.5 Governing law and jurisdiction

(a) This Scheme is governed by the laws of Victoria.

(b) The parties irrevocably submit to the non exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

APPENDIX 3 - NOTICE OF SCHEME MEETING

THINK CHILDCARE LIMITED
ABN 81 600 793 388

NOTICE OF COURT ORDERED MEETING OF THINK CHILDCARE LIMITED SHAREHOLDERS

Notice is given that, by an Order of the Federal Court of Australia (**Court**) made on 31 October 2019 under section 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**), the Court has directed that a meeting of the holders of fully paid ordinary shares in Think Childcare Limited (**Think Childcare** or **TNK**) be held at the offices of MinterEllison, Level 23, 525 Collins Street, Melbourne VIC 3000, Australia on Thursday, 5 December 2019 commencing at 10:30am (Melbourne time).

The Court has also directed that Mark Kerr or failing him Joe Dicks, act as Chairman of the meeting.

PURPOSE OF THE MEETING

The purpose of the meeting is to consider and, if thought fit, to agree (with or without any modification or conditions required by the Court to which Think Childcare agrees) to a scheme of arrangement proposed to be made between Think Childcare and the holders of its ordinary shares (**Scheme**).

A copy of the Scheme and a copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Explanatory Booklet of which this notice forms part.

RESOLUTION

The meeting will be asked to consider and, if thought fit, pass the following resolution:

> *That under and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the members are in favour of the arrangement proposed between Think Childcare and the holders of its fully paid ordinary shares, designated the* ***Scheme****, as contained in and more particularly described in the Explanatory Booklet accompanying the notice calling this meeting (with or without any modifications or conditions required by the Court) and, subject to approval of the Scheme of the Court and the passing of the Supporting Resolutions, the Board of Directors of Think Childcare is authorised to implement the Scheme with any such alterations or conditions.*

DATED: 31 October 2019
BY ORDER OF THE COURT

Mathew Edwards
Managing Director and CEO

APPENDIX 3 - NOTICE OF SCHEME MEETING

EXPLANATORY NOTES FOR THE SCHEME MEETING

1. General

a) Capitalised word and phrases contained in this Notice of Meeting (including the proposed resolution) have the same meaning as set out in the Glossary in section 14 of this Explanatory Booklet, of which this notice forms part.

b) This notice should be read in conjunction with the entire Explanatory Booklet of which this notice forms part. The Explanatory Booklet contains important information to assist you in determining how to vote on the proposed resolution. The Explanatory Booklet includes a copy of the Scheme (refer Appendix 2) and a copy of the Explanatory Statement required by section 412 of the Corporations Act in relation to the Scheme of Arrangement (the Explanatory Statement being all Sections of this Explanatory Booklet, other than Appendix 4).

2. Voting entitlements

The Court has ordered that, for the purposes of the Scheme Meeting, each person registered in the Think Share Register as the holder of Think Shares at 7:00pm Melbourne time on Tuesday, 3 December 2019 is entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney or, in the case of a corporate Think Shareholder, by a personal representative.

3. Required voting majority

a) The resolution to approve the Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act.

b) The resolution to approve the Scheme must be approved by:

   i) a majority in number (more than 50%) of Think Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, attorney or, in the case of corporate Think Shareholders or proxies, by corporate representative); and

   ii) Think Shareholders whose Think Shares in aggregate account for at least 75% of the votes cast on the resolution.

c) The vote will be conducted by poll.

4. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Scheme (with or without any alterations or conditions agreed by Think and approved by the Court or any alterations or conditions required by the Court to which Think agrees) must also be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the Scheme is approved by the requisite majorities of Think Shareholders at the Scheme Meeting and if all conditions to the Scheme are satisfied or waived (as applicable), Think intends to apply to the Court for orders approving to the Scheme.

APPENDIX 3 - NOTICE OF SCHEME MEETING

5. How to vote

Think Shareholders entitled to vote at the Scheme Meeting may vote:

a) by attending the Scheme Meeting and voting in person;

b) by appointing an attorney to attend the Scheme Meeting and vote on their behalf, or, in the case of a Think Shareholder who is a corporation, a corporate representative to attend the Scheme Meeting and vote on its behalf; or

c) by appointing a proxy to attend and vote on their behalf, using the Proxy Form accompanying this notice or by appointing a proxy online. A proxy may be an individual or a body corporate.

6. Jointly held Think Shares

If you hold Think Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the Scheme Meeting, only the vote of the holder whose name appears first on the Think Share Register will be counted.

7. Voting in person (or by attorney or corporate representative)

a) Eligible Think Shareholders wishing to vote in person or their attorneys or, in the case of a Think Shareholder who is a corporation, corporate representatives should attend the Scheme Meeting and bring some form of personal identification (such as their driver's licence).

b) The relevant parties who plan to attend the Scheme Meeting in person are asked to arrive at the venue 30 minutes prior to the time designated for the commencement of the Scheme Meeting, if possible, so that their shareholding may be checked against the Think Share Register and attendances noted.

c) The power of attorney appointing your attorney to attend and vote at the Scheme Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, Think Childcare Limited), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.

d) To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Share Registry before 5.00pm (Melbourne time) on Wednesday, 4 December 2019 in any of the following ways:

   i) **By post** in the reply paid envelope provided to the Share Registry:

      Computershare Investor Services Pty Limited
      GPO Box 242 Melbourne
      Victoria 3001

   ii) **By hand delivery** to the Share Registry at:

      Computershare Investor Services Pty Limited
      452 Johnson Street, Abbotsford
      Victoria 3067

   iii) **By fax** to the Share Registry on:

      1800 783 447 (within Australia) or
      +61 3 9473 2555 (outside Australia)

e) Your appointment of an attorney does not preclude you from attending in person and voting at the Scheme Meeting. The appointment of your attorney is not revoked merely by your attendance and taking part in the Scheme Meeting, but if you vote on a resolution, the attorney is not entitled to vote, and must not vote, as your attorney on that resolution.

f) To vote in person, you or your attorney or, in the case of a Think Shareholder who is a corporation, corporate representative must attend the Scheme Meeting to be held at the offices of MinterEllison, Level 23, 525 Collins Street, Melbourne VIC 3000, Australia on Thursday, 5 December 2019, commencing at 10:30am (Melbourne time).

APPENDIX 3 – NOTICE OF SCHEME MEETING

g) A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:

   i) died;

   ii) became mentally incapacitated;

   iii) revoked the proxy or power; or

   iv) transferred the Think Shares in respect of which the vote was cast,

   unless Think received written notification of the death, mental incapacity, revocation or transfer before the Scheme Meeting or, if applicable, the resumption of any adjourned meeting.

h) To vote by corporate representative at the Scheme Meeting, a Think Shareholder who is a corporation should obtain a Certificate of Appointment of Corporate Representative from the Share Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged at the registration desk on the day of the Scheme Meeting.

i) The appointment of a representative may set out restrictions on the representative's powers.

j) The Certificate of Appointment of Corporate Representative, a certified copy of the Certificate of Appointment of Corporate Representative, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

8. Voting by proxy

Think Shareholders wishing to appoint a proxy to vote on their behalf at this meeting must complete and sign or validly authenticate the Proxy Form accompanying the Explanatory Booklet and delivering the signed and completed Proxy Form to the Share Registry by 10:30am on Tuesday, 3 December 2019 in accordance with the instructions below.

9. Submitting proxies

Think Shareholders wishing to appoint a proxy to attend and vote on their behalf at the Scheme Meeting must return the provided Proxy Form to the Share Registry in any of the following ways

a) By **post** in the reply paid envelope provided to the Share Registry:

   Computershare Investor Services Pty Limited
   GPO Box 242 Melbourne
   Victoria 3001

b) By **hand** delivery to the Share Registry at:

   Computershare Investor Services Pty Limited
   452 Johnson Street, Abbotsford
   Victoria 3067

c) By **fax** to the Share Registry on:

   1800 783 447 (within Australia)
   or +61 3 9473 2555 (outside Australia)

d) **Online** lodge a proxy online via www.investorvote.com.au using the control number noted on the front of your proxy form which accompanies this Explanatory Booklet along with your SRN/HIN number (as applicable) and your postcode and by following the instructions on that website or if you are a custodian (for intermediary online subscribers only), via www.intermediaryonline.com, and following the instructions on that website.

As the cut-off date for receipt of proxies is 10:30am on Tuesday, 3 December 2019, you should ensure that it is posted, delivered or lodged online in sufficient time for it to be received by the Share Registry by that time.

APPENDIX 3 - NOTICE OF SCHEME MEETING

10. Notes for proxy appointments

a) Your proxy must attend the Scheme Meeting to be held at the offices of MinterEllison, Level 23, 525 Collins Street, Melbourne VIC 3000, Australia on Thursday, 5 December 2019 commencing at 10:30am (Melbourne time) and are asked to arrive at the venue 30 minutes prior to the time designated for the commencement of the Scheme Meeting, if possible, so that their shareholding may be checked against the Think Share Register and attendances noted.

b) A Think Shareholder entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote at the meeting on behalf of that Think Shareholder's behalf.

c) A proxy need not be a Think Shareholder.

d) You are entitled to appoint up to two proxies to attend the Scheme Meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the Proxy Form. Replacement Proxy Forms can also be obtained from the Share Registry.

e) If you hold Think Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the Proxy Form.

f) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:

   i) if the proxy is the chair - the proxy must vote on the poll and must vote in the way directed; and

   ii) if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed.

g) If a proxy appointment is signed or validly authenticated by a Think Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman will act as proxy in respect of the resolution to be considered at the Scheme Meeting.

h) If:

   i) a Think Shareholder nominates the Chairman of the meeting as their proxy; or

   ii) the Chairman is otherwise appointed to act as proxy,

   then the person acting as Chairman in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the Scheme Meeting.

i) The Chairman intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Scheme (in the absence of a Superior Proposal from another party prior to the date of the Scheme Meeting).

j) A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:

   i) died;

   ii) became mentally incapacitated;

   iii) revoked the proxy; or

   iv) transferred the shares in respect of which the vote was cast,

   unless Think received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.

11. Advertisement

Where this notice of meeting is advertised unaccompanied by the Explanatory Booklet, a copy of the Explanatory Booklet can be obtained by anyone entitled to attend the Scheme Meeting from Think's website https://www.thinkchildcare.com.au, or by contacting the Company Secretary of Think or the Share Registry.

