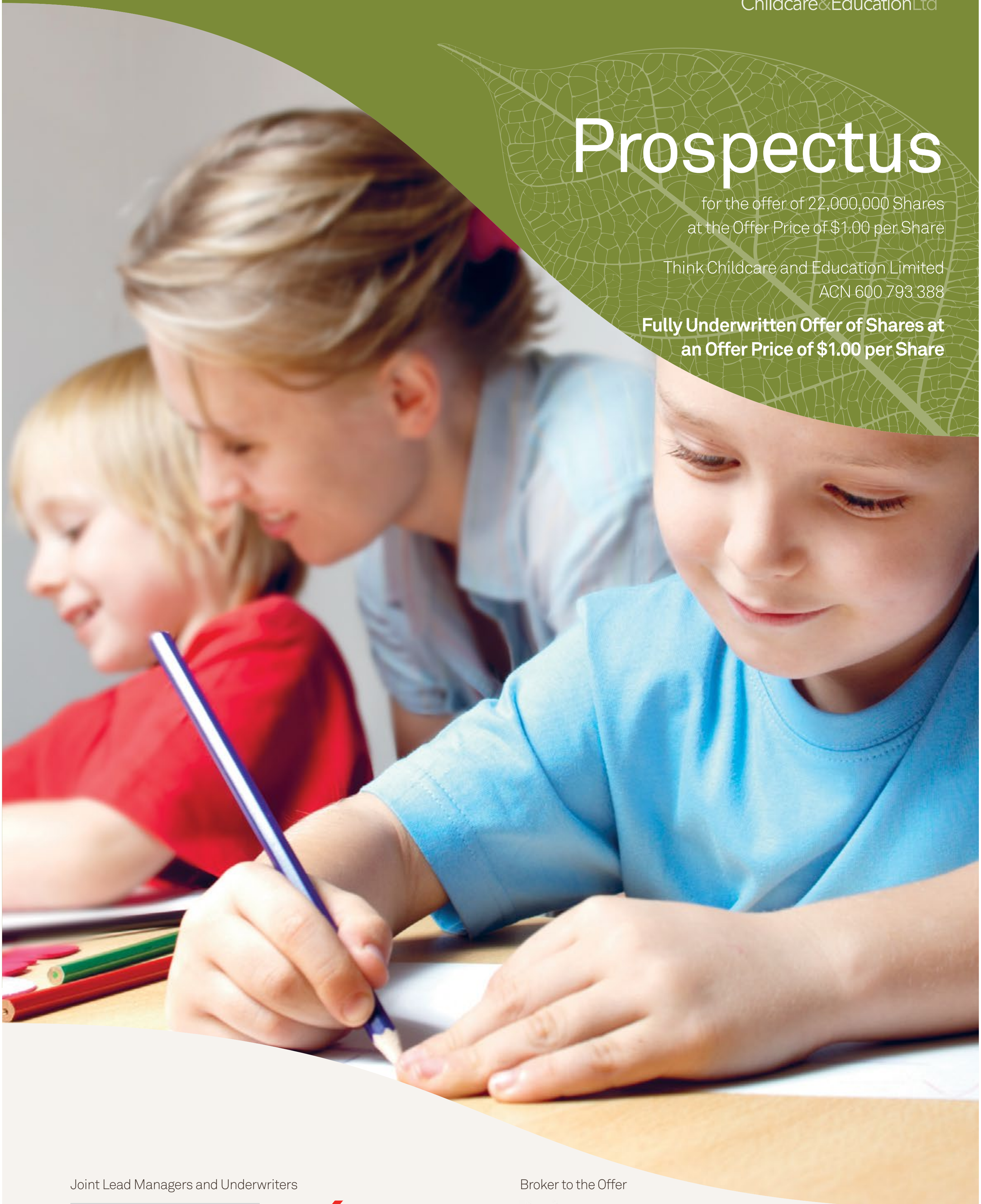
THINK
Childcare&Education Ltd

Prospectus

for the offer of 22,000,000 Shares
at the Offer Price of $1.00 per Share

Think Childcare and Education Limited
ACN 600 793 388

Fully Underwritten Offer of Shares at an Offer Price of $1.00 per Share



Joint Lead Managers and Underwriters

Morgans IN ALLIANCE WITH CIMB

PATERSONS THE AUSTRALIAN STOCKBROKER

Broker to the Offer

TAYLOR COLLISON
Sharebrokers and Investment Advisers
www.taylorcollison.com.au

Important Notices

The Offer

This document (**Prospectus**) is issued by Think Childcare and Education Limited ACN 600 793 388 (**Company** or **Think Childcare and Education**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**).

This Prospectus contains an invitation to apply for fully paid ordinary shares in the Company (**Shares**) (**Offer**). Refer to **Section 9** for further information. This Prospectus also contains details of the Vendor Offer.

Lodgement and Listing

This Prospectus is dated 2 October 2014 and has been lodged with the Australian Securities and Investments Commission (**ASIC**). This is a replacement prospectus which replaced the prospectus dated 18 September 2014 and lodged with ASIC on that date (**Original Prospectus**).

A summary of the material differences between the Original Prospectus and this replacement prospectus is as follows:

- reorganisation of Section 1 Investment Overview, to adopt a table format and reduce the information set out in this Section, and to include certain additional disclosures;
- inclusion of a new Section 2.2 setting out concise information regarding transactions involving related parties of the Company and re-numbering all subsequent Sections accordingly;
- additional disclosures in the Investment Overview and in Sections 2.4 and 2.5 (Sections 2.3 and 2.4 respectively in the Original Prospectus) clarifying that the LEA Centres have been profitable individually (with the exception of 3 Centres) and in aggregate during the financial year ended 30 June 2014 and that the Baker Street Centres have been profitable individually (with the exception of 1 Centre) and in aggregate during the financial year ended 30 June 2014;
- additional disclosures in Sections 2.4 and 2.5 regarding the location of the LEA Centres and the Baker Street Centres;
- additional disclosures in the Investment Overview and in Sections 2.4 and 2.5 regarding the historical occupancy levels of the LEA Centres and the Baker Street Centres during the financial year ended 30 June 2014;
- additional disclosures in Section 2.11 (Section 2.10 of the Original Prospectus) regarding the key terms of the Debt Facility;
- additional disclosures in Section 10.9(b) regarding the key terms of the Acquisition Agreements; and
- deletion of text in the Investment Overview and in Sections 2, 6 and 10 regarding the matters set out in new Section 2.2, and inclusion of cross-references to Section 2.2.

The Company has applied to ASX Limited ABN 98 008 624 691 (**ASX**) for admission to the official list of ASX and for official quotation of the Shares on the ASX.

Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

To the maximum extent permitted by law, the Company, Computershare and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Expiry Date

This Prospectus expires on 18 October 2015 (**Expiry Date**) and no Shares will be issued, transferred or sold on the basis of this Prospectus after the Expiry Date.

Not investment advice

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the performance of Think Childcare and Education. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest in the Company.

Some of the key risk factors that should be considered by prospective investors are set out in **Section 5**. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital or any return on investment made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

Disclosing entity

Once admitted to the Official List, the Company will be a disclosing entity for the purposes of the Corporations Act and as such will be subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Financial Information

Section 7 sets out in detail the Financial Information (as defined in **Section 7**) referred to in the Prospectus. The basis of preparation of the Financial Information is set out in **Section 7**. All financial amounts contained in this Prospectus are expressed in Australian dollars, unless otherwise stated. This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. See 'Forward looking statements' below.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in **Section 7**.

Investors should be aware that certain financial data included in this Prospectus is non-International Financial Reporting Standards ('**non-IFRS**') financial information under Regulatory Guide 230 Disclosing non-IFRS financial information, published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of Think Childcare and Education. The non-IFRS financial measures do not have standardised meanings prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly-titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or ratio included in this Prospectus.

Statements of past performance

This Prospectus includes information regarding the past performance of the businesses of Think Childcare and Education. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Forward looking statements

This Prospectus contains forward looking statements which may be identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that connote risks and uncertainties. Certain statements, beliefs and opinions contained in this document, particularly those regarding the possible or assumed future financial or other performance of Think Childcare and Education, industry growth or other trend projections are or may be forward looking statements. In addition, consistent with customary market practice in securities offerings in Australia, forecast financial information has been prepared and included in this Prospectus, in **Section 7**. Any forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of Think Childcare and Education, the Directors and Think Childcare and Education's management team. The Forecast Financial Information and the forward looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in **Section 5**, the general and specific assumptions set out in **Section 7**, the sensitivity analysis set out in **Section 7** and other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward looking statements. The Company has no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in **Section 3**, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in **Section 5**.

No overseas registration

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States or to or for the account or benefit of US Persons (as defined in **Section 11**). The Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state of the United States, and may not be offered or sold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Exposure Period

The Corporations Act prohibits the Company from processing applications for Shares in the seven day period after the Prospectus date of the Original Prospectus (**Exposure Period**). ASIC may extend this period by up to a further seven days (i.e. up to a total of 14 days). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of the funds. The examination may result in the identification of certain deficiencies in this Prospectus, in which case any application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to applications received during the Exposure Period.

Prospectus availability

This Prospectus is available to Australian investors in electronic form at www.thinkchildcareandeducation.com. The Offer constituted by this Prospectus in electronic form is available only to persons within Australia. It is not available to persons in other jurisdictions (including the United States or US Persons).

Persons having received a copy of this Prospectus in its electronic form may, before the closing date for the Offer, obtain a paper copy of this Prospectus (free of charge) by calling the Joint Lead Managers, Morgans Corporate Limited and Patersons Securities Limited.

Applications

Applications may be made only during the Offer Period on the appropriate application form attached to, or accompanying, this Prospectus (**Application Form**) in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.thinkchildcareandeducation.com. By making an Application, you represent and warrant, among other things, that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is included in, or accompanied by, the complete and unaltered version of this Prospectus.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued or transferred under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Defined terms and abbreviations

Some words and expressions used in this Prospectus have defined meanings, some of which are explained in the glossary in **Section 11**. Unless otherwise stated or implied, a reference to a date or time in this Prospectus is to the date or time in Melbourne, Australia. Unless otherwise stated or implied, references to dates or years are calendar year references.

Any discrepancies between totals and the sum of components in tables contained in this Prospectus are due to rounding.

Photographs and diagrams

Photographs and diagrams used in this Prospectus are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Website

The Company maintains a website at www.thinkchildcareandeducation.com. Information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

Prospectus

Letter from the Chairman

2 October 2014

Dear Investor,

On behalf of the Board of Directors of Think Childcare and Education it is my great pleasure to invite you to become a shareholder of the Company.

Think Childcare and Education is bringing together thirty long day care centres. Twelve Centres are to be acquired as a group from interests associated with our Managing Director and Chief Executive Officer, Mathew Edwards, and three are Centres that were contracted to entities associated with Mathew Edwards but not finalised as at the date of this Prospectus. With this acquisition comes a full management team including finance, marketing, Area Managers and most importantly high performing Centre Directors. The other fifteen Centres are being acquired through the acquisition of another party who has recently exercised options to purchase them.

Twenty-eight of our Centres will be in Victoria and two in NSW providing 2,244 licensed childcare places.

Think Childcare and Education has also entered into Management Agreements in relation to seventeen Externally Owned Centres for which it will be paid management fees. The Company potentially has an opportunity to acquire these Centres.

We believe the long day care sector in Australia is still in the early stages of consolidation and we are well placed to take advantage of this growing and dynamic sector. In particular, we believe there are considerable benefits in bringing the operation of separate Centres under the common oversight of an experienced management team. Such benefits include reduced administrative burden at Centre level, greater staff rostering flexibility and savings generated by group purchasing. Beyond these financial benefits, there are operational advantages enabling a uniform commitment to the highest possible standards of childcare.

Think Childcare and Education intends to acquire further childcare centres that meet its acquisition criteria and enter into Management Agreements with further Externally Owned Centres which it may have the opportunity to acquire.

Under this Prospectus, Think Childcare and Education is making an Offer to investors of 22,000,000 fully paid ordinary shares at $1.00 per Share to raise $22,000,000. PricewaterhouseCoopers Securities Limited have provided an Investigating Accountant's Report (investors should note the scope and limitations of the Investigating Accountant's Report) on certain historical and forecast financial information and the Offer is fully underwritten by Morgans Corporate Limited and Patersons Securities Limited.

I strongly recommend that potential investors read this Prospectus in its entirety so that they have a comprehensive understanding of our business and the risks to our business. I look forward to welcoming you as a shareholder.

Yours faithfully,

Mark Kerr

Mark Kerr

Chairman

Key Offer Information

Key Offer dates

Prospectus Date	2 October 2014
Opening of Offer	3 October 2014
Closing of Offer	13 October 2014
Allotment of Shares	15 October 2014
Expected mailing of holding statements	16 October 2014
Expected commencement of trading of Shares on ASX on a normal settlement basis	17 October 2014

Note: This timetable other than the Prospectus Date is indicative only and may change. The Company, in consultation with the Joint Lead Managers, reserves the right to amend any and all of the above dates without notice to you (including, subject to the Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer, to accept late Applications, either generally or in particular cases, or to withdraw the Offer before Completion of the Offer). If the Offer is withdrawn before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. The admission of the Company to the Official List and the commencement of quotation of the Shares is subject to confirmation from ASX.

Key Offer Statistics

Offer Price	$1.00 per Share
Total number of Shares available to new investors under the Offer	22,000,000
Total number of Shares on issue on completion of the Offer	39,600,000
Market capitalisation at the Offer Price	$39,600,000
Pro-Forma CY2015 Forecast EBIT	$6,668,000
Pro-Forma CY2015 Forecast NPAT	$4,402,000
Enterprise Value	$46,090,000
Enterprise Value/Pro Forma CY2015 Forecast EBIT	6.9×
Offer Price/Pro Forma CY2015 Forecast NPAT per Share	9.0×
Implied forecast dividend yield for CY2015 at the Offer Price[1]	7.2%

1 Based on a dividend payout ratio of 65% and Pro Forma forecast CY2015 NPAT. See Section 7.10 for more details.

Section 1

Investment Overview

1. Investment Overview

Question	Answer	Further information
1.1 Introduction		
What is the business of Think Childcare and Education?	Think Childcare and Education intends to own and manage long day childcare facilities in Australia for children between the ages of six weeks and six years old, with an initial portfolio of thirty (30) owned Centres and seventeen (17) Externally Owned Centres that are managed by the Company. Upon listing, Think Childcare and Education intends to acquire: • 15 LEA Centres, located in Victoria, Sydney and the Central Coast (the **LEA Centres**); and • a further 15 Childcare Centres located in Victoria from various owners (**Baker Street Centres**). Settlement of the Baker Street Centres is expected to occur within 2 months of Listing.	Section 2
How are the Centres being acquired?	The 15 LEA Centres are being acquired from Learning and Education Australia Pty Ltd (**LEA**) and associated entities, pursuant to a restructure of the LEA corporate group (described in Section 2.3 as the **LEA Restructure**). LEA was formed on 30 January 2009 to own and operate Childcare Centres, and is indirectly owned by Mathew Edwards, the Managing Director and Chief Executive Office of the Company, and his business partners. The 15 Baker Street Centres are being acquired from various owners who are individuals or small business owners (**Centre Vendors**). Baker Street is a company formed in 2014 for the purpose of entering into Acquisition Agreements with the Centre Vendors, to be acquired by the Company. The Baker Street Vendors are each of Riversdale Road Shareholding Company Pty Ltd as trustee of the Riversdale Road Shareholding Trust, Paradice Pty Ltd (a company controlled by Mark Kerr), Segue Corp Pty Ltd (a company controlled by Paul Gwilym), ASL, and Dean Wayland Clarke and Michelle Robyn Clarke as trustees for the DW & MR Clarke Family Trust. Following settlement of the Offer, the LEA Restructure, including the acquisition by the Company of the LEA Centres, will be completed and the Company propose to proceed to settle acquisition of the Baker Street Centres within 2 months of Listing.	Sections 2.3, 2.4 and 2.5
Where are the Centres located?	The LEA Centres comprise: • 13 Childcare Centres in Victoria, located in Westmeadows, Preston (2 Centres), Lara, Ormond, Moorabbin, Belmont, Dandenong South, Cranbourne, Rowville, Macleod, Newcomb and Trafalgar; and • 2 Childcare Centres located at Georges Hall in Sydney and Tuggerah (on the Central Coast). The Baker Street Centres are located in Victoria, in Templestowe, Colac, Briar Hill, Sunshine, Seaford, Alfredton, Woodend, Castlemaine, Narre Warren, Sydenham, Carrum Downs, Epping, Bulleen, Doncaster East and Glenroy.	Section 2

Question	Answer	Further information
What is the Average Occupancy of the Centres?	The LEA Centres and Baker Street Centres have experienced in aggregate an Average Occupancy of 76% for the twelve months ended 30 June 2014, comprising: • Average Occupancy of 78% for the thirteen established LEA Centres, and 37% for 2 more recently opened LEA Centres in Dandenong South and Cranbourne for the twelve months ended 30 June 2014; and • Average Occupancy of 79% for all but one of the Baker Street Centres for the twelve months ended 30 June 2014. Average Occupancy across the LEA Centres and the Baker Street Centres is expected to increase during CY 2015 to 79%. Following Listing and completion of the acquisition of the Baker Street Centres, Think Childcare and Education's Childcare Centres are expected to have a total of 2,244 licensed places.	Section 7.5
Are the Centres profitable?	The LEA Centres have been in aggregate profitable at the Centre EBIT level, and all but 3 of the LEA Centres have been individually profitable at the Centre EBIT level, for the twelve months ended 30 June 2014. The Baker Street Centres have been in aggregate profitable at the Centre EBIT level, and all but 1 of the Baker Street Centres have been individually profitable at the Centre EBIT level, for the twelve months ended 30 June 2014.	Section 7
What arrangements exist to manage Externally Owned Centres?	Think Childcare and Education has also entered into Management Agreements in relation to seventeen Externally Owned Centres and proposes to enter into further agreements with Third Party Owners, being third parties who own Centres in respect of which they wish to acquire management services from the Company. As at the Prospectus Date, the Third Party Owners in respect of Externally Owned Centres are entities associated with David Hodge (through the Edhod Vendor) and LEA Vendors, including Mathew Edwards. Mathew Edwards has entered into binding sale agreements pursuant to which he will dispose of those interests by the Listing Date (other than a 50% interest in one freehold title in land on which the Third Party Owners are developing an Externally Owned Centre). Under these Management Agreements, Think Childcare and Education has been engaged to manage each Centre for a fee of not less than $60,000 per annum (per Centre), for an initial term of 12 months, which may be renewed for a further term by agreement.	Sections 2.2 and 10.9(d)

1. Investment Overview

Question	Answer	Further information
What is the rationale for forming Think Childcare and Education?	Despite recent consolidation, the Australian childcare sector remains highly fragmented and the Directors believe that there are opportunities for further consolidation. The Directors of Think Childcare and Education believe that there are considerable benefits in bringing the ownership and management of separate Centres under central organisation, including: • focussed commitment to quality education and care; • access to capital for future expansion possibilities; • benefits of synergy by centralising Centre management; • efficiencies in relation to regulatory compliance through centralised monitoring and compliance systems compared with individual Childcare Centre ownership; and • improved corporate governance to ensure obligations to customers and shareholders are met.	Section 2
What is Think Childcare and Education's strategy?	Think Childcare and Education's strategy is to acquire and integrate Childcare Centres identified on the basis of its acquisition criteria (including, but not limited to, Centre location, local demand for childcare places and an analysis of competing Centres in the local area) and optimise the performance of the Centres that it owns and manages through: • the provision of childcare services consistent with the National Quality Framework; • centralised administration and specialised area management support; • localised marketing programs; and • controlling costs, including more efficient staff rosters and the benefits of economies of scale. Once listed, Think Childcare and Education intends to continue identifying, evaluating and acquiring Childcare Centres in Australia to grow its business. The Company will assess acquisition opportunities against the Company's acquisition criteria, which include: • satisfactory occupancy levels with the capacity to grow further; • competitive landscape targeting mature areas where opportunities exist for the Centres to increase occupancy; • profitable historic performance with potential for profit improvement, through cost control, fee increases and an increase in occupancy; and • appropriate number of licensed places (to allow economies of scale at Centre level).	Section 2
What are the Company's key revenue and cost drivers?	Think Childcare and Education will derive its revenue from fees paid by parents and government subsidies for long day care childcare services provided at Childcare Centres. The Company's revenue is principally determined by three main factors: the number of licensed child places within a given Childcare Centre, the occupancy rate of the Centre and the Centres' daily childcare fee. The main expenses of the business are expected to be staff wages and rent paid to the owners of the Childcare Centre properties.	Section 2

Question	Answer	Further information
What is the purpose of the Offer?	The purpose of the Offer is to: • fund the cash component of the consideration for the acquisition of the LEA Centres, through the LEA Restructure; • fund the acquisition of the 15 Baker Street Centres; • fund costs associated with the Offer, the LEA Restructure and the Baker Street Acquisition; • fund the Company's working capital and capital expenditure requirements; and • provide Think Childcare and Education with access to the equity capital markets, which is expected to provide the Company with increased ability to pursue growth opportunities with cash and/or Shares. Upon Listing, Think Childcare and Education proposes to: • complete the LEA Restructure for consideration comprising cash and Shares; • complete the Baker Street Share Acquisition for Share consideration; and • provide funding to Baker Street to settle the acquisitions of the Baker Street Centres. The LEA Restructure will be completed for a consideration comprising a combination of Shares and cash (sourced from the proceeds of the Offer and the proposed Debt Facility), subject to a maximum number of Shares and a maximum amount of cash in aggregate.	Sections 2, 9 and 10
What is the Company's integration strategy?	The Company has developed an integration plan for each Centre it proposes to acquire. In recent years LEA has made a significant investment in information technology at the LEA Centres (other than three of those Centres which are new acquisitions, as described below), automating work flows and enabling more effective rostering of staff and accurate forecasting of Centre profitability. LEA has also developed a comprehensive management system that both supports and empowers its Centre Directors and Centre staff to manage the day-to-day running of their Centres whilst specifying a comprehensive set of key performance indicators for each individual Centre. Think Childcare and Education will adopt the LEA management system across all of its Childcare Centres and intends to roll-out the IT-systems currently used at the LEA Centres across the Baker Street Centres.	Section 2
How will the Company realise growth, consolidation efficiencies and market opportunities?	The Company will seek growth opportunities through seeking to acquire new Centres. The Directors believe that cost and operating efficiencies will be able to be achieved through consolidating ownership of Centres under centralised management, and reducing costs in relation to regulatory matters, among other areas.	Section 2

1. Investment Overview

Question	Answer	Further information
Why is the portfolio of Centres concentrated in Victoria?	The concentration of the initial portfolio in Victoria reflects the following: • Victoria represents the second largest market in Australia (behind New South Wales) by number of accredited providers; • a greater availability of appropriate sites for the development of new Childcare Centres; • the lower cost of living in Melbourne in comparison to Sydney resulting in relatively greater availability of childcare staff in Melbourne; and • the eligibility of Victorian Childcare Centres offering approved kindergarten programs to receive kindergarten funding from the State Government. The proximity of a number of the Baker Street Centres to the LEA Centres should enable flexibility in the rostering of staff between Centres and common marketing programs and require fewer Head Office management resources to oversee clusters of Centres.	Section 2
1.2 What are the Company's key strengths?		
Attractive industry fundamentals	The Australian childcare industry has grown significantly in recent years, driven by: • higher workforce participation, particularly by females; • steady population growth of children of childcare age; • government assistance to increase accessibility of childcare; and • growth in real household disposable incomes. The Directors expect these demand factors to drive further growth of the industry. Whilst there has been some consolidation of the industry over the last decade, the Australian childcare industry remains highly fragmented (refer to Section 3 for further information on the industry). As such, the Directors of Think Childcare and Education believe that there is sufficient space in the market for another significant corporate operator with a focus on high quality education and care and operational excellence.	Section 3
Significant and increasing barriers to entry	New competitors seeking to enter the childcare and early education industry are facing increasing regulatory constraints which are becoming more onerous. A substantial driver of this change has been the increased compliance requirements and quality standards, including the National Quality Standard (**NQS**) (such as caregiver qualifications and minimum staff-to-child ratios) which may increase the cost of compliance, particularly for smaller operators. The Directors expect larger scale operators with adequate levels of centralised support services to more efficiently and effectively manage these increased compliance requirements in the future.	Section 3

Question	Answer	Further information
Portfolio of quality operating Childcare Centres	The initial portfolio of Childcare Centres to be owned, managed and operated by Think Childcare and Education (comprising the LEA Centres and the Baker Street Centres) have been identified based on: • historical and forecast performance compared to capital value; • an assessment of local demand for childcare places and local competition; and • the potential for profit improvement through cost control, fee increases and an increase in occupancy. In order to advance the goal of increasing revenue, the Company intends to spend approximately $40,000 on average per Centre to upgrade the Centres where necessary including through yard renovations, painting, floor coverings, computer equipment and improvement of amenities, together with action to control costs.	Section 2
Think Childcare and Education management team	Think Childcare and Education is leveraging the expertise of the highly experienced LEA management team, which has a track record over a number of years of identifying, acquiring, integrating and improving the performance of Childcare Centres. This management team will be engaged in the same roles with Think Childcare and Education. In recent years LEA has made a significant investment in information technology and management systems that are already in place at the LEA Centres. Think Childcare and Education will adopt the LEA management system across all of its Childcare Centres and intends to roll-out the IT systems currently used at the LEA Centres across the Baker Street Centres.	Sections 2 and 6
Management of Externally Owned Centres	The Management Agreements with the Externally Owned Centres provide Think Childcare and Education with an additional income stream, leveraging the Company's existing Head Office infrastructure and management systems.	Sections 2 and 10.9(d)
1.3 What are the key risks?		
Changes in law and government policy	The childcare industry in Australia is heavily regulated with the *Education and Care Services National Law Act 2010* (Vic), as adopted by all Australian States and Territories, and supporting regulations providing a detailed and prescriptive framework for the management and operation of childcare businesses 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 affect the operation of the Centres and could impact on the profitability of the Company.	Sections 3 and 5

1. Investment Overview

Question	Answer	Further information
Changes to government assistance	The Commonwealth Government provides substantial assistance to the childcare industry, and users of the childcare industry, through schemes such as the Childcare Benefit (**CCB**) and the Childcare Rebate (**CCR**). This funding represents a significant proportion of the Company's revenues. These schemes are subject to review at any time by the Commonwealth Government. In December 2013, the Productivity Commission released an issues paper enquiring into childcare and early childhood learning in Australia. The Productivity Commission issued an interim report in July 2014 and is expected to deliver its final report to the Commonwealth Government on 31 October 2014. Any reduction in the funding level (or the proportion of funding allocated to childcare) or changes to the eligibility criteria of these schemes may have a materially adverse impact on the operations of the Company.	Sections 3 and 5
Regulatory factors and assessment and rating	The regulation and availability of government assistance are dependent upon individual Childcare Centres being registered under the NQF. Representatives of the Australian Children's Education and Care Quality Authority (**ACECQA**) administer the assessment and rating process, including inspections of Childcare Centres. Negative evaluations could result in the loss of registration and the withdrawal of government subsidies for an individual Centre. The ability of the Company (directly or through wholly owned subsidiaries) to operate Childcare Centres is dependent on having regulatory approval. If the relevant regulatory approval is withdrawn, or not obtained when sought, the Company will not be permitted to operate the Centres.	Sections 3 and 5
Completion of Childcare Centre acquisitions	The completion of each of the LEA Restructure and the Baker Street Acquisition is subject to conditions precedent including regulatory approvals, transfer of employees and, in certain cases, third party landlord consent to change of leaseholder. If any of the acquisitions of Centres proposed to be acquired are not completed, the composition of the portfolio of Centres will change. The LEA Restructure is expected to be completed at Listing and the Baker Street Acquisition is expected to be finalised within 2 months of Listing of Think Childcare and Education on ASX.	Sections 2 and 5
Ability to implement the business plan	The Company has a limited financial and operating history. The Company's ability to achieve its objectives depends on the ability of its Directors and management to implement the proposed business plans and to respond efficiently and appropriately to unforeseen circumstances. Despite the considerable experience that the Directors and the Company's management team have in business, management and the childcare industry, there is a risk that the Company may not be able to successfully execute the proposed business plans, in particular the growth strategies	Sections 2 and 5

Question	Answer	Further information
Acquisition and integration risks	The Company intends to pursue an acquisition growth strategy, central to which is the identification and completion of future acquisitions. The Company may not be successful in identifying acquisition opportunities, assessing the value, strengths and weaknesses of these opportunities and finalising acquisitions on acceptable terms. In addition, the Company may compete for certain acquisition targets with companies having greater financial resources than it does. There can be no assurance that the Company will be able to agree the terms for or complete the acquisition of any additional Centres, including any of the Externally Owned Centres, that Externally Owned Centres or any other acquisition targets will meet the Company's acquisition criteria, that Third Party Owners will wish to sell Externally Owned Centres or that other persons will wish to sell Centres to the Company. The Company does not have any rights under the Management Agreements in respect of Externally Owned Centres to acquire those Centres. Three of the LEA Centres are new acquisitions in respect of which companies that are proposed to become subsidiaries of LEA Childcare pursuant to the LEA Restructure have entered into business sale contracts on arms length commercial terms with third parties. The acquisition of those three LEA Centres is proposed to complete on or around the Listing Date. To achieve the Forecast Financial Information, the Company will need to effectively integrate all of the Baker Street Centres and the LEA Centres.	Sections 2 and 5
Forecast Financial Information risk	The Forecast Financial Information represents the Company's best estimate of the future performance of the Centres and events based on the information available at the Prospectus Date. Actual results may differ from the Forecast Financial Information and such differences may be material.	Sections 5 and 7