APPENDIX 4 – NOTICE OF GENERAL MEETING

THINK CHILDCARE LIMITED
ABN 81 600 793 388

NOTICE OF GENERAL MEETING OF THINK CHILDCARE LIMITED SHAREHOLDERS

Notice is given that a general meeting of members of Think Childcare Limited (**Think Childcare** or **TNK**) will be held at the offices of MinterEllison, Level 23, 525 Collins Street, Melbourne VIC 3000, Australia on Thursday, 5 December 2019 commencing at 10:30am (Melbourne time) or immediately following the conclusion or adjournment of the Scheme Meeting to be held on the same day, whichever time is later.

BUSINESS

The meeting will be asked to consider and, if thought fit, to pass the following proposed resolutions (**Supporting Resolutions**).

PROPOSED RESOLUTIONS

1. Stapling Deed Resolution

To consider and, if thought fit, to pass the following resolution:

Subject to, and interdependent with, the passing of each of the other Supporting Resolutions and, the approval of the Scheme by the Court in accordance with section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act and the Implementation Date occurring on or before the End Date, that with effect on and from the Effective Date, for the purposes of sections 208(2) and 217 to 227 inclusive of the Corporations Act and all other purposes, approval is given to Think Childcare to enter into the Stapling Deed.

2. Constitution Replacement Resolution

To consider and, if thought fit, to pass the following resolution, which will be proposed as a special resolution:

Subject to, and interdependent with, the passing of each of the other Supporting Resolutions and the approval of the Scheme by the Court in accordance with section 411(4)(b) (and if applicable, section 411(6)) of the Corporations Act and the Effective Date occurring on or before the End Date, that with effect on and from the Implementation Date, the Constitution of Think Childcare is repealed and replaced with the new Constitution tabled at the meeting and signed by the Chairman of the meeting for the purposes of identification, which new Constitution is adopted as the constitution of Think Childcare.

3. Management Deed Resolution

To consider and, if thought fit, to pass the following resolution:

Subject to, and interdependent with, the passing of each of the other Supporting Resolutions, the approval of the Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act and the Implementation Date occurring on or before the End Date, that with effect on and from the Effective Date, for the purpose of sections 208(2) and 217 to 227 inclusive of the Corporations Act and for all other purposes, approval is given for Think Childcare to enter into the Management Deed.

DATED: 31 October 2019

BY ORDER OF THE BOARD

Mathew Edwards
Managing Director and CEO

APPENDIX 4 - NOTICE OF GENERAL MEETING

EXPLANATORY NOTES FOR THE GENERAL MEETING

1. General

a) Capitalised words and phrases contained in this Notice of Meeting (including the proposed resolutions) have the same meaning as set out in the Glossary in Section 14 of this Explanatory Memorandum, of which this notice forms part.

b) This notice should be read in conjunction with the entire Explanatory Memorandum of which this notice forms part. The Explanatory Memorandum contains important information to assist you in determining how to vote on the proposed resolutions.

2. Voting entitlements

Each person who is registered on the Think Share Register as the holder of Think Shares at 7:00pm (Melbourne time) on Tuesday, 3 December 2019 is entitled to attend and vote at the General Meeting, either in person, by proxy or attorney or, in the case of a corporate Think Shareholder, by a personal representative.

3. Required voting majorities

a) In accordance with the Corporations Act, the resolutions at this General Meeting are proposed as ordinary and special resolutions.

b) The resolutions proposed as resolutions are:

   i) Resolution 1 (Stapling Deed Resolution); and

   ii) Resolution 3 (Management Deed Resolution).

c) The passage of these resolutions requires the approval of more than 50% of votes cast by Think Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate Think Shareholder or proxy, by a natural person representative.

d) The resolution proposed as special resolutions is Resolution 2 (Constitution Replacement Resolution).

e) The passage of this resolution requires the approval of at least 75% of votes cast by Think Shareholders present and voting at the General Meeting, whether in person, by proxy or attorney or, in the case of a corporate Think Shareholder or proxy, by a natural person representative.

f) Voting in respect all proposed resolutions will be conducted by poll.

4. How to vote

Think Shareholders entitled to vote at the General Meeting may vote:

a) by attending the General Meeting and voting in person;

b) by appointing an attorney to attend the General Meeting and vote on their behalf, or, in the case of a Think Shareholder who is a corporation, a corporate representative to attend the General Meeting and vote on its behalf; or

c) by appointing a proxy to attend and vote on their behalf, using the Proxy Form accompanying this notice. A proxy may be an individual or a body corporate.

5. Jointly held Think Shares

If you hold Think Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the General Meeting, only the vote of the holder whose name appears first on the Think Share Register will be counted.

APPENDIX 4 – NOTICE OF GENERAL MEETING

6. Voting in person (or by attorney or corporate representative)

a) Eligible Think Shareholders wishing to vote in person or their attorneys or, in the case of a Think Shareholder who is a corporation, corporate representatives should attend the General Meeting and bring some form of personal identification (such as their driver's licence).

b) The relevant parties who plan to attend the General Meeting in person are asked to arrive at the venue 30 minutes prior to the time designated for the commencement of the General Meeting, if possible, so that their shareholding may be checked against the Think Share Register and attendances noted.

c) The power of attorney appointing your attorney to attend and vote at the General Meeting must be duly executed by you in the presence of at least one witness, and specify your name, the company (that is, Think Childcare Limited), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.

d) To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Share Registry before 5:00pm (Melbourne time) on Wednesday, 4 December 2019 in any of the following ways:

   i) **By post** in the reply paid envelope provided to the Share Registry:

      Computershare Investor Services Pty Limited
      GPO Box 242 Melbourne
      Victoria 3001

   ii) **By hand delivery** to the Share Registry at:

      Computershare Investor Services Pty Limited
      452 Johnson Street, Abbotsford
      Victoria 3067

   iii) **By fax** to the Share Registry on:

      1800 783 447 (within Australia) or
      +61 3 9473 2555 (outside Australia)

e) Your appointment of an attorney does not preclude you from attending in person and voting at the General Meeting. The appointment of your attorney is not revoked merely by your attendance and taking part in the General Meeting, but if you vote on a resolution, the attorney is not entitled to vote, and must not vote, as your attorney on that resolution.

f) To vote in person, you or your attorney or, in the case of a Think Shareholder who is a corporation, corporate representative must attend the General Meeting to be held at the offices of MinterEllison, Level 23, 525 Collins Street, Melbourne VIC 3000, Australia on Thursday, 5 December 2019, commencing at 10:30am (Melbourne time).

g) A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:

   i) died;

   ii) became mentally incapacitated;

   iii) revoked the proxy or power; or

   iv) transferred the Think Shares in respect of which the vote was cast,

   unless Think received written notification of the death, mental incapacity, revocation or transfer before the General Meeting or, if applicable, the resumption of any adjourned meeting.

h) To vote by corporate representative at the General Meeting, a Think Shareholder who is a corporation should obtain a Certificate of Appointment of Corporate Representative from the Share Registry, complete and sign the form in accordance with the instructions on it. The completed appointment form should be lodged at the registration desk on the day of the General Meeting.

i) The appointment of a representative may set out restrictions on the representative's powers.

j) The Certificate of Appointment of Corporate Representative, a certified copy of the Certificate of Appointment of Corporate Representative, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

APPENDIX 4 - NOTICE OF GENERAL MEETING

7. Voting by proxy

Eligible Think Shareholders wishing to appoint a proxy to vote on their behalf at this meeting must complete and sign or validly authenticate the Proxy Form accompanying the Explanatory Booklet and delivering the signed and completed Proxy Form to the Share Registry 10:30am on Tuesday, 3 December 2019 in accordance with the instructions below.

8. Submitting proxies

Eligible Think Shareholders wishing to appoint a proxy to attend and vote on their behalf at the General Meeting must return the provided Proxy Form to the Share Registry in any of the following ways

i) **By post** in the reply paid envelope provided to the Share Registry:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001

ii) **By hand delivery** to the Share Registry at:

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iii) **By fax** to the Share Registry on:

1800 783 447 (within Australia) or
+61 3 9473 2555 (outside Australia)

iv) **Online** lodge a proxy online via www.investorvote.com.au using the control number noted on the front of your proxy form which accompanies this Explanatory Booklet along with your SRN/HIN number (as applicable) and your postcode and by following the instructions on that website or if you are a custodian (for intermediary online subscribers only), via www.intermediaryonline.com, and following the instructions on that website.

As the cut-off date for receipt of proxies is 10:30am on Tuesday, 3 December 2019, you should ensure that it is posted, delivered or lodged online in sufficient time for it to be received by the Share Registry by that time.

9. Notes for proxy appointments

a) Your proxy must attend the General Meeting to be held at the offices of MinterEllison, Level 23, 525 Collins Street, Melbourne VIC 3000, Australia on Thursday, 5 December 2019 commencing at 10:30am (Melbourne time) and are asked to arrive at the venue 30 minutes prior to the time designated for the commencement of the General Meeting, if possible, so that their shareholding may be checked against the Think Share Register and attendances noted.

b) A Think Shareholder entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote at the meeting on behalf of that Think Shareholder's behalf.

c) A proxy need not be a Think Shareholder.

d) You are entitled to appoint up to two proxies to attend the General Meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy you must specify the names of each proxy and the percentage of votes or number of securities for each proxy on the Proxy Form. Replacement Proxy Forms can also be obtained from the Share Registry.

e) If you hold Think Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the Proxy Form.

f) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:

   i) if the proxy is the chair - the proxy must vote on the poll and must vote in the way directed; and

   ii) if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed.

g) If a proxy appointment is signed or validly authenticated by a Think Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman will act as proxy in respect of the resolution to be considered at the General Meeting.

APPENDIX 4 – NOTICE OF GENERAL MEETING

h) If:

   i) a Think Shareholder nominates the Chairman of the meeting as their proxy; or

   ii) the Chairman is otherwise appointed to act as proxy,

   then the person acting as Chairman in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the General Meeting.

i) The Chairman intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Scheme (in the absence of a Superior Proposal from another party prior to the date of the General Meeting).

j) A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:

   i) died;

   ii) became mentally incapacitated;

   iii) revoked the proxy; or

   iv) transferred the shares in respect of which the vote was cast,

   unless Think received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

As amended by the Amending Deed – Scheme Implementation Deed dated 15 October 2019

Conformed Scheme Implementation Deed

—

Think Childcare Limited ABN 81 600 793 388 (**Think**)
Think Childcare Development Limited ACN 635 178 166 (**TND**)

Level 23 Rialto Towers 525 Collins Street
Melbourne Vic 3000 Australia DX 204 Melbourne
T +61 3 8608 2000 F +61 3 8608 1000
minterellison.com
ME_164078460_2

MinterEllison

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

Scheme Implementation Deed

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

Details

Date	14 August 2019

Parties

Name	**Think Childcare Limited ACN 600 793 388**
ABN	81 600 793 388
Short form name	**Think**
Notice details	Suite 3, 1 Park Avenue, Drummoyne NSW 2047 Email: jenny.saliba@thinkchildcare.com.au Attention: Jennifer Saliba

Name	**Think Childcare Development Limited ACN 635 178 166**
Short form name	**TND**
Notice details	Suite 3, 1 Park Avenue, Drummoyne NSW 2047 Email: jenny.saliba@thinkchildcare.com.au Attention: Jennifer Saliba

Background

A Think intends to propose the Scheme and the Supporting Resolutions in order to restructure its capital in conjunction with TND, directing the amount of the Capital Reduction to be applied by Think Shareholders for shares in TND, stapling of Think Shares to TND Shares and providing for the quotation of the Stapled Securities.