Question	Answer	Further information
Due diligence risk	The Company's management team has performed certain limited pre-acquisition due diligence on each of the Centres to be acquired pursuant to the LEA Restructure and the Baker Street Acquisition. Three of the LEA Centres are new acquisitions in respect of which companies that are proposed to become subsidiaries of LEA Childcare pursuant to the LEA Restructure have entered into business sale contracts on arms length commercial terms with third parties. The acquisition of those three LEA Centres is proposed to complete on or around the Listing Date. There is a risk that the due diligence conducted has not identified issues that would have been material to the decision to acquire the Centres. A material adverse issue which was not identified prior to completion of any acquisition could have an adverse impact on the financial performance or operations of the relevant businesses and may have a material adverse impact on the Company's earnings and financial position. Further, there is a specific risk that historical financial and operating information provided by the Vendors in relation to the LEA Centres and the Baker Street Centres (including in relation to occupancy) which were not completely verifiable, may not be reliable, and that this could materially impact the Company's future earnings.	Sections 5 and 7
Impairment of intangible assets	As a result of the Baker Street Acquisition and LEA Restructure, the Company will recognise a material value of intangible assets on its balance sheet principally relating to goodwill. If impaired, the Company would need to write down the value of the intangible assets, which would result in an expense in the income statement and could have a material adverse impact on the Company's earnings and financial position.	Sections 5 and 7
Centres for acquisition may not be available	It is possible that Centres may not be available to be acquired at prices that Think Childcare and Education is willing to pay, which could limit the ability of the Company to achieve growth by acquisition.	Sections 2 and 5

Question	Answer	Further information
Loss of key personnel	The loss of key executives could cause material disruption to the Company's activities in the short to medium term. The Company will need to attract and retain qualified staff including Centre Directors, Area Managers and Educators to support its existing operations and planned growth strategy. The Company may experience difficulty in attracting and retaining qualified staff to execute its planned growth strategy or difficulty employing existing Educators and other staff at the Centres to be acquired under the LEA Restructure and the Baker Street Acquisition (including for regulatory reasons), which could have a material adverse impact on the Company's operations, earnings and financial position.	Sections 2, 5, 6 and 7
1.4 Key Financial Information		
What are the key Offer statistics?	See table below	Section 7
Forecast Financial Information	The Directors are forecasting Pro Forma net profit after tax (NPAT) of $4,402,000 for CY2015.	Section 7

Offer Price	$1.00 per Share
Total number of Shares available to new investors under the Offer	22,000,000
Total number of Shares on issue on completion of the Offer	39,600,000
Market capitalisation at the Offer Price	$39,600,000
Pro Forma CY2015 Forecast EBIT	$6,668,000
Pro Forma CY2015 Forecast NPAT	$4,402,000
Enterprise Value	$46,090,000
Enterprise Value / Pro Forma CY2015 Forecast EBIT	6.9x
Offer Price / Pro Forma CY2015 Forecast NPAT per Share	9.0x
Implied forecast dividend yield for CY2015 at the Offer Price[1]	7.2%

1 Based on a dividend payout ratio of 65% and Pro Forma forecast CY2015 NPAT. See Section 7.10 for more details

1. Investment Overview

Question	Answer	Further information
Debt Facility	Think Childcare and Education has obtained credit approved term sheets from Australia and New Zealand Banking Group Limited for: • an $8 million facility, largely drawn to meet acquisition and Offer costs; • a further facility of $10 million for further acquisitions; • subject to satisfaction of certain conditions, a further $10 million for acquisition purposes (among other purposes). However, this facility is an uncommitted cash advance facility; and • a $1 million guarantee facility to facilitate the issue of performance and/or financial instruments.	Section 2.11
Consideration to be paid for acquisition of Centres	The consideration payable for the acquisition of the LEA Centres is $9,942,000 and 9,941,000 Shares (including Shares issued under the Vendor Offer). Mathew Edwards also holds 3,604,100 Shares as at the Prospectus Date. The consideration payable for the acquisition of the Baker Street Centres is $13,930,000 (less any adjustments under Business Sale Agreements to the extent that any liabilities are assumed in respect of the Baker Street Centres) and 4,054,900 Shares to be issued to the Baker Street Vendors.	Sections 2 and 7
1.5 Experienced Board and management		
Who are the Directors?	The Directors of the Company are: • Mr Mark Kerr, Chairman and Non-executive Director • Mr Mathew Edwards, Managing Director and Chief Executive Officer (currently Managing Director of LEA) • Mr Paul Gwilym, Executive Director and Chief Financial Officer (currently Chief Financial Officer of LEA) • Mr Andrew Hanson, Non-executive Director	Section 6
Who are the senior managers?	The senior management team includes: • Mathew Edwards – Managing Director and Chief Executive Officer • Paul Gwilym – Executive Director and Chief Financial Officer • Meagan Henderson – Marketing Manager (Consultant) • Amanda Mawer – Operations Manager	Section 6

Question	Answer	Further information
1.6 Offer details		
Will the Shares be quoted?	An application has been made to ASX for the Company to be admitted to the Official List and for quotation of the Shares on ASX under the code **'TNK'.** The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares.	Section 9
How is the Offer structured?	The Offer comprises: • the Broker Firm Offer, consisting of an invitation by the Joint Lead Managers and Underwriters and the Broker to the Offer to investors in Australia to acquire Shares under this Prospectus; • the General Priority Offer, which is only open to investors in Australia nominated by the Company; and • the Institutional Offer, which consists of an offer to Institutional Investors in Australia.	Sections 2 and 9
What is the Vendor Offer?	The Prospectus also includes the Vendor Offer, which relates to the proposed offer and issue to Mathew Edwards of 2,315,990 Shares, which he intends to subscribe for by applying a cash amount of $2,315,990 which he is entitled to receive as part consideration for the acquisition by the Company of the LEA Centres.	Sections 2.2 and 6
Information about LEA Vendors and shareholdings	As Mr Mathew Edwards has elected to receive Share consideration he will receive: • 7,625,010 Shares as consideration for the acquisition of his interest in the LEA Centres by the Company; and • $2,315,990 as cash consideration, which he intends to apply to subscribe for 2,315,990 Shares pursuant to the Vendor Offer. In aggregate, Mathew Edwards will receive or acquire 9,941,000 Shares (including Shares issued under the Vendor Offer) as Share consideration. In addition, Mathew holds 3,604,100 Shares as at the Prospectus Date. Mathew Edwards does not intend to sell his Shares through the Offer and has agreed to a two year escrow period in respect of his Shares.	Sections 2.2 and 6

1. Investment Overview

<table>
<tr><th>Question</th><th>Answer</th><th>Further information</th></tr>
<tr><td>What are the key details about holdings of Shares at Listing?</td><td>
<table>
<tr><th>Shareholder</th><th>Shares</th><th>%</th></tr>
<tr><td>Mathew Edwards (including 3,604,100 Shares held as at the Prospectus Date and 9,941,000 Shares received as consideration for sale of LEA Centres)</td><td>13,545,100</td><td>34.2%</td></tr>
<tr><td>Riversdale Road Shareholding Trust</td><td>2,504,400</td><td>6.3%</td></tr>
<tr><td>Paul Gwilym (including $50,000 of Shares for which he intends to apply under the General Priority Offer)</td><td>660,000</td><td>1.7%</td></tr>
<tr><td>ASL and other Baker Street Vendors</td><td>590,500</td><td>1.5%</td></tr>
<tr><td>Mark Kerr (including $770,000 of Shares for which he intends to apply under the General Priority Offer)</td><td>1,120,000</td><td>2.8%</td></tr>
<tr><td>Andrew Hanson (Shares for which Andrew intends to apply under the General Priority Offer)</td><td>50,000</td><td>0.1%</td></tr>
<tr><td>New Shareholders under the Offer (excluding Shares for which Mark Kerr, Paul Gwilym and Andrew Hanson intend to apply)</td><td>21,130,000</td><td>53.4%</td></tr>
<tr><td>Total Shares on issue</td><td>39,600,000</td><td>100.0%</td></tr>
</table>
</td><td>Sections 2.2 and 6.3
Detailed notes regarding this information are included in the table in Section 6.3</td></tr>
<tr><td>Is the Offer underwritten?</td><td>Yes. Think Childcare and Education has entered into an underwriting agreement with the Joint Lead Managers and Underwriters dated 17 September 2014 under which the Joint Lead Managers have agreed to fully underwrite the Offer.</td><td>Section 10.9(c)</td></tr>
<tr><td>What is the allocation policy?</td><td>The allocation of Shares between the Broker Firm Offer, the General Priority Offer and the Institutional Offer will be determined by the Joint Lead Managers in consultation with the Company.
The Joint Lead Managers and the Company will determine the allocation of Shares among Institutional Investors.
For Broker Firm Applicants, the Joint Lead Managers and the Broker to the Offer will determine how they allocate Shares among their clients.</td><td>Sections 9 and 10</td></tr>
<tr><td>Is there any brokerage, commission or stamp duty payable by Applicants?</td><td>No brokerage, commission or stamp duty is payable by Applicants on acquisitions of Shares under the Offer.</td><td>Section 9</td></tr>
<tr><td>What are the tax implications of investing in the Shares?</td><td>An overview of the tax treatment for Australian resident investors is included in Section 10.</td><td>Section 10</td></tr>
</table>

Question	Answer	Further information
How can I apply for Shares?	Broker Firm Applicants and applicants under the General Priority Offer may apply for Shares under the Offer by completing and returning a valid application form included in or accompanying this Prospectus or available for download for applicants in Australia at www.thinkchildcareandeducation.com. There is no General Public Offer.	Section 10
When will I receive confirmation that my Application has been successful?	Confirmations of successful Applications in the form of holding statements are expected to be mailed on or around 16 October 2014.	Section 9
When can I sell my Shares on ASX?	It is expected that trading of the Shares (excluding Shares subject to escrow restrictions) on ASX will commence on or about 17 October 2014, with the despatch of the holding statements. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.	Section 9
Can the Offer be withdrawn?	The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded to Applicants. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 9
Where can I find more information about this Prospectus or the Offer?	If you require more information about this Prospectus or the Offer, call the Joint Lead Managers or Taylor Collison from 8.30am to 5.00pm, Monday to Friday, on the following telephone numbers: • Morgans Corporate Limited ACN 010 669 726 Tel: 1800 777 946; • Patersons Securities Limited ACN 008 896 311 Tel: +61 3 9242 4000; and • Taylor Collison Limited ACN 008 172 450 Tel: +61 8 8217 3900 and +61 2 9377 1500. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest in the Company.	Section 9

Section 2

Company Overview

2. Company Overview

2.1 Think Childcare and Education

Think Childcare and Education has been established to participate in the rapid growth and consolidation of the childcare sector in Australia. The Australian childcare industry has grown significantly in recent years, driven by:

- higher workforce participation, particularly by females;
- steady population growth of children of childcare age;
- government assistance to increase accessibility of childcare; and
- growth in real household disposable incomes.

The Directors believe that these demand factors are expected to drive further growth of the industry. Whilst there has been some consolidation of the industry over the last decade, the Australian childcare industry remains highly fragmented (refer to Section 3 for further information on the industry). As such, the Directors believe that there remains sufficient scope in the market for another significant corporate operator with a focus on high quality education and care and operational excellence.

Think Childcare and Education will (through wholly-owned subsidiaries) own, manage and operate long day childcare facilities for children between the ages of six weeks and six years old. The Company is bringing together 15 Childcare Centres (including the acquisition of three Centres that are subject to business sale contracts) that will be acquired from LEA and Edhod at Listing (through the LEA Restructure), together with 15 Baker Street Centres which will be acquired by the Company within 2 months of Listing. Three of the 15 Childcare Centres that will be acquired from LEA and Edhod are new acquisitions in respect of which companies that are proposed to become subsidiaries of LEA Childcare pursuant to the LEA Restructure have entered into business sale contracts on arms length commercial terms with third parties. The acquisition of those 3 LEA Centres is proposed to complete on or around the Listing Date. Due diligence in respect of those LEA Centres has been undertaken by the management team of LEA prior to the Prospectus Date.

The Group will not own the real property on which the Childcare Centres are located. Rather, each of the Childcare Centres will be operated on property leased to the Group, materially reducing up-front acquisition costs and enabling the Company to focus on the operation of its Childcare Centres rather than managing a property portfolio.

The Group proposes to operate predominantly in Victoria.

Think Childcare and Education's strategy is to acquire and integrate Childcare Centres identified on the basis of acquisition criteria and optimise the performance of the Centres that it owns and manages via:

- the provision of a uniform high quality service across all of its Centres;
- group compliance programs, taking away a significant administrative burden at the Centre level;
- empowerment of decision-makers at the regional/Centre level;
- localised marketing programs to maintain/increase occupancy; and
- controlling costs, including taking advantage of group buying opportunities.

Once listed, Think Childcare and Education intends to continue identifying, evaluating and acquiring Centres in Australia to grow its business.

2.2 Overview of acquisitions of LEA Centres and Baker Street Centres and other interests

The table below summarises the transactions described in this Prospectus relating to the acquisition of the LEA Centres and the Baker Street Centres, the Management Agreements relating to Externally Owned Centres and the interests of related parties of the Company in those transactions.

Transaction	Subject matter	Details of related parties	Consideration payable	Further information
Acquisition of LEA Centres and Baker Street Centres				
Acquisition of 15 LEA Centres	The LEA Centres will be acquired by the Company from the LEA Vendors in accordance with the Share Sale Deed	Mathew Edwards, the Company's Managing Director and Chief Executive Officer, is an LEA Vendor Mathew Edwards will receive 7,625,010 Shares and $2,315,990 in cash, which he intends to use to apply for Shares pursuant to the Vendor Offer Cash will be paid to the remaining LEA Vendors, the total amount of which is $9,942,000	**Shares: 9,941,000** (including the Vendor Offer) **Cash: $9,942,000**	See Sections 2.3 and 10.9(a)
Acquisition of 15 Baker Street Centres	The Baker Street Centres will be acquired by the Company from the Centre Vendors pursuant to Acquisition Agreements	The Centre Vendors are not related parties of the Company The Company will settle acquisition of the Baker Street Centres within 2 months after Listing	**Cash: $13,930,000** less any assumed liabilities	See Sections 2.5 and 10.9(b)
Baker Street Share Acquisition	The Company will acquire all of the shares in Baker Street from the Baker Street Vendors for consideration of an equivalent number of Shares, pursuant to the Share Sale Deed	Mark Kerr (the chairman of the Company) holds 350,000 shares in Baker Street, and Paul Gwilym holds 610,000 shares in Baker Street, in each case through controlled entities The Riversdale Road Shareholding Trust holds 2,504,400 shares in Baker Street. Units in the trust are held by several trusts including a discretionary trust the potential beneficiaries of which include Michael Kroger and members of his family Other Baker Street Vendors are not related parties of the Company	**Shares: 4,054,900** The Shares will be issued to the Baker Street Vendors as set out below: Riversdale Road Shareholding Trust – 2,504,400 Shares Paul Gwilym – 610,000 Shares Mark Kerr – 350,000 Shares ASL and other Baker Street Vendors – 590,500 Shares	See Sections 2.3 and 10.9(a)

Transaction	Subject matter	Details of related parties	Consideration payable	Further information
Other transactions and related party interests				
Management Agreements in respect of Externally Owned Centres	The Company has entered into Management Agreements with Third Party Owners in relation to seventeen Externally Owned Centres under which the Company will manage each Centre for an initial term of 12 months, which may be renewed for a further term by agreement	The Initial Third Party Owners, who are parties to Management Agreements in relation to Externally Owned Centres as at the Prospectus Date, are entities associated with LEA Vendors and the Edhod Vendor, including Mathew Edwards Mathew Edwards has entered into binding sale agreements to dispose of those interests by the Listing Date	**Management fee:** not less than $60,000 per annum (per Externally Owned Centre) **Finder's fee:** $40,000 in respect of new Centres or greenfield sites in certain circumstances	See Section 10.9(d)
Loan agreement	LEA has entered into a short term loan agreement with LEA Childcare Services under which LEA agrees to provide a cash advance facility of up to $1,500,000 to LEA Childcare Services for the purposes of funding LEA Childcare Services' working capital requirements	As at the Prospectus Date, Mathew Edwards is a director of both LEA Childcare Services (which is to become a wholly-owned subsidiary of the Company) and LEA Mathew Edwards has a controlling interest in LEA Childcare Services (through LEA Childcare) and LEA. It is proposed that Mathew Edwards will cease to control LEA and LEA Childcare Services by the date of Listing	The loan must be repaid on either the day which is 90 days from settlement of the Offer or the date which is 120 days from the date of the short term loan agreement (whichever is earlier)	See Section 6.3
Initial shareholding of Mathew Edwards	As at the Prospectus Date, Mathew Edwards holds 3,604,100 Shares	As at the Prospectus Date, Mathew Edwards hold all of the issued Shares (through controlled or interposed entities) The initial shareholding of Mathew Edwards is in addition to the Shares that will be issued to him in connection with the acquisition of the LEA Centres		See Section 6.3
Other interests	Mathew Edwards, Paul Gwilym and Michael Kroger (through controlled entities) are entitled to receive payments for advisory roles			See Section 6.3

The EBIT multiple at which the LEA Centres have been acquired is 5.14, including cash consideration and share-based payments to Mathew Edwards, and adviser fees (and excluding management fees to be earned by the Company pursuant to Management Agreements).

The EBIT multiple at which the Baker Street Centres have been acquired is 5.32, including cash consideration and share-based payments to the Baker Street Vendors, and adviser fees.

The weighted average EBIT multiple across all Centres is 5.22, including cash consideration and share-based payments, and adviser fees (and excluding management fees to be earned by the Company pursuant to Management Agreements).

The cash consideration and share-based payments to be paid by the Company in respect of the acquisition of the LEA Centres and the Baker Street Centres are set out in the table above.

2.3 LEA Restructure and Baker Street Share Acquisition

The Company and various other entities including entities associated with Directors have entered into various agreements to bring about the acquisition by the Company, directly or through interposed entities, of the LEA Centres and the Baker Street Centres.

As at the Prospectus Date, the Company is wholly owned by Mathew Edwards, a Director, directly and Isamax Pty Ltd ACN 156 623 241 (as trustee of the Edwards Family Trust), an entity associated with Mathew Edwards.

An outline of the material LEA Restructure steps is as follows:

(a) The Company has recently acquired from Isamax Pty Ltd ACN 156 623 241 (as trustee of the Edwards Family Trust), an entity associated with Mathew Edwards, Think Childcare and its wholly owned subsidiaries. These companies operate and hold the requisite licences to operate some (not all) of the LEA Centres.

(b) The LEA Vendors (excluding the Edhod Vendor) have granted to the Company a call option to acquire all of the shares in LEA Childcare subject to LEA Childcare completing a series of antecedent restructure steps (which LEA Childcare has agreed with the relevant parties) the effect of which is that upon exercise of the call option, the Company will acquire directly or indirectly through interposed entities, 12 LEA Centres for a combination of cash and Shares (including three Centres in respect of which companies that will become subsidiaries of LEA Childcare have entered into business sale contracts). These transactions are subject to conditions precedent relating to lease assignments and the repayment of existing finance facilities. The cash and Shares will be allocated pro rata among the LEA Vendors (excluding the Edhod Vendor) although each may elect for a greater allocation of cash and Shares subject to the applicable cash and Shares maximums. The Company proposes to exercise the call option as soon as reasonably practicable after the Company has issued Shares under the Offer.

(c) The Edhod Vendor has granted to the Company a call option to acquire all of the shares in the Edhod Operating Companies which together own and operate the remaining three LEA Centres. The call option expires on 30 November 2014. The Company also proposes to exercise the call option as soon as reasonably practicable after the Company has issued Shares under the Offer.

(d) Subject to the issue of the Shares offered under the Offer, it is proposed that the Company will exercise the various call options under the LEA Restructure and promptly proceed to completion of the agreements that thereby arise from the exercise. This will complete the acquisition by the Company of the 15 LEA Centres.

An outline of the Baker Street Share Acquisition is as follows:

(e) The Baker Street Vendors have granted to the Company a call option to acquire all of the shares in Baker Street in consideration for the issue of a total of 4,054,900 Shares. The call option expires on 30 November 2014. The Company proposes to exercise the call option as soon as the Company has issued Shares under the Offer.

(f) Subject to the issue of the Shares offered under the Offer, it is proposed that the Company will exercise the call option under the Baker Street Share Acquisition and promptly proceed to completion of the agreement that thereby arise. This will complete the acquisition by the Company of Baker Street.

(g) The acquisitions of the 15 Baker Street Centres under the Baker Street Acquisitions are then expected to be completed within 2 months after the Listing of the Company on ASX.

2.4 LEA Centres

The LEA Centres have been in aggregate profitable at the Centre EBIT level, and all but 3 of the LEA Centres have been individually profitable at the Centre EBIT level, for the year ended 30 June 2014.

The LEA Centres and Baker Street Centres have experienced an Average Occupancy of 76% for the year ended 30 June 2014, comprising:

- Average Occupancy of 78% for the thirteen established LEA Centres, and 37% for 2 more recently opened LEA Centres in Dandenong South and Cranbourne for the year ended 30 June 2014; and
- Average Occupancy of 79% for all but one of the Baker Street Centres for the year ended 30 June 2014.

Average Occupancy is expected to increase during CY 2015 to 79%.

For further information see **Section 7.5**.

Pursuant to the LEA Restructure, the Company will acquire 15 LEA Centres on Listing for consideration comprising cash of $9,942,000 (to be funded from the proceeds of the Offer and the Debt Facility) and 9,941,000 Shares (comprising 7,625,010 Shares as consideration for the acquisition of Mathew Edwards' interest in the LEA Centres by the Company, and 2,315,990 Shares which Mathew Edwards intends to apply for pursuant to the Vendor Offer, using cash consideration of $2,315,990). Prior to their acquisition by the Company, 12 of the LEA Centres have been successfully operated by LEA's senior management team, who are joining Think Childcare and Education.

Three of the LEA Centres are new acquisitions in respect of which companies that are proposed to become subsidiaries of LEA Childcare pursuant to the LEA Restructure have entered into business sale contracts on arms length commercial terms with third parties. The acquisition of those three LEA Centres is proposed to complete on or around the Listing Date. The experience of key managers of LEA who are joining Think Childcare and Education is set out in Section 6, which includes biographical details regarding those personnel. Learning and Education Australia Pty Ltd (**LEA**) was formed in 30 January 2009 to acquire, own and manage under-performing Childcare Centres as well as developing greenfield sites for new Childcare Centres in conjunction with property developers.

In July 2009 LEA acquired a portfolio of 12 Childcare Centres from the receivers of ABC Learning Centres Limited (receivers and managers appointed) (**ABC Learning**). At the time of their acquisition, these Centres were unprofitable with sub-economic occupancy levels, disenfranchised staff and inefficient staff rostering practices. LEA subsequently turned the performance of these Centres around via a combination of Centre presentation improvements, local marketing campaigns, fee rises and engagement with Centre staff. Out of the portfolio of 12 Centres acquired from the receiver of ABC Learning:

- five of these Centres have been sold at a substantial profit;
- six are still owned by LEA and will form part of the initial portfolio of LEA Centres being acquired through the LEA Restructure; and
- one Centre that is still owned by LEA will be managed by Think Childcare and Education pursuant to a Management Agreement.

In addition to the Centres acquired from the receiver of ABC Learning, LEA and EdHod have acquired (and sold) other Childcare Centres as well as developing greenfield sites for new Childcare Centres in conjunction with property developers. The initial portfolio of LEA Centres being acquired by Think Childcare and Education (via the LEA Restructure) will comprise;

2. Company Overview

- 13 Childcare Centres in Victoria, located in Westmeadows, Preston (2 Centres), Lara, Ormond, Moorabbin, Belmont, Dandenong South, Cranbourne, Rowville, Macleod, Newcomb and Trafalgar; and
- 2 Childcare Centres located at Georges Hall in Sydney and Tuggerah (on the Central Coast).

Three of the LEA Centres are new acquisitions in respect of which companies that are proposed to become subsidiaries of LEA Childcare pursuant to the LEA Restructure have entered into business sale contracts on arms length commercial terms with third parties. The acquisition of those three LEA Centres is proposed to complete on or around the Listing Date.

LEA has primarily focused on the childcare market in Victoria as a result of:

- Victoria representing the second largest market in Australia (behind New South Wales) by number of children using accredited childcare services (Victoria was the fastest growing market in the year to 30 September 2013) and number of accredited providers;
- a greater availability of appropriate sites for the development of new childcare Centres;
- the lower cost of living in Melbourne in comparison to Sydney resulting in greater availability of childcare staff in Melbourne (more people can afford to work in child care, one of the lowest paid occupations in the country); and
- the eligibility of Victorian Childcare Centres offering approved kindergarten programs to receive kindergarten funding from the State Government.

2.5 Baker Street Centres

In addition to the LEA Centres, Baker Street has exercised options to acquire 15 Childcare Centres (**Baker Street Centres**) from various Centre Vendors. The Baker Street Centres are established Centres that have been in operation for a number of years. One Centre Vendor is selling 3 Centres to the Company, one Centre Vendor is selling 2 Centres to the Company, and each of the other Centre Vendors is selling 1 Centre. The Centre Vendors are individuals or small business owners who have entered into Acquisition Agreements with Baker Street. The Baker Street Centres have been in aggregate profitable at the Centre EBIT level, and all but 1 of the Baker Street Centres have been individually profitable at the Centre EBIT level, for the year ended 30 June 2014.

The LEA Centres and Baker Street Centres have experienced an Average Occupancy of 76% for the year ended 30 June 2014, comprising:

- Average Occupancy of 78% for the thirteen established LEA Centres, and 37% for 2 more recently opened LEA Centres in Dandenong South and Cranbourne for the year ended 30 June 2014; and
- Average Occupancy of 79% for all but one of the Baker Street Centres for the year ended 30 June 2014.

Average Occupancy is expected to increase during CY 2015 to 79%.

For further information see **Section 7.5**.

Following Listing, pursuant to the Acquisition Agreements, the Company will acquire the business of the relevant Baker Street Centres for cash consideration in aggregate of $13,930,000 less any assumed liabilities.

The Company has entered into an agreement to acquire all of the shares in Baker Street through the Baker Street Share Acquisition.

Settlement of these acquisitions is expected to occur within 2 months of Listing. Upon settlement of each Baker Street Centre, the Licence to operate the relevant Centre will be transferred to Baker Street, which will be a wholly-owned subsidiary of the Company, and the Company will take an assignment of a lease (or enter into a new lease) in respect of the relevant Childcare Centre (but will not acquire freehold title to real property). The Company will then derive revenue from the operation of the relevant Centre.

The Baker Street Centres have been identified on the basis of acquisition criteria, including:

- satisfactory occupancy levels with the capacity to grow further;
- historical performance;
- competitive landscape – the majority of the services are located in mature areas. The areas represent opportunities for the Centres to increase occupancy;

- potential for profit improvement, through cost control, fee increases and an increase in occupancy; and
- minimum licensed places (to allow economies of scale at Centre level).

All the Baker Street Centres have been identified for acquisition because the Directors believe they have the potential to improve the quality of the care at the Centres and make a positive impact on the earnings of the Company over the Forecast Period.

The Baker Street centres are located in Templestowe, Colac, Briar Hill, Sunshine, Seaford, Alfredton, Woodend, Castlemaine, Narre Warren, Sydenham, Carrum Downs, Epping, Bulleen, Doncaster East and Glenroy in Victoria. The proximity of a number of the Baker Street Centres being acquired to LEA Centres will enable flexibility in the rostering of staff between centres and common marketing programs and require fewer Head Office management resources to oversee clusters of centres.

2.6 Management System

Think Childcare and Education proposes to leverage the extensive childcare industry experience of the LEA management team, who are joining Think Childcare and Education and who have a proven track record of identifying, acquiring, integrating and managing Centres.

Key members of the LEA management team include:

- Mathew Edwards – Managing Director of LEA since 2009;
- Paul Gwilym – CFO of LEA since June 2013;
- Amanda Mawer – General Area Manager for LEA since November 2009; and
- Meagan Henderson – Marketing Manager (Consultant) with LEA since September 2013.

Upon listing, the Head Office team of Think Childcare and Education will comprise staff the majority of whom are currently employed by LEA (their employment will be transferred to the Group). The Head Office team will fulfil the following responsibilities:

Team	Responsibilities
Finance (Paul Gwilym, Executive Director and Chief Financial Officer)	• Ensures all Centres' controllable expense operating budgets are aligned to their current Centre occupancy • Day-to-day monitoring of quality and financial performance of Centres
Operations Support (Amanda Mawer, Operations Manager, supported by Area Managers)	• Monitors individual Centre staff rosters and wage performance • Develops and implements programs to maximise wage effectiveness • Assists Childcare Centre Directors and Educators to develop and implement HR strategy • Administrative support and training • Monitors occupancy levels at Centres
Marketing (Meagan Henderson, Marketing Manager (Consultant))	• Develops local marketing programs • Develops marketing programs to maximise enquiries during key seasonal opportunities such as school holidays
Compliance Staff members	• Integration of acquired Centres, including set-up of IT systems and software at newly acquired Centres • Administration of Child Care Management System (CCMS), the national system that provides details for CCB entitlements • Monitoring of compliance with NQF • Licensing transfers and liaison with government departments

2. Company Overview

In addition to the Head Office team, key employees will include:

- a Centre Director at each Centre; and
- an Area Manager for each geographic group of Centres, ranging between five and twelve Centres per Area Manager.

Essentially the roles of a Centre Director and an Area Manager are very similar with an Area Manager acting as a support to the Centre Directors to assist them to do all things necessary to achieve the mutually agreed goals and objectives, in a manner consistent with the Company's core values, and to guide, facilitate, mentor, manage and support educators in best practices using a holistic approach to achieve and sustain high quality childcare. More specifically, an Area Manager is responsible for the following operational objectives:

(a) Administration: To ensure each Centre operates efficiently and effectively for all stakeholders.

(b) Occupancy: To assist each Centre to strive to achieve optimal occupancy and to maintain this level through overseeing presentation, professionalism and marketing.

(c) Financial performance: To ensure each Centre operates within agreed budgets.

(d) Educators: To support the Centre Director and Educators at each Centre to create an environment at each Centre that is conducive to children, families and Educators, to develop a positive rapport with Educators, to manage each Centre's wages within budget expectations, to liaise with Educators on their performance as and when required, to follow up on Educator's grievances, and to assess and implement Centre Director/Educator training.

(e) Recruitment: To work with and within each Centre to recruit and train new Educators.

(f) Programs: To ensure programs are of a high quality standard which are consistently in place to offer children both a secure and stimulating learning environment, mentor and train Educators as required and oversee that Group Leaders are having consistent monthly feedback via the Centre Director.

(g) Compliance: To ensure compliance is achieved with all legislative requirements across all levels of Government and the associate departments. Any breach of Licensing, occupational health and safety (**OHS**) or any other concern is to be reported immediately.

(h) Parents: To act as a support and role model for the Centre Director and Educator in relation to communicating with families effectively on all terms from positive interactions, grievances and compliance with Centre expectations.

(i) Licensing: To oversee and ensure all Licensing regulations are holistically and consistently met.

(j) NQF: To oversee, review and support the Quality Improvement Plans and Assessment procedure at a Centre level working towards exceeding the national average.

(k) OHS: To oversee, review and support the OHS procedure at a Centre level ensuring all stakeholders are continually safe in the Centre environment.

(l) Communication: To establish and maintain an effective communication system with the Centre Director and Educators, suppliers, Government Departments, and stakeholders. At all times to be professional and adhere to a strict code of confidentiality in items observed at any Centre.

(m) Children: To act at all times with the best interest of the children in our care in mind.

(n) General: To work within the policies and procedures as agreed, these are open to review and change to meet the agreed objectives.

2.7 Integration Plan

The Directors believe integration risk is significantly reduced by the fact that 12 of the initial portfolio of Centres comprises LEA Centres already being managed by the LEA management team (who are joining Think Childcare and Education) and operate on the same management systems as will be implemented by Think Childcare and Education across all of its Childcare Centres. Three of the LEA Centres are new acquisitions in respect of which companies that are proposed to become subsidiaries of LEA Childcare pursuant to the LEA Restructure have entered into business sale contracts on arms length commercial terms with third parties. The acquisition of those three LEA Centres is proposed to complete on or around the Listing Date. Due diligence in respect of those LEA Centres has been undertaken by the management team of LEA prior to the Prospectus Date.

For the Baker Street Centres, the aim of the integration plan is to minimise any negative impact on stakeholders of the individual Centres. More specifically:

- the Centres will continue to trade on local branding thereby leveraging goodwill established within their local community;
- the Baker Street Centres will be subject to minimal staff changes, with the retention of the Centre Director (where possible) and re-employment of Educators at each Centre;
- existing childcare and education programs will be maintained until a review of their quality and appropriateness has been completed;
- the Baker Street Centres will be provided with additional management, administration and marketing support through the appointment of an Area Manager and a Marketing Manager;
- the performance of the Baker Street Centres following their acquisition will be assessed against operational KPIs established for each Centre during due diligence;
- all Think Childcare and Education Childcare Centres will be subject to detailed policies and procedures, initially the existing Centres policies and procedures will be assessed and augmented to assist in providing consistent customer experiences and childcare outcomes;
- information systems including Qikkids and Time and Attendance and a Company-wide intranet will be implemented at each Centre to track financial performance, cost management, and occupancy levels on a real-time basis; and
- localised marketing programs will be developed for all Think Childcare and Education Childcare Centres with the objective of lifting Centre occupancy and leveraging waiting lists in Company-owned Childcare Centres nearby.

In recent years LEA has made a significant investment in information technology systems at the LEA Centres (other than the three Centres which are proposed to be acquired by LEA Childcare pursuant to business sale contracts entered into by companies that will be subsidiaries of LEA Childcare following completion of the LEA Restructure), including enrolment, point-of-sale, staff rostering and accounting systems. In addition, LEA has developed a management system around its culture that empowers its Centre Directors and Educators. Think Childcare and Education will adopt the LEA management system across all of its Childcare Centres and intends to roll-out the IT-systems currently used at the LEA Centres across the Baker Street Centres.

2.8 Key Operational Drivers

The table below sets out the key drivers that the Directors believe should determine the financial performance of Think Childcare and Education's Childcare Centres:

	Key operational driver
Licensed places	The number of children that a Childcare Centre can care for at any one time under the licence that has been issued to that Childcare Centre by a State or Territory government. Following Listing and completion of the acquisition of the Baker Street Centres, Think Childcare and Education's Childcare Centres are expected to have a total of 2,244 licensed places.
Occupancy	Represents the number of enrolled (and, therefore paying a daily fee), as a percentage of a centre's licensed places. Centre occupancy is a key determinant of a Childcare Centre's profitability given the largely fixed cost base of a Centre.
Daily fees	The daily fees charged by a Childcare Centre, usually inclusive of meals and consumables such as nappies. These fees are paid by families and the Commonwealth Government through the Childcare Benefit and Childcare Rebate (refer section 4.9 for a discussion of government funding). The average hourly fee for long day care increased as an average annual growth rate between the June quarter 2005 and June quarter 2013 of 7.2%. The ability of Centres to increase fees is dependent on local competition, Centre waiting lists, Centre location and the quality of the Centre's facilities.
Employee expenses	Employee expenses typically amount to approximately 61% of a Centre's revenue, with mandatory minimum staff to children ratios. As such, efficient management of staff to children ratios and staff rostering is critical to the overall profitability of a Centre.
Building occupancy expenses	The Group will not own the real property on which its Childcare Centres are located. Rather, each of the Childcare Centres will be operated on property leased to the Group. Prior to completion of the LEA Restructure and completion of the acquisition of each of the Baker Street Centres, Think Childcare and Education will take an assignment of the relevant lease on which each LEA Centre or Baker Street Centre is located. The average lease term across the Company's Centres will be 25.7 years (including the remainder of current lease terms and exercisable options). The Centre lease agreements typically allow for annual rent increases in line with CPI.
Other expenses	Other expenses typically comprise consumables, insurance, Centre advertising and marketing costs, cleaning and travel costs. Think Childcare and Education expects there will be some procurement benefits from negotiating with suppliers on a Group basis.

2.9 Growth Strategy

(a) Organic growth

Think Childcare and Education has commissioned a Profit Improvement Strategy, consisting of a range of capital investment and behavioural change initiatives (that will be implemented in the Baker Street Centres in the medium term through the integration plan), designed to drive increases in occupancy at its Centres. These initiatives, aimed at improving parent satisfaction, attracting new parents and driving advocacy among parents, include:

- bringing the physical condition, presentation and resourcing of Centres to a desirable level across the portfolio;
- direct marketing activities;
- reviewing the performance of all Centres against the 7 Quality Areas under the National Quality Framework and working with Educators to develop plans to achieve the highest quality ratings in each Quality Area; and
- aligning Centre fees with those of competing childcare centres in the local catchment.

(b) Acquisition and development

Centres to be acquired by the Company

The Company intends to seek opportunities to grow its business through the acquisition of existing Childcare Centres. These Centres will be identified through direct approaches to known vendors and working with our existing business broker network. The targeted Centres will need to meet the Company's acquisition requirements with a focus on the Centres being EBIT positive from the first day. Other acquisition criteria include:

- satisfactory occupancy levels with the capacity to grow further;
- competitive landscape targeting mature areas where opportunities exist for the Centres to increase occupancy;
- profitable historic performance with potential for profit improvement, through cost control, fee increases and an increase in occupancy; and
- appropriate numbers of licensed places (to allow economies of scale at Centre level).

Externally Owned Centres Managed by the Company

Think Childcare and Education has also entered into Management Agreements in relation to seventeen Externally Owned Centres and proposes to enter into further agreements with Third Party Owners, being third parties who own Centres in respect of which they wish to acquire management services from the Company.

Under these Management Agreements Think Childcare and Education has been engaged to manage each Centre for a fee of not less than $60,000 per annum (per Centre), for an initial term of 12 months, which may be renewed for a further term by agreement.

The Management Agreements with the Externally Owned Centres provide Think Childcare and Education with an additional income stream, leveraging the Company's existing Head Office infrastructure and management systems.

See **Section 10.9(d)** for further details.

2.10 Summary of Financial Information

The table below includes a pro forma Directors' Forecast for the 12-month period ending 31 December 2015. The Directors consider it inappropriate to present a pro forma historical statement of financial performance because prior to acquisition, the Childcare Centres did not prepare financial information which fully complied with the recognition and measurement principles of Australian Accounting Standards and were not subject to review or audit. Refer to Section 5 for risks relating to the source and preparation of historical financial and operating information.

Pro forma forecast income statement	
$A ('000)	Year ending 31 December 2015
Revenue	**43,417**
Employee expenses	26,727
Building Occupancy Expenses	4,806
Direct expenses of providing services	2,015
Other expenses	2,965
Total expenses	**36,513**
EBITDA	**6,904**
Depreciation	236
EBIT	**6,668**
Net finance expense	380
Profit before tax	**6,288**
Income tax expense	1,886
Profit after tax	**4,402**

In making this forecast, the Directors draw investors' attention to the risks involved in the operation of Think Childcare and Education. In this regard, the Directors strongly recommend that investors read in full the risk factors set out in **Section 5** during their consideration of the entire Prospectus.

2.11 Bank Debt

In order to contribute funding for its acquisitions and its operations, including for working capital and other purposes, Think Childcare and Education has obtained credit approved term sheets from Australia and New Zealand Banking Group Limited (**ANZ**) for:

- an $8 million facility, largely drawn to meet acquisition and Offer costs;
- a further facility of $10 million for further acquisitions;
- subject to satisfaction of certain conditions, a further $10 million for acquisition purposes (among other purposes). However, this facility is an uncommitted cash advance facility; and
- a $1 million guarantee facility to facilitate the issue of performance and/ or financial instruments,

(**Debt Facility**).

This Debt Facility has been made available to Think Childcare and Education on certain terms and conditions, which the Directors believe are appropriate for a company of this size and in the prevailing economic and market conditions. Upon Listing, and subject to satisfaction of conditions and the completion of definitive documentation, these funds are available to Think Childcare and Education to assist with the acquisition of certain Centres and for general working capital purposes.

The term of the agreement set out in the credit approved term sheets is 3 years at an interest rate of BBSY, plus a margin of 1.5% per annum (other than in respect of the guarantee facility, for which the interest rate is 1.5% per annum on the face value of instruments issued, calculated from the date of issue, with a minimum fee of $250 per six month period). If the Company sells a Centre, 50% of the proceeds of that sale must be applied to the Debt Facility.

Each of the Company's wholly-owned subsidiaries will enter into general and specific security agreements in respect of their assets and undertakings.

The Company gives a number of undertakings to ANZ, including in relation to the provision of budgets and financial reports within specified periods together with other financial information, and undertakings not to incur financial indebtedness or provide financial accommodation, dispose of assets or grant security interests, not to declare a dividend in respect of any financial year, not enter into any corporate restructures or mergers, or undertake capital expenditure outside agreed limits set out in budgets, in each case other than as agreed in the facility documentation. Financial covenants include interest cover ratios, and ratios relating to minimum occupancy levels across the portfolio.

Drawdown under the Debt Facility is subject to a number of customary conditions precedent, including due diligence conditions, lodgment of the Prospectus with ASIC and execution of facility documentation and security documentation. There are a number of additional conditions to the acquisition of additional childcare centres, including requirements that the Board approve the business case and feasibility assessment and that other borrowing and performance requirements be satisfied.

2.12 Use of Proceeds

A total of 22,000,000 Shares are being offered to new investors under this Prospectus at $1.00 per Share to raise up to $22,000,000.

Mr Mathew Edwards does not intend to dispose of any Shares held by him through the Offer. These Shares will be subject to the escrow arrangements summarised in Section 10.10.

Together with the utilisation of its Debt Facility, Think Childcare and Education intends to use the proceeds of the Offer as follows:

Use of Proceeds and debt from the Debt Facility	$Amount
Acquisition of LEA Centres (through the LEA Restructure)[1]	9,942,000
Acquisition of Baker Street Centres	13,480,000
Integration costs and capital expenditure	700,000
Acquisition costs	1,878,000
Debt raising costs	214,000
Working capital for the Company	599,000
Offer costs	3,187,000
Total	$30,000,000

1 The Vendor Offer involves the application by Mathew Edwards of cash paid to him as part consideration for the acquisition of his interests in the LEA Centres and Edhod, through the LEA Restructure.

Investors should be aware that Think Childcare and Education intends to acquire further Centres as part of its business plan for expansion and in doing so, Think Childcare and Education may be required to raise further capital in the market by issuing new Shares and also by seeking an increase in its Debt Facility.

2.13 Underwriting

Think Childcare and Education and the Joint Lead Managers have entered into the Underwriting Agreement dated 16 September 2014 whereby the Joint Lead Managers have agreed on the terms and conditions summarised in **Section 10** to underwrite and manage the Offer.

The Joint Lead Managers can terminate the Underwriting Agreement and withdraw from the underwriting in the event that certain termination events occur. These events are set out in **Section 10** together with other important details in relation to the underwriting.

It should be noted that Think Childcare and Education and the Joint Lead Managers reserve the right to withdraw the Offer for any reason they deem is appropriate at any time prior to Shares being issued to investors under the Offer. If Think Childcare and Education and or the Joint Lead Managers do withdraw the Offer, all application monies lodged under the Prospectus will be returned in full to the Applicants but on no occasion will interest earned on application monies be paid to the investors.

2.14 Risk Factors

Any investment in Shares contains risks. Investors should read this Prospectus in full before making an investment decision and the Company strongly recommends that investors read **Section 5**, which sets out key risks to investors of investing in Shares.

2.15 Application for Shares

See **Section 9** for details of how to apply for Shares in the Offer.

Section 3

Industry Overview

3. Industry Overview

3.1 Introduction

The Australian childcare industry provides care and educational services to children between birth and 12 years in the following ways:

- long day care;
- out of school hours care;
- family day care; and
- occasional care.

The industry has seen rapid growth over the past decade and is forecast to generate revenue of $7.8 billion in 2013-14.

The industry is heavily regulated. Refer to Section 4 for an overview of industry regulation.

3.2 Childcare market supply

Recent statistics reflect significant industry growth. In the three months ended 30 September 2013, there were more than 15,000 childcare services operating in Australia and over one million children in approved childcare; an increase of 7.8% over the corresponding period in the preceding year.

In addition to the significant increase in the number and proportion of children attending childcare in Australia, there has also been an increase in the average number of hours children are using childcare services.

3.3 Key sector drivers

Growth in the industry has been primarily driven by demand for high quality, accredited childcare services, together with ongoing Commonwealth Government funding aimed at improving the accessibility of services. In addition, previous changes to the Commonwealth Government policy has seen a move by childcare operators to provide additional early education services and compete directly with the preschool education industry.

Future drivers of the industry's revenue include:

- steady population growth of children;
- higher workplace participation, in particular by females;
- growth in household disposable income;
- increasing average hourly fees; and
- Government assistance.

3.4 Government regulation

The Commonwealth and State Governments jointly regulate the childcare industry. Regulation and policy are directed at providing families with high-quality, accessible, affordable, flexible and integrated childhood education and childcare. The recent introduction of the National Quality Framework for Early Childhood Education and Care (NQF – see Section 4) is aimed at implementing consistent national regulation and quality assessment standards for the industry, with key areas of focus being caregiver qualification standards and staff-to-child ratios.

A major aspect of the NQF is the introduction of the National Quality Standard (**NQS**) which sets a national benchmark against which early childhood education and care services, and outside school hours care services, are rated. The Australian Children's Education and Care Quality Authority (**ACECQA**) outlines that the assessment and ratings process aims to drive continuous quality improvement and provide families with better information for making choices about their children's education and care.

*For more information, see **Section 4.***

3.5 Government funding

Government funding is provided through two main forms of financial assistance – a means tested Childcare Benefit (**CCB**), and non-means tested Childcare Rebate (**CCR** – see Section 4.9 for further detail). Commonwealth Government funding to the industry is expected to continue to increase and reach more than $22 billion for the period between 2013-14 and 2016-17, which is more than triple the investment ($6.3 billion) in the four years covering 2003-2004 to 2006-2007.

The Commonwealth, State and Territory Governments have historically provided significant financial assistance to both the childcare industry and service users, in order to increase the accessibility of childcare and encourage workforce participation. The Commonwealth Government accounts for the majority of government funding and in 2012-13 provided $5.4 billion to the industry, and in 2013-14 provided an estimated $5.7 billion to the industry.

*For more information, see **Section 4.***

3.6 Commonwealth Government policy

Since taking power at the September 2013 election, the Coalition government has tasked the Australian Productivity Commission with a broad inquiry into how the childcare system can be made more flexible, affordable and accessible. The Productivity Commission has issued a draft report and is expected to deliver its final report to the Commonwealth Government on 31 October 2014.

Points of the Coalition's focus were outlined in their pre-election policy, some of which have already led to changes within the industry.

For more information, see ***Section 4.***

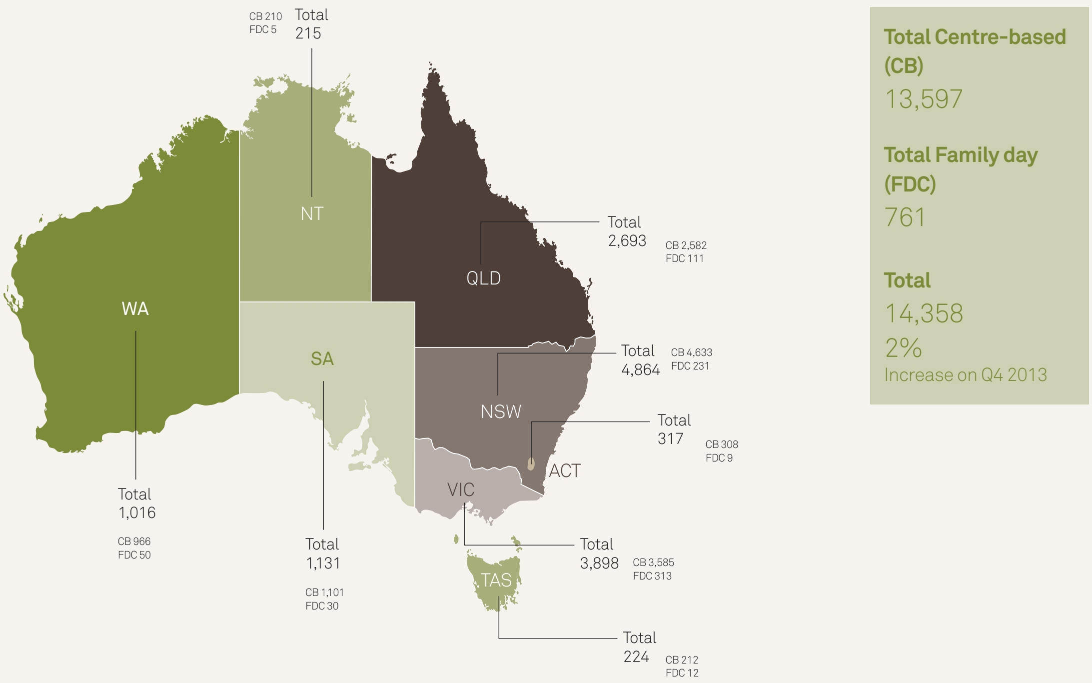
3.7 Distribution of Centres

The Australian childcare industry is highly fragmented. As of December 2013, there are more than 15,000 childcare services operating nationally. Of these, 14,358 are approved under the NQF. There are 7,258 approved providers, with only 17% of these operating more than one service.

In general, the distribution of Childcare Centres is closely aligned to that of the population, and is also influenced by the cost and supply of childcare, socio-economic characteristics and childcare subsidy policies.

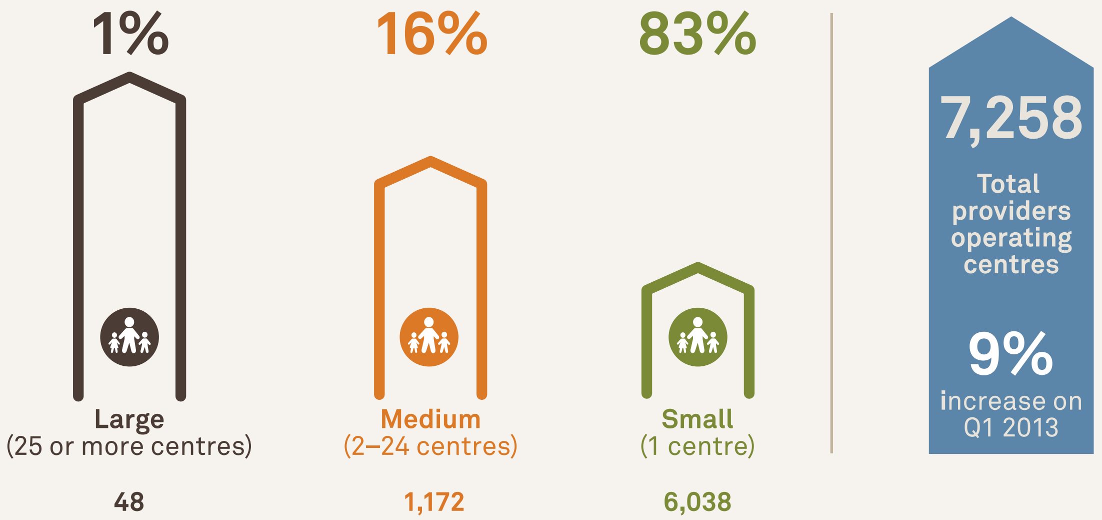
Disproportionately high revenue per childcare place in New South Wales and Victoria reflects higher average wages, more families with two incomes and a greater proportion of private rather than community-based Centres. Increasing wages, population and government support suggest that Western Australia will experience an increase in the national childcare industry revenue share over the next five years.

Figure 1 – Number of approved services, by jurisdiction and service type (31 March 2014)



Source: ACECQA NQF Snapshot – Quarter 1, 2014

Figure 2 – Fragmentation of childcare services industry (as of 31 March 2014)



Size	No. of approved providers	% of approved providers
Small	6,038	83%
Medium	1,172	16%
Large	48	1%
Total	7,258	100%

Size	No. of approved Childcare	% of approved Childcare
Small	6,037	42%
Medium	4,196	30%
Large	4,125	28%
Total	14,358	100%

Source: ACECQA NQF Snapshot – Quarter 1, 2014

3.8 Major competitors

There are currently a number of key players in the industry which operate on a national level, including G8 Education and Affinity Education, both ASX-listed, as well as Guardian Early Learning which operates as a for-profit businesses. The largest operator in the market is the not-for-profit Goodstart Early Learning, with KU Children's Services and YMCA Australia other major not-for-profit providers.

Table 1 – Major Childcare Centre operators

	Competitor	Description
Not-for-profit	**Goodstart Early Learning**	• Australia's largest Childcare Centre operator with 641 Centres nationally • Owned by four charitable organisations: The Benevolent Society, Mission Australia, the Brotherhood of St Laurence and Social Ventures Australia • Employs approximately 13,000 staff supporting over 61,000 families and 73,000 children • Estimated market share of 10.3%
Not-for-profit	**KU Children's Services**	• Established in 1895 as the Kindergarten Union of New South Wales with over 150 Centres nationally • Employs more than 2,500 staff supporting over 14,000 children • Estimated market share of less than 1.0%
Not-for-profit	**YMCA Australia**	• Offers childcare services across 400 YMCAs including 23 early learning Centres, 28 family day care programs, 233 out school hours care and 41 kindergartens • YMCA Australia is comprised of 30 member associations serving 506 communities • Estimated market share of less than 0.5%
For-profit	**G8 Education**	• Listed on ASX as Early Learning Services in 2007 and merged with Payce Childcare in March 2010 to form G8 Education • Owns 361 Childcare Centres in Australia, with contracts for a further 78 Centres • Also owns 18 Childcare Centres in Singapore and has 37 franchised Childcare Centres in Singapore • Largest for-profit childcare operator with an estimated market share of 5.5%
For-profit	**Guardian Early Learning**	• Established in 2004 and acquired by Navis Capital from Wolseley Private Equity in September 2013 • Approximately 90 early learning centres around Australia either managed or owned and managed • Employs more than 1,500 staff supporting 9,000 families and more than 5,400 children • Estimated market share of 1.0%
For-profit	**Affinity Education**	• Listed on ASX on 9 December 2013 as a roll-up of Childcare Centres across regional Australia, Australian Eastern Seaboard and the Northern Territory • Operates 119 Centres (90 owned, 11 managed and 18 subject to contract) with a mix of owned and managed Centres with a long day care Centre and outside school hours care focus • Estimated market share of 1.0%[1]

1. Calculations based on publicly available information and IBISWorld market share data.

3.9 Long day care

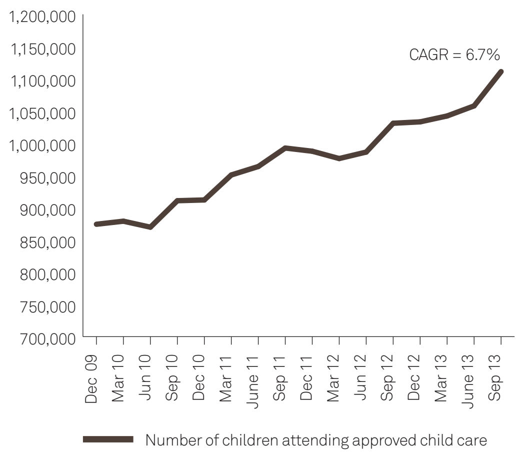
The largest proportion of children in childcare services, as well as the largest share of industry revenue, is in long day care Centres. Long day care Centres offer all-day or part-time care for below school age children (aged between six weeks and six years). Some long day care may also provide preschool and kindergarten education-based programs and out of school hours care.

Figure 3 – Number of children using child care by service type, September quarter 2012 to September quarter 2013 [2]

Service type	Sept. 12	Dec. 12	Mar. 13	June 13	Sept. 13
Long day care	615,630	623,980	621,250	606,710	637,590
Family day care and In-home care	125,230	128,930	135,770	142,400	155,430
Occasional care	6,950	7,230	7,130	7,650	8,260
Outside school hours care	315,220	303,210	327,220	334,480	345,160
Total	1,030,970	1,033,150	1,042,280	1,057,900	1,111,100
Per cent of Australian population	*27.4%*	*27.5%*	*27.1%*	*27.2%*	*28.9%*

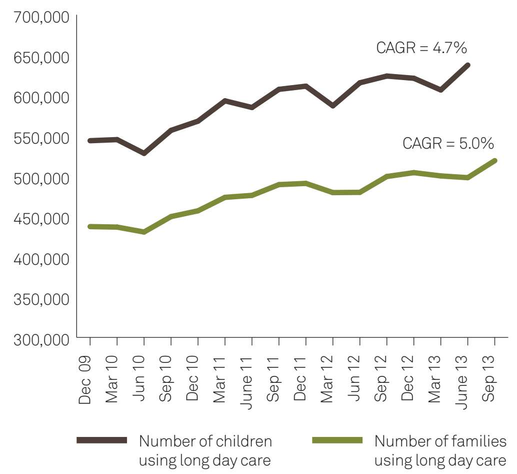
Between December quarter 2010 and September quarter 2013, the number of children attending long day care increased by 12.2% and the number of families using long day care increased by 43.7%.

Figure 4 – Total number of children attending approved childcare



Source: Commonwealth Department of Child Care & Early Learning in Summary – September Quarter 2013

Figure 5 – Number of children and families using long day care



Source: Commonwealth Department of Child Care & Early Learning in Summary – September Quarter 2013

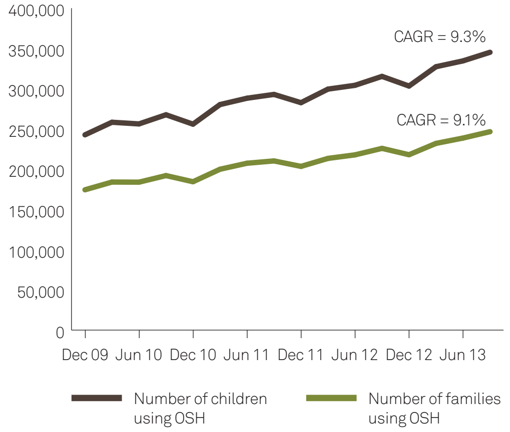
2. Commonwealth Department of Education – Childcare & Early Learning in Summary (September quarter 2013).

3.10 Outside of school hours care

Outside of school hours care accounts for services relating to primary school children before and/or after school, during school holidays and on pupil-free days. These services are typically provided to families requiring short term care and are predominantly housed on school or local council owned premises or existing long day care Centres.

Usage of this type of service grew strongly between June quarter 2010 and June quarter 2013, with the number of children attending increasing by 30.6% and the number of families using this service increasing by 29.8%.[3]

Figure 6 – Number of children and families using outside school hours care



Source: Commonwealth Department of Education, Child Care & Early Learning in Summary – June quarter 2010 to the June quarter 2013.

3.11 Family day care (in home care)

Family day care (in home care) refers to childcare provided by approved individuals in their own homes for other people's children. Family day care providers are allowed to care for up to 5 children at a time and must obtain a licence from ACECQA. Family day care is a capped program whereby if services are closed, places are returned to the Department of Education, Employment and Workplace Relations for reallocation at a later date.

The number of children attending family day care increased by 35.1% between June quarter 2010 and June quarter 2013.

3.12 Occasional care

This type of service provides short periods of care for children under school age. Occasional care services can be accessed on either a regular or irregular basis. Similar to family day care, occasional care operates under a capped regime.

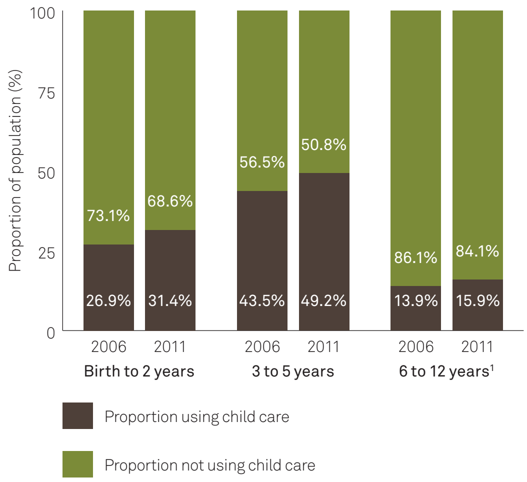
The number of children attending occasional care increased by 10.7% between June quarter 2010 and June quarter 2013.