B Think and TND have agreed certain other matters in connection with the Proposed Transaction as set out in this deed.

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this deed, unless the context otherwise requires, the following words and expressions have meanings as follows:

Adviser means in relation to an entity, a financial, corporate, legal, technical or other expert adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Proposed Transaction by the entity.

Announcement means an announcement by Think prior to signing of this deed.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this deed and Think was the designated body.

ASX means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market known as the Australian Securities Exchange operated by it.

Authorised Person means, in respect of a person:

(a) a director, officer, member or employee of the person;

(b) an Adviser of the person;

(c) a director, officer or employee of an Adviser of the person.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Victoria, Australia.

Capital Reduction means Think returning an aggregate of $6 million of its capital to Think Shareholders by way of a fully franked dividend or capital return or a combination pro rata to their respective shareholdings in Think as at the Record Date for the purposes of the Scheme.

Claim means, in relation to a person, a demand, claim, action or proceeding made or brought by or against the person, however arising and whether present, unascertained, immediate, future or contingent.

Competing Proposal means any offer, proposal or expression of interest (including, by way of takeover bid or scheme of arrangement) under which, if ultimately completed, a person or two or more persons who are Associates would:

(a) acquire an interest in or become the holder of:

  (i) more than 50% of the Think Shares; or

  (ii) the whole or a material part of the business or property of Think or the Think Group; or

(b) acquire control of Think, within the meaning of section 50AA of the Corporations Act;

(c) otherwise acquire or merge with Think.

Conditions means the conditions set out in clause 3.1 and **Condition** means any one of them.

Constitution Replacement Resolution means the proposed special resolution to repeal the existing constitution of Think and to replace it with the Think Replacement Constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

Deed Poll means the deed poll to be executed by TND prior to the First Court Date, in the form set out in Schedule 2 or in such other form as is acceptable to Think acting reasonably.

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

Delivery Time means, in relation to the Second Court Date, 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means:

(a) 30 June 2020; or

(b) such other date and time agreed in writing between TND and Think.

Explanatory Booklet means the explanatory booklet to be prepared by Think in respect of the Proposed Transaction in accordance with the terms of this deed and to be dispatched to Think Shareholders.

First Court Date means the date the Court first hears the application to order the convening of the Scheme Meeting under section 411(1) of the Corporations Act or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Governmental Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, ASIC, ASX and any regulatory organisation established under statute or any stock exchange.

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Think Shareholders present and voting, either in person or by proxy.

Implementation Date means, with respect to the Scheme, the fifth Business Day, or such other Business Day as the parties agree, following the Record Date for the Scheme.

Independent Expert means an expert, independent of the parties, engaged by Think in good faith to prepare the Independent Expert's Report.

Independent Expert's Report means the report from the Independent Expert commissioned by Think for inclusion in the Explanatory Booklet, which includes a statement of opinion from the Independent Expert on whether the Scheme is in the best interest of Think Shareholders, and includes any update of that report issued by the Independent Expert.

Insolvency Event means in relation to a person:

(a) **insolvency official**: the appointment of a liquidator, provisional liquidator, administrator, statutory manager, controller, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person and the action is not stayed, withdrawn or dismissed within 14 days;

(b) **arrangements**: the entry by the person into a compromise or arrangement with its creditors generally;

(c) **winding up**: the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days;

(d) **suspends payments**: the person suspends or threatens to suspend payment of its debts as and when they become due;

(e) **ceasing business**: the person ceases or threatens to cease to carry on business;

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

(f) **insolvency**: the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;

(g) **deregistration**: the person being deregistered as a company or otherwise dissolved;

(h) **deed of company arrangement**: the person executing a deed of company arrangement;

(i) **person as trustee or partner**: the person incurs a liability while acting or purporting to act as trustee (or co-trustee) or general partner of a trust or partnership (including a limited partnership) and the person is not entitled to be fully indemnified against the liability out of trust or partnership assets because of one or more of the following:

  (i) a breach of trust or obligation as partner by the person;

  (ii) the person acting outside the scope of its powers as trustee or partner;

  (iii) a term of the trust or partnership denying, or limiting, the person's right to be indemnified against the liability;

  (iv) the assets of the trust or partnership being insufficient to discharge the liability; or

(j) **analogous events**: anything analogous to those set out in any of paragraphs (a) to (i) inclusive occurs in relation to the person under the laws of a foreign jurisdiction,

and a person shall be **Insolvent** if any event specified in paragraphs (a) to (j) inclusive occurs in respect of that person.

Listing Rules means the official listing rules of ASX as amended from time to time.

Management Deed means the management and administrative services deed to be entered into between Think and TND effective from the Effective Date under which Think will provide management and administrative services to TND on the terms set out in Schedule 4 (or on such other terms as Think and TND may agree).

Management Deed Resolution means the proposed resolution for the purposes of sections 208 and 217 to 227 of the Corporations Act for the approval for Think and TND to enter into the Management Deed.

Performance Right means a right granted under the Performance Rights Plan to acquire by way of issue a Think Share subject to the terms of such plan.

Performance Rights Holder means a person who holds a Performance Right.

Performance Rights Plan means Think's Employee Share Option Plan dated 10 March 2016 (as amended from time to time).

Performance Rights Plan Rules means the rules of the Performance Rights Plan.

Proposed Transaction means:

(a) means the proposal referred to in recital A for the restructure of Think through the implementation of the Scheme; and

(b) all associated transactions and steps contemplated by this deed.

Public Authority means includes the Crown, any government and any governmental, semi-governmental, public, administrative, regulatory or judicial entity. It also includes a Minister, a statutory corporation, a self regulatory organisation or supervisory authority established by statute and any market licensee of a financial market (including ASX) and any operator of an overseas financial market.

Record Date means, in respect of the Scheme, 7.00pm on the third Business Day (or such other Business Day as the parties agree in writing) following the Effective Date.

Regulatory Approvals means the approvals set out in clause 3.1(a).

Related Body Corporate of a person, means a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted.

Relevant Interest has the meaning given in the Corporations Act.

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

RG 60 means Regulatory Guide 60 issued by ASIC.

Scheme means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between Think and Scheme Shareholders in respect of all Scheme Shares, substantially in the form set out in Schedule 3 or in such other form as the parties agree in writing, subject to any alterations or conditions that are:

(a) agreed to in writing by Think and TND, and approved by the Court; or

(b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by each party.

Scheme Meeting means the meeting of Think Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Share means a Think Share on issue as at the Record Date.

Scheme Shareholder means a person who holds one or more Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, the date on which the adjourned application is heard or scheduled to be heard.

Share Splitting means the splitting by a holder of Think Shares into two or more parcels of Think Shares whether or not it results in any change in beneficial ownership of the Think Shares.

Stapled Security means a Think Share stapled to a TND Share listed for quotation and trading together as one security on ASX.

Stapling Deed means the deed embodying the stapling arrangements between Think and TND contemplated for the purposes of the Proposed Transaction, substantially on the terms set out in Schedule 5 (or on such other terms as may be agreed by Think and TND).

Stapling Deed Resolutions means the proposed resolution of Think Shareholders and TND Shareholders for Think and TND to enter into the Stapling Deed for the purposes of sections 208 and 217 to 227 of the Corporations Act.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

Superior Proposal means a bona fide Competing Proposal which in the determination of the Think Board acting in good faith and in order to satisfy what the Think Board reasonably considers to be its fiduciary or statutory duties would, if completed substantially in accordance with its terms, be likely to result in a transaction more favourable to Think Shareholders as a whole than the Proposed Transaction, having regard to matters including consideration, conditionality, funding, certainty and timing.

Supporting Resolutions means the following resolutions:

(a) the Stapling Deed Resolutions;

(b) the Constitution Replacement Resolution; and

(c) the Management Deed Resolution,

to be considered and voted on in the case of (a), (b) and (c) at the Think General Meeting and in the case of (a) and (c) at the TND General Meeting.

Think Board means the board of directors of Think (or any committee of the board of directors of Think constituted to consider the Proposed Transaction on behalf of Think).

Think Director means a director of Think.

Think General Meeting means the general meeting of Think Shareholders for the purpose of considering the Supporting Resolutions.

Think Group means Think and its Subsidiaries.

Think Information means information to be included by Think in the Explanatory Booklet that explains the effect of the Scheme and sets out the information prescribed by the Corporations Act and the *Corporations Regulations 2001* (Cth), and any other information that is material to the

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making of a decision by Think Shareholders whether or not to vote in favour of the Scheme, being information that is within the knowledge of the Think Board and has not previously been disclosed to Think Shareholders, other than the TND Information and the Independent Expert's Report.

Think Parties means each member of the Think Group and its Related Bodies Corporate and Authorised Persons.

Think Prescribed Occurrence means the occurrence of any of the following on or after the date of this deed:

(a) Think converts all or any of its shares into a larger or smaller number of shares (see section 254H of the Corporations Act);

(b) any member of the Think Group resolves to reduce its share capital in any way other than the Capital Reduction;

(c) any member of the Think Group:

  (i) enters into a buy-back agreement; or

  (ii) resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act;

(d) any member of the Think Group issues securities, or grants a performance right, or an option over its securities, or agrees to make such an issue or grant such a right or an option other than under the valid exercise of an option or performance right on issue immediately before the date of this deed;

(e) any member of the Think Group issues, or agrees to issue, convertible notes;

(f) any member of the Think Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;

(g) any member of the Think Group creates or agrees to create, any security interest over the whole, or a substantial part, of its business or property; or

(h) an Insolvency Event occurs in relation to any member of the Think Group.

Think Replacement Constitution means the proposed new constitution of Think in a form consistent with Think implementing the Proposed Transaction, in particular the stapling of Think Shares and TND Shares substantially in the form set out in Schedule 6.

Think Share means an issued fully paid ordinary share in the capital of Think.

Think Share Register means the register of members of TNK maintained in accordance with section 168(1) of the Corporations Act.

Think Shareholder means each person who is registered in the register maintained by Think under section 168(1) of the Corporations Act as a holder of Think Shares.

Think Warranties means the representations and warranties of Think set out in clause 8.3.