3.13 Childcare usage

There are more than 1 million (1,111,100) children using approved child care as at the September quarter 2013, which is an increase of 7.8% since the September quarter 2012.

As at September quarter 2011, 27.6% of Australian children under the age of 12 attended child care.

Figure 7 – Proportion of children aged birth to twelve using childcare

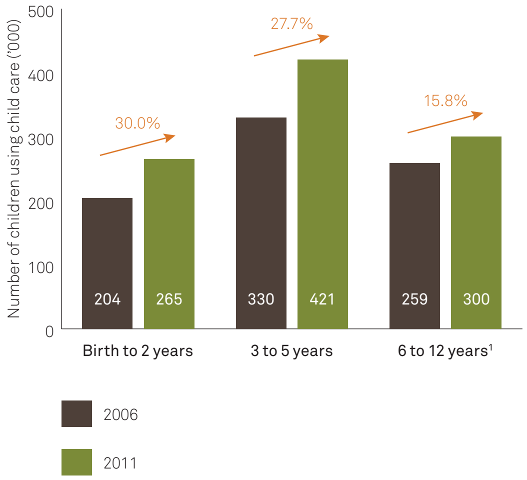


Note:
1. Refers to outside school hours childcare only

Between 2006 and 2011, there was an increase in the number of children attending childcare across all age groups.

3. Department of Education, Child Care & Early Learning in Summary – June quarter 2010 to the June quarter 2013.

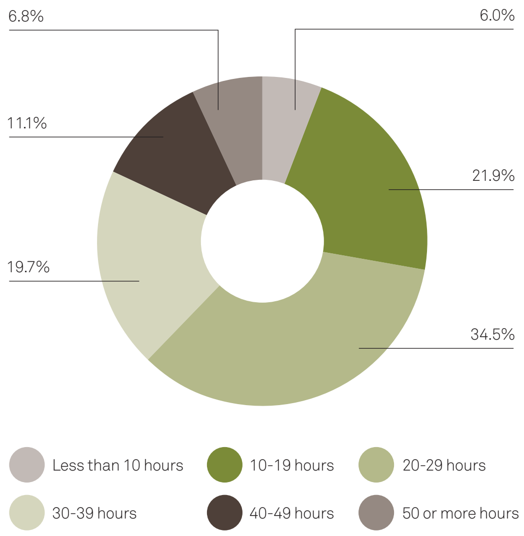
Figure 8 – Number of children using childcare



Note:
1. Refers to outside school hours childcare only

The average number of hours childcare services are used has also increased. During the June quarter 2013, the average number of hours was 23.5 hours per week, compared to 21.6 hours in the June quarter 2010. Children who attended long day care during the June quarter 2013 attended for an average of 27.2 hours per week.

Figure 9 – Children in long day care by average hours per week

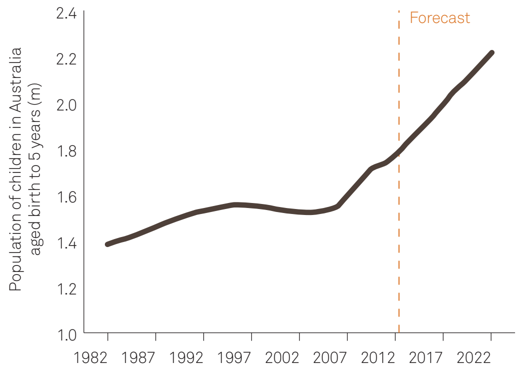


Source: Commonwealth Department of Education, Child Care & Early Learning in Summary – September quarter 2013.

3.14 Industry drivers: Steady population growth of children

As the population of children aged birth to 5 years increases, so too does the demand for childcare services. Australian Bureau of Statistics figures show that the number of children from birth to five years[4] increased by 16.4% in the 10 years to 2012, and is forecast to increase by a further 25.0% between 2012 and 2022.

Figure 10 – Population of children in Australia aged birth to 5 years



Source: Australian Bureau of Statistics Population Census Data 1981 to 2011.

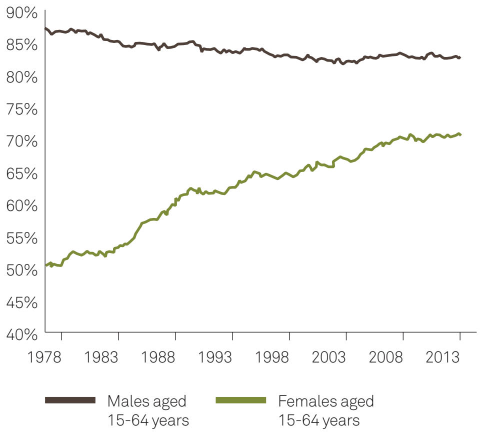
3.15 Higher workplace participation, in particular by females

The economic benefit of higher levels of female workforce participation is well documented. It is estimated that an extra 6.0% of women in the workforce would have a $25 billion benefit on Australia's Gross Domestic Product.[5] This increase of women in the workforce requires access to childcare places. Between 1982 and 2012, workforce participation for females aged 15 to 64 increased from 52.1% to 70.4%. This trend is expected to continue as government and society remains focused on gender diversification and equality.

In a survey conducted by The Australian Bureau of Statistics, 56% of women and 33% of men surveyed stated that "access to childcare places" was "very important" to them in the process of joining or increasing participation in the labour force. A similar proportion (55% of women and 37% of men) reported "financial assistance with childcare costs" as "very important".

4. Most appropriate age bracket for analysis as long day care is aimed at children up to the age of 6.
5. 'Untapped Opportunity – The Role of Women in Unlocking Australia's Productivity Potential, July 2013' published by Ernst & Young Australia (available here: http://www.ey.com/Publication/vwLUAssets/Untapped_opportunity_-_The_role_of_women_in_unlocking_Australias_productivity_potential/$FILE/EY-Untapped-opportunity-The-role-of-women-in-unlocking-Australias-productivity-potential.pdf

Figure 11 – Workforce participation rate

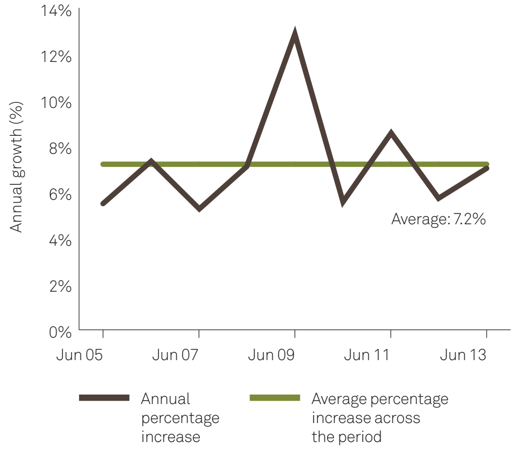


Source: ABS Workforce Participation Rates 1978-2013.

3.16 Increasing average hourly fees

Fees set by Childcare are generally influenced by the demographics of the Centre location, staff-to-child ratios, any additional services provided, and the quality of the facilities. In the June quarter 2013, the average hourly fee for long day care was $7.50 representing a growth rate of 7.0% from June quarter 2012, compared to the average annual growth rate between the June quarter 2005 and June quarter 2013 of 7.2%.

Figure 12 – Annual growth of long day care hourly fees

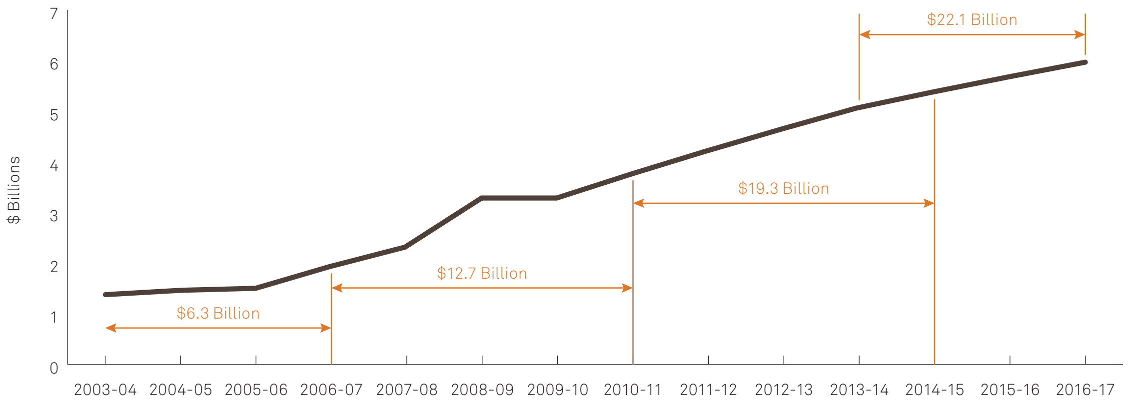


Source: Commonwealth Department of Education, Child Care & Early Learning in Summary – June quarter 2013.

3.17 Government assistance

Government investment in childcare has increased significantly in recent years and is expected to continue to grow into the future.[6] In the four years from 2013-14 to 2016-17, the Commonwealth Government's investment in childcare is expected to reach more than $22 billion, more than triple the investment in the four years between 2003-04 to 2006-07.

Figure 13 – Historical and forecast Commonwealth Government funding through the Childcare Benefit and Childcare Rebate



Source: Australian Government, Department of Education, Employment and Workplace Relations, Child Care in Australia (August 2013).

In addition to the Commonwealth Government funding directly related to the childcare industry, which is discussed in detail in Section 4.9, programs such as family tax benefits and parenting allowances all contribute to cover the cost of childcare.

6. Productivity Commission – Public inquiry into Childcare and Early Childhood Learning – Terms of reference (22 November 2013), Draft Report July 2014.

Section 4

Government regulation, funding and policy

4. Government regulation, funding and policy

4.1 Introduction

The Commonwealth Government is a key driver of the direction and shape of the childcare industry. The Commonwealth Government recognises that the shape and direction of its policies directly impact child development outcomes and assist workforce participation. Government funding of the childcare sector, including fee assistance to families, is another important driver for the sector.

4.2 National Quality Framework (NQF)

The NQF was introduced in January 2012, replacing the previous State-based standards, licensing and regulations to ensure that there is a national assessment process and framework for early childhood education and care.

The NQF covers most long day care services, out of school hours care services, preschools (or kindergartens) and family day care services – some services such as occasional care and in-home care and education are excluded.

4.3 National legislative framework

The NQF was established under a national legislative framework comprising the Education and Care Services National Law Act 2010 (**National Law**) and the Education and Care Services National Regulations 2011 (**National Regulations**). Under the legislation, each State and Territory has an authority (**Regulatory Authority**), which takes primary responsibility for the approval, monitoring and quality assessment of services. The NQF is overseen on a national level by the Australian Children's Education and Care Quality Authority (**ACECQA**).

4.4 Role of State and Territory Governments

State and Territory Governments are responsible for the regulation of most early childhood education and care services. These regulatory responsibilities include the approval or licensing, monitoring and quality assessment of services in accordance with the relevant regulations. State and Territory Government roles and responsibilities vary across jurisdictions. In addition to providing and/or funding preschool services, State and Territory Governments also provide:

- a legislative framework for those childcare services not covered under the NQF;
- approval or licensing, monitoring and quality assessment of services covered under the NQF and other relevant regulations; and
- a broad range of operational support to care providers as well as advisory services to both providers and parents.

4.5 Early Years Learning Framework

The Council of Australian Governments developed the Early Years Learning Framework to assist educators in providing learning opportunities for children. Fundamental to the framework are the principles of "Belonging, Being and Becoming". The framework provides a nationally consistent curriculum describing the principles, practices and outcomes that support and enhance young children's learning from birth to five years of age, as well as their transition to school. It is utilised by educators in a range of early childhood settings with each early childhood service developing their own strategy to implement the framework.

4.6 Key requirements of the NQF

Key areas of focus of the NQF are educator qualifications and educator-to-child ratios. Timing of implementation across the different States and Territories is varied with the requirements being phased in by no later than 2016.

Under the NQF, educators must be either qualified or working towards an appropriate childcare qualification. Requirements also include the minimum attendance of an early childhood teacher.

The staff-to-child requirements for Centre-based services established under the NQF are set out in Table 2.

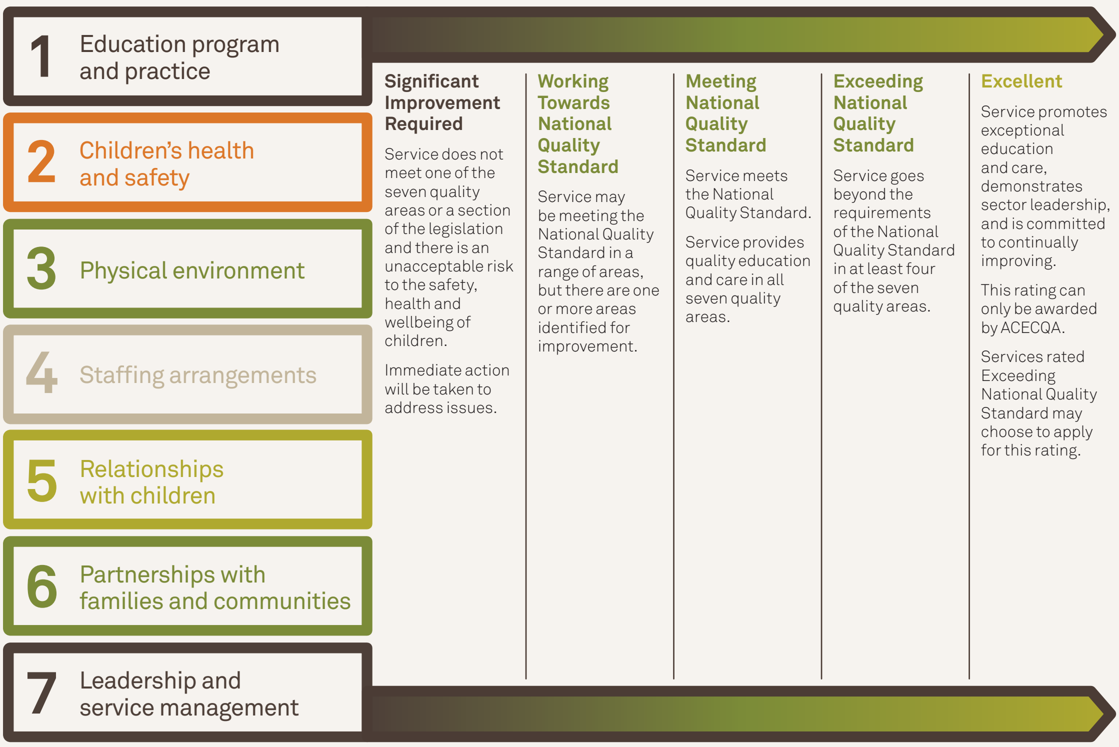
Table 2 – Indicative long day care staffing ratios

Age of children	Staff-to-child ratio	Date requirement applies from
Birth to 24 months	1:4	1 Jan 2012 – in all States and Territories except 1 August 2012 in WA and 1 January 2018 for some QLD services
Over 24 months and less than 36 months	1:5	1 Jan 2012 – in ACT, NT, TAS 1 Aug 2012 – in WA 1 Jan 2016 – in NSW, QLD, SA Saving provision applies in VIC
Over 36 months up to and including preschool age	1:11	1 Jan 2012 – in NT 1 Jan 2016 – in ACT, QLD, VIC Saving provision applies in NSW, SA, TAS, WA

4.7 National Quality Standard

The NQS sets a national benchmark against which early childhood education and care services, and outside school hours care services, are rated. Services are assessed and given a rating against seven "Quality Areas" (see Figure 14) as well as an overall rating.

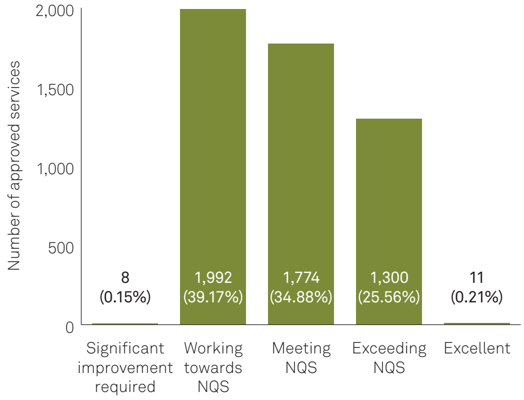
Figure 14 – National Quality Standard



4. Government regulation, funding and policy

As at 31 March 2014, there were 14,358 children's education and care services across Australia. Since the accreditation process began in June 2012, approximately 35% of the total number of services had been assessed and received a quality rating against the NQS (see Figure 15).

Figure 15 – Approved childcare services with quality rating, by quality rating



4.8 Assessment process

An important part of the NQF is continuous quality improvement. Assessment and rating of each service is undertaken by authorised officers from the relevant state or territory, with new services assessed around one year from the date of approval and all other services according to the Department's schedule. Following an assessment visit, services receive a report with a rating against each of the seven quality areas and an overall rating.

4.9 Early childhood education and care funding

The Commonwealth Government provides significant fee assistance to families to increase the accessibility of childcare.

In 2012-13, total government funding to the childcare industry, and users of the childcare industry, (excluding State and Territory Government funding to preschools/kindergartens) was $6.8 billion with the Commonwealth Government accounting for $5.4 billion or 79.5% of total government expenditure.

The Commonwealth Government provides families with two main forms of financial assistance – Childcare Benefit (**CCB**) and the Childcare Rebate (**CCR**). In the four years from 2013-14 to 2016-17, the Commonwealth Government's investment in childcare is expected to reach more than $22 billion, more than triple the investment in the four years between 2003-04 and 2006-07.

(a) Childcare Benefit and Childcare Rebate

The CCB is an income tested payment based on family income which reduces the cost of childcare. Payments are typically paid directly to providers approved to receive the CCB to reduce the out of pocket fees payable, although parents and guardians can elect to have the payment received as a lump sum. The CCB is indexed to changes in the CPI.

The CCR was introduced in 2004 to supplement the CCB and is a non-income tested payment to help recover the out of pocket costs to parents and guardians, of childcare. The rebate covers up to 50% of out of pocket costs up to a cap of $7,500 per child, per year.

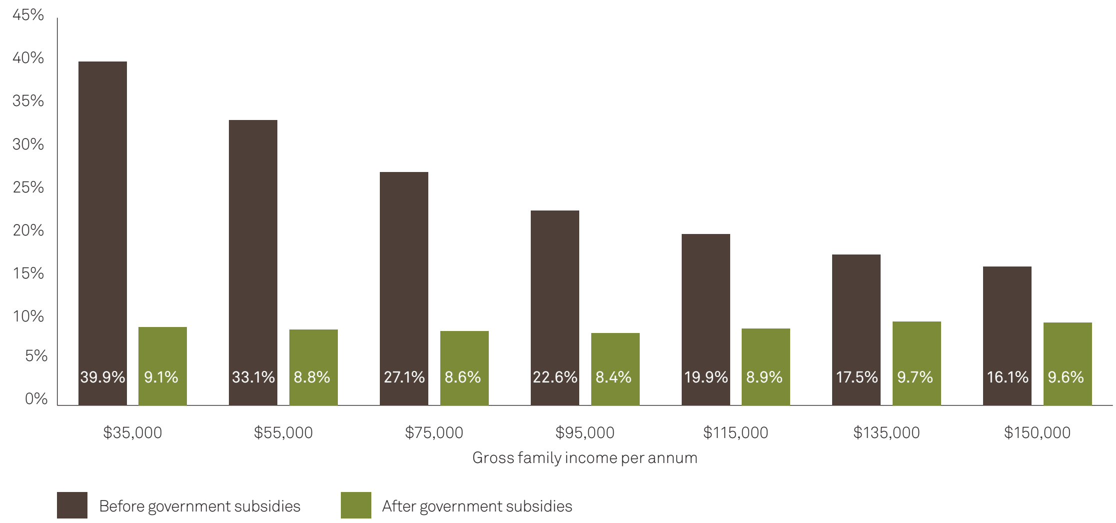
(b) Other Commonwealth Government funding

The Commonwealth Government also has in place other support initiatives to assist with the cost of childcare, which includes the Jobs, Education and Training Childcare fee assistance program, the Grandparent Childcare Benefit and the Special Childcare Benefit.

(c) State Government funding

The vast majority of direct government funding to the childcare industry, and users of the childcare industry, is by the Commonwealth Government. State and Territory Government funding focuses predominantly on the provision of preschool services which accounted for 78.6% or $1.1 billion of the $1.4 billion State and Territory Government expenditure on childcare and preschool services in 2012-13.

Figure 16 – Annual out of pocket costs for one child in long day care as % of family income



(d) Commonwealth Government policy

As part of its September 2013 election policy, the Coalition government outlined its intention to task the Productivity Commission with an inquiry into how the childcare system can be made more flexible, affordable and accessible. The terms of reference were announced on 17 November 2013 and the inquiry will examine options for more flexible, affordable and accessible childcare including for families with non-standard work hours, disadvantaged children and regional families. The draft report was released on 22 July 2014. The final report is expected to be provided by the end of October 2014.

Further detail of the Coalition election policy included that while it supported the NQF in principle, it was committed to improving the implementation of the reforms by:

- reviewing staff-to-child ratios, childcare worker qualification requirements and the continued inclusion of outside school hours care in the NQF scope;
- restoring the previous occasional care funding arrangement with the States and Territories whereby the Commonwealth Government meets 45% of the cost;
- establishing a childcare sector advisory council to provide consultation and recommendations on proposed legislation or policies affecting the sector; and
- undertaking a ministerial review of the Early Years Quality Fund ("**EYQF**"), described as a pool of money from which selected Childcare Centres could draw on to provide a wage increase.

The review of the EYQF was announced on 28 September 2013 and the subsequent report was released by the Department of Education on 10 December 2013. As a result of the report, the Commonwealth Government announced that it would redirect all available funds from the EYQF towards a new, yet to be finalised, program which is aimed at supporting the professional development of all educators in the long day care services sector.

Section 5

Risk Factors

5. Risk Factors

There are a number of risk factors, both specific to Think Childcare and Education and of a general nature, which may, either individually or in a combination, affect Think Childcare and Education's future operating and financial performance and the value of the Shares. While the Company will seek to manage these risks in order to prevent adverse outcomes, many of the circumstances giving rise to these risks are beyond the control of Think Childcare and Education, the Directors and Think Childcare and Education's management team.

Section 5 describes some of the key risks associated with an investment in Think Childcare and Education. These risks have been separated into:

- risks specific to an investment in Think Childcare and Education (described in Section 5.1);
- tax risks (described in Section 5.2); and
- general investment risks (described in Section 5.3).

Prospective investors should note that this Section 5 does not contain an exhaustive list of the risks associated with an investment in Think Childcare and Education and the information set out here should be considered in conjunction with other information disclosed in this Prospectus. Investors should have regard to their own investment objectives, financial situation or particular needs, and should consider seeking professional guidance from their stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest in the Company.

5.1 Risks specific to an investment in Think Childcare and Education

(a) Changes in law and government policy

The childcare industry in Australia is heavily regulated with the National Law and supporting regulations providing a detailed and prescriptive framework for the management and operation of childcare businesses 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 affect the operation of the Centres and could impact on the profitability of Think Childcare and Education and demand for its services. Any regulatory or policy change could include, but not be limited to, the level of funding provided by the government and changes that may increase current forecast operating costs. Furthermore, changes to the requirements under the NQF such as staff-to-child ratios and staff qualification requirements may increase expenses incurred by the Company.

Other government legislation, including changes to the taxation system, may affect future earnings of and the relative attractiveness of investing in Think Childcare and Education.

(b) Changes to government assistance

The Commonwealth Government provides substantial assistance to the childcare industry, and users of the childcare industry, through schemes such as the CCB and the CCR. This funding represents a significant proportion of Think Childcare and Education's revenues. These schemes are subject to review at any time by the Commonwealth Government. In December 2013, the Productivity Commission released an issues paper enquiring into childcare and early childhood learning in Australia. The Productivity Commission will report on and make recommendations on matters referred to in the paper, including the CCB and the CCR. The Productivity Commission is expected to deliver its final report to the Commonwealth Government by 31 October 2014. Any reduction in the funding level (or the proportion of funding allocated to Childcare Centres) or changes to the eligibility criteria of these schemes will have a significantly adverse impact on the operations of Think Childcare and Education.

(c) Regulatory risk and assessment and rating process

The regulation and availability of government assistance are dependent upon individual Childcare Centres being registered under the NQF. Representatives of the ACECQA administer the assessment and rating process, including inspections of Childcare Centres. Negative evaluations such as 'significant improvement required' could result in the loss of registration and the withdrawal of government assistance for an individual Centre. This would have a negative impact on Think Childcare and Education's operations and financial position.

The ability of Think Childcare and Education to operate the Childcare Centres is dependent on having the requisite regulatory approval. Under the National Law, Think Childcare and Education must obtain a provider approval. If the relevant regulatory approval is withdrawn, or not obtained when sought, Think Childcare and Education will not be permitted to operate the relevant Centre. This could materially impact Think Childcare and Education's future earnings.

(d) Completion of LEA Restructure and the Baker Street Acquisition

If any of the LEA Restructure and the Baker Street Acquisition are not completed, the portfolio composition of the business will change. Acquisition of the LEA Centres is expected to be completed by the Listing Date with the Baker Street Acquisition expected to be completed within 2 months of Listing, but there can be no guarantee that this will occur.

Due to circumstances beyond the control of Think Childcare and Education, the Directors and Think Childcare and Education's management team, it is possible that one or more of the proposed acquisitions of Centres may not be completed or completion may be delayed. It is also possible that the transfer or assignment of leases and licences required by Think Childcare and Education to operate its business does not occur or is delayed. In addition, there is a possibility that the release of a pre-existing security interest registered over the assets of one or more of the Centres to be acquired does not occur on completion or is delayed. Where this is the case, there can be no guarantee that the particular acquisition will complete, or if it does, that the assets will be free of third party rights. These circumstances could materially impact the Company's future earnings but may also result in additional capital for other future acquisitions by the Company.

(e) Ability to implement the business plan

Think Childcare and Education has a limited financial and operating history. Think Childcare and Education's ability to achieve its objectives depends on the ability of its Directors and Think Childcare and Education's management team to implement the proposed business plans and to respond efficiently and appropriately to unforeseen circumstances.

Despite the considerable experience that the Directors and Think Childcare and Education's management team have in business, management and the childcare industry, there is a risk that Think Childcare and Education may not be able to successfully execute the proposed business plans, in particular the growth strategies outlined in Section 2.9.

Think Childcare and Education's operating results could be adversely affected by, among other factors:

- an inability to control the costs and organisational impacts of business growth;
- an inability to increase fees;
- an inability to achieve occupancy rates in line with expectations of Think Childcare and Education's management team;
- a general decline in revenue; and
- a negative impact on earning margins.

(f) Acquisition and integration risks

Think Childcare and Education intends to pursue an acquisition growth strategy, central to which is the identification and completion of future acquisitions. The Company may not be successful in identifying acquisition opportunities, assessing the value, strengths and weaknesses of these opportunities and finalising acquisitions on acceptable terms. In addition, the Company may compete for certain acquisition targets with companies having greater financial resources than it does.

To achieve the results set out in the Forecast Financial Information, Think Childcare and Education will need to effectively integrate the Centres. There is a risk that the integration may take longer or cost more than expected by Think Childcare and Education, which would impact on the profitability of the Company.

There is no guarantee the Centres will operate as profitably after integration as they did prior to their acquisition by Think Childcare and Education. The performance of the Centres may be adversely affected by changes such as an increase in overheads, or reduction in custom from parents who do not view the acquisition of the Centres by Think Childcare and Education favourably notwithstanding the Company's strategy of retaining the acquired brand.

(g) Externally Owned Centres

Think Childcare and Education proposes to enter into Management Agreements with Third Party Owners pursuant to which Think Childcare and Education will be engaged to manage each Centre for a fee of not less than $60,000 per annum (per Centre).

The Management Agreements provide that if Think Childcare and Education identifies a new Centre or greenfield site that does not meet its acquisition criteria but refers it to the relevant Third Party Owner, and that Third Party Owner agrees to the acquisition, the Third Party Owner will pay Think Childcare and Education an additional finder's fee of $40,000 in respect of that new Centre or site. No finder's fee is payable to the Company in respect of Externally Owned Centres subject to Management Agreements at the Prospectus Date.

In addition, the Company will not be able to charge a finder's fee to a Third Party Owner who is not a party to a Management Agreement at the time a new Centre or site is identified by the Company (ie, any person other than the Initial Third Party Owners), unless the parties agree that a finder's fee is payable.

It is also possible that Think Childcare and Education will not be able to identify new Centres or greenfield sites for development and that no Third Party Owner will agree to the acquisition. If any of these risks eventuate the Company's revenue and growth may be adversely affected.

Each Third Party Owner has the right to terminate the Management Agreement to which it is a party with 3 months notice or pay the Company the fees which it would otherwise be entitled to receive during the notice period. It is possible that one or more of the Third Party Owners may terminate the Management Agreements with Think Childcare and Education, in respect of one or more Centres. If any of these risks eventuate the Company's revenue and growth may be adversely affected.

(h) Forecast Financial Information risk

The Forecast Financial Information represents Think Childcare and Education's best estimate of the future performance of the Centres and events based on the information available at the Prospectus Date. However, investors should appreciate that forecasts by their very nature are subject to uncertainties which may be outside of Think Childcare and Education's control or may not be capable of being foreseen or accurately predicted. As such, actual results may differ from the Forecast Financial Information and such differences may be material.

(i) Due diligence risk

Think Childcare and Education's management team has performed certain pre-acquisition due diligence on each of the Centres to be acquired. There is a risk that due diligence conducted has not identified issues that would have been material to the decision to acquire the Centres. A material adverse issue which was not identified prior to completion of the acquisition could have an adverse impact on the financial performance or operations of the relevant businesses and may have a material adverse impact on Think Childcare and Education's earnings and financial position. Further, there is a specific risk that historical financial and operating information provided by vendors in relation to the Baker Street Centres (including in relation to occupancy) which was not completely verifiable, may not be reliable, and that this could materially impact Think Childcare and Education's future earnings. If that risk eventuates, it may result in financial statements regarding the financial position and performance of the Company that are materially different that which has been assumed at the Prospectus Date.

As is usual in the conduct of acquisitions, the due diligence process undertaken by Think Childcare and Education identified a number of risks associated with the businesses to be acquired as part of the LEA Restructure and the Baker Street Acquisition, which the Company had to evaluate and manage. The mechanisms used by Think Childcare and Education to manage these risks included in certain circumstances the acceptance of the risk as tolerable on commercial grounds such as materiality. There is a risk that the approach taken by Think Childcare and Education may be insufficient to mitigate the risk, or that the materiality of these risks may have been underestimated, and hence they may have a material adverse impact on Think Childcare and Education's earnings and financial position. This risk will also apply to any future acquisitions undertaken by Think Childcare and Education as part of its growth strategy.

(j) Impairment of intangible assets

As a result of the LEA Restructure and the Baker Street Acquisition, Think Childcare and Education will recognise a material value of intangible assets on its balance sheet principally relating to goodwill. As set out in Appendix A, the amount of goodwill will be calculated by deducting the total net tangible assets and identifiable intangible assets deemed to be acquired by Think Childcare and Education, from the consideration for each Centre acquired, which will be assessed at the fair value of the consideration paid.

Under Australian Accounting Standards, goodwill and indefinite life intangible assets must be regularly tested for impairment. Other identifiable intangible assets are amortised and assessed for any indicators of impairment each reporting period. Impairment of any individual asset will result from a permanent diminution in value indicated by a decrease in profits below the level that supports the value of the asset. If impaired, Think Childcare and Education would need to write down the value of the intangible assets, which would result in an expense in the income statement and could have a material adverse impact on Think Childcare and Education's earnings and financial position.

(k) Loss of key personnel

The loss of key executives, in particular Mathew Edwards, could cause material disruption to Think Childcare and Education's activities in the short to medium term.

Think Childcare and Education will need to attract and retain qualified staff to support its existing operations and planned growth strategy. In particular, Think Childcare and Education is seeking to employ the existing staff at the Centres to be acquired under the LEA Restructure and the Baker Street Acquisition. This may require increased salaries and enhanced benefits in more competitive markets. Think Childcare and Education may experience difficulty in attracting and retaining qualified staff to execute its planned growth strategy or difficulty employing the existing staff at the Centres to be acquired under the LEA Restructure and the Baker Street Acquisition (including for regulatory reasons), which could have a material adverse impact on Think Childcare and Education's operations, earnings and financial position.

In particular, the loss of Mathew Edwards could cause material disruption to the Company's business and to its acquisition and growth plans.

Refer to Sections 6 and 10 for details of contractual arrangements for key management personnel.

Refer to Section 10 for information about the escrow arrangements applicable to Shares which are issued or to be issued to key management personnel.

(l) Increased or new competition

The market for childcare and early education services in Australia is competitive due to its fragmented nature. Think Childcare and Education 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 Childcare Centre and cost.

In order to compete effectively, Think Childcare and Education must meet each of these competitive challenges from existing market participants and respond effectively to any changes in the competitive landscape. The competitive landscape may evolve, for example, through the entry of new competitors into the market, the consolidation of existing market participants, or a change in government policy which affects the distribution of public funding to the childcare and early education services industry.

In addition to the above, while the contractual arrangements relating to the LEA Restructure and the Baker Street Acquisition impose restraints on the Vendors from competing with Think Childcare and Education, the enforceability of these restraints is not certain. To the extent that the restraints are not enforceable, Think Childcare and Education may face competition from vendors under the LEA Restructure and the Baker Street Acquisition.

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

(m) Availability of funding

Think Childcare and Education's acquisition strategy is intended to be financed by a combination of debt and equity funding. Think Childcare and Education's ability to pursue its growth strategy beyond the LEA Restructure and the Baker Street Acquisition may be constrained by limited access to further debt and equity funding. The ability of Think Childcare and Education to raise further debt and equity funding on similar terms to those in place for future refinancing and acquisitions depends on a number of factors including general economic, political, capital and credit market conditions.

(n) Debt facility documentation risk

The debt facilities outlined in this Prospectus are reflected in credit approved term sheets, rather than being agreed to by the Company and fully documented. Any failure to reach final agreement in respect of definitive documentation, or the entry into alternative terms less favourable to the Company, could have a material adverse impact on the Company. The term sheet is also subject to certain conditions, including due diligence conditions, which must be satisfied prior to the entry into definitive documentation. Furthermore, there is a risk that the definitive documentation of the debt facilities will result in a variation to terms outlined in this Prospectus.

(o) Reputation and brand risk

The ability for Think Childcare and Education to sustain and grow occupancy rates and earnings at its Childcare Centres will be heavily influenced by its ability to develop and maintain a reputation as a provider of high quality childcare services and maintain the reputation of each of its brands. Any factors which undermine the strength of Think Childcare and Education's reputation and its portfolio of brands may impact on the Company's competitiveness, growth and profitability.

(p) Employee and lease expenses risk

Employee and property lease expenses are the largest and most significant parts of Think Childcare and Education's total expenses. Think Childcare and Education has strategies in place to mitigate increases to these expenses. However, should circumstances arise beyond the control of Think Childcare and Education that give rise to cost increases outside the Company's forecasts, then this event would reduce the profitability of the Company.

(q) Employee misconduct

Think Childcare and Education believes that while its processes to prevent employee misconduct are robust, it is possible that misconduct may still occur and that the precautions taken to detect and prevent this activity may not be effective in all cases. Any misconduct by Think Childcare and Education employees may have significant reputational and regulatory effects including financial harm, regulatory sanctions and adverse media coverage.

(r) Sourcing of high quality staff

Think Childcare and Education's business is reliant on its ability to attract and retain high quality staff. While the Company believes it has the appropriate mechanisms in place to achieve this, this may not always be possible. There is a risk that a lack of high quality staff may negatively impact the performance of the Company.

(s) No industry diversification

Think Childcare and Education operates in the childcare industry. The Company's performance will be predominantly dictated by the performance of the market for childcare services and therefore if the market performs poorly, it is likely that Think Childcare and Education will be negatively impacted.

(t) Large holdings by the Directors and management team and liquidity

Following the Completion of the Offer, the Directors and Think Childcare and Education's management team will own directly or through interposed entities 39% of Think Childcare and Education (see Sections 6 and 10 for further detail). As part of his commitment to Think Childcare and Education Mathew Edwards and relevant interposed entities have entered into an escrow agreement in favour of Think Childcare and Education.

These escrow arrangements and the high level of ownership by the Directors and Think Childcare and Education's management team may affect the liquidity of Shares post-Listing.

(u) Operational risk and control

Operational risk relates to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events which impact on Think Childcare and Education's business. Think Childcare and Education is exposed to operational risk present in the current business including risks arising from fraud, system failure, failure of security and physical protection systems. Operational risk has the potential to have an effect on Think Childcare and Education's financial performance and position as well as reputation.

(v) Interruption or damage to IT systems

Think Childcare and Education is dependent upon the usage of computers, information communications technology and systems. Think Childcare and Education's technology systems could be interrupted or damaged by a diverse array of events, including natural disasters, acts of war or terrorism, telecommunications failures or other similar occurrences, and are exposed to the potential risk of computer hackers, unauthorised users, computer viruses, malicious codes and cyber-attacks. Any disruption in Think Childcare and Education's computer and communications systems could adversely impact Think Childcare and Education's operating results. Think Childcare and Education's security precautions may be unable to prevent attacks, which could directly impair Think Childcare and Education's operations and necessitate increased expenditure on technology protections in the future.

Think Childcare and Education needs to implement systems to assist with the integration and management of the Centres. Any delays or problems with this implementation could adversely impact the operations of Think Childcare and Education and reduce its profitability.

(w) Lease arrangements

Think Childcare and Education's business model is based on leasing rather than owning the premises in which it operates. Each lease or proposed lease requires Think Childcare and Education to comply with various obligations including the payment of rent and other monies due. In the event of default by Think Childcare and Education under a lease, the landlord may terminate the lease if the default is not remedied. Termination (particularly of key Centre sites) could have an adverse effect on Think Childcare and Education's profitability.

A substantial change in rent under any of the Centre leases that cannot be quickly recouped through fee increases or other methods will have an impact on Think Childcare and Education's profitability.

(x) Intellectual property

Think Childcare and Education will apply for trademark registrations and other common law marks in Australia. If the trademarks are not registered or there is a subsequent challenge to the trademark registration or common law mark owned or used by Think Childcare and Education, it may have an impact on the business and financial performance of Think Childcare and Education as rebranding costs may be incurred.

(y) Changes to industrial relations laws

Think Childcare and Education is in a high risk industry in terms of the impact of restricted labour markets and labour reform and to the extent that these changes result in less flexibility for Think Childcare and Education and employees in agreeing terms of employment. This may result in increased labour costs, compliance costs and potentially higher costs from industrial disputes. Further changes to industrial relations laws may result in additional labour and compliance costs.

(z) Insurance

Think Childcare and Education will be exposed to the risk of liability. Think Childcare and Education intends to maintain insurance policies, having regard to business risks and insurance costs. However, insurance may not always be available on acceptable terms or where available, provide cover to fully indemnify Think Childcare and Education against occurrence of insured risks. The occurrence of an event that is not fully covered by insurance could have a material impact on the business, financial condition or results of Think Childcare and Education. As with all insurance policies, there is also no guarantee that Think Childcare and Education's insurance will respond in all situations where risks Think Childcare and Education faces materialise.

(aa) Litigation

Think Childcare and Education is not currently involved in any litigation and Think Childcare and Education is not aware of any facts or circumstances that may give rise to any litigation. However, given the scope of Think Childcare and Education's activities and the wide range of parties it deals with, Think Childcare and Education may be exposed to potential litigation from third parties such as customers, regulators, employees and business associates.

(bb) Shareholding dilution

Think Childcare and Education's strategy may include pursuing acquisitions. Shareholders' current interests may be diluted if Think Childcare and Education issues Shares as consideration for acquisitions or if Think Childcare and Education funds acquisitions through raising equity capital by placing Shares with new investors.

(cc) Inability to increase fees

In preparing the results set out in the Forecast Financial Information, Think Childcare and Education has assumed certain fee increases over the Forecast Period in each of the Centres to be acquired under the LEA Restructure and the Baker Street Acquisition. If fee increases cannot be passed on due to regulation or market driven events, then the lower fee income will result in reduced profitability for the Company and actual results may differ from the Forecast Financial Information. In addition, if one or more Centres are unable to maintain or improve occupancy in accordance with the forecasts, this will adversely affect the Company's financial performance.

(dd) Liability

Think Childcare and Education may be exposed to the risk of damages claims in the event of a child being incapacitated, injured or harmed in any way either while at a Childcare Centre or in transit to or from a Centre while under the control of a Think Childcare and Education employee. Any such claim could, because of the age of the injured party, take many years to be finalised.

(ee) Population risk

Any decline in the birth to six years age bracket of the Australian population could reduce the profitability of Think Childcare and Education. As the underlying demand for childcare is driven by the numbers of children in this age bracket, changes in the expected number of children in this bracket will have an impact on the industry and on Think Childcare and Education.

(ff) Female workforce participation

The labour force participation rate of women with children in childcare is a key determinant of the size and profitability of the market for childcare and childcare management services. Any decline in the workforce participation rate of women may impact on the demand for childcare services and may have an adverse impact on the industry and on Think Childcare and Education.

5.2 Tax Risks

(a) Changes in tax legislation

The tax information provided in this Prospectus is based on current taxation law as at the Prospectus Date. Tax law is frequently being changed, both prospectively and retrospectively. There are a number of key tax reform measures that have been implemented in recent years, and a number of other key reforms that have been deferred. Furthermore, the status of some key tax reforms remains unclear at this stage.

5. Risk Factors

The recent reforms and current proposals for further reforms to Australia's tax laws give rise to uncertainty. The precise scope of much of the new and proposed tax laws is unclear and has not been tested before the courts. Any change to the current rate of income tax or other taxes imposed on Think Childcare and Education in jurisdictions where the Company operates may impact on Shareholder returns. Similarly, any changes to the current rates of relevant taxes applying to individuals and other Shareholders may impact on Shareholder returns. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend imputation and franking and Shareholder returns. An interpretation of Australian taxation laws by the Commissioner of Taxation that is contrary to the Company's view of those laws may increase the amount of tax to be paid. Personal tax liabilities are the responsibility of each individual investor. Think Childcare and Education is not responsible for taxation or penalties incurred by investors.

(b) Partially franked or unfranked dividends

The Board expects dividends to be franked to the maximum extent possible, without the Company being made liable to additional tax. However, there is no guarantee that the Company will have sufficient franking credits in the future to fully frank dividends or that the franking system will not be varied or abolished. A discussion of the Company's dividend policy and expectations with respect to franking is contained in Section 7.10.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use the franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.3 General investment risks

(a) Price of Shares

There are significant risks associated with any ASX-listed investment. In the case of the Shares, these include:

- the Shares may trade on the stock market at, above or below the Offer Price;
- as the Shares have not previously been quoted, they have no trading history and there is therefore no indication of the prices at which they may trade, or of the liquidity of the market for Shares; and
- the market price of the Shares may be affected by factors unrelated to the operating performance of Think Childcare and Education, such as those listed under the heading "Macroeconomic factors" below, investor sentiment, Australian and international stock market conditions, and the performance of other businesses and assets. The stock prices for many listed entities have in recent times been subject to wide fluctuations, which in many cases may be a reflection of a diverse range of influences not specific to that listed entity.

(b) Macroeconomic factors

Changes in the general economic outlook both in Australia and globally may impact the performance of Think Childcare and Education 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 economy activity);
- increases in expenses (including the cost of goods and services used by Think Childcare and Education);
- increases in unemployment rates; and
- fluctuations in equity markets in Australia and internationally.

(c) General refinancing risk

Entities review their refinancing options on debt facilities on a periodic basis and may arrange the refinancing of all or part of those facilities prior to maturity. Shareholders are exposed to the risk that Think Childcare and Education may not be able to repay or refinance its debt facilities as they fall due or that refinancing is only available on terms materially worse than the current terms. Refer to Section 2.11 for a high level summary of Think Childcare and Education's proposed debt facilities.

In such cases, Think Childcare and Education may have to raise further debt or issue further equity or dispose of some or all of its assets to raise funds to repay or refinance its debt facilities. The ability to repay or refinance and the terms of any refinancing may affect the value of, and returns from, an investment in the Shares.

(d) Interest rates

Think Childcare and Education is exposed to movements in interest rates which impact the underlying cost of its financing. Think Childcare and Education may in the future seek to undertake a level of interest rate hedging to mitigate this risk.

Think Childcare and Education may change the interest rate risk management strategy from time to time when it believes it is in the interests of Think Childcare and Education and/or shareholders to do so. The availability and terms of such strategies, and the level of interest rates at the relevant time, will affect the interest expense incurred by Think Childcare and Education and, as a result, the value of, and returns from, an investment in the Shares.

(e) General changes in capital structure

Changes in the capital structure of Think Childcare and Education, for example from the raising of further debt or the issue of further equity to repay or refinance debt facilities or to fund the acquisition of additional Childcare, may affect the value of, and returns from, an investment in the Shares.

(f) General changes in laws

Changes in laws (including tax laws) or their interpretation may affect the value of, and returns from, an investment in the Shares. For instance, changes in the taxation treatment of companies may adversely affect the market price of Think Childcare and Education.

(g) Dividend ranking

Dividends rank after the payment of interest on debt facilities. If Think Childcare and Education does not generate sufficient cash flow to meet certain interest coverage ratios, gearing requirements and other covenants under its debt facilities, Shareholders may not receive any dividends. If Think Childcare and Education defaults on the payment of interest on its debt facilities, Shareholders may not receive any dividends and may suffer loss of capital due to financial institutions exercising their rights under security held over the assets of the Group.

(h) No guarantee

Neither Think Childcare and Education nor any other person gives a guarantee as to any dividend or the amount thereof from the Shares or the performance of Think Childcare and Education or the price at which the Shares may trade, nor do they guarantee the repayment of capital by Think Childcare and Education.

(i) Accounting standards

Australian Accounting Standards are set by the Australian Accounting Standards Board (“**AASB**”) and are beyond the control of Think Childcare and Education, the Directors and Think Childcare and Education’s management team. Changes to accounting standards issued by the AASB could adversely impact the financial performance and position reported in Think Childcare and Education’s financial statements.

(j) Taxation

There may be tax implications arising from Applications for New Shares, the receipt of dividends (both franked and unfranked) from Think Childcare and Education, participation in any on-market Share buy-back and the disposal of Shares. Changes to the rate of taxes imposed on Think Childcare and Education are likely to affect Shareholder returns. In addition, an interpretation of Australian Commonwealth/State or Territory taxation laws by the Australian Taxation Office and State or Territory revenue offices that differs to Think Childcare and Education’s interpretation may lead to an increase in Think Childcare and Education’s taxation liabilities.

(k) Impact of hostilities, terrorism or other force majeure events

Hostilities, terrorism or force majeure events can adversely affect global and Australian market conditions. Such events can have direct and indirect impacts on Think Childcare and Education’s business and earnings.

Section 6

Key people, interests and benefits

6. Key people, interests and benefits

6.1 Board of Directors

Mr Mark Kerr – Chairman and Non-executive Director, LLB

Mark Kerr is the Chairman of Think Childcare and Education. Mark is an experienced director whose other current roles include Non-Executive Chairman of ASX-listed Contango Microcap Limited (December 2009 to present) and Non-Executive Chairman of ASX-listed Hawthorn Resources Limited (22 November 2007 to present). He is also a director of Baker Street.

Mark is a director of Berkeley Consultants Pty Ltd which specialises in public relations and reputation management consultancy. He is also a director and adviser to various private companies. Mark's community involvement currently extends to being a member of the Victorian Committee for the Juvenile Diabetes Research Foundation (JDRF). He is also a committee member of the St Vincent's Institute Charity Golf Day Committee.

Mark was the Non-Executive Chairman of Process Wastewater Technologies Limited from December 2007 to June 2013.

Mark was appointed as a Director on 21 July 2014.

Mr Mathew Edwards – Managing Director and Chief Executive Officer

Mathew Edwards has been involved in childcare since 2001 and is the Managing Director and Chief Executive Officer of Think Childcare and Education. He was the Managing Director of LEA from 2009, and has overseen the development of that company's business of improving and managing Childcare Centres, with ownership of Centres in Victoria, NSW, WA and SA with the business growing to operate several Centres in Victoria. The LEA business centred around developing greenfield sites and the trading up of under-performing Centres. Prior to LEA, Mathew was a director of Australian Daycare Group, and has extensive management experience in retail and commercial property roles. Mathew has taken greenfield sites through the negotiation, design and construction process to fully occupied and profitable operational licensed Centres. Mathew is also a director of Baker Street. Mathew has extensive experience in business strategy and management of multi-site businesses. Mathew was formerly a director of Games R Us Australia Ltd, to which voluntary administrators were appointed in 2001.

Mathew was appointed as a Director on 21 July 2014.

Mr Paul Gwilym – Executive Director and Chief Financial Officer

Paul Gwilym is a Chartered Accountant with over 20 years' experience in accounting, financial management and general business, with a background in insolvency and reconstruction and has operated his own consultancy specialising in strategic planning, restructuring and capital raising. Paul was the Chief Financial Officer of LEA from November 2013 until assuming the role of Chief Financial Officer with the Company. Paul's previous Board experience includes Games R Us Australia Ltd, Senacon Limited and Nubax Limited. Paul was a director of Games R Us Australia Ltd, prior to its Listing on ASX. Paul was a director of 20*20 Pty Ltd ACN 130 746 735, a company that was placed into external administration in 2010 (within twelve months of Paul's resignation).

Paul was appointed as a Director on 21 July 2014.

Mr Andrew Hanson – Non-executive Director B.Ec (Hons), FCA, GAICD

Andrew Hanson is a chartered accountant and retired from PricewaterhouseCoopers in 2011 after over 27 years' service, including 16 as a partner. As a former audit and transaction services partner, Andrew brings deep accounting, commercial and governance experience.

Since then he has been a director or advisory board member of various private companies, including the Chairman of Guest Group and Prestige Inhome Care. In addition, Andrew is an independent adviser to the board of Beacon Lighting Group Ltd and a member of their audit and remuneration & nomination committees.

Mr Hanson was appointed as a Director on 16 September 2014.

6.2 Senior Leadership Team

Mathew Edwards – Managing Director and Chief Executive Officer

See above.

Paul Gwilym – Executive Director and Chief Financial Officer

See above.

Meagan Henderson – Marketing Manager (Consultant), MBA

Meagan Henderson has an MBA from the AGSM and specialises in youth marketing strategy. She has extensive experience in quick service restaurants, telecommunications and entertainment markets across film, television and music and in-depth knowledge of digital marketing, content strategy, social media, licensing, brand strategy, communications, retail marketing, experiential and new business development.

Ms Henderson has held a number of consulting roles since 2010 in marketing and business development and previously held the role of General Manager, New Business Development and Marketing with Universal Music Australia. Meagan has worked with LEA since September 2013.

Amanda Mawer – Operations Manager

Amanda Mawer was the General Area Manager for LEA from November 2009 with responsibility for all aspects of operations management across the Childcare Centres of LEA, including responsibility for staff matters, marketing, financial management and acquisitions of new Centres.

6.3 Interests and Benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the issue or sale of Shares or financial services licensee involved in the issue or sale of Shares under this Prospectus,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

Interests of Advisers

The Company has engaged the following professional advisers:

(a) Morgans Corporate Limited and Patersons Securities Limited have acted as Joint Lead Managers and Underwriters to the Offer. The Company has paid, or agreed to pay, the Joint Lead Managers and Underwriters the fees described in Section 10.9 for these services;

(b) Minter Ellison has acted as Australian legal adviser (other than in respect of taxation matters) to the Company in relation to the Offer. The Company has paid, or agreed to pay, $560,000 (excluding disbursements and GST) for those services. Further amounts may be paid to Minter Ellison in accordance with its normal time-based charges;

(c) PricewaterhouseCoopers Securities Ltd has acted as Investigating Accountant, prepared the Investigating Accountant's Report in Section 8, performed work in relation to due diligence enquiries, and PricewaterhouseCoopers has provided accounting and tax advice to the Company in relation to the Offer. The Company has paid, or has agreed to pay, \$500,000 to PricewaterhouseCoopers Securities Ltd and \$220,000 to PricewaterhouseCoopers (excluding disbursements and GST) for the above services up until the Prospectus Date. Further amounts may be paid in accordance with normal time-based charges;

(d) JT Campbell & Co Pty Ltd has acted as corporate adviser to the Company in relation to the evaluation, planning and implementation of the Offer. The Company has paid, or agreed to pay, \$40,000 per calendar month from 1 February 2014 to 30 September 2014 and a management fee equal to 1% of the aggregate issue price of the Shares issued under the Offer plus Shares issued under the LEA Restructure (assuming those Shares are issued at the issue price (of \$1.00) of Shares issued under the Offer) and the other transactions contemplated by the Prospectus (excluding disbursements and GST) for those services;

(e) Dalvana Pty Ltd, a company associated with Myles Snow, has provided real estate advisory services to the Company and will be paid \$300,000 (excluding GST);

(f) Australian Property Solutions (International) Pty Ltd has provided real estate advisory services to the Company and will be paid \$300,000 (excluding GST);

(g) Australian Sales and Leasing Pty Ltd has provided real estate advisory services and will be paid \$557,200 (excluding GST);

(h) Strategy Momentum Solutions Pty Ltd, a company associated with Paul Gwilym, a Director, will be paid a listing bonus of \$200,000 (excluding GST) upon the successful Listing of the Company in respect of additional work on the LEA Restructure, the Prospectus and the Offer; and

(i) Isamax Pty Ltd ACN 156 123 241, as trustee of the Edwards Family Trust, an entity associated with Mathew Edwards, Managing Director and Chief Executive Officer, will be paid a listing bonus of \$120,000 (excluding GST) upon the successful Listing of the Company in respect of additional work on the LEA Restructure, the Prospectus and the Offer.

Other than as otherwise stated, these amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Sections 2 and 9.

Directors and key management interests and remuneration

Mathew Edwards – Managing Director and Chief Executive Officer

Think Childcare and Education has entered into an employment contract with Mathew Edwards for five years to govern his employment with the Group. Subject to the Listing of Think Childcare and Education on the official list of ASX, Mathew will receive a total fixed remuneration of \$185,000 per annum (plus statutory superannuation entitlements and the use of a vehicle provided by the Company).

The Company may terminate the employment agreement by giving six months notice in writing, or by making a payment in lieu of part or all of the notice period. In the event of serious misconduct, serious breach or non-observance of any term or condition of the terms of the employment contract, the Company may immediately terminate Mathew's employment without notice or payment in lieu of notice.

Upon the termination of the employment contract, Mathew will be subject to restraint of trade provisions which prohibit him from soliciting any clients or customers of, or employing or enticing any employee of, the Company for a period of twelve months from the date of termination of his employment. Enforceability of the restraint of trade provisions is subject to all usual legal requirements. The terms of Mathew's employment also require him to comply with governance protocols to ensure that in any circumstance where his obligations and duties to Think Childcare and Education may conflict with any other obligation, in particular to Third Party Owners or other interests in the childcare sector, Mathew must act in the interests of Think Childcare and Education to the exclusion of any conflicting obligation, duty or interest.

Mathew's employment agreement also contains confidentiality provisions (which continue after termination of Mathew's employment) prohibiting Mathew from disclosing confidential information of the Company or using it for his own use or benefit or that of a third party.

Mathew or an interposed or associated entity will receive 9,941,000 Shares as consideration for the acquisition of the LEA Centres by the Company (comprising 7,625,010 Shares as consideration for the acquisition of his interest in the LEA Centres by the Company, and 2,315,990 Shares which Mathew Edwards intends to apply for pursuant to the Vendor Offer, using cash consideration of $2,315,990).

LEA has entered into a short term loan agreement with LEA Childcare Services under which LEA agrees to provide a cash advance facility of up to $1,500,000 to LEA Childcare Services for the purposes of funding LEA Childcare Services' working capital requirements (including the working capital requirements of LEA Childcare Services' related bodies corporate and for general corporate purposes. All advances under this facility will be interest free and the loan must be repaid on either the day which is 90 days from settlement of the Offer or the date which is 120 days from the date of the short term loan agreement (whichever is earlier)). LEA and LEA Childcare Services are controlled by Mathew Edwards as at the Prospectus Date. Mathew Edwards will cease to control those entities by the date of Listing.

Paul Gwilym – Chief Financial Officer

Think Childcare and Education has entered into an employment contract with Paul Gwilym for three years to govern his employment with the Group. Subject to the Listing of Think Childcare and Education on the official list of ASX, Paul will receive a total fixed remuneration of $165,000 per annum (plus statutory superannuation entitlements and use of a vehicle provided by the Company).

The Company may terminate by giving six months notice in writing, or by making a payment in lieu of part or all of the notice period. In the event of serious misconduct, serious breach or non-observance of any term or condition of the terms of the employment contract, the Company may immediately terminate Paul's employment without notice or payment in lieu of notice.

Upon the termination of the employment contract, Paul will be subject to restraint of trade provisions which prevent him from soliciting any clients or customers of, or employing or enticing any employee of, the Company for a period of twelve months from the date of termination of his employment. Enforceability of the restraint of trade provisions is subject to all usual legal requirements. The terms of Paul's employment also require him to comply with governance protocols to ensure that in any circumstance where his obligations and duties to Think Childcare and Education may conflict with any other obligation, in particular to Third Party Owners or other interests in the childcare sector, Paul must act in the interests of Think Childcare and Education to the exclusion of any conflicting obligation, duty or interest.

Paul's employment agreement also contains confidentiality provisions (which continue after termination of Paul's employment) preventing Paul from disclosing confidential information of the Company or using it for his own use or benefit or that of a third party.

Non-Executive Director Remuneration

Under the Constitution, subject to the ASX Listing Rules, the Directors as a whole (other than Executive Directors) may be paid or remunerated for their services a total amount or value not exceeding $750,000 per annum or such other maximum amount fixed by the Company in general meeting. Non-Executive Directors' fees currently agreed to be paid by the Company are $80,000 to the Chairman, Mark Kerr, and $60,000 to Andrew Hanson (comprising a Non-Executive Director's fee of $40,000 and an additional fee of $20,000 to act as Chair of the Audit and Risk Committee).

The remuneration of Directors must not include a commission on, or a percentage of, profits or operating revenue. Amounts to be paid to Directors as fees do not include statutory superannuation amounts.

Shareholdings of Directors

Details of the ownership of Shares at Listing are set out below:

	Shares	%
Mathew Edwards[1,2,3,6]	13,545,100	34.2%
Riversdale Road Shareholding Trust[1,7]	2,504,400	6.3%
Paul Gwilym[1,2,3,7,9]	660,000	1.7%
ASL and other Baker Street Vendors[1,3,7]	590,500	1.5%
Mark Kerr[1,2,3,7,8]	1,120,000	2.8%
Andrew Hanson[2,5]	50,000	0.1%
New Shareholders under the Offer[4]	21,130,000	53.4%
Total Shares on issue	39,600,000	100.0%

Notes:

1 These Shares are subject to the escrow restrictions outlined in Section 10.10, other than the Shares for which Paul Gwilym and Mark Kerr intend to apply under the General Priority Offer as set out in Notes 8 and 9.

2 Director of the Company.

3 Shares to be held through controlled or interposed entities.

4 Excluding Shares for which Andrew Hanson, Mark Kerr and Paul Gwilym intend to apply under the General Priority Offer.

5 Andrew Hanson intends to apply for $50,000 of Shares under the General Priority Offer.

6 Includes Shares issued in consideration for the acquisition of Mathew Edwards' interest in the LEA Centres, Shares to be issued to him pursuant to the Vendor Offer, and founder Shares.

7 Baker Street Vendors. Shares to be acquired under the Baker Street Share Acquisition. In the case of Paul Gwilym, 610,000 Shares are to be acquired under the Baker Street Share Acquisition, and in the case of Mark Kerr, 350,000 Shares are to be acquired under the Baker Street Share Acquisition.

8 Mark Kerr intends to apply for $770,000 of Shares under the General Priority Offer. Mark's shareholding comprises 350,000 Shares to be issued to him or his controlled or interposed entity under the Baker Street Share Acquisition and 770,000 Shares that he intends to apply for under the General Priority Offer.