Timetable means the indicative timetable in relation to the Proposed Transaction set out in Schedule 1 with such modifications as may be agreed in writing by the parties.

TND General Meeting means the general meeting of TNK Shareholders for the purpose of considering the Supporting Resolutions.

TND Group means TND and its Subsidiaries (if any).

TND Information means such information regarding TND to enable:

(a) the Explanatory Booklet to be prepared and completed in compliance with all applicable laws; and

(b) applications for Regulatory Approvals to be made.

TND Share means a fully paid ordinary share in the capital of TND.

TND Shareholder means each person who is registered in the register maintained by TND under section 168(1) of the Corporations Act as a holder of TND Shares.

TND Parties means TND and its respective Authorised Persons.

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TND Warranties means the representations and warranties of TND set out in clause 8.1.

1.2 Interpretation

In this deed, except where the context otherwise requires:

(a) the singular includes the plural, and the converse also applies;

(b) gender includes other genders;

(c) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(d) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this deed, and a reference to this deed includes any schedule or annexure;

(e) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;

(f) a reference to **A$**, **$A**, **dollar** or **$** is to Australian currency;

(g) a reference to time is to Melbourne, Australia time;

(h) a reference to a party is to a party to this deed, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;

(i) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;

(j) a reference to legislation or to a provision of legislation (including a listing rule or operating rule of a financial market or of a clearing and settlement facility) includes a modification or re enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it;

(k) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;

(l) a reference to conduct includes an omission, statement or undertaking, whether or not in writing;

(m) the meaning of general words is not limited by specific examples introduced by **including**, **for example** or similar expressions;

(n) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this deed or any part of it; and

(o) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.5 Consents or approvals

If the doing of any act, matter or thing under this deed is dependent on the consent or approval of a party or is within the discretion of a party, the consent or approval may be given or the discretion may be exercised conditionally or unconditionally or withheld by the party in its absolute discretion unless provided otherwise.

1.6 Listing requirements included as law

A listing rule or operating rule of a financial market or of a clearing and settlement facility will be regarded as a law, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

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1.7 Reasonable endeavours

Any provision of this deed which requires a party to use reasonable endeavours or best endeavours to procure that something is performed or occurs or does not occur does not include any obligation:

(a) to pay any money or provide any financial compensation, valuable consideration or any other incentive to or for the benefit of any person except for payment of any applicable fee for the lodgement or filing of any relevant application with any Governmental Agency; or

(b) to commence any legal action or proceeding against any person,

except where that provision specifies otherwise.

2. Agreement to propose Scheme

2.1 Scheme

(a) Think must, as soon as reasonably practicable after the date of this deed and substantially in accordance with the Timetable, propose the Scheme under which, subject to the Scheme becoming Effective, all Scheme Shareholders will be issued with one TND Share for each Scheme Share held by them at the Record Date which will be stapled to their Think Shares.

(b) Think agrees to propose and implement the Scheme on and subject to the terms and conditions of this deed, and substantially in accordance with the Timetable.

(c) TND agrees to assist Think in proposing and implementing the Scheme on and subject to the terms and conditions of this deed, and substantially in accordance with the Timetable.

2.2 Deed Poll

TND covenants in favour of Think (in Think's own right and separately as trustee for each of the Scheme Shareholders) to execute, deliver and perform the Deed Poll prior to the dispatch of the Explanatory Booklet.

3. Conditions precedent and pre-implementation steps

3.1 Conditions to Scheme

Subject to this clause 3, the Scheme will not become Effective, and the respective obligations of the parties in relation to the implementation of the Scheme will not be binding, until each of the following conditions precedent is satisfied or waived to the extent and in the manner set out in this clause 3:

(a) (**Regulatory Approvals**) before the Delivery Time on the Second Court Date, ASIC and ASX issue or provide such consents or approvals as are necessary or which Think and TND agree are necessary or desirable to implement the Scheme and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date;

(b) (**Listing of TND**) the stapled group comprising Think and TND must be approved for admission to the official list of ASX (subject only to customary listing conditions);

(c) (**Quotation of Stapled Securities**) ASX has indicated in writing that it will grant permission for the quotation of the Stapled Securities (subject only to customary pre-quotation listing conditions);

(d) (**No Think Prescribed Occurrence**) no Think Prescribed Occurrence occurs between the date of this deed and the Delivery Time on the Second Court Date;

(e) (**No change of Think Board recommendation**) between the date of this deed and the date of the Scheme Meeting, none of the Directors of Think changing, qualifying or withdrawing their unanimous recommendation to Think Shareholders to vote in favour of the Scheme, which recommendation may be expressed to be given subject to the Independent Expert opining that the Scheme is in the best interest of Think Shareholders;

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(f) (**Think Warranties**) the Think Warranties being true and correct in all material respects on the date of this deed and at the Delivery Time on the Second Court Date;

(g) (**TND Warranties**) the TND Warranties being true and correct in all material respects on the date of this deed and at the Delivery Time on the Second Court Date;

(h) (**Shareholder approval of Scheme**) the Scheme is approved by Think Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;

(i) (**Shareholder approval of Supporting Resolutions**) the Supporting Resolutions are approved by Think Shareholders at the Think General Meeting by the majorities required under the Corporations Act;

(j) (**Shareholder approval of Supporting Resolutions**) the Supporting Resolutions are approved by TND Shareholders at the TND General Meeting by the majorities required under the Corporations Act;

(k) (**Stapling Deed**) the Stapling Deed has been executed to take effect on the Implementation Date;

(l) (**Think Performance Rights**) before the Delivery Time:

(i) legally binding arrangements have been put in place so that the Performance Rights Plan Rules applying to all Performance Rights outstanding at the date of this deed are amended, conditional on implementation of the Scheme, such that Performance Rights in existence prior to the Scheme becoming Effective and Performance Rights issued after the Scheme becomes Effective, and on vesting of a Performance Right, Performance Rights Holders will acquire by way of issue a Stapled Security and not a Think Share; and

(ii) Think has complied with its obligations under clause 4.

(m) (**Court approval**) the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably); and

(n) (**Independent Expert**) the Independent Expert concluding in the Independent Expert's Report that in its opinion the Scheme is in the best interest of Think Shareholders and the Independent Expert maintaining that opinion (including by not withdrawing, qualifying or changing that opinion) at all times up to the Second Court Date.

3.2 Benefit and waiver of conditions precedent

(a) Other than the Conditions in clauses 3.1(h) (Shareholder approval) and 3.1(m) (Court approval) which cannot be waived, the Conditions in clause 3.1 are for the benefit of Think and any breach or non-fulfilment of then may only be waived (if capable of waiver) by Think giving its written consent.

(b) Think is entitled to waive a Condition under this clause 3.2 in its absolute discretion. Any waiver of a Condition by Think must take place on or prior to the Delivery Time on the Second Court Date.

3.3 Reasonable endeavours

Think and TND will use their respective reasonable endeavours to procure that each of the Conditions (as applicable) is satisfied as soon as reasonably practicable after the date of this deed or continues to be satisfied at all times until the last time they are to be satisfied (as the case may require).

3.4 Notifications

Each of TND and Think must:

(a) keep the other promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;

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(b) promptly notify the other in writing if it becomes aware that any Condition has been satisfied; and

(c) promptly notify the other in writing if it becomes aware that any Condition is or has become incapable of being satisfied (having regard to the respective obligations of each party under clause 3.3).

3.5 Certificate

On the Second Court Date:

(a) TND and Think will provide a joint certificate to the Court confirming whether or not the Conditions set out in clause 3.1 have been satisfied or waived in accordance with the terms of this deed;

(b) Think will provide a certificate to TND confirming whether or not Think has breached any of its obligations under this deed (including a breach of a representation or warranty), and if it has, giving details of such breach; and

(c) TND will provide a certificate to Think confirming whether or not TND has breached any of its obligations under this deed (including a breach of a representation or warranty), and if it has, giving details of such breach.

3.6 Scheme voted down

If the Scheme is not approved by Think Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test and TND considers acting reasonably that Share Splitting or some abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied then Think must:

(a) apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and

(b) make such submissions to the Court and file such evidence as Counsel engaged by Think to represent it in Court proceedings related to the Scheme, in consultation with TND, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Act by making an order to disregard the Headcount Test.

3.7 Conditions not capable of being fulfilled

(a) If:

(i) any Condition is not satisfied or (where capable of waiver) waived by the date specified in this deed for its satisfaction (or an event occurs which would or is likely to prevent a condition precedent being satisfied by the date specified in this deed);

(ii) a circumstance occurs with the result that a Condition is not capable of being fulfilled and, if the Condition is able to be waived by a party under clause 3.2 the party does not waive the Condition within 5 Business Days after the occurrence of the circumstance; or

(iii) the Scheme does not become Effective by the End Date,

and the Independent Expert has not opined to the effect that the Scheme is not in the best interest of Think Shareholders, then Think may:

(i) propose that the Scheme proceed by way of alternative means or methods;

(ii) extend the relevant time or date for satisfaction of the Condition;

(iii) change the date of the application to be made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by the parties; or

(iv) extend the End Date.

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(b) If a Condition becomes incapable of being satisfied before the End Date and Think has not made an election under clause 3.7(a) within 5 Business Days of the date on which Think became aware that the Condition has become incapable of being satisfied (or, if earlier, by the Delivery Time on the Second Court Date), then unless the relevant Condition (where capable of waiver) is waived, Think may terminate this deed by giving TND notice without any liability to any party by reason of that termination alone.

3.8 Interpretation

For the purposes of this clause 3, a Condition will be incapable of satisfaction, or incapable of being fulfilled if:

(a) in the case of a Condition relating a Regulatory Approval – the relevant Governmental Agency makes or has made a final adverse determination in writing to the effect that it will not provide the Regulatory Approval; and

(b) in all other cases – there is an act, failure to act or occurrence that will prevent the Condition being satisfied by the End Date (and the breach or non-fulfilment that would otherwise have occurred has not already been waived in accordance with this deed).

4. Treatment of Performance Rights

As soon as practicable after the date of this agreement, the Think Board must give a written notice to each Performance Rights Holder stating that:

(a) subject to obtaining the necessary waivers from ASX and the Scheme being approved by Think Shareholders at the Scheme Meeting, the Performance Rights Plan Rules will be amended and outlining the terms of such amendment; and

(b) on vesting of a Performance Right, Think agrees to issue to the Performance Rights Holder such number of Stapled Securities to which the Performance Rights Holder is entitled.

5. Recommendation, intentions and announcements

5.1 Think Board Recommendation and Voting Intention

(a) Think must ensure that the Announcement and the Explanatory Booklet state that each Think Director recommends that Think Shareholders vote in favour of the Scheme (**Recommendation**) which Recommendation must not be qualified in any way other than by words to the effect of 'in the absence of a Superior Proposal' and 'subject to the Independent Expert concluding that the Scheme is in the best interest of Think Shareholders'.

(b) TND acknowledges that each Think Director may, subject to the terms of this deed, publicly (or otherwise) withdraw, change or in any way qualify their Recommendation if the Independent Expert concludes in the Independent Expert's Report (either in its initial report or any subsequent update of its report) that the Scheme is not in the best interest of the Think Shareholders.

(c) Think and TND acknowledge that each Think Director has indicated to Think that they intend to cause any Think Shares in which they have a Relevant Interest to be voted in favour of the Scheme (**Voting Intention**), subject to the Independent Expert concluding that the Scheme is in the best interest of Think Shareholders, and that the Explanatory Booklet will state that Voting Intention to the extent to which it is current as at the date of the Explanatory Booklet.

(d) TND acknowledges that each Think Director may, subject to the terms of this deed, publicly (or otherwise) withdraw, change or in any way qualify their Voting Intention.

5.2 Confirmation

Think represents and warrants to TND that each Think Director has confirmed his or her agreement not to do anything inconsistent with their Recommendation and Voting Intention

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(including withdrawing, changing or in any way qualifying their Recommendation or Voting Intention) other than in the circumstances referred to in clause 5.1(b)

5.3 Announcements

(a) Immediately after the execution of this deed Think must issue the Announcement to the ASX.

(b) Any further public announcements by Think or TND in relation to, or in connection with, the Proposed Transaction or any other transaction related to this deed or the Scheme may only be made in a form approved by each party in writing (acting reasonably). Where a party is required by law or the Listing Rules to make any announcement or to make any disclosure in relation to, or in connection with the Proposed Transaction or any other transaction related to this deed or the Scheme, it may do so to the extent legally required and only then after it has given the other party as much notice as possible and has consulted to the fullest extent possible in the circumstances with the other party.

6. Scheme – parties' respective implementation obligations

6.1 Think's obligations

Think must take all steps reasonably necessary to propose and (subject to all of the Conditions being satisfied or waived in accordance with their terms) implement the Scheme as soon as reasonably practicable and after the date of this deed and substantially in accordance with the Timetable, including without limitation taking each of the following steps:

(a) (**Explanatory Booklet**) prepare the Explanatory Booklet in accordance with clause 6.3;

(b) (**Independent Expert**) promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;

(c) (**approval of draft for ASIC**) as soon as reasonably practicable after the preparation of an advanced draft of the Explanatory Booklet suitable for review by ASIC, procure that a meeting of the Think Board, or of a committee of the Think Board appointed for the purpose, is held to consider approving that draft as being in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act;

(d) (**liaison with ASIC**) as soon as reasonably practicable after the date of this deed:

(i) provide an advanced draft of the Explanatory Booklet, in a form approved in accordance with clauses 6.1(c) and 6.2(b), to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act; and

(ii) liaise with ASIC during the period of its consideration of that draft of the Explanatory Booklet and keep TND reasonably informed of any matters raised by ASIC in relation to the Explanatory Booklet and use reasonable endeavours, in consultation with TND, to resolve any such matters;

(e) (**approval of Explanatory Booklet**) as soon as reasonably practicable after the conclusion of the review by ASIC of the Explanatory Booklet, procure that a meeting of the Think Board, or of a committee of the Think Board appointed for the purpose, is held to consider approving the Explanatory Booklet for dispatch to the Think Shareholders, subject to orders of the Court under section 411(1) of the Corporations Act;

(f) (**section 411(17)(b) statements**) apply to ASIC for the production of statements in writing under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;

(g) (**first Court hearing**) lodge all documents with the Court and take all other reasonable steps to ensure that promptly after, and provided that, the approvals in clauses 6.1(e) and 6.2(c) have been received, an application is heard by the Court for an order under section 411(1) of the Corporations Act directing Think to convene the Scheme Meeting;

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(h) (**registration of explanatory statement**) request ASIC to register the explanatory statement included in the Explanatory Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;

(i) (**convene Scheme Meeting**) take all reasonable steps necessary to comply with the orders of the Court including, as required, despatching the Explanatory Booklet to the Think Shareholders and convening and holding the Scheme Meeting on the same day and at the same time or immediately before the Think General Meeting;

(j) (**convene Think General Meeting**) take all reasonable steps necessary to convene and hold the Think General Meeting to be held on the same day as the Scheme Meeting and promptly after the Scheme Meeting concludes;

(k) (**convene TND General Meeting**) take all reasonable steps necessary to convene and hold the TND General Meeting to be held on the same day as the Scheme Meeting and promptly after the Scheme Meeting concludes;

(l) (**lodge amendments to Think constitution**) lodge with ASIC the Think Replacement Constitution under section 136(5) of the Corporations Act;

(m) (**return of capital**) undertake the Capital Reduction;

(n) (**stapling**) ensure the stapling of Think Shares to TND Shares;

(o) (**Court approval application if parties agree that conditions are capable of being satisfied**) if the resolution submitted to the Scheme Meeting is passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act and, if necessary, the parties agree on the Business Day immediately following the Scheme Meeting that it can be reasonably expected that all of the Conditions will be satisfied or waived prior to the proposed Second Court Date, apply to the Court for orders approving the Scheme;

(p) (**implementation of Scheme**) if the Scheme is approved by the Court:

   (i) subject to the Listing Rules, promptly lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act;

   (ii) applying on behalf of Scheme Shareholders for TND Shares by using the proceeds of the Capital Reduction and stapling of Think Shares to the TND Shares issued by TND; and

   (iii) do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;

(q) (**Regulatory notifications**) in relation to the Regulatory Approvals, lodge with any Governmental Agency within the relevant periods all documentation and filings required by law to be so lodged by Think in relation to the Proposed Transaction;

(r) (**redemption of preference share**) subject to TND complying with its obligations under clause 6.2(d), redeem the one (1) redeemable preference share that Think holds in TND;

(s) (**Shareholder support**) promote to its shareholders the merits of the Scheme, including soliciting proxy votes in favour of the Scheme; and

(t) (**Compliance with laws**) do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws and regulations.

6.2 TND's obligations

TND must take all steps reasonably necessary to assist Think to implement the Scheme as soon as reasonably practicable and substantially in accordance with the Timetable including, without limitation, taking each of the following steps:

(a) (**Regulatory notifications**) in relation to the Regulatory Approvals, lodge with any regulatory authority within the relevant time periods all documentation and filings required by law to be so lodged by TND in relation to the Proposed Transaction;

(b) (**approval of draft for ASIC**) as soon as reasonably practicable after the preparation of an advanced draft of the Explanatory Booklet suitable for review by ASIC, procure that a meeting of the appropriate representatives of TND is held to consider approving those

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sections of that draft that relate to TND as being in a form appropriate for provision to ASIC for review;

(c) (**approval of Explanatory Booklet**) as soon as reasonably practicable after the conclusion of the review by ASIC of the Explanatory Booklet, procure that a meeting of the appropriate representatives of TND is held to consider approving those sections of the Explanatory Booklet that relate to TND as being in a form appropriate for dispatch to Think Shareholders, subject to approval of the Court;

(d) (**return of capital**) issue the TND Shares to Scheme Shareholders in accordance with the requirements of the Scheme and the Capital Reduction under the Supporting Resolutions such that TND Shares to be allotted and issued to Scheme Shareholders and rank pari passu in all respects with each other and all other TND Shares on issue at that time (if any);

(e) (**stapling**) ensure the stapling of Think Shares to TND Shares;

(f) (**Representation**) procure that TND is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act; and

(g) (**Compliance with laws**) do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws and regulations.

6.3 Explanatory Booklet - preparation principles

(a) As soon as reasonably practicable after the date of this deed and substantially in accordance with the Timetable, Think must prepare the Explanatory Booklet in compliance with:

   (i) all applicable laws, in particular with the Corporations Act, RG 60 and the Listing Rules; and

   (ii) this clause 6.3.

(b) The Explanatory Booklet will include:

   (i) the terms of the Scheme;

   (ii) the notice of Scheme Meeting, and any other notice of meeting in respect of any resolution that is necessary, expedient or incidental to give effect to the Scheme, together with a proxy form for the Scheme Meeting and for any ancillary meeting;

   (iii) the notice of Think General Meeting;

   (iv) the Think Information;

   (v) the TND Information;

   (vi) a copy of this deed (without the schedules or annexures);

   (vii) a copy of the Management Deed;

   (viii) a copy of the Stapling Deed;

   (ix) a copy of the Think Replacement Constitution;

   (x) a copy of the executed Deed Poll; and

   (xi) a copy of the Independent's Expert Report.

7. Conduct of business before the Implementation Date

7.1 Conduct of Think business

From the date of this deed up to and including the Implementation Date, Think must conduct and must cause each of its Subsidiaries to conduct their businesses in the ordinary and usual course of business and:

(a) operate those businesses consistent with past practice, in substantially the same manner as previously conducted;

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(b) use reasonable endeavours to preserve their relationships with customers, suppliers, landlords, licensors, licensees and others having material business dealings with them, and to retain the services of all key employees;

(c) use reasonable endeavours to ensure that all assets are maintained in the normal course consistent with past practice;

(d) use reasonable endeavours to comply in all material respects with all material contracts to which a member of the Think Group is a party, and with laws, authorisations and licences applicable to each member of the Think Group; and

(e) not take or fail to take any action that constitutes a Think Prescribed Occurrence or that could reasonably be expected to result in a Think Prescribed Occurrence.

7.2 Permitted activities

The obligations of Think under clause 7.1 do not apply in respect of any matter:

(a) undertaken by a member of the Think Group in conducting its businesses in the usual and ordinary course and consistent with past practice;

(b) required to be done or procured by Think under, or which is otherwise contemplated by, this deed or the Scheme; or

(c) required by law or by an order of a court or Governmental Agency.

8. Representations and warranties

8.1 TND representations

(a) TND represents and warrants to Think (on Think's own behalf and separately as trustee for each of the other Think Parties) each of the matters set out in clause 8.1(b) as at the date of this deed and on each subsequent day until the Delivery Time on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).

(b) TND represents and warrants that:

(i) TND is a validly existing corporation registered under the laws of its place of incorporation;

(ii) the execution and delivery of this deed has been properly authorised by all necessary corporate action and TND has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed; and

(iii) this deed constitutes legal, valid and binding obligations on it and this deed does not result in a breach of or default under any deed or any writ, order or injunction, rule or regulation to which TND is a party or is bound.