9 Paul Gwilym intends to apply for $50,000 of Shares under the General Priority Offer. Paul's shareholding comprises 610,000 Shares to be issued to him under the Baker Street Share Acquisition and 50,000 Shares that he intends to apply for under the General Priority Offer.

Deeds of indemnity, access and insurance with the Directors

The Company has entered into deeds of indemnity, access and insurance with each Director which contain rights of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before the seven year period expires.

Under the Constitution, the Company is required to indemnify all Directors and officers, past and present, against certain liabilities. The indemnity provided for under the deed of indemnity, access and insurance, operates from the date of appointment as a Director or officer of the Company until the seventh anniversary of that Director or officer's retirement date. Subject to the terms of a director or officer's liability insurance policy, the Company indemnifies each Director and officer against all liabilities incurred by that Director or officer in or arising out of the discharge of that Director or officer's duties (as a director or officer of the Company) and any and all reasonable legal costs which relate to any such liability, in each case to the maximum extent permitted by law (including certain statutory restrictions), the Constitution and excluding any liabilities that are subject to a third party indemnity or insurance policy. If a Director or officer of the Company is entitled to be indemnified under the deed of indemnity, access and insurance, the Company will pay the relevant amount to discharge the liability or legal cost. Under the terms of the deed, the Company will not indemnify a Director or officer of the Company in circumstances where to do so would involve the Company or any of its subsidiaries being in breach of any law.

Under the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors and officers to the extent permitted by law. Under the deed of indemnity, access and insurance, the Company must, for each Director or officer, maintain or procure the maintenance of insurance for the Director or officer's period of office and for a period of seven years after the Director or officer ceases to hold office.

Indemnity and insurance

To the extent permitted by law and in accordance with Think Childcare and Education's Constitution, Think Childcare and Education will indemnify the Directors and officers from any liability to persons other than Think Childcare and Education or its affiliated bodies corporate that may be incurred while acting in the capacity of an officer of Think Childcare and Education and from losses suffered in connection with the Offer. This does not include liability or losses arising out of conduct involving a lack of good faith, dishonesty or breach of law.

Except in circumstances prohibited by the Corporations Act, Think Childcare and Education may pay insurance premiums insuring the Directors and its other officers or subsidiaries against any liability incurred whilst acting in their respective capacities as officers of Think Childcare and Education or its subsidiaries to the extent permitted by law and abiding by Think Childcare and Education's Constitution.

Interests of Baker Street Vendors

Baker Street Vendors will receive Shares as part of the Baker Street Share Acquisition which will occur as part of the completion of the Offer.

The Riversdale Road Shareholding Company Pty Ltd as trustee of the Riversdale Road Shareholding Trust will receive 2,504,400 Shares as part of the Baker Street Share Acquisition. Units in the Riversdale Road Shareholding Trust are held by a trust the potential beneficiaries of which include Tanya Cirkovic and members of her family, a discretionary trust the potential beneficiaries of which include Ben Burge and members of his family, and, as to 85% of the units, a discretionary trust the potential beneficiaries of which include Michael Kroger and members of his family.

Michael Kroger also has an interest in JT Campbell & Co Pty Ltd, which has acted as corporate adviser to the Company in respect of the Offer. See above for details of the interests of JT Campbell & Co Pty Ltd.

Other Baker Street Vendors comprise Mark Kerr who will (through an interposed entity) receive 350,000 Shares, Paul Gwilym's entity who will receive 610,000 Shares, ASL who will receive 515,500 Shares and another Baker Street Vendor who will receive 75,000 Shares. ASL is an entity associated with Australian Sales and Leasing Pty Ltd which has provided real estate advisory services to the Company.

See **Section 2.2** for details of the interests of the Baker Street Vendors who are related parties.

6.4 Corporate governance

This Section 6.4 explains how the Board will oversee the management of the Company's business. The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company and considering and approving an annual business plan, including a budget. The Board is committed to maximising performance, generating financial returns and greater value for Shareholders, and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The main policies and practices adopted by the Company, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. The Company's code of conduct outlines how the Company expects Directors and other personnel to behave and conduct business in a range of circumstances. In particular, the code specifies standards of honesty, integrity, ethical and law-abiding behaviour expected of Directors, management and employees and requires awareness of, and compliance with, laws and regulations relevant to the Company's operations as well as other policies that Directors and employees are required to comply with, including occupational health and safety, privacy and fair dealing and conflict of interest. Details of the Company's key policies and practices and the charters for the Board and each of its committees are available at www.thinkchildcareandeducation.com.

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations for Australian listed entities ("**ASX Recommendations**") in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The third edition of the ASX Recommendations takes effect for a listed entity's first full financial year commencing on or after 1 July 2014. Entities with a 31 December balance date will be expected to measure their governance practices against the recommendations in the third edition with the financial year ending 31 December 2015. The ASX Recommendations are not prescriptive, but guidelines. However, under ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. The Company has departed from the ASX Recommendations in relation to several matters, including the fact that it does not have a majority of independent Directors (the Chair has a casting vote), and it has two independent Directors rather than three on the Audit and Risk Committee. The reasons for these departures are that the Board at Listing includes four Directors with appropriate expertise and experience in relation to the Company's business, two of whom are executive directors. In future the Board may appoint additional independent Directors and will review the membership of the Audit and Risk Committee at that time.

The Company has formed the Audit and Risk Committee, as described further below, but has not formed other committees at this stage with the work that would be done by other committees in relation to such matters as remuneration and nomination to be undertaken by the Board as a whole.

In relation to the Diversity Policy, the Company has not adopted measurable quotas, as the existing senior management is a stable and experienced team, including both men and women, and all decisions about appointments, recruitment and promotion will be made on merit in the best interests of the Company.

Board of Directors

The Board of Directors comprises two independent Non-Executive Directors (including the Chairman), and two Executive Directors including the CEO and CFO.

Detailed biographies of the Board members are provided in Section 6.1.

The Board considers an Independent Director to be a Non-Executive Director who is not a member of the Company's Management and who is free of any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board charter sets out guidelines and thresholds of materiality for the purpose of determining the independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers each of Mark Kerr and Andrew Hanson is an Independent Director for the purpose of the ASX Recommendations as each is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Mathew Edwards and Paul Gwilym are currently considered by the Board not to be independent given their employment relationship with Think

Childcare and Education respectively. Mathew Edwards is the Managing Director and CEO of the Company and Paul Gwilym is the CFO, and therefore neither is independent.

Accordingly, the Board will consist of 50% Independent Directors, with the Chairman being an Independent Director and having a casting vote in addition to his deliberative vote. The Board considers that each of the Non-Executive Directors brings objective and independent judgement to the Board's deliberations and that each of the Non-Executive Directors makes a valuable contribution to the Company through the skills they bring to the Board and their understanding of the Company's business. The Board does not at this stage have a majority of independent Directors. The Company may appoint additional or other Directors in the future, having regard to the needs of the Company, the expertise of the Directors and the overall functioning of the Board.

Board charter

The Board considers that strong and effective corporate governance can add to the Company's performance, create value for Shareholders, and engender investor confidence. To that end, the Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board committees.

The Board's role is to, among other things:

- represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance;
- oversee the Company, including its control and accountability systems;
- oversee the nomination and appointment, and monitor the performance, of management (and in particular, the CEO and CFO);
- conduct succession planning for management;
- review performance, operations and compliance reports from the CEO and CFO, including reports and updates on strategic issues and risk management matters;
- review and ratify systems of risk management, internal compliance and control, codes of conduct and legal compliance to ensure appropriate compliance frameworks and controls are in place;
- monitor management's performance, implementing strategy and seek to ensure appropriate resources are available;
- monitor the performance of individual Directors and of the Board, and ensure appropriate planning for succession and Board renewal;
- approve, and monitor the progress of, major capital expenditure, capital management and acquisitions and divestitures;
- approve budgets;
- approve, and monitor corporate, financial position and other reporting systems including external audit and overseeing their integrity;
- identify the risk appetite within which the Board expects management to operate and approve and monitor systems of risk management, accountability internal compliance and control and legal compliance to ensure that appropriate compliance frameworks and controls are in place; and
- adopt appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards, including establishing procedures to ensure the financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements.

Matters which are specifically reserved for the Board or its committees include:

- appointment of the Chairman;
- appointment and removal of the CEO;
- appointment of Directors to fill a vacancy or as an additional Director;
- establishment of Board committees, their membership and their delegated authorities;
- approval of dividends;

- review of corporate codes of conduct;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of Directors or Shareholders; and
- any other specific matters nominated by the Board from time to time.

The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by officers to whom the management function is properly delegated by the CEO). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to access management and to request additional information at any time they consider it appropriate. The Board collectively, and individual Directors, may seek independent professional advice at the Company's expense, subject to the reasonable approval of the Chairman of the Board and the advice received being made available to the Board as a whole.

Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities.

The Board has established the Audit and Risk Committee. The Board has decided that the Company's size at listing does not require it to establish further committees. However, other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

Audit and Risk Committee

Under its charter, this committee must have at least two members, who must be Independent Directors and all of whom must be Non-Executive Directors. Under its charter, the Audit & Risk Committee shall appoint a chairperson who must be an appropriately qualified Independent Director and must not be Chairman of the Board. Also, all members of this committee must be financially literate and have familiarity with financial and accounting matters and at least one member must be a qualified accountant or other financial professional with appropriate expertise of financial and accounting matters. Currently, Mark Kerr and Andrew Hanson are members of this committee. Andrew Hanson is Chair of the committee.

The primary role of this committee is to assist the Board in carrying out its accounting, auditing, financial reporting and risk management responsibilities including:

- engaging in the oversight of the Company's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process;
- assessing the appropriateness and application of the Company's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- assessing any significant estimates or judgements in the Company's financial reports;
- reviewing all half yearly and annual reports with management, advisers, and the auditors (as appropriate) and recommending the applicable accounts' adoption by the Board;
- overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficacy of those systems;
- approving the terms of engagement with the external auditor at the beginning of each financial year;
- approving policies and procedures for appointing or removing an external auditor and for external audit engagement partner rotation; and
- meeting periodically with the external auditor and inviting the external auditor to attend committee meetings to assist the committee discharge its obligations.

The Board does not intend to establish separate Remuneration and Nomination or Human Resources Committees. Rather, the Directors acting as a Board will be responsible for the matters that such committees would otherwise deal with.

Risk management policy

The identification and proper management of the Company's risks are an important priority of the Board. The Company has adopted a risk management policy appropriate for its business. This policy highlights the Company's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board is responsible for overseeing and approving risk management strategy and policies. The Board has responsibility for reviewing and ratifying the risk management structure, process and guidelines which are to be development, maintained and implemented by management. To assist the Board in discharging these obligations, the Board has delegated certain functions to the Audit and Risk Committee. The responsibilities of the Committee include overseeing the establishment and implementation of risk management and internal compliance and control systems and reviewing the Group's financial risk management procedures to ensure that it complies with its legal obligations, including assisting the CEO and CFO to provide declarations required under section 295A of the Corporations Act.

The Company has in place a system whereby management must report at each board meeting as to the extent to which the current risk management program effectively identifies all areas of potential risk, and adequate policies and procedures have been implemented to manage identified risks (among other issues).

Diversity policy

The Company values a strong and diverse workforce and is committed to developing measurable objectives of diversity and inclusion in its workplace. The Company has implemented a diversity policy, with meritocracy the guiding principle, which is overseen by the Board and which aligns the Company's management systems with the commitment to develop a culture that values and achieves diversity in its workforce and Board. The Company has not adopted measurable quotas, as the existing senior management is a stable and experienced team, including both men and women, and all decisions about appointments, recruitment and promotion will be made on merit in the best interests of the Company.

Continuous disclosure policy

Once listed on the ASX, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exception contained in the ASX Listing Rules, the Company will be required to disclose to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company has adopted a policy to take effect from Listing which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfilling their obligations in relation to the timely disclosure of material price-sensitive information.

Under the disclosure policy, the Board or a disclosure committee formed for the purpose of administering the policy will be responsible for managing the Company's compliance with its continuous disclosure obligations. Continuous disclosure announcements will also be made available on the Company's website, www.thinkchildcareandeducation.com.

Securities trading policy

The Company has adopted a Securities trading policy which will apply to the Company and its Directors, officers, employees and management, including those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. The policy is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish procedures in relation to dealings in Shares by Directors, management or employees.

The policy defines certain closed periods during which trading in Shares by the Company's Directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly (and any associates of those people) is prohibited. The closed periods are currently defined as:

- the period commencing one month prior to the release of the Company's half-yearly results to ASX and ending 24 hours after such release;
- the period commencing one month prior to the release of the Company's full year results to ASX and ending 24 hours after such release;
- the period commencing two weeks prior to the Company's annual general meeting and ending 24 hours after the annual general meeting; and
- any additional periods determined by the Board from time to time.

During closed periods, unless certain exceptions (set out in the policy) apply, Directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly, must receive clearance for any proposed dealing in Shares, which will only be provided in exceptional circumstances. In all instances, buying or selling of Shares is not permitted at any time by any person who possesses price-sensitive information.

Code of conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, to be followed by all employees and officers.

The key aspects of this code are that employees and directors are to:

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

The code of conduct sets out or refers to separate documents outlining the Company's policies on various matters including ethical conduct, fair dealing, compliance, privacy, confidentiality, integrity and conflicts of interest.

Shareholder communications policy

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and to inform Shareholders of major developments affecting the state of affairs of the Company in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX and publishing information on the Company's website, www.thinkchildcareandeducation.com.

In particular, the Company's website will contain information about it, including media releases, key policies and the terms of reference of its Board committees. All relevant announcements made to the market and any other relevant information will be posted on the Company's website after release to the ASX (subject to applicable securities laws).

Fraud and corruption policy

The Company has adopted a fraud and corruption policy for the purposes of establishing policies, control and procedures for prevention and detection of fraudulent and corrupt activities.

The policy requires all officers, employees and contractors at all times to act honestly and with integrity, and to safeguard the Company resources for which they are responsible. The policy establishes protocols for the investigation and reporting of suspected fraud or corrupt activity, and allocates areas of responsibility for fraud and corruption control to various people and teams within the Company, as appropriate.

Section 7

Financial Information

7. Financial Information

7.1 Introduction

The financial information for Think Childcare and Education contained in this Section 7 includes:

(a) pro forma historical balance sheet as at 21 July 2014 (**Pro Forma Historical Financial Information** or **Pro Forma Balance Sheet**); and

(b) The Statutory Forecast Financial Information:

 (i) The statutory forecast income statements for the period ending 31 December 2014, six months ending 30 June 2015, six months ending 31 December 2015 and year ending 31 December 2015 (the **Statutory Income Statements**);

 (ii) The statutory forecast cash flow statements for the period ending 31 December 2014, six months ending 30 June 2015, six months ending 31 December 2015 and year ending 31 December 2015 (the **Statutory Cash Flow Statements**);

(c) The Pro Forma Forecast Financial Information:

 (i) The pro forma forecast income statements for the six months ending 30 June 2015, six months ending 31 December 2015 and year ending 31 December 2015 (the **Pro Forma Income Statements**); and

 (ii) The pro forma forecast cash flow statements for the six months ending 30 June 2015, six months ending 31 December 2015 and year ending 31 December 2015 (the **Pro Forma Cash Flow Statements**)

with (b) & (c) together being **Forecast Financial Information.**

The Pro Forma Historical Financial Information and Forecast Financial Information together form the **Financial Information**.

All amounts disclosed in Section 7 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand dollars.

7.2 Basis of preparation and presentation of Financial Information

Think Childcare and Education was incorporated on 21 July 2014 and has a 31 December financial year end. The Company's first reporting period is expected to be from 21 July 2014 to 31 December 2014 (the period ending 31 December 2014).

The Directors are responsible for the preparation of the Financial Information. The Directors believe that the Financial Information has been prepared with due care and attention, and considers all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The Financial Information has been reviewed and reported on by PricewaterhouseCoopers Securities Ltd as set out in the Investigating Accountant's Report in Section 8. Investors should note the scope and limitations of the Investigating Accountant's Report.

Think Childcare and Education's key accounting policies are set out in Appendix A. In accordance with AASB 8 Operating Segments, Think Childcare and Education has determined that it satisfies the criteria to allow the reporting of one operating segment. This is based on the judgement that each of Think Childcare and Education's proposed Childcare centres have fundamentally the same economic and regulatory nature and characteristics. The Company's single operating segment will be Childcare and Education.

(a) Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information (**Pro Forma Balance Sheet**) has been derived from the unaudited balance sheet of Think

Childcare and Education as at 21 July 2014 (the date the Company was incorporated). Other than the Pro Forma Balance Sheet, no historical financial information is included in this prospectus as discussed in section 7.5.

LEA Restructure – common control transactions

Prior to the IPO, entities controlled by Mathew Edwards entered into agreements with Think Childcare and Education Limited as discussed in Section 2.3, the LEA Restructure.

The restructure steps will complete at the time of the IPO. It is the view of the Company that these transactions are transactions under the common control of Mathew Edwards and as such have been accounted for as common control transactions. The childcare centres acquired under the LEA and Edhod call options have been accounted for using carrying values for these as at the date of legal ownership by the Company. The performance of these centres will be consolidated prospectively from the date of legal ownership.

As discussed above, agreements were entered into to affect the common control transactions in contemplation of listing the entities involved in the LEA Restructure on the Australian Stock Exchange. This will result in a newly incorporated company, Think Childcare and Education Limited, becoming the legal parent of the group, at the completion of the IPO.

The Directors elected to account for common control transaction using historical values rather than as a business combination using fair values. In the Directors' judgement, the continuation of the existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to IPO and most appropriately reflects the substance of the internal restructure.

In adopting this approach, the Directors note that there is an alternate view that such a restructure conditional on the IPO completing should be accounted for as a business combination that follows the legal structure of Think Childcare and Education Limited being the acquirer. If this view had been taken, the net assets of the group would have been uplifted to fair value by $16.3 million, based on a market capitalisation at IPO of $39.6 million. The Directors concluded that the entire uplift would have been allocated to goodwill; as such there would be no ongoing impact on the profit and loss.

An IASB project on accounting for common control transactions is likely to address such restructures in the future. However, the precise nature of any new requirements and the timing of these are uncertain. In any event, history indicates that any potential changes are unlikely to require retrospective amendments to the financial statements.

There are also four centres to be acquired as part of the LEA Restructure that will be accounted for as business combinations. This is because those centres are not currently controlled by Mathew Edwards.

Acquisitions accounted for as business combinations

On completion of the IPO the Company will acquire Baker Street. Subsequently, the Company will acquire the Baker Street Centres by exercising the call options held by Baker Street (refer to Section 2.3). The acquisition of these centres will be accounted for as business combinations. The consideration paid will be allocated to the identifiable assets and liabilities at acquisition date. The results of the centres will be consolidated from the date of control passing. For the purpose of the Prospectus, the balance sheet has recorded the net assets acquired based on the consideration payable, refer to Figure 7.6.

(b) Preparation of Forecast Financial Information

The Directors believe that the Forecast Financial Information has been prepared with due care and attention, considering all best estimate assumptions and, when taken as a whole, is a fair and reasonable forecast at the Prospectus Date.

The Forecast Financial Information is presented on both a statutory and pro forma basis. The pro forma forecast income and cash flow statements have been derived from the statutory forecast income and cash flow statements of Think Childcare and Education after eliminating certain non-recurring items.

The statutory consolidated forecast income statement is the best estimate of the financial performance that the Directors expect to report in the Company's financial statements for the periods ending 31 December 2014, six months ending 30 June 2015 and six months ending 31 December 2015. Besides the Baker Street Centres, no future acquisitions are included in the Forecast Financial Information.

The Forecast Financial Information has been prepared by Think Childcare and Education based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions as set out in Section 7.5. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Forecast Financial Information presented in this Prospectus has been reviewed and reported on by PricewaterhouseCoopers Securities Ltd as set out in the Investigating Accountant's Report in Section 8, but has not been audited (investors should note the scope and limitations of the Investigating Accountant's Report).

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or material negative effect on Think Childcare and Education's actual financial performance or financial position. Accordingly, none of Think Childcare and Education, the Directors, Think Childcare and Education's management team or any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

Think Childcare and Education has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information in this Prospectus, except where required by law.

The Forecast Financial Information in this Section should be read in conjunction with the specific and general assumptions as set out in Section 7.5, the sensitivity analysis as set out in Section 7.6, the risk factors as set out in Section 5 and other information in this Prospectus.

(c) Explanation of certain non-IFRS financial measures

Think Childcare and Education will use certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- EBITDA: earnings before interest, tax, depreciation and amortisation; and
- EBIT: earnings before interest and tax.

The Directors believe that these measures provide useful information about the underlying financial performance of Think Childcare and Education; however, they should be considered as supplements to the income statement measures that have been presented in accordance with Australian Accounting Standards and they are not a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Think Childcare and Education calculated these measures may differ from similarly-titled measures used by other companies.

7.3 Forecast income statements

Figure 7.1 – Statistory Income Statements

A$'000	Period ending 31 December 2014 (1)(2)(3)	Six months ending 30 June 2015 (1)(3)	Six months ending 31 December 2015 (1)(3)	Year ending 31 December 2015 (1)(3)
Revenue from continuing operations (4)	6,816	20,778	22,639	43,417
Employee expenses	4,721	12,905	13,822	26,727
Building occupancy expenses (5)	824	2,368	2,438	4,806
Direct expenses of providing services (6)	288	983	1,032	2,015
Other expenses (7)	733	1,462	1,503	2,965
Acquisition expenses (8)	7,566	–	–	–
Integration expenses and centre refresh costs (9)	898	59	44	103
Total expenses	15,030	17,777	18,839	36,616
EBITDA	(8,214)	3,001	3,800	6,801
Depreciation	50	118	118	236
EBIT	(8,264)	2,883	3,682	6,565
Net finance expense (10)	123	206	174	380
Profit/(loss) before tax	(8,387)	2,677	3,508	6,185
Income tax expense (11)	(1,274)	803	1,052	1,855
Statutory profit/(loss) after tax	(7,113)	1,874	2,456	4,330
Reconciliation to pro forma EBITDA				
Add back:				
Depreciation		118	118	236
Net finance expense		206	174	380
Income tax expense		803	1,052	1,855
Pro forma EBITDA adjustments:				
Integration expenses		59	44	103
Pro forma EBITDA		3,060	3,844	6,904

Notes:
1. Refer to Section 7.5 for information on key assumptions used in preparing the forecasts.
2. The period ending 31 December 2014 represents the financial performance of Think Childcare and Education since 21 July 2014, being the date of incorporation.
3. The Statutory Forecast has been prepared based on the assumption that the Childcare Centres are acquired between Listing and end November 2014. The forecast for the period also includes start-up costs, acquisition and listing expenses.
4. Reflects child care fees, management fees and government funding.
5. For the year ending 31 December 2015, reflects $3.9 million in rent for centre and corporate premises and $0.9 million of other expenses associated with building occupancy.
6. Reflects other child care centre level expenses incurred in the direct provision of child care services.
7. Reflects corporate office expenses such as public company costs, audit, travel and insurance.
8. Includes expenses directly incurred in relation to the acquisition of the Childcare Centres and the reorganisation of LEA. The main components of this amount are $4.1 million in share based payments to the founders of Baker Street (including $2.5 million to The Riversdale Road Shareholding Trust and $1.6 million to others as set out in section 6.3), $1.1 million in sales agents' commissions and advisor fees of $2.4 million.
9. Includes one-off centre refresh costs of $0.6 million and $0.4 million non-recurring costs associated with the integration of the Childcare Centres related to process and systems implementation, accounting and advisory fees.
10. Net finance expense in the year ending 31 December 2015 represents amortisation of the establishment fee, and interest charged associated with the Debt Facility, offset by interest earned on the cash in bank.
11. Income tax expense reflects a 30% company tax rate for the forecast periods, adjusted primarily for non-deductible expenses incurred in connection with the acquisitions.

Figure 7.2 – Pro Forma Income Statements

A$'000	Six months ending 30 June 2015	Six months ending 31 December 2015	Year ending 31 December 2015
Revenue from continuing operations	20,778	22,639	43,417
Employee expenses	12,905	13,822	26,727
Building occupancy expenses	2,368	2,438	4,806
Direct expenses of providing services	983	1,032	2,015
Other expenses	1,462	1,503	2,965
Acquisition expenses	–	–	–
Integration expenses and centre refresh costs	–	–	–
Total expenses	17,718	18,795	36,513
EBITDA	3,060	3,844	6,904
Depreciation	118	118	236
EBIT	2,942	3,726	6,668
Net finance expense	206	174	380
Profit/(loss) before tax	2,736	3,552	6,288
Income tax expense	821	1,066	1,886
Profit/(loss) after tax	1,915	2,486	4,402

7.4 Forecast cash flow statements

Figure 7.3 – Statutory Cash Flow Statements

A$'000	Period ending 31 December 2014	Six months ending 30 June 2015	Six months ending 31 December 2015	Year ending 31 December 2015
Cash flows from operating activities				
Receipts from customers	6,351	21,479	23,194	44,673
Payments to suppliers and employees (1) (2)	(12,102)	(18,976)	(19,771)	(38,747)
Financing costs	(116)	(197)	(165)	(362)
Income taxes paid (3)	–	–	–	–
Net cash flows from operating activities	(5,867)	2,306	3,258	5,564
Cash flows from investing activities				
Payments for purchase of businesses (4)	(23,423)	–	–	–
Payments for property, plant & equipment (5)	(200)	(200)	–	(200)
Net cash flows from investing activities	(23,623)	(200)	–	(200)
Cash flows from financing activities				
Proceeds from issue of Shares (6)	22,000	–	–	–
Share issue costs (6)	(1,594)	–	–	–
Inflows from borrowings (7)	7,948	–	–	–
Repayment of borrowings	–	–	–	–
Net cash flows from financing activities	28,354	–	–	–
Net cash flows	(1,136)	2,106	3,258	5,364
Pro forma adjustments				
Centre upgrade capital expenditure		200		200
Integration costs		359	44	403
Pro forma cash flows		2,665	3,302	5,967

Notes:

1. Payments to suppliers for the period ending 31 December 2014 include $5.2 million of payments associated with the acquisition of Childcare Centres, including adviser fees of $3.6 million, sales agent commissions of $1.4 million and stamp duty of $0.2 million.
2. Payments to suppliers for the period ending 31 December 2014 and the year ending 31 December 2015, include $0.6 million and $0.4 million respectively in non-recurring centre refresh and integration costs that are expected to be expensed through the income statement.
3. The forecast assumes that no tax will be payable during the Forecast Period. Think Childcare and Education is expected to be in a tax loss making position for the tax year ending 30 June 2015 and is assumed to pay no tax until the tax year ending 30 June 2016.
4. Payments for purchase of businesses represents the amounts expected to be paid in cash for the Childcare Centres during October and November 2014.
5. Payments for property, plant and equipment represents management's assumed level of capital expenditure to be incurred in upgrading certain of the Childcare Centres before 30 June 2015.
6. Represents proceeds raised from and costs incurred in relation to the Offer.
7. Represents the initial draw down of the Debt Facility, net of the associated establishment fees.

Figure 7.4 – Pro Forma Cash Flow Statements

A$'000	Six months ending 30 June 2015	Six months ending 31 December 2015	Year ending 31 December 2015
Cash flows from operating activities			
Receipts from customers	21,479	23,194	44,673
Payments to suppliers and employees	(18,617)	(19,727)	(38,344)
Financing costs	(197)	(165)	(362)
Net cash flows from operating activities	2,665	3,302	5,967
Net cash flows	2,665	3,302	5,967

7.5 Management discussion and analysis and forecast assumptions

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by Think Childcare and Education, which are in accordance with Australian Accounting Standards and are disclosed in Appendix A. It is assumed that there will be no changes to Australian Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on Think Childcare and Education's accounting policies, during the Forecast Period.

The Forecast Financial Information is based on various best estimate assumptions concerning future events, including those set out below.

In preparing the Forecast Financial Information, Think Childcare and Education has undertaken an analysis of historical performance of the Childcare Centres and applied assumptions in order to predict future performance for periods to 31 December 2015. The analysis of the Childcare Centres historical performance covered historical operational and financial information including, but not limited to, occupancy reports and management accounts for the years ended 30 June 2013 and 30 June 2014.

Management accounts were not available for the year ended 30 June 2013 for one Baker Street Centre and occupancy reports for the same period were not available for three Baker Street Centres and one LEA Centre. Additionally, management accounts were not available for the year ended 30 June 2014 for two LEA Centres. The LEA Centres with more limited information are new acquisitions that are proposed to become subsidiaries of LEA Childcare pursuant to the LEA Restructure on or around the Listing Date. Refer to Section 2.4 for more detail.

Think Childcare and Education does not consider it appropriate to include any historical financial information in this Prospectus, as the historical financial information of the Childcare Centres has not been subject to a review or audit, and does not comply fully with the recognition and measurement principles of Australian Accounting Standards.

Think Childcare and Education believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions, when taken as a whole, to be reasonable at the Prospectus Date, including each of the general assumptions and specific assumptions set out below.

Actual results are likely to vary from forecast results and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Think Childcare and Education, the Directors and management, and cannot be reliably predicted. Accordingly, none of Think Childcare and Education, its Directors, management, or any other person can provide any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 7.6, the risk factors set out in Section 5 and the Investigating Accountant's Report on the Forecast Financial Information set out in Section 8 (investors should note the scope and limitations of the Investigating Accountant's Report).

(a) General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted for the Forecast Period:

- no material change in the competitive operating environment in which Think Childcare and Education operates;
- no significant deviation from current market expectations of global or Australian economic conditions relevant to the childcare and early education industry in Australia;
- no material changes in Commonwealth, State or Territory government policy, regulatory requirements or funding arrangements for the childcare and early education industry;
- no material changes in key personnel, including key management personnel, and no industrial action. It is also assumed that Think Childcare and Education maintains its ability to recruit and retain personnel to deliver and support childcare services;
- no material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act which have a material effect on Think Childcare and Education's financial performance, financial position, accounting policies, financial reporting or disclosure;
- no material changes to current income tax legislation;
- no material income statement or cash flow or financial position impact in relation to contingent liabilities, litigation or other legal claims;
- no material changes to Think Childcare and Education's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- no material disruptions to the continuity of operations or industry of Think Childcare and Education or other material changes in its business;
- no material amendment to or termination of any material agreement, contract or arrangement referred to in this Prospectus; and
- the Offer proceeds are received in accordance with the timetable set out in the Key Offer information section of this Prospectus.

(b) Specific assumptions

Acquisitions

In preparing the Forecast Financial Information, the following specific assumptions in relation to the Acquisitions have been adopted for the Forecast Period:

- the signed contractual arrangements to effect the acquisition of the Childcare Centres are all successfully completed with all conditions precedent met, the grant of licenses occur as planned and assets or shares transferred; and
- the Baker Street Centres are acquired effective 1 November 2014 and the LEA centres are consolidated when the LEA Restructure and Offer is completed during October 2014.

Revenue

The Forecast Financial Information assumes Think Childcare and Education earns revenue from three main sources:

- childcare fees;
- management fees; and
- government funding.

Childcare fees

The level of childcare fees is dependent upon three fundamental drivers:

1. Occupancy

Management have forecast occupancy Centre by Centre on a monthly basis. Where a Centre has matured and operated at relatively stable levels in the last two years, management have assumed comparable occupancy levels in the forecasts. Where centres have not yet reached maturity, management forecast occupancy by extrapolating recent occupancy using growth rates achieved in the last year.

The average occupancy rate per the vendor occupancy reports for the year ended 30 June 2014 was approximately 76%. Management have assumed an occupancy rate of 79% for the year ending 31 December 2015.

2. Number of childcare places

Average daily Licensed Places are forecast to be consistent with current daily licensed places. No changes in centre capacity are assumed in the forecasts.

3. Daily rates

Forecast childcare rates are based on current daily rates with increases modelled on a centre by centre basis based on management's assessment of likely uplifts based on historical increases, management knowledge of the local market and industry trends. The Forecast Financial Information assumes all Centres apply twice yearly fee increases in February and July each year.

Fees receivable from the government are expected to be delayed in the first month post acquisition while Think Childcare and Education waits for Childcare Benefits approval status to be granted. Once approval is granted, all government fees earned since acquisition are expected to be paid immediately and received weekly in arrears thereafter. With the exception of this initial delay, no material movement in working capital is assumed during the Forecast Period.

Management fees

The Company has entered into Management Agreements with Third Party Owners to manage 16 Externally Managed Centres for a fee of $60,000 per Centre per annum and with one Third Party Owner to manage an Externally Managed Centre for $100,000 per annum.

Revenue is a fixed monthly amount as detailed in the Management Agreements.

Each of the Management Agreements has an initial term of 12 months, and may be renewed for a further term by agreement. Each Third Party Owner and Think Childcare and Education has the right to terminate the Management Agreement to which it is a party with 3 months notice or pay the Company the fees which it would otherwise be entitled to receive during the notice period. During the initial term of 12 months, where the Management Agreement relates to a greenfield Centre, if the Third Party Owner terminates the Management Agreement other than for cause they will be obliged to pay the balance of the management fees payable under the agreement in respect of the initial 12 month term.

The Forecast Financial Information assumes $1.1 million of revenue from these 17 Externally Managed Centres in the period ending 31 December 2015.

Government funding initiatives

This revenue primarily relates to amounts received under various government funding initiatives. The Forecast Financial Information assumes funding will continue at current levels with no changes in those funding initiatives.

Expenses

Employee expenses

Employee expenses comprise the wages and salaries of Centre and corporate office employees, including on costs.

Employee costs have been forecast based on industry wage rates by grade and expected full-time equivalent staff.

Corporate office employee numbers have been calculated using a bottom up approach based upon existing numbers and the expected number of staff required to run Think Childcare and Education post Listing.

Corporate office salary assumptions are based upon existing employee agreements and market based remuneration for vacant roles.

No bonus payments have been forecast.

No equity based remuneration has been forecast for employees or Directors.

Property expenses

Property expenses comprise primarily Childcare Centre rent per the current lease, adjusted in line with Australian Accounting Standards to reflect fixed future rent increases.

Direct expenses of providing services

Direct expenses of providing services represent non-employee and non-occupancy expenses incurred at the Centre level as part of providing childcare services.

Forecast costs include nappies, food, IT, consumables and costs associated with local marketing and advertising.

These assumptions are based on a bottom up analysis, utilising management's experience combined with historical expenditure at the relevant Centre as a benchmark.

Other expenses

Other expenses comprise predominantly non-employee corporate office expenses including governance related expenditure (e.g. audit), travel and insurance. Other expenses also include some centre level charges related to cleaning and other maintenance activities. Other expense assumptions are based on a bottom up approach, utilising management's experience combined with historical expenditure at the relevant Centre as a benchmark.

Other assumptions

Forecast capital expenditure and centre refresh costs are based on management's assessment of the level of refurbishment required on acquisition of the Centres, and has been allowed for in the forecast cash flows.

7.6 Sensitivity analysis

The Forecast Financial Information included in this Section 7 is based on a number of estimates and assumptions as described in Section 7.5. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Think Childcare and Education, the Directors and management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the consolidated pro forma forecast NPAT to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown. For the purposes of this analysis, each sensitivity is presented in terms of the impact of each on the year ending 31 December 2015 pro forma forecast NPAT of $4.4 million and is set out below.

Care should be taken in interpreting each sensitivity. The estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions, in order to illustrate the likely impact on the pro forma forecast results. In practice, changes in assumptions may offset each other or be additive, and it is likely that Think Childcare and Education's management team would respond to any adverse change in one item to minimise the net effect on Think Childcare and Education's NPAT and cash flow.

Figure 7.5 – NPAT sensitivity table

	Increase/ decrease	CY2015 pro forma NPAT impact[1]
Daily fees per child[2]	+/– $1 per day	+/– $0.3 m
Average occupancy[3]	+/– 1%	+/– $0.2m
Employee expenses[4]	+/– 1%	+/– $0.2m
Number of Centres acquired[5]	+/– 1 Centre	+/– $0.2m

Notes:
1. Assumes a 30% effective income tax rate.
2. Shows full year impact of average daily fees being increased or decreased by $1 per day over prices included in the forecast for all places in all Centres. This sensitivity is halved if applied only to the price rises to be implemented in the second half of the year ending 31 December 2015.
3. Shows NPAT impact of a 1% increase or decrease in average occupancy across the group. For the purposes of the sensitivity analysis, this is assumed to occur evenly across all Centres and so impacts NPAT at average Centre revenue less labour costs, adjusted for tax. An actual decrease or increase in occupancy may have a differing impact depending on occupancy levels and staffing rosters in each Centre.
4. Shows impact of a 1% increase or decrease in employee cost across the whole group.
5. Shows NPAT impact of acquiring one less Centre than forecast. The impact represents the average across all the groups to be acquired. Any actual impact would vary depending on the actual Centre that is not acquired.

7.7 Pro Forma Balance Sheet

The figure below sets out the adjustments that have been made to the balance sheet for Think Childcare and Education as at 21 July 2014 in order to prepare a consolidated pro forma historical balance sheet for the Company. These adjustments reflect the impact of the operating and capital structure that will be in place following Completion of the Offer as if it had occurred or were in place as at 21 July 2014.

Figure 7.6 – Pro Forma Balance Sheet

A$'000	21 July 2014	Common control reorganisation (1)	Impact of the offer (2)	Borrowings (net) (3)	Acquisitions (4)	Pro forma
Current assets						
Cash and cash equivalent	–	(1,594)	9,762	7,786	(15,358)	1,296
Trade Receivables	–	319	–	–	–	319
Other current assets	–	–	–	–	–	–
Deferred tax assets	–	–	–	–	–	–
Total current assets	–	(1,275)	9,762	7,786	(15,358)	1,615
Non-current assets						
Property, plant and equipment	–	1,145	–	–	159	1,304
Deferred tax assets	–	371	240	–	417	1,028
Other non-current assets	–	23	–	–	–	23
Intangibles	–	6,682	–	–	13,636	20,318
Total non-current assets	–	8,221	240	–	14,212	22,673
Total assets	–	7,646	10,002	7,786	(1,146)	24,288
Current liabilities						
Trade and other payables	–	745	–	–	–	745
Employee entitlements	–	439	–	–	450	889
Borrowings	–	10,643	(10,643)	–	–	–
Deferred consideration	–	–	–	–	–	–
Current tax liabilities	–	–	–	–	–	–
Total current liabilities	–	11,827	(10,643)	–	450	1,634
Non-current liabilities						
Borrowings	–	–	–	7,786	–	7,786
Provisions	–	–	–	–	–	–
Total non-current liabilities	–	–	–	7,786	–	7,786
Total liabilities	–	11,827	(10,643)	7,786	450	9,420
Net assets	–	(4,181)	20,645	–	(1,596)	14,868

A$'000	21 July 2014	Common control reorganisation (1)	Impact of the offer (2)	Borrowings (net) (3)	Acquisitions (4)	Pro forma
Equity						
Share capital	–	13,505	20,645	–	4,094	38,244
Reserves	–	–	–	–	–	–
Common control reserves	–	(16,331)	–	–	–	(16,331)
Retained earnings	–	(1,355)	–	–	(5,690)	(7,045)
Total equity	–	(4,181)	20,645	–	(1,596)	14,868

1. The accounting for this transaction is described in Section 7.2 based on the LEA balance sheet at 21 July 2014.
   - For the 11 LEA centres controlled by LEA, the common control reserve represents the difference between shares issued and cash exchanged as part of the LEA restructure and the historical values of assets and liabilities.
   - For the four LEA centres not controlled by LEA and therefore accounted for as a business combination, the excess fair value of consideration over net assets acquired is allocated to Goodwill.
   - Share capital includes Shares issued in consideration for the LEA Restructure and acquisition of Mathew Edwards' interest in the LEA Centres and initial Shares on issue to Mathew Edwards as at the Prospectus Date.
   - Borrowings represents cash amounts owed to LEA Vendors after the LEA Restructure, which will be funded with the net proceeds of the Offer and borrowings under the proposed new Debt Facility payable before 30 November 2014.
2. Represents the net cash proceeds raised from the Offer of $20.4 million after deducting associated costs of $1.5 million and paying down existing LEA shareholders in connection with the LEA Restructure. A portion of the fees are expected to be tax deductible and result in the creation of a deferred tax asset of $0.2 million.
3. Represents borrowings under the proposed new Debt Facility net of capitalised establishment fees and advisor costs.
4. The accounting for the Baker Street Acquisitions is described in Section 7.2 based on the estimated assets and liabilities acquired from the Baker Street Centres
   - Cash payments to the Vendors of the Baker Street Centres of $13.5 million and cash acquisition expenses of $1.9 million associated with the Baker Street Centre acquisitions, will be funded with the proceeds of the Offer and borrowings under the proposed new Debt Facility. Expenses are expected to be partially deductible and give rise to $0.3 million in deferred tax assets.
   - Share capital includes Shares issued in consideration for the acquisition of Baker Street, including $2.5 million to Riversdale Road Shareholding Trust, $0.6 million to Paul Gwilym, $0.4 million to Mark Kerr and $0.6 million to others.
   - Retained earnings represents $1.9 million in cash acquisition expenses associated with the Baker Street Centre acquisitions and $4.1 million of shares issued in consideration for the acquisition of Baker Street, net of $0.3 million in deferred tax assets noted above.

7.8 Description of proposed new Debt Facility

In order to contribute funding for its acquisitions and its operations, including for working capital and other purposes, Think Childcare and Education has obtained credit approved term sheets from the Australia and New Zealand Banking Group Limited for:

- an $8 million facility, largely drawn to meet acquisition and Offer costs;
- a further facility of $10 million for further acquisitions;
- subject to satisfaction of certain conditions, a further $10 million for acquisition purposes (among other purposes). However, this facility is an uncommitted cash advance facility; and
- a $1 million guarantee facility to facilitate the issue of performance and/ or financial instruments,

(**Debt Facility**).

This debt facility has been made available to Think Childcare and Education on certain terms and conditions, which the Directors believe are appropriate for a company of this size and in the prevailing economic and market conditions. Upon Listing, and subject to satisfaction of conditions and the completion of definitive documentation, these funds are available to Think Childcare and Education to assist with the acquisition of certain Centres and for general working capital purposes.

The term of the agreement set out in the credit approved term sheet is 3 years at an interest rate of BBSY, plus a margin of 1.5% per annum (other than in respect of the guarantee facility, for which the interest rate is 1.5% per annum on the face value of instruments issued, calculated from the date of issue, with a minimum fee of $250 per six month period). If the Company sells a Centre, 50% of the proceeds of that sale must be applied to the Debt Facility.

Each of the Company's wholly-owned subsidiaries will enter into general and specific security agreements in respect of their assets and undertakings.

The Company gives a number of undertakings to ANZ, including in relation to the provision of budgets and financial reports within specified periods together with other financial information, and undertakings not to incur financial indebtedness or provide financial accommodation, dispose of assets or grant security interests, not to declare a dividend in respect of any financial year, not enter into any corporate restructures or mergers, or undertake capital expenditure outside agreed limits set out in budgets, in each case other than as agreed in the facility documentation. Financial covenants include interest cover ratios, and ratios relating to minimum occupancy levels across the portfolio.

Drawdown under the Debt Facility is subject to a number of customary conditions precedent, including due diligence conditions, lodgment of the Prospectus with ASIC and execution of facility documentation and security documentation. There are a number of additional conditions to the acquisition of additional childcare centres, including requirements that the Board approve the business case and feasibility assessment and that other borrowing and performance requirements be satisfied.

7.9 Liquidity and capital resources

Following Completion of the Offer, Think Childcare and Education's principal sources of funds will be cash flow from operations and from the new Debt Facility.

Think Childcare and Education expects that it will have sufficient cash flow from operations to meet its operational requirements during the Forecast Period. Think Childcare and Education expects that its operating cash flows, together with borrowings under the Debt Facility, will position Think Childcare and Education to grow its business through future acquisitions.

7.10 Dividend policy and forecast distribution

The Board has adopted a dividend policy to pay annual dividends of up to 65% of profits derived, enabling the Company to retain sufficient earnings to support the growth objectives of the Company. The Company will implement a dividend reinvestment plan under which Shareholders will be able to reinvest dividends that they would otherwise receive in cash for the issue or transfer to them of additional Shares. Dividends, if declared or determined in the first year, are unlikely to be franked and thereafter franked to the maximum extent possible.

Section 8

Investigating Accountant's Report

8. Investigating Accountant's Report

The Directors
Think Childcare and Education Limited
Suite 2, 2 East Street
Five Dock
NSW 2000

2 October 2014

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Think Childcare and Education Limited Pro Forma Historical Financial Information and Statutory Forecast and Pro Forma Forecast Financial Information and Financial Services Guide

We have been engaged by Think Childcare and Education Limited (the Company) to report on the historical and forecast financial information of the Company for inclusion in the prospectus dated on or about 2 October 2014 and relating to the issue of ordinary shares in the proposed initial public offering and listing of the Company on the Australian Securities Exchange.

Expressions and terms defined in the prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Company included in the prospectus:

Pro Forma Historical Financial Information

- The pro forma historical balance sheet as at 21 July 2014, as described in section 7 of the prospectus **(Pro Forma Balance Sheet** or the **Pro Forma Historical Financial Information)**.

- The Pro Forma Historical Financial Information has been derived from the historical financial information of the Company, after adjusting for the effects of the pro forma adjustments described in section 7 of the prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 7 of the prospectus, as if those events or transactions had occurred as at the date of the historical information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
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Forecasts

- The statutory forecast income statements and statutory forecast cash flow statements for the period ending 31 December 2014, six months ending 30 June 2015, six months ending 31 December 2015 and the year ending 31 December 2015, as described in section 7 of the prospectus **(Statutory Forecasts)**.

- The directors' best-estimate assumptions underlying the Forecasts are described in section 7 of the prospectus. The stated basis of preparation used in the preparation of the Forecasts being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Forecasts

- the pro forma forecast income statements and pro forma forecast cash flow statements for the six months ending 30 June 2015, six months ending 31 December 2015 and the year ending 31 December 2015, as described in section 7 of the prospectus **(Pro Forma Forecasts)**.

The Pro Forma Forecasts have been derived from the Statutory Forecasts, after adjusting for the effects of the pro forma adjustments described in section 7 of the prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecasts being the recognition and measurement principles contained in Australian Accounting Standards applied to the forecasts and the events or transactions to which the pro forma adjustments relate, as described in section 7 of the prospectus, as if those events or transactions had occurred as at the date of the Statutory Forecasts. Due to their nature, the Pro Forma Forecasts do not represent the company's actual prospective financial performance, and/or cash flows for the six months ending 30 June 2015, six months ending 31 December 2015 or the year ending 31 December 2015.

Directors' Responsibility

The directors of the Company are responsible for the preparation of the Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to historical financial information and included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Statutory Forecasts; including their basis of preparation and the best-estimate assumptions underlying the Forecasts. They are also responsible for the preparation of the Pro Forma Forecasts including their basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecasts and included in the Pro Forma Forecasts. This includes responsibility for its compliance with applicable laws and regulations and for such internal control as the directors determine are necessary to enable the preparation of pro forma historical financial information, forecasts and pro forma forecasts that are free from material misstatement.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Pro Forma Historical Financial Information, Statutory Forecasts and Pro Forma Forecasts, the best-estimate assumptions underlying the Forecasts and the Pro Forma Forecasts and the reasonableness of the Statutory Forecasts and the Pro Forma Forecasts themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Proforma Historical Financial Information of the Company as described in section 7 of the prospectus is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7 of the prospectus being:

- the recognition and measurement principles contained in Australian Accounting Standards;
- the Company's adopted accounting policies applied to the historical financial information; and
- the events or transactions to which the pro forma adjustments relate, as described in section 7 of the prospectus, as if those events or transactions had occurred as at the date of the historical financial information.

Statutory Forecasts

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecasts of the Company for the period ending 31 December 2014, six months ending 30 June 2015, six months ending 31 December 2015 and the year ending 31 December 2015 do not provide reasonable grounds for the Statutory Forecasts; and
- in all material respects, the Statutory Forecasts:
  - are not prepared on the basis of the directors' best-estimate assumptions as described in section 7 of the prospectus; and
  - are not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies; and
- the Statutory Forecasts are unreasonable.

Pro Forma Forecasts

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecasts of the Company for the six months ending 30 June 2015, six months ending 31 December 2015 and the year ending 31 December 2015 do not provide reasonable grounds for the Pro Forma Forecasts; and
- in all material respects, the Pro Forma Forecasts:
  - are not prepared on the basis of the directors' best-estimate assumptions, as described in section 7 of the prospectus; and
  - are not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and

the company's adopted accounting policies, applied to the Statutory Forecasts and the pro forma adjustments as if those adjustments had occurred as at the date of the Statutory Forecasts; and

- the Pro Forma Forecasts are unreasonable.

Statutory Forecasts and Pro Forma Forecasts

The Statutory Forecasts have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the period ending 31 December 2014, six months ending 30 June 2015, six months ending 31 December 2015 and the year ending 31 December 2015. The Pro Forma Forecasts have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the six months ending 30 June 2015, six months ending 31 December 2015 and the year ending 31 December 2015.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecasts and Pro Forma Forecasts since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Statutory Forecasts and Pro Forma Forecasts are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecasts and Pro Forma Forecasts are based, however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the prospectus, and the inherent uncertainty relating to the Statutory Forecasts and Pro Forma Forecasts. Accordingly, prospective investors should have regard to the sensitivities and investment risks as described in sections 7 and 5, of the prospectus, respectively. The sensitivity analysis described in section 7 of the prospectus demonstrates the impact on the Pro Forma Forecasts of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast or Pro Forma Forecast will be achieved.

The Statutory Forecasts and Pro Forma Forecasts have been prepared by the directors for the purpose of inclusion in the prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecasts or Pro Forma Forecasts to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restriction on Use

Without modifying our conclusions, we draw attention to section 7 of the prospectus, which describes the purpose of the financial information, being for inclusion in the prospectus. As a result, the financial information may not be suitable for use for another purpose.

8. Investigating Accountant's Report

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Jonathan Griffiths

Jonathan Griffiths
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

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Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 2 October 2014

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Think Childcare and Education Limited ("the **Company**") to provide a report in the form of an Investigating Accountant's Report in relation to its proposed initial public offering and listing on the Australian Securities Exchange for inclusion in the prospectus dated 2 October 2014.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on a fixed basis and are approximately $500,000 (excluding disbursements and GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("**FOS**"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Jonathan Griffiths
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Darling Park Tower
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171

Section 9

Details Relating to the Offer

9. Details Relating to the Offer

9.1 Structure of the Offer

The Offer comprises:

(a) the Broker Firm Offer, consisting of an invitation by the Joint Lead Managers and Underwriters and the Broker to the Offer to investors in Australia to acquire Shares under this Prospectus;

(b) the General Priority Offer, which is only open to investors in Australia nominated by the Company; and

(c) the Institutional Offer, which consists of an offer to Institutional Investors in Australia.

Think Childcare and Education intends to use the proceeds of the Offer as follows:

Use of Proceeds and debt from the Debt Facility	$Amount
Acquisition of LEA Centres (through the LEA Restructure)[1]	9,942,000
Acquisition of Baker Street Centres	13,480,000
Integration costs and capital expenditure	700,000
Acquisition costs	1,878,000
Debt raising costs	214,000
Working capital for the Company	599,000
Offer costs	3,187,000
Total	$30,000,000

1. The Vendor Offer involves the application by Mathew Edwards of cash paid to him as part consideration for the acquisition of his interests in the LEA Centres and Edhod, through the LEA Restructure.

9.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in Think Childcare and Education).
What are the rights and liabilities attached to the Shares?	A description of the Shares, including the rights and liabilities attaching to them, is set out at **Section 10.12**.
What is the Offer period?	Applications pursuant to the Offer open at 9.00am on 3 October 2014 and close at 5.00pm on 13 October 2014.
Can the Offer be withdrawn?	The Company may withdraw the Offer at any time before the issue of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Company and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to an Applicant fewer Shares than applied for.
What are the cash proceeds to be raised?	$22,000,000.

Topic	Summary
Is the Offer underwritten?	The Offer of $22,000,000 is underwritten by Morgans Corporate Limited and Patersons Securities Limited. Details of the Underwriting Agreement entered into between Think Childcare and Education and the Joint Lead Managers are set out in **Section 10.9**. This includes details of situations where the Joint Lead Managers are entitled to withdraw from the Underwriting Agreement. This is one of the key risks to Think Childcare and Education. For details of other risks to Think Childcare and Education, investors are referred to **Section 5**.
What is the minimum subscription condition?	Think Childcare and Education will only issue Shares to investors and vendors in the event that the full Subscription Amount of $22,000,000 has been received. Where applications are made under the Offer but the full Subscription Amount is not received, those investor monies will be refunded in full without interest in the event that Think Childcare and Education fails to receive the full Subscription Amount within 120 days of the date of this Prospectus.
What is the Minimum Application?	The minimum acceptable investment is for 2,000 shares at $1.00 per Share and in multiples of 500 Shares at $1.00 per Share thereafter.
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, General Priority Offer and the Institutional Offer will be determined by the Joint Lead Managers in consultation with the Company. For Broker Firm Offer participants, the relevant Joint Lead Manager or Broker will decide as to how they allocate Shares among their retail clients. The Joint Lead Managers, in consultation with the Company, have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion.
When will I receive confirmation that my Application has been successful?	It is expected the initial holding statements will be despatched by standard post on or about 16 October 2014. Refunds to Applicants under the General Priority Offer who make an Application and are scaled back, will be made as soon as possible post Settlement, which is expected to occur on or about 16 October 2014.
Will the Shares be quoted?	The Company has applied to the ASX within 7 days of the Prospectus Date for admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code 'TNK'). Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Topic	Summary
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on 17 October 2014. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you confirmed your firm allocation through a Broker.
Are there any escrow arrangements?	Escrow arrangements are described in **Section 10**.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisitions of Shares under the offer.
What is the Vendor Offer?	The Vendor Offer is the offer of 2,315,990 Shares to Mathew Edwards (or his associated entity), which he intends to apply for using a cash amount of $2,315,990 which he is entitled to receive as part consideration for the acquisition by the Company of the LEA Centres pursuant to the LEA Restructure and the Share Sale Deed. The Vendor Offer is not open to any person other than Mathew Edwards (or his associated entity).

9.3 General Priority Offer

The General Priority Offer is only open to investors in Australia nominated by the Company. General Priority Offer investors will receive a personalised invitation to apply for Shares in the General Priority Offer.

Applications under the General Priority Offer may apply for an amount up to the amount stated on their personalised invitation. Any amount tendered in excess of this may be refunded in full (without interest) or accepted in full or in part, with amounts not accepted refunded (without interest). Vendors of Baker Street Centres have been offered an allocation of Shares.

General Priority Offer applicants may apply for Shares online and must comply with the instructions on the website www.thinkchildcareandeducation.com.

Applications under the General Priority Offer for an amount less than the amount stated on the applicant's personalised invitation must be for a minimum of $2,000 worth of Shares and in multiples of $500 of Shares thereafter.

General Priority Offer applicants are guaranteed an allocation of Shares in the amount specified in their personalised invitation or such lesser amount validly applied for (rounded down to the nearest whole Share).

Payment may be made by cheque in accordance with the instructions on the Application Form. Application Monies must be received by the Share Registry by 13 October 2014.

9.4 Allocation policy under the General Priority Offer

The allocation of Shares under the General Priority Offer will be determined by the Joint Lead Managers, in consultation with the Company, and taking into consideration the guaranteed minimum allocation of $2,000 worth of Shares per nominated investor. The Joint Lead Managers, in consultation with the Company, will have absolute discretion regarding the basis of allocation of Shares and there is no assurance that a nominated investor will receive the implied number of Shares applied for under the General Priority Offer above the guaranteed minimum amount. The maximum size of the General Priority Offer in aggregate is as to be agreed between the Company and Joint Lead Managers. The Company will confirm the number of Shares to be issued to nominated investors who have made an Application under the General Priority Offer by 16 October 2014.

9.5 Broker Firm Offer

The Broker Firm Offer is open to persons who have received an invitation from either one or both of the Joint Lead Managers or their Broker to apply for Shares and who have a registered address in Australia. Investors who are offered a firm allocation of Shares by a Joint Lead Manager or Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

Applicants under the Broker Firm Offer should contact one of the Joint Lead Managers or their Broker to request a copy of the Prospectus and an Application Form. Your Broker or the relevant Joint Lead Manager will act as your agent and your Broker or the relevant Joint Lead Manager will be responsible for ensuring that your Application Form and Application Monies are received before 5.00pm (Melbourne time) on the Closing Date.

9.6 Institutional Offer

The Company invites certain eligible Institutional Investors to apply for Shares in the Institutional Offer. The Institutional Offer will comprise an invitation to Institutional Investors in Australia to apply for Shares under this Prospectus.

9.7 Restrictions on Distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation under this Prospectus.

This Prospectus may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

Each Applicant in the Broker Firm Offer and General Priority Offer and each person in Australia to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

(a) it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws;

(b) it is not in the United States;

(c) it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and

(d) it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction which Shares are offered and sold.

Each Applicant under the Institutional Offer will also be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

9.8 ASX listing, registers and holding statements

Application to the ASX for listing of Think Childcare and Education and quotation of Shares

The Company has applied to ASX within seven days after the Prospectus Date for admission to the official list of ASX and quotation of the Shares on ASX. The Company's expected ASX code will be TNK.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the official list of ASX is not to be taken as an indication of the merits of the Company or the Shares offered under this Prospectus.

If permission is not granted for the official quotation of the Shares on ASX within three months after Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

CHESS and issuer sponsored holdings

Think Childcare and Education will apply to participate in ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. Think Childcare and Education and the Share Registry may charge a fee for these additional issuer sponsored statements.

Trading and selling Shares on ASX

It is expected that the Shares will commence trading on ASX on or about 17 October 2014.

The contracts formed on acceptance of applications will be conditional on ASX agreeing to quote the Shares on ASX.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. Think Childcare and Education, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from Think Childcare and Education or confirmed your firm allocation through a Broker.

9.9 Application Forms

Under no circumstances can an Application Form for Shares under this Prospectus be circulated to investors unless it is included in or accompanies this document.

Once an application has been lodged, that application will be deemed to have been made for the number of Shares applied for as specified in the Application Form.

9.10 Allocation of Shares in Think Childcare and Education

All Shares issued in Think Childcare and Education are ranked equally as ordinary shares. The only exception to this is where certain shares are subject to escrow arrangements. Full details of those Shares which are subject to escrow arrangements are set out in **Section 10**.

The Joint Lead Managers and Think Childcare and Education have the absolute discretion to accept or reject applications and to allocate or not to allocate Shares to applicants as they deem fit. In the event that an issue or transfer of Shares under this Prospectus does not proceed for any reason whatsoever applicants will receive a full reimbursement of application monies. Any interest earned on those application monies will be retained by Think Childcare and Education. In determining an allocation of shares, Think Childcare and Education and the Joint Lead Managers can reject any application in their absolute discretion or determine to allocate to any applicant a number of Shares less than the number of Shares applied for by that applicant.

9.11 Provision of Tax File Numbers and Australian Business Numbers

In the Application Form for Shares accompanying this Prospectus applicants under the Offer may provide Think Childcare and Education with their Tax File Number (**TFN**) or TFN exemption details (if applicable). In the event that Shares are to be held as part of a business, undertaking or enterprise carried on by an investor, the Application Form provides investors an opportunity to provide those details to Think Childcare and Education.

In the event that Australian residents applying for Shares in Think Childcare and Education do not provide their TFN, TFN exemption details or ABN to Think Childcare and Education, tax will be withheld by Think Childcare and Education at the maximum marginal tax rate plus the Medicare Levy on partially franked dividends paid by Think Childcare and Education in the event that the Board determines to pay partially franked dividends.

9.12 Share Registry

Think Childcare and Education's Share Registry is to be maintained by Computershare.

Section 10

Additional Information

10. Additional Information

10.1 Incorporation

Think Childcare and Education was incorporated in Victoria as an unlisted public company limited by shares under the Corporations Act on 21 July 2014.