8.2 TND's indemnity

TND agrees with Think (on Think's own behalf and separately as trustee or nominee for each of the other Think Parties) to indemnify and keep indemnified the Think Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which any of the Think Parties may suffer or incur by reason of any breach of any of the representations and warranties in clause 8.1(a) or 8.1(b).

8.3 Think representations

(a) Think represents and warrants to TND each of the matters set out in clause 8.3(b) as at the date of this deed and on each subsequent day until on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

(b) Think represents and warrants that:

(i) Think is a validly existing corporation registered under the laws of its place of incorporation;

(ii) the execution and delivery of this deed by Think has been properly authorised by all necessary corporate action and Think has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed; and

(iii) this deed constitutes legal, valid and binding obligations on Think and the execution of this deed of itself does not result in a breach of or default under any agreement or deed or any writ, order or injunction, rule or regulation to which Think or any of its Subsidiaries is a party or to which they are bound.

8.4 Think's indemnity

Think agrees with TND to indemnify and keep indemnified the TND Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which any of the Guarantor Indemnified Parties may suffer or incur by reason of any breach of any of the representations and warranties in clauses 8.3(a) or 8.3(b).

8.5 Notifications

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 8.

8.6 Survival of representations

Each representation and warranty in clauses 8.1 and 8.3:

(a) is severable;

(b) will survive the termination of this deed; and

(c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this deed.

8.7 Survival of indemnities

Each indemnity in this deed (including those in clauses 8.2 and 8.4) will:

(a) be severable;

(b) be a continuing obligation;

(c) constitute a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this deed; and

(d) survive the termination of this deed.

9. Releases

9.1 Think Parties

(a) Without limiting TND's rights under clause 8, TND releases all rights against and agrees with Think that it will not make a Claim against, any Think Party (other than Think) in connection with:

(i) Think's execution or delivery of this deed;

(ii) any breach of any representation, covenant and warranty of Think in this deed; or

(iii) the implementation of the Scheme,

except to the extent the relevant Think Party has not acted in good faith or has engaged in wilful misconduct.

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

(b) This clause is subject to any Corporations Act restriction and will (if and to the extent required) be read down accordingly. Think receives and holds the benefit of this clause as trustee for each other Think Party.

9.2 TND Parties

(a) Without limiting Think's rights under clause 8, Think releases its rights against, and agrees with TND that it will not make a Claim against any TND Party (other than TND) in connection with:

(i) TND's execution or delivery of this deed;

(ii) any breach of any representation, covenant and warranty of TND in this deed; or

(iii) the implementation of the Scheme,

(iv) any disclosure made by any TND Party that contains any statement which is false or misleading whether in content or by omission,

(b) This clause is subject to any Corporations Act restriction and will (if and to the extent required) be read down accordingly. TND receives and holds the benefit of this clause as trustee for each other TND Party.

10. Confidentiality and public announcement

10.1 Confidentiality

Each party agrees and acknowledges that it may only use confidential information of another party for the purposes of this deed, and must keep the existence and the terms of this deed and any confidential information of another party confidential except where:

(a) the information is public knowledge (but not because of a breach of this deed) or the party has independently created the information;

(b) disclosure is required by law or a Public Authority or is permitted under this deed; or

(c) disclosure is made to a person who must know for the purposes of this deed on the basis that the person keeps the information confidential.

10.2 Required announcement

Where a party is required by applicable law, the ASX Listing Rules or any other applicable financial market regulation to make any announcement or to make any disclosure in connection with the Proposed Transaction or any other transaction the subject of this deed or the Scheme, it may do so but must use reasonable endeavours, to the extent practicable and lawful, to consult with the other party before making the relevant disclosure and must give the other party as much notice as reasonably practicable.

10.3 Statements on termination

The parties must use all reasonable endeavours to issue agreed statements in respect of any termination of this deed and, to that end but without limitation, clause 10.2 applies to any such statements or disclosures.

11. Termination

11.1 Termination by notice

(a) TND or Think may, by notice in writing to the other, terminate this deed at any time prior to the Second Court Date:

(i) if the other is in material breach of any of its obligations under this deed (including a material breach of a representation or warranty) and the other party has failed to remedy that breach within 10 Business Days (or the Delivery Time on the Second Court Date if earlier) of receipt by it of a notice in writing from the terminating party

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

setting out details of the relevant circumstance and requesting the other party to remedy the breach;

(ii) receipt by Think and TND of the conditional consent of ASX to grant official quotation of the Stapled Securities on terms which, in the reasonable opinion of the directors of Think and TND, are unsatisfactory, or the failure to receive conditional consent in writing of ASX to grant official quotation of the Stapled Securities on terms which, in the reasonable opinion of the directors of Think and TND, are satisfactory;

(iii) if the Court refuses to make any order directing Think to convene the Scheme Meeting, provided that both Think and TND have met and consulted in good faith and agreed that they do not wish to proceed with the Scheme; or

(iv) if the Effective Date for the Scheme has not occurred on or before the End Date.

(b) Think may, by notice in writing to TND, terminate this deed:

(i) in accordance with clause 3.7; or

(ii) at any time prior to the Delivery Time on the Second Court Date if at any time before then each of that number of Think Directors as constitutes a majority of the Think Board withdraws or adversely modifies their recommendation of the Proposed Transaction or recommends or supports Superior Proposal.

11.2 Automatic termination

Without limiting any other term of this deed but subject to clause 3.6, this deed will terminate automatically if the Scheme is not approved by the necessary majorities at the Scheme Meeting.

11.3 Effect of termination

(a) In the event of termination of this deed under clause 3.7, 11.1 or 11.2, this deed will become void and have no effect, except that the provisions of clauses 8.6, 8.7, 11 and 13.3 to 13.15 (inclusive) survive termination.

(b) Termination of this deed does not affect any accrued rights of a party in respect of a breach of this deed prior to termination.

12. Notices

Any communication under or in connection with this deed:

(a) must be in writing;

(b) must be sent to the address for service of the addressee specified in the Details;

(c) must be signed by the party making the communication or by a person duly authorised by that party;

(d) must be delivered or posted by prepaid post to the address, or sent by email of the addressee, in accordance with the Details; and

(e) will be deemed to be received by the addressee:

(i) (**in the case of prepaid post**) on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;

(ii) (**in the case of delivery by hand**) on delivery at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.

(iii) (**in the case of email**) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered.

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

13. General

13.1 Further acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by any other party to give effect to this deed.

13.2 Timetable

The parties agree that the Timetable is indicative only and is not binding on the parties.

13.3 Payments

Unless otherwise provided in this deed, where an amount is required to be paid to a party (**Receiving Party**) by another party under this deed, that amount shall be paid:

(a) in immediately available and irrevocable funds by electronic transfer to a bank account or accounts notified by the Receiving Party in writing on or before the due date for payment, or in other such immediately payable funds as the parties may agree; and

(b) without deduction, withholding or set-off.

13.4 GST

(a) Any reference in this clause 13.4 to a term defined or used in the *A New Tax System (Goods and Services Tax) Act 1999* is, unless the context indicates otherwise, a reference to that term as defined or used in that Act.

(b) Unless expressly included, the consideration for any supply under or in connection with this deed does not include GST.

(c) To the extent that any supply made by a party (**Supplier**) to another party (**Recipient**) under or in connection with this deed is a taxable supply, the Recipient must pay to the Supplier, in addition to the consideration to be provided under this deed but for the application of this clause 13.4(c) for that supply (**GST Exclusive Consideration**), an amount equal to the amount of the GST Exclusive Consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply. This clause 13.4(c) does not apply to any taxable supply under or in connection with this deed that is stated to include GST.

(d) The amount on account of GST payable in accordance with this clause 13.4 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.

(e) Any reference in the calculation of any consideration or of any indemnity, reimbursement or similar amount to a cost, expense or liability incurred by a person (**Relevant Expense**) is a reference to the relevant expense reduced by an amount equal to any input tax credit entitlement of that person (or of the representative member of any GST group to which the person belongs) in relation to the Relevant Expense. A party will be assumed to have an entitlement to a full input tax credit unless it demonstrates otherwise prior to the date on which the relevant payment or consideration must be provided.

13.5 Stamp duty

TND must pay all stamp duties (if any) and any fines and penalties with respect to stamp duty in respect of this deed or the Scheme or the steps to be taken under this deed or the Scheme (including without limitation the acquisition or transfer of Scheme Shares under the Scheme).

13.6 Expenses

Except as otherwise provided in this deed, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this deed and the Explanatory Booklet and the proposed, attempted or actual implementation of this deed and the Scheme.

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

13.7 Amendments

This deed may only be varied by a document signed by or on behalf of each of the parties.

13.8 Assignment

A party cannot assign, novate or otherwise transfer any of its rights or obligations under this deed without the prior written consent of each other party, which consent that other party may give or withhold in its absolute discretion.

13.9 Business Day

Except where otherwise expressly provided, where under this deed the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day.

13.10 Waiver

(a) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this deed.

(b) Any waiver or consent given by any party under this deed will only be effective and binding on that party if it is given or confirmed in writing by that party.

(c) No waiver of a breach of any term of this deed will operate as a waiver of another breach of that term or of a breach of any other term of this deed.

(d) Nothing in this deed obliges a party to exercise a right to waive any conditional term of this deed that may be in its power.

13.11 Counterparts

(a) This deed may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the agreement of each party who has executed and delivered that counterpart. Each counterpart is an original but the counterparts together are one and the same agreement.

(b) This deed is binding on the parties on the exchange of duly executed counterparts.

(c) The parties agree that a copy of an original executed counterpart sent by facsimile machine to the facsimile number of the other party specified in clause 12, instead of the original, is sufficient evidence of the execution of the original and may be produced in evidence for all purposes in place of the original.

13.12 Entire agreement

This deed:

(a) embodies the entire understanding of the parties and constitutes the entire terms agreed on between the parties; and

(b) supersedes any prior agreement (whether or not in writing) between the parties.

13.13 No representation or reliance

(a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this deed, except for representations or inducements set out in this deed.

(b) Each party acknowledges and confirms that it does not enter into this deed in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement set out in this deed.

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

13.14 No merger

The rights and obligations of the parties will not merge on completion of any transaction under this deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

13.15 Governing law

(a) This deed is governed by and will be construed according to the laws of Victoria.

(b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Victoria and of the courts competent to determine appeals from those courts.

13.16 Time

Time is of the essence of this deed.

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

Schedule 1 – Indicative timetable

Event	Date
Enter into Scheme Implementation Deed	14 August 2019 *Day 0*
Lodge Explanatory Booklet with ASIC for review and comment	15 October 2019 *Day 63*
First Court Date	31 October 2019 *Day 79*
Explanatory Booklet registered with ASIC	1 November 2019 *Day 80*
Dispatch Explanatory Booklet to Think Shareholders	4 November 2019 *Day 83*
Scheme Meeting Think General Meeting TND General Meeting	5 December 2019 *Day 114*
Second Court Date	12 December 2019 *Day 121*
Effective Date – lodge office copy of Court order approving the Scheme with ASIC	13 December 2019 *Day 122*
Record Date	19 December 2019 *Day 128*
Implementation Date	23 December 2019 *Day 132*

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

Schedule 2 – Deed Poll

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

Deed Poll

—

Think Childcare Development Limited ACN 635 178 166 (**TND**)

—

Level 23 Rialto Towers 525 Collins Street
Melbourne Vic 3000 Australia DX 204 Melbourne
T +61 3 8608 2000 F +61 3 8608 1000
minterellison.com

MinterEllison

ME_161299140_2

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

Deed Poll

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

Details

Date

Parties

Name	**Think Childcare Development Limited ACN 635 178 166**
Short form name	**TND**
Notice details	Suite 3, 1 Park Avenue, Drummoyne NSW 2047 Email: jenny.saliba@thinkchildcare.com.au Attention: Jennifer Saliba

Background

A On 14 August 2019, Think and TND entered into the Scheme Implementation Deed to provide for (among other matters) the implementation of the Scheme.

B TND enters this deed poll to covenant in favour of Scheme Shareholders to perform the actions attributed to it under the Scheme

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this document:

Scheme Implementation Deed means the Scheme Implementation Deed dated 14 August 2019 between Think and TND.

1.2 Terms defined in Scheme Implementation Deed

Words and phrases defined in the Scheme Implementation Deed have the same meaning in this deed poll unless the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Scheme Implementation Deed form part of this deed poll as if set out at length in this deed poll but with *deed poll* substituted for *agreement* and with any reference to *party* being taken to include the Scheme Shareholders.

2. Nature of this deed poll

TND agrees that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

3. Conditions

3.1 Conditions

The obligations of TND under this deed poll are subject to the Scheme becoming Effective.

3.2 Termination

This deed poll and the obligations of TND will automatically terminate and this deed poll will be of no further force or effect if:

(a) the Scheme Implementation Deed is terminated in accordance with its terms before the Scheme becomes Effective; or

(b) the Scheme is not Effective on or before the End Date or any later date as the Court, with the consent of Think and TND, may order,

unless TND and Think otherwise agree in writing.

3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to them:

(a) TND is released from its respective obligation to further perform this deed poll; and

(b) each Scheme Shareholder retains the rights they have against TND in respect of any breach of this deed poll which occurred before it terminated.

4. Performance of obligations

4.1 Generally

Subject to clause 3, TND covenants in favour of Scheme Shareholders to perform the actions attributed to it under the Scheme and otherwise comply with the Scheme as if TND was a party to the Scheme.

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

4.2 Issue of TND Shares

Subject to clause 3 and in accordance with the provisions in the Scheme Implementation Deed, TND:

(a) covenants in favour of each Scheme Shareholder to allot and issue to each Scheme Shareholder, or if the Scheme Shareholder is a Foreign Scheme Shareholder, to the Sale Nominee, one TND Share for one Think Share held by a Scheme Shareholder on the Record Date; and

(b) must register or cause to be registered:

(i) the Scheme Shareholders (other than the Foreign Scheme Shareholders) as the holders of TND Shares to which they become entitled under the Scheme in accordance with clause 4.2 of the Scheme and as holders of TND Shares to which they become entitled on implementation of the Scheme and must join with Think to dispatch holding statements evidencing the holdings of Scheme Shareholders of the Stapled Securities;

(ii) the Sale Nominee as the holder of TND Shares to which Foreign Scheme Shareholders would otherwise have been entitled in accordance with clause 4.5(c) of the Scheme and must join with Think to dispatch holding statements evidencing the holdings of Scheme Shareholders of the Stapled Securities.

5. Warranties

TND represents and warrants to each Scheme Shareholder that:

(a) (**status**) it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;

(b) (**power**) it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

(c) (**corporate authorisations**) it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;

(d) (**documents binding**) this deed poll is valid and binding on it and enforceable against it in accordance with its terms;

(e) (**transactions permitted**) the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:

(i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;

(ii) its constitution or other constituent documents; or

(iii) any other document which is binding on it or its assets; and

(f) (**solvency**) it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up, deregistration or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

6. Continuing Obligations

6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

(a) TND having fully performed its obligations under this deed poll; or

(b) termination of this deed poll under clause 3.2.

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

6.2 Variation

A provision of this deed poll may not be varied unless:

(a) before the Second Court Date, the variation is agreed to in writing by Think (which agreement may be given or withheld without reference to or approval by any Think Shareholder); or

(b) on or after the Second Court Date, the variation is agreed to in writing by Think and is approved by the Court (which agreement may be given or withheld without reference to or approval by any Think Shareholder),

in which event TND will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

7. Notices

Any notice, demand or other communication (a **Notice**) to TND in respect of this deed poll:

(a) must be in writing and signed by the sender or a person duly authorised by it;

(b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand or email to the email address specified in the Details; and

(c) will be conclusively taken to be duly given or made:

(i) (**in the case of post**) on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting (if posted to an address outside Australia);

(ii) (**in the case of delivery by hand**) on delivery at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, then that communication will be deemed to be received at 9.00am on the next Business Day; and

(iii) (**in the case of email**) immediately after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.

8. General Provisions

8.1 Assignment

(a) The rights and obligations of TND and each Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of TND .

(b) Any purported dealing in contravention of clause 8.1(a) is invalid.

8.2 Cumulative rights

The rights, powers and remedies of TND and each Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

8.3 No waiver

(a) TND may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.

(b) If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

(c) No Scheme Shareholder may rely on words or conduct of TND as a waiver of any right unless the waiver is in writing and signed by TND.

(d) The meanings of the terms used in this clause 8.3 are set out below.

conduct includes delay in the exercise of a right.

right means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8.4 Stamp duty

TND:

(a) must pay or procure the payment of all stamp duty (if any) and any related fines, penalties and interest in respect of the Scheme and this deed poll (including the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Scheme and this deed poll; and

(b) indemnifies and undertakes to keep indemnified each Scheme Shareholder against any liability arising from failure to comply with clause 8.4(a).

8.5 Further assurances

TND will, at its own expense, do all things reasonably required of it to give full effect to this deed poll.

8.6 Governing law and jurisdiction

This deed poll is governed by the laws of the State of Victoria. In relation to it and related non contractual matters TND irrevocably submits to the non exclusive jurisdiction of courts with jurisdiction there.

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

Signing page

EXECUTED as a deed.

Executed by **Think Childcare Development Limited** in accordance with Section 127 of the *Corporations Act 2001*

Signature of director	Signature of director/company secretary (Please delete as applicable)
Name of director (print)	Name of director/company secretary (print)

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

Schedule 3 – Scheme

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

Schedule 4 – Management Deed

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

Schedule 5 – Stapling Deed

APPENDIX 5 - SCHEME IMPLEMENTATION DEED AND DEED POLL

Schedule 6 – Think Replacement Constitution

APPENDIX 5 – SCHEME IMPLEMENTATION DEED AND DEED POLL

Signing page

EXECUTED as a **deed**.

Executed by **Think Childcare Limited ABN 81 600 793 388** in accordance with Section 127 of the *Corporations Act 2001*

Signature of director	Signature of director/company secretary (Please delete as applicable)
Name of director (print)	Name of director/company secretary (print)

Executed by **Think Childcare Development Limited ACN 635 178 166** in accordance with Section 127 of the *Corporations Act 2001*

Signature of director	Signature of director/company secretary (Please delete as applicable)
Name of director (print)	Name of director/company secretary (print)

APPENDIX 6 – EXISTING MODEL VS STAPLED GROUP WORKED EXAMPLE

Please note the worked example in Appendix 6 excludes the impact of AASB 16 Leases

Income statement

	Scenario A		Scenario B (Counterfactual)								Third Party Incubator	
	TNK (Pre-staple)		TNK (Post-staple)		TND (Post-staple)		Eliminations		Stapled Group			
$m	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Revenue	1.30	2.68	-	2.68	1.30	-	-	-	1.30	2.68	1.30	-
Labour	-	-	-	-	-	-	-	-	-	-	-	-
Occupancy	-	-	-	-	-	-	-	-	-	-	-	-
Service overheads	(1.52)	(2.19)	-	(2.19)	(1.52)	-	-	-	(1.52)	(2.19)	(1.52)	-
Service performance	**(0.22)**	**0.48**	**-**	**0.48**	**(0.22)**	**-**	**-**	**-**	**(0.22)**	**0.48**	**(0.22)**	**-**
Management fees	-	-	0.2	-	(0.06)	-	(0.13)	-	-	-	(0.19)	-
Employee expenses	-	-	-	-	-	-	-	-	-	-	-	-
Corporate overheads	-	-	-	-	-	-	-	-	-	-	-	-
Corporate costs/revenue	**-**	**-**	**0.19**	**-**	**(0.06)**	**-**	**(0.13)**	**-**	**-**	**-**	**(0.19)**	**-**
EBITDA (Underlying)	**(0.22)**	**0.48**	**0.19**	**0.48**	**(0.28)**	**-**	**(0.13)**	**-**	**(0.22)**	**0.48**	**(0.41)**	**-**
Development costs	-	-	-	-	-	(0.87)	-	0.87	-	-	-	(0.87)
Acquisition revenue/expenses	-	-	-	-	-	1.94	-	(1.94)	-	-	-	1.94
Earnout/clawback	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA (Statutory)	**(0.22)**	**0.48**	**0.19**	**0.48**	**(0.28)**	**1.07**	**(0.13)**	**(1.07)**	**(0.22)**	**0.48**	**(0.41)**	**1.07**
Finance costs	(0.1)	(0.1)	(0.0)	(0.2)	(0.1)	(0.0)	-	-	(0.2)	(0.2)	(0.1)	(0.0)
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Tax	0.1	(0.1)	-	(0.1)	0.1	(0.3)	-	-	0.1	(0.5)	0.1	(0.3)
NPAT	**(0.25)**	**0.22**	**0.16**	**0.16**	**(0.36)**	**0.72**	**(0.13)**	**(1.07)**	**(0.33)**	**(0.19)**	**(0.49)**	**0.72**

APPENDIX 6 - EXISTING MODEL VS STAPLED GROUP WORKED EXAMPLE

Balance sheet

	Scenario A		Scenario B (Counterfactual)								Third Party Incubator	
	TNK (Pre-staple)		TNK (Post-staple)		TND (Post-staple)		Eliminations		Stapled Group			
$m	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Cash	0.5	0.5	0.5	0.5	0.5	0.5	-	-	1.0	1.0	0.5	0.5
Receivables and other assets	0.8	-	-	-	0.9	-	(0.1)	-	0.8	-	0.9	-
Property, plant, and equipment	-	0.7	-	0.7	-	-	-	-	-	0.7	-	-
Intangible assets	-	-	-	1.2	-	-	-	(1.2)	-	-	-	-
Total assets	**1.4**	**1.3**	**0.5**	**2.4**	**1.4**	**0.5**	**(0.1)**	**(1.2)**	**1.8**	**1.8**	**1.4**	**0.5**
Borrowings	1.6	1.4	0.4	2.2	1.8	0.4	-	-	2.2	2.6	1.8	0.4
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	**1.60**	**1.35**	**0.40**	**2.20**	**1.80**	**0.40**	**-**	**-**	**2.20**	**2.60**	**1.80**	**0.40**
Net assets	(0.2)	(0.1)	0.1	0.2	(0.4)	0.1	(0.1)	(1.2)	(0.4)	(0.8)	(0.4)	0.1
Equity	(0.2)	(0.1)	0.1	0.2	(0.4)	0.1	(0.1)	(1.2)	(0.4)	(0.8)	(0.4)	0.1

Cash flow statement

	Scenario A		Scenario B (Counterfactual)								Third Party Incubator	
	TNK (Pre-staple)		TNK (Post-staple)		TND (Post-staple)		Eliminations		Stapled Group			
$m	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Childcare receipts & other revenue	1.3	2.7	0.2	2.7	1.1	-	-	-	1.3	2.7	1.1	-
Operating expenses	(1.5)	(2.2)	-	(2.2)	(1.5)	-	-	-	(1.5)	(2.2)	(1.5)	-
Interest and finance costs	(0.1)	(0.1)	(0.0)	(0.2)	(0.1)	(0.0)	-	-	(0.2)	(0.2)	(0.1)	(0.0)
Income tax paid	-	(0.0)	-	(0.1)	-	(0.3)	-	-	-	(0.4)	-	(0.3)
Net operating cashflow	**(0.4)**	**0.3**	**0.2**	**0.2**	**(0.6)**	**(0.3)**	**-**	**-**	**(0.4)**	**(0.1)**	**(0.6)**	**(0.3)**
Acquisition revenue/expenses	-	-	-	(1.9)	-	1.9	-	-	-	-	-	1.9
Capital expenditure	(0.7)	-	-	-	(0.7)	-	-	-	(0.7)	-	(0.7)	-
Contingent consideration	-	-	-	-	-	-	-	-	-	-	-	-
Net investing cashflow	**(0.7)**	**-**	**-**	**(1.9)**	**(0.7)**	**1.9**	**-**	**-**	**(0.7)**	**-**	**(0.7)**	**1.9**
Borrowings	1.6	(0.3)	0.4	1.8	1.8	(1.4)	-	-	2.2	0.4	1.8	(1.4)
Shares issued	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	(0.1)	(0.0)	(0.0)	-	(0.2)	-	-	(0.0)	(0.3)	-	(0.2)
Net financing cashflow	**1.6**	**(0.3)**	**0.4**	**1.8**	**1.8**	**(1.6)**	**-**	**-**	**2.2**	**0.1**	**1.8**	**(1.6)**
Closing cash	0.5	0.0	0.5	(0.0)	0.5	0.0	-	-	1.0	0.0	0.5	0.0

APPENDIX 7 – PRO FORMA FINANCIAL STATEMENTS

Please note the pro forma financial statements in Appendix 7 excludes the impact of AASB 16 Leases

Key operating metrics

	TNK		TND		CONSOLIDATED	
	CY19	CY20	CY19	CY20	CY19	CY20
Operating metrics						
Service acquired	16	7	–	–	16	7
Services opening	2	–	2	10	4	10
Trading services	70	77	2	9	72	86
Days sold	932,957	1,303,206	2,945	53,163	935,902	1,356,370
Wages as% of service revenue	61%	59%	99%	70%	61%	59%
Base wage per child per day	58	58	103	77	58	59

Income statement

	TNK		TND		ELIMINATIONS		CONSOLIDATED	
$m	CY19	CY20	CY19	CY20	CY19	CY20	CY19	CY20
Revenue	114.3	164.3	0.4	7.4	–	–	114.7	171.8
Labour	(69.3)	(96.8)	(0.4)	(5.2)	–	–	(69.7)	(102.0)
Occupancy	(168)	(19 7)	(0 1)	(1.8)	–	–	(17.0)	(21.5)
Service overheads	(8.5)	(13.6)	(0.1)	(0.8)	–	–	(8 5)	(14.4)
Service performance	**19.7**	**34.3**	**(0.2)**	**(0.5)**	**–**	**–**	**19.4**	**33.8**
Management fees	3.6	1.3	(0.0)	(0.3)	–	(0.2)	3.5	0.8
Employee expenses	–	–	–	–	–	–	–	–
Corporate overheads	(8.9)	13.2	(0.1)	(1.2)	–	–	(9.0)	(14.3)
Corporate costs/revenue	**(5.4)**	**(11 9)**	**(0.1)**	**(1.5)**	**–**	**(0.2)**	**(5.4)**	**(13.6)**
EBITDA (Underlying)	**14.3**	**22.4**	**(0.3)**	**(2.0)**	**–**	**(0.2)**	**14.0**	**20.2**
Development costs	–	–	–	(2 1)	–	2.1	–	–
Acquisition revenue/expenses	(0 3)	0.2	(0.1)	6.7	–	(6.9)	(0.4)	–
Earnout/clawback	–	–	–	–	–	–	–	–
EBITDA (Statutory)	**14.0**	**22.6**	**(0.4)**	**2.6**	**–**	**(5 0)**	**13.6**	**20.2**
Finance costs	(3 5)	(3.0)	(0.0)	(0.3)	–	–	(3.5)	(3.2)
Depreciation	(3.0)	(5.7)	–	–	–	–	(3.0)	(5.7)
Tax	(2.3)	(5.0)	0.1	(0.7)	–	–	(2.2)	(5.7)
NPAT	**5.2**	**9.0**	**(0.3)**	**1.6**	**–**	**(5.0)**	**5.0**	**5.6**

APPENDIX 7 – PRO FORMA FINANCIAL STATEMENTS

Balance sheet

	TNK		TND		ELIMINATIONS		CONSOLIDATED	
$m	CY19	CY20	CY19	CY20	CY19	CY20	CY19	CY20
Cash	5.8	5.1	2.4	2.6	–	–	8.2	7.7
Receivables and other assets	8.9	12.1	3.4	9.8	–	(4.1)	12.4	17.7
Property, plant, and equipment	20.4	21.6	–	–	–	–	20.4	21.6
Intangible assets	75.1	85.3	–	–	–	(5.0)	75.1	80.3
Total assets	**110.3**	**124.1**	**5.8**	**12.4**	**–**	**(9 1)**	**116.1**	**127.4**
Borrowings	(45.0)	(50.9)	(0.0)	(4.1)	0.0	4.1	(45.0)	(50.9)
Other liabilities	(12.4)	(13.5)	(0.1)	(0.9)	–	–	(12.5)	(14.4)
Total liabilities	**(57.4)**	**(64.3)**	**(0.1)**	**(5.0)**	**0.0**	**4.1**	**(57.5)**	**(65.2)**
Net assets	**52.9**	**59.8**	**5.7**	**7.4**	**0.0**	**(5.0)**	**58.6**	**62.2**
Equity	**52.9**	**59.8**	**5.7**	**7.4**	**–**	**(5 0)**	**58.6**	**62.2**

Cash flow statement

	TNK		TND		ELIMINATIONS		CONSOLIDATED	
$m	CY19	CY20	CY19	CY20	CY19	CY20	CY19	CY20
Child care receipts & other revenue	112.7	165.8	(0.2)	6.3	–	–	112.5	172.1
Operating expenses	(102.5)	(142.3)	(0.6)	(8 7)	–	–	(103.1)	(151.0)
Interest and finance costs	(3.2)	(3.0)	0.0	(0.2)	0.0	0.0	(3.2)	(3.2)
Income tax paid	(3.0)	(4.8)	–	(0.2)	–	–	(3.0)	(5.0)
Net operating cashflow	**4.0**	**15.8**	**(0.8)**	**(2.9)**	**0.0**	**0.0**	**3.2**	**12.9**
Acquisition and earnout/clawback	(19.8)	(12.4)	–	6.9	–	–	(19.8)	(5.4)
Capital expenditure	(7.1)	(3.7)	(2.8)	(8.0)	–	–	(9.9)	(11.7)
Contingent consideration	–	–	–	–	–	–	–	–
Net investing cashflow	**(26.9)**	**(16.1)**	**(2.8)**	**(1.0)**	**–**	**–**	**(29.7)**	**(17.1)**
Borrowings	16.7	1.7	–	4.1	–	–	16.7	5.8
Shares issued	18.7	–	–	–	–	–	18.7	–
Dividends paid	(10.0)	(2.1)	6.0	–	–	–	(4.0)	(2.1)
Net financing cashflow	**25.3**	**(0.4)**	**6.0**	**4.1**	**–**	**–**	**31.3**	**3.7**
Closing cash	**5.8**	**5.1**	**2.4**	**2.6**	**–**	**–**	**8.2**	**7.7**

CORPORATE DIRECTORY

Directors of Think Childcare	Mark Kerr Mathew Edwards Evonne Collier Joe Dicks
Secretary of Think Childcare	Trinh Bui Mourice Garbutt
Registered office	Suite 3, 1 Park Avenue Drummoyne NSW 2047
TNK website	www.thinkchildcare.com.au
TNK Shareholder Information Line	1300 069 254 (within Australia) or +61 3 9415 4153 (outside Australia)
Financial adviser	333 Capital Pty Ltd Level 5 Chifley Tower 2 Chifley Square Sydney NSW 2000
Accounting and taxation advisor	KPMG Tower Three, International Towers Sydney 300 Barangaroo Avenue Sydney NSW 2000
Share Registry	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnson Street Abbotsford VIC 3067
Legal adviser	MinterEllison Level 23, Rialto Towers 525 Collins Street Melbourne VIC 3000
Independent Expert	Ernst & Young Transaction Advisory Services Limited 8 Exhibition Street, Melbourne VIC 3000 GPO Box 67, Melbourne VIC 3001

THINK
Childcare Limited

Suite 3, 1 Park Avenue Drummoyne NSW 2047
PO Box 465 Drummoyne NSW 1470

Telephone 02 9712 7444
Investor Relations IR@thinkchildcare.com.au
Public Relations PR@thinkchildcare.com.au

Nido Early School Port Melbourne, VIC