10.2 Authorisation of this Prospectus

The Directors of Think Childcare and Education have given their authorisation and consent for the issue of this Prospectus and its lodgement with ASIC.

10.3 Company Tax Status

Think Childcare and Education will be subject to taxation in Australia as a public company.

10.4 Governing Law

This Prospectus and the contracts arising from the acceptance of the Applications are governed by the laws applicable in Victoria. Each Applicant agrees to submit to the exclusive jurisdiction of Victorian courts.

10.5 Appointment and Retirement of Non-Executive Directors

The Board follows the requirements of the Listing Rules and the Corporations Act in determining the terms and conditions relevant to the appointment and retirement of non-executive directors, and the details of each instance are determined by the Board on a case-by-case basis dependent upon the circumstances.

10.6 Obtaining Independent Professional Advice

Unless a majority of the Board decides otherwise, Directors of Think Childcare and Education are entitled to obtain professional independent advice at Think Childcare and Education's expense where the advice or services would aid in the proper performance of their duties.

10.7 Summary of Taxation Implications for Shareholders

The following tax comments are based on the tax law in Australia in force as at the date of this Prospectus. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian tax resident individuals, complying superannuation entities, trusts, partnerships and corporate investors (other than life or general insurance companies). These comments do not apply to non-Australian tax resident investors, banks, insurance companies, investors that hold Shares on revenue account or carry on a business of trading in shares, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the *Income Tax Assessment Act 1997* (Cth) which have made elections for the fair value or reliance on financial reports methodologies or employees who have acquired their interest under the ESOP or any similar employee share or option plan.

(a) Australian tax resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income (some superannuation funds may be exempt in relation to Shares held to support current pension liabilities) in the year the dividend is paid, together with any franking credit attached to that dividend. Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend, subject to being a 'qualified person' (as discussed below in Section 10.7(b)). The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

To the extent that the dividend is unfranked, the Shareholder will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

(b) Australian tax resident corporate Shareholders

Australian tax resident corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income.

They are then allowed a tax offset up to the amount of the franking credit on the dividend subject to being a 'qualified person', with the result that a tax resident corporate Shareholder should not pay any additional tax on the receipt of a fully franked dividend.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate shareholder to pass on the benefit of the franking credits to its own shareholder(s) on a subsequent payment of dividends.

Excess franking credits received cannot give rise to a refund for a company but may in certain circumstances be converted into carry forward tax losses.

(c) Australian tax resident trusts and partnerships

Shareholders who are Australian tax resident trusts and trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner, subject to being a 'qualified person', may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

(d) Shares held 'at risk'

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person' in which case the Shareholder will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', a Shareholder must satisfy the holding period rule and, to the extent necessary, the related payment rule.

Under the holding period rule, an investor is required to hold Shares 'at risk' for more than 45 days continuously in the primary qualification period, which is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the day on which the Shares become ex-dividend in order to qualify for franking benefits, including franking credits. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) may not be counted as a day on which the investor held the Shares 'at risk' (though the exclusion of those days is not taken to break the continuity of the period for which the investor held the Shares). This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed $5,000 unless the individual or an associate has made, is under an obligation to make or is likely to make a related payment in respect of the dividend or a distribution attributable to the dividend.

Special rules apply to trusts and beneficiaries. Specifically, there are particular difficulties in satisfying the holding period rule where an investor holds Shares through a discretionary trust where no family trust election has been made. In these cases, the holding period rule may not be capable of being satisfied (though an exception still applies in the case of individual beneficiaries who have franking credit entitlements of less than $5,000 in an income year), unless the individual or an associate has made, is under an obligation to make or is likely to make a related payment in respect of the dividend or a distribution attributable to the dividend. If you are the trustee of a discretionary trust, it is strongly recommended that you seek professional advice.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for a continuous 45 day period within the more limited secondary qualification period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

On 30 June 2014, the Australian Federal Government enacted legislation designed to prevent "dividend washing" through a new specific integrity rule, which will apply from 1 July 2013. The new specific integrity rule can operate to deny a Shareholder the benefit of any franking credits where the Shareholder receives a franked dividend on a replacement Share after disposing of a substantially identical Share. Shareholders should consider the impact of this change given their own personal circumstances and seek professional advice to determine if this or any integrity rules could apply to them.

(e) Australian capital gains tax ("CGT") implications for Australian tax resident Shareholders on a disposal of Shares

(i) Most Australian tax resident Shareholders will be subject to Australian CGT on the disposal of the Shares. Some investors will hold Shares on revenue account, as trading stock or under the Taxation of Financial Arrangements regime. These investors should seek their own advice.

(ii) An Australian tax resident investor will derive a capital gain on the disposal of a particular Share that is held on capital account where the capital proceeds received in relation to the disposal exceed the CGT cost base of the Share. The CGT cost base of the Share is broadly the amount paid to acquire the Share plus any transaction/incidental costs. In an arm's length transaction, the capital proceeds should generally be the cash proceeds received from the sale of Shares plus the market value of any property received from the sale of Shares.

(iii) A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities, broadly where the particular Shares are held for at least 12 months prior to sale, though some integrity rules apply where the underlying assets have been held for less than twelve months or a capital gain arises from an agreement made within a year of acquisition of the Shares. Any current year or carry forward capital losses should offset the capital gain before the CGT discount is applied.

(iv) The CGT discount for individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) is 50%, and for complying superannuation entities is 33 1/3%. The CGT discount rules applying to trusts are complex, but the benefit of the discount may flow to the beneficiaries of the trust where the beneficiaries are individuals, trusts or complying superannuation entities.

(v) An Australian tax resident investor will incur a capital loss on the disposal of the Shares to the extent that the capital proceeds in relation to the disposal are less than the CGT reduced cost base of the Shares. Broadly, the CGT reduced cost base is calculated in a similar manner to the CGT cost base but excludes certain capital costs of holding the Shares, such as interest which is capital in nature.

(vi) If an Australian tax resident investor derives a net capital gain in a year (after application of capital losses and the CGT discount), this amount is included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

10. Additional Information

(f) Tax file numbers

An Australian tax resident investor is not required to quote their tax file number ("**TFN**") to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by the Company from dividends at the maximum marginal tax rate plus the Medicare levy where the dividend is not fully franked.

An investor that holds Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

(g) Stamp duty

Under current stamp duty legislation, investors should not be liable for stamp duty on the acquisition of Shares.

(h) Australian goods and services tax ("GST")

The acquisition of the Shares by an Australian resident (that is registered for GST) will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own advice on the impact of GST in their own particular circumstances.

10.8 Consents

Each of the parties named in this section, to the maximum extent permitted by law, expressly disclaims all liabilities for any statements in or omissions from this Prospectus; makes no representations regarding any statements in or omissions from this Prospectus; and takes no responsibility for any statements in or omissions from this Prospectus; other than the reference to its name and any statements or reports included in this Prospectus with their consent as specified below.

(a) PricewaterhouseCoopers has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

(b) Minter Ellison has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

(c) Morgans Corporate Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

(d) Patersons Securities Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

(e) Taylor Collison Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

(f) JT Campbell & Co Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

(g) PricewaterhouseCoopers Securities Ltd has given and has not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's report in the form and context in which it is included.

(h) Computershare Investor Services Pty Ltd has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

10.9 Summaries of Material Contracts

(a) Share Sale Deed

The Company has entered into a Share Sale Deed with the LEA Vendors (including the Edhod Vendor), and Baker Street (among others) pursuant to which it has a call option to acquire, and has granted a put option under which it may be required to acquire, all of the shares in LEA Childcare, the Edhod Operating Companies, the Edhod Lease Companies, and Baker Street to give effect to the LEA Restructure and the Baker Street Acquisition, as described in section 2.3.

(b) Centre Acquisition Agreements

The LEA Restructure and the Baker Street Acquisition will be undertaken pursuant to a series of restructuring documents (in the case of the LEA Restructure) including share sale agreements and asset sale agreements (as described in section 2.3), and pursuant to the Acquisition Agreements in the case of the Baker Street Centres.

Baker Street has entered into Business Sale Agreements for acquisition of the 15 Baker Street Centres. Under each Business Sale Agreement, Baker Street agrees to acquire plant and equipment, intellectual property, stock and material contracts from the Centre Vendors. The Business Sale Agreements also provide that Baker Street will offer employment to employees on terms which are not less favourable to their current terms of employment and that the Centre Vendor must obtain for Baker Street a lease of the premises by transfer with the landlord's written consent or by surrendering the lease and facilitating the entry into a new lease.

Termination events

Baker Street may terminate the Business Sale Agreement if the landlord has not consented to a transfer of lease for the premises, the landlord has not granted a new lease in relation to that premises or if a mortgagee or chargee has not consented in writing to the transfer of the lease or the grant of a new lease. Baker Street may also withdraw from the acquisition in its absolute discretion if at or before settlement the occupancy level at the relevant Baker Street Centre falls below the level represented by the Centre Vendor to Baker Street.

The Centre Vendor under each Business Sale Agreement may terminate if the Centre Vendor is unable or unwilling to satisfy Baker Street's inquiries, the Centre Vendor serves a notice to Baker Street of its intention to terminate the Business Sale Agreement and Baker Street does not give written notice to the Centre Vendor waiving the inquiry within seven days after service of the notice by the Centre Vendor.

In addition, the Business Sale Agreement may be terminated by a party as a result of default by the other party, subject to the non-defaulting party giving notice of default to the defaulting party, and allowing 5 Business Days for a default to be remedied (except for certain specified types of default).

Representations, warranties and other terms

Under each Business Sale Agreement, the Centre Vendors provide standard warranties in relation to capacity and authority, financial statements and business records, taxation, ownership of assets and accuracy of information, compliance with laws, litigation, industrial disputes and employees and Baker Street provides standard warranties in relation to capacity and performance of the Business Sale Agreement.

In addition, the Centre Vendors have restraint of trade obligations under the Business Sale Agreement, which are expressed to apply for a minimum period of three months after the date of settlement of the Business Sale Agreement within, at least, a five kilometre radius of the relevant Baker Street Centre premises. In two of the Business Sale Agreements the restraint of trade obligations are subject to an exception, being Centres owned or proposed to be established by a Centre Vendor which are not Baker Street Centres.

(c) Underwriting Agreement

The Company and the Joint Lead Managers have entered into the Underwriting Agreement. Under the Underwriting Agreement, the Joint Lead Managers have agreed to severally arrange and manage the Offer, including the bookbuild and allocation processes for the Offer. The Joint Lead Managers have also agreed to severally provide settlement support for the settlement obligations of applications under the Institutional Offer and Broker Firm Offer who are allocated Shares.

For the purpose of this section 10.9, Offer Documents includes, among other things, the following documents issued or published by, or on behalf of, and with the express authorisation of, the Company in respect of the Offer:

- this Prospectus, the Application Form and any supplementary or replacement prospectus required to be lodged with ASIC under section 719 of the Corporations Act; and
- a marketing, roadshow presentation and/or ASX announcement(s) used by or on behalf of the Company to conduct the Offer.

Commissions, fees and expenses

The Company has agreed to pay the Joint Lead Managers an underwriting fee equal to 5% of the aggregate issue price of Shares issued under this Prospectus (being $22,000,000), excluding the Vendor Offer, and will be paid to the Joint Lead Managers in the respective proportions of the Offer that they each underwrite.

In addition to the fees described above, the Company has agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

Termination events

Each Joint Lead Manager may (whether or not with the consent of the other Joint Lead Manager) terminate without any cost or liability to that Joint Lead Manager by notice to the Company and the other Joint Lead Manager at any time after it becomes aware of any one or more of certain events including the following:

- this Prospectus does not comply with the Corporations Act (including if a statement in this Prospectus is or becomes misleading or deceptive or likely to mislead or deceive, or a matter required to be included is omitted from this Prospectus), the ASX Listing Rules or any other applicable law or regulation;
- a new circumstance in relation to the Company or a Group member arises after lodgement of the Prospectus that would have been required to be included in this Prospectus if it had arisen before lodgement;
- completion does not occur on or before 31 October 2014;
- any of the All Ordinaries Index, the ASX Small Ordinaries Index or the All Industrial Index as published by ASX being at any time after the date of this Agreement, prior to the Settlement Date, more than 10% below its respective level as at the close of ASX trading on the Trading Day before the date of lodgement of the Prospectus;
- the Joint Lead Managers reasonably form the view that a supplementary prospectus must be lodged with ASIC under section 719 of the Corporations Act and the Company does not lodge a supplementary prospectus in the form, with the content and within the time reasonably required by the Joint Lead Managers or the Company lodges a supplementary prospectus without the prior written agreement of the Joint Lead Managers;
- any circumstance arises after lodgement of the Prospectus that results in the Company either repaying the application money received from applicants or offering applicants an opportunity to withdraw their applications for Offer Shares and be repaid their application moneys;
- any of the escrow deeds referred to in Section 10.10 are withdrawn, varied, terminated, rescinded, breached, altered or amended (other than with the consent of the Joint Lead Managers);
- the Company withdraws this Prospectus, any invitations to apply for Shares under the Offer Documents or all or any part of the Offer or indicates that it does not intend to proceed with the Offer or any part of it;
- the Company is prevented from allotting and issuing Shares within the time required by the timetable, the Offer Documents, the ASX Listing Rules, applicable laws, an order of a court of a competent jurisdiction or a government agency;
- the Company:
  - alters the issued capital of the Company; or

- disposes or attempts to dispose of a substantial part of the business or property of the Company or any material Group Company, or ceases or threatens to cease to carry on business,

other than as disclosed in this Prospectus or otherwise permitted by the Underwriting Agreement, without the prior written consent of the Joint Lead Managers;

- a change in the Company's chief executive officer, chief financial officer or the board of directors of the Company is announced or occurs;
- any person makes an application for an order under Part 9.5 of the Corporations Act, or to any government agency, in relation to the Offer Documents or the Offer or ASIC commences or gives notice of an intention to hold, any investigation, proceedings or hearing in relation to the Offer or the Offer Documents;
- any of the following occur:
  - a director of the Company engages or has engaged in any fraudulent conduct or activity or is charged with an indictable offence;
  - any director of the Company is disqualified from managing a corporation under Part 2D.6; or
  - the Company or any Group Company engages in fraudulent conduct or activity, whether or not in connection with the Offer;
- the Company or a Group Company becomes insolvent or there is an act or omission which is likely to result in a Group member becoming insolvent;
- any event specified in the timetable to occur prior to or including the commencement of normal trading is delayed by more than two business days without the prior written approval of the Joint Lead Managers (such approval not to be unreasonably withheld or delayed);
- a regulatory body withdraws, revokes or amends in an adverse manner any regulatory approvals required for the Company to perform or observe their obligations under this agreement or to carry out the transactions contemplated by the Offer Documents;
- unconditional approval (or conditional approval subject only to customary pre-quotation listing conditions or other conditions acceptable to the Company and the Joint Lead Managers, acting reasonably) is refused or not granted for:
  - the Company's admission to the official list of ASX; or
  - the official quotation of all of the Shares on ASX,

on or before the Listing Approval Date, or if granted, the approval is subsequently withdrawn (without immediate replacement), qualified (other than by customary pre-quotation listing conditions or other conditions acceptable to the Joint Lead Managers, acting reasonably) or withheld, or ASX indicates to the Company that approval is likely to be withdrawn, qualified (other than by customary pre-quotation listing conditions or other conditions acceptable to the Joint Lead Managers, acting reasonably) or withheld;

- any of the following notifications are made in respect of the Offer:
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or an Offer Document;
  - any person (other than the Joint Lead Managers) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
  - any person (other than the Joint Lead Managers) gives a notice under section 730 of the Corporations Act in relation to an Offer Document;
- the Company does not provide a closing certificate as and when required by the Underwriting Agreement; or

- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency which makes it illegal for the Joint Lead Managers to satisfy an obligation under this document, or to market, promote or settle the Offer.

Material termination events

Each Joint Lead Manager may (whether or not with the consent of the other Joint Lead Managers) terminate without cost or liability to that Joint Lead Manager by notice to the Company and the other Joint Lead Manager at any time after it becomes aware of any one or more of the following events, provided that the Joint Lead Manager has reasonable and bona fide grounds to believe and does believe that the event (i) has or is likely to have a material adverse effect on the ability of the Joint Lead Managers to market the Offer, or the outcome, success or settlement of the Offer, the willingness of investors to subscribe for Shares or the price at which Shares are sold or the likely price at which the Shares will trade on ASX or (ii) has given or is likely to give rise to a liability of that Joint Lead Manager under any law or regulation or a contravention by that Joint Lead Manager of, or that Joint Lead Manager being involved in a contravention of, the Corporations Act or any other applicable law:

- the due diligence report or any other information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the Group or the Offer is or becomes false, misleading or deceptive, or which is likely to mislead or deceive (including by way of omission);
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses, prospects or forecasts of the Company or the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company), including from those respectively disclosed in any Offer Document;
- any of the Offer Documents contain information regarding the affairs of the Company and Group and the Offer available to the public or any aspect of the Offer does not comply with the Corporations Act (including if a statement in any of the Offer Documents or public information is or becomes misleading or deceptive, or a matter required to be included is omitted from an Offer Document (excluding this Prospectus) or the public information), the ASX Listing Rules or any other applicable law or regulation;
- the Company defaults on any of its obligations under the Underwriting Agreement or breaches any warranty, undertaking or covenant contained in the Underwriting Agreement and that default or breach is either incapable of remedy or is not remedied within 2 Business Days after it occurs;
- the Company varies any term of its constitution other than as contemplated by this Prospectus or without the prior written consent of the Joint Lead Managers;
- hostilities not presently existing commence (whether war has been declared or not) or a major act of terrorism is perpetrated anywhere in the world or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, Indonesia, the United Kingdom, the United States of America, Japan, Russia, the People's Republic of China, or a member state of the European Union;
- any of the following occurs:
  - general moratorium on commercial banking activities in Australia, New Zealand, the United Kingdom, or the United States of America, is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any disruption to the financial markets, political or economic conditions or currency exchange rates or controls of Australia, New Zealand, the United Kingdom or the United States or the international financial markets; or

- trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least one trading day;

- there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia, a new law, or the Reserve Bank of Australia or any Commonwealth or State authority or ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement);
- a change in senior management (other than in relation to the board of directors, chief executive officer or chief financial officer) of the Company occurs;
- any material contract (as defined in the Underwriting Agreement) is varied, terminated, rescinded or altered or amended without the prior consent of the Joint Lead Managers or any material contract is breached or is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;
- the Company or any of its affiliates charges, or agrees to charge, the whole or a substantial part of the business or property of the Company other than:
  - a charge over any fees or commissions to which the Company is or will be entitled; or
  - as disclosed in the Offer Documents; or
  - as agreed with the Joint Lead Managers;
- a statement in any closing certificate is false, misleading, inaccurate, untrue or incorrect (including by way of omission); or
- any of the following occurs:
  - the commencement of legal proceedings against the Company or any other Group Company or against any director of the Company or any other Group Company in that capacity;
  - any regulatory body (including a government authority) commences any investigation, claim, inquiry, proceedings or public action against the Company or a Group Company or announces that it intends to take such action; or
  - a government agency withdraws, revokes or amends in an adverse manner any authorisation, license or other approval necessary to the conduct of the Company's business.

Representations, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Joint Lead Managers (as well as common conditions precedent, including the entry into a Restriction Agreement by persons whose Shares are required to be subject to escrow).

The representations and warranties given by the Company relate to matters such as conduct of the Company, power and authorisations, information provided by the Company, financial information, information in this Prospectus, the conduct of the Offer, and compliance with laws, the ASX Listing Rules and other legally binding requirements.

The Company's undertakings include that it will not, without the prior written consent of the Joint Lead Managers, at any time after the date of the Underwriting Agreement and before the expiration of 6 months after the date of allotment of Shares under the Offer, issue or agree to issue any shares, options or other securities or grant to any person any right to subscribe for or to receive or be issued any shares, options or other securities of the Company or any Group Company other than pursuant to the Offer, the Underwriting Agreement, or an employee share or option plan referred to in the Prospectus, or as otherwise contemplated in this Prospectus.

Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or negligence of an indemnified party, the Company agrees to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

(d) Management Agreements with Externally Owned Centres

Think Childcare and Education has also entered into Management Agreements in relation to seventeen Externally Owned Centres and proposes to enter into further agreements with Third Party Owners, being third parties who own Centres in respect of which they wish to acquire management services from the Company.

Under these Management Agreements Think Childcare and Education has been engaged to manage each Centre for a fee of not less than $60,000 per annum (per Centre), for an initial term of 12 months, which may be renewed for a further term by agreement.

The Management Agreements provide that if Think Childcare and Education identifies a new Centre or greenfield site that does not meet its acquisition criteria but refers it to the relevant Third Party Owner, and that Third Party Owner agrees to the acquisition, the Third Party Owner will pay Think Childcare and Education an additional finder's fee of $40,000 in respect of that new Centre or site. No finder's fee is payable to the Company in respect of Externally Owned Centres subject to Management Agreements at the Prospectus Date.

In addition, the Company will not be able to charge a finder's fee to a Third Party Owner who is not a party to a Management Agreement at the time a new Centre or site is identified by the Company (ie, any person other than the Initial Third Party Owners), unless the parties agree that a finder's fee is payable.

Each Third Party Owner and Think Childcare and Education has the right to terminate the Management Agreement to which it is a party with 3 months notice or pay the Company the fees which it would otherwise be entitled to receive during the notice period.

The Management Agreements provide that if a greenfield Centre subject to a Management Agreement does not obtain all approvals required to enable it to commence operations, the Third Party Owner may nominate an alternative Centre to be managed under the relevant Management Agreement, subject to the agreement of the Company in its absolute discretion. If the Company does not agree to the nomination of the alternative Centre, the Third Party Owner may terminate the Management Agreement with three months notice but if the agreement is terminated within the initial 12 month term other than for cause, the Third Party Owner will be obliged to pay the balance of the management fees payable under the agreement in respect of the initial 12 month term (only in the case of Management Agreements in respect of greenfield Centres).

The Initial Third Party Owners, who are parties to Management Agreements in relation to Externally Owned Centres as at the Prospectus Date, are, as that date, entities associated with David Hodge (through the Edhod Vendor) and LEA Vendors.

As at the Prospectus Date, Mathew Edwards has interests in certain of the Externally Owned Centres. He has entered into binding sale agreements to dispose of those interests by the Listing Date (for consideration of approximately $4,400,000), so that on the Listing Date he will have disposed of all interests in Centres that are not owned by the Company, other than a 50% interest in one freehold title in respect of land on which the Third Party Owners are developing an Externally Owned Centre.

The seventeen Externally Owned Centres in respect of which the Company has entered into Management Agreements at the Prospectus Date comprise:

- four Centres that have previously been operated by LEA or Edhod;
- two Centres that have recently been acquired by entities associated with Mathew Edwards (and which he will dispose of to Third Party Owners by the Listing Date);
- six Centres in respect of which entities associated with Mathew Edwards have entered into acquisition agreements, which are subject to completion of due diligence and assignment of leases (Mathew Edwards will dispose of these interests to Third Party Owners by the Listing Date); and
- five Centres that are greenfield Centres that are under development by the Third Party Owner.

10.10 Escrow Arrangements

As detailed in Sections 2.2 and 6, certain LEA Vendors and other founders of the Company will receive Shares. These persons are Mathew Edwards, Michelle Clarke, Mark Kerr, Paul Gwilym, ASL, Riversdale Road Shareholding Company as trustee for the Riversdale Road Shareholding Trust, and any entity associated with them to which Shares are issued. Each of these persons has entered into an escrow arrangement in favour of Think Childcare and Education under which they have agreed not to dispose of, or grant security over, the Shares held by them for two years after the date the Shares are issued (**Escrow Period**). At that time, the Shares will cease to be subject to the escrow restrictions.

There are limited circumstances in which Shares subject to escrow at any given time during the Escrow Period may be released, including:

- to allow the holders to accept an offer under a takeover bid in relation to Shares;
- to allow Shares to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act;
- following the death or incapacity of the holder;
- to permit disposal of the Shares held by the holder to the extent the dealing is required by applicable law (including an order of court of competent jurisdiction); and
- is in connection with an equal access share buyback or capital return or capital reduction made in accordance with the Corporations Act.

ASX may require the persons who have entered into escrow deeds, to enter into restriction agreements in accordance with the requirements of Appendix 9A to the Listing Rules. If that occurs, the same 2 year escrow period agreed by those persons under the escrow deeds will apply under the restriction agreements on a mandatory basis and subject to the terms set out in Appendix 9A.

10.11 Employee Share and Option Plan

Think Childcare and Education has established the ESOP to assist in the reward, motivation and retention of employees of the Group and align their interests with Shareholders.

Under the terms of the ESOP, eligible employees (including Directors) selected by the Board or the committee which has been delegated power by the Board to administer the ESOP may be provided with an interest free limited recourse loan to fund the total acquisition price of ESOP Shares.

Due to the limited recourse nature of the ESOP Loan, if the participant is required to repay the ESOP Loan and the proceeds from divesting their ESOP Shares do not exceed the balance of the ESOP Loan, the ESOP Loan will be satisfied in full by the payment to the Company of the proceeds received from divesting their ESOP Shares.

ESOP Shares may also be issued on other terms, including without an ESOP Loan, for no monetary consideration.

In addition, the Board has the power to issue options to subscribe for Shares, on terms determined by the Board.

Eligibility

Eligibility to participate in the ESOP and the number of ESOP Shares for which each individual participant may apply, will be determined by the Board.

Invitations

Under the rules of the ESOP, the Board may, from time to time, make invitations to selected eligible employees of the Group to apply for the grant of ESOP Shares.

Terms and conditions

The Board has the absolute discretion to set the terms and conditions (including vesting conditions and disposal restrictions) on which it will make invitations to apply for the grant of ESOP Shares under the ESOP and may set different terms and conditions which apply to different participants in the ESOP.

Vesting conditions

An ESOP Share issued subject to vesting conditions will vest when a vesting notice in respect of the ESOP Share is given to the participant. An ESOP Share issued without vesting conditions vests on the date of issue of that ESOP Share.

Ranking and rights of ESOP Shares

All ESOP Shares will rank equally in all respects with, and carry the same rights as, the Shares for the time being on issue, including as to voting and dividend rights (subject to the terms of any applicable ESOP Loan).

No disposal

Without the prior approval of the Board, an ESOP Share held by or on behalf of a participant must not be disposed of or otherwise dealt with by the participant, until:

- that ESOP Share has vested;
- the loan balance relating to that ESOP Share has been paid or discharged in accordance with the terms of the applicable ESOP Loan; and
- any disposal restriction relating to that ESOP Share has expired.

Capital limit

Subject to the rules of the ESOP, the Board must not make an invitation to apply for the grant of a ESOP Share or issue a ESOP Share if the sum of the number of Shares which would be issued were each outstanding offer with respect to Shares, unit of Shares, and options to acquire unissued Shares, under an employee share scheme to be accepted or exercised and the number of Shares issued during the previous five years under the ESOP or any other employee share scheme extended to eligible employees of the Group, but excluding any offer made, or option acquired or Shares issued by way of or as a result of an "Excluded Offer", would exceed 5% of the total number of Shares on issue at that time. An "Excluded Offer" includes an offer that did not need disclosure to investors because of section 708 of the Corporations Act or made under a disclosure document.

An "Excluded Offer" is defined under the rules of the ESOP as any of the following:

- an offer to a person situated at the time of receipt of the offer outside Australia;
- an offer that did not need disclosure to investors because of section 708 of the Corporations Act;
- an offer that did not require the giving of a product disclosure statement (as that term is defined in the Corporations Act) because of section 1012D of the Corporations Act; or
- an offer made under a disclosure document or product disclosure statement (as those terms are defined in the Corporations Act).

Compulsory divestiture

The ESOP rules contain provisions concerning the treatment of vested and unvested ESOP Shares (including compulsory divestiture) in the event a participant ceases employment, acts fraudulently or dishonestly, an insolvency event occurs or the participant fails to pay some or all of the loan balance on the due date for repayment under an applicable ESOP Loan.

Other terms of the ESOP

The ESOP also contains customary and usual terms having regard to Australian law for dealing with administration, variation and termination of the ESOP.

10.12 Right of Shareholders under the Constitution

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

Voting at a general meeting

At a general meeting of the Company, every shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid share held by the shareholder.

Meetings of members

Each shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

Except as permitted by the Corporations Act, general meetings must be called on at least the minimum number of days notice required by the Corporations Act (which at the date of this Prospectus is 28 days) and otherwise in accordance with the procedures set out in the Corporations Act.

Dividends

The Board may by resolution either:

- declare a dividend and fix the amount, the time for and method of payment; or
- determine a dividend or interim dividend is payable and fix the amount, the time for and method of payment.

For further information in respect of the Company's proposed dividend policy, see Section 7.10.

Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASX Listing Rules or the ASX Settlement Operating Rules. Subject to compliance with the ASX Listing Rules and the ASX Settlement Operating Rules, Shares may be transferred by a written instrument of transfer in any usual or common form or by any other form approved by the Directors.

The Board may, in its absolute discretion, refuse to register a transfer of Shares in any of the circumstances permitted by the ASX Listing Rules. The Board must refuse to register a transfer of Shares when required to do so by the ASX Listing Rules.

Issue of further Shares

Subject to the Corporations Act, the ASX Listing Rules, and the Constitution, the Directors may issue and allot, or dispose, of shares on terms determined from time to time by the Directors at an issue price that the Directors determine from time to time and to shareholders whether in proportion to their existing shareholdings or otherwise, or to such other persons as the Directors may determine from time to time. The Directors' power under the Constitution includes the power to grant options over unissued shares and issue and allot shares: with any preferential, deferred or special rights, privileges or conditions; with any restrictions in regard to dividend, voting, return of capital or otherwise; which are liable to be redeemed or converted; or which are bonus shares for whose issue no consideration is payable to the Company.

Winding up

Without prejudice to the rights of the holders of shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the shareholders in kind all or any of the Company's assets; and for that purpose, determine how it will carry out the division between the different classes of shareholders, but the liquidator may not require a shareholder to accept any shares or other securities in respect of which there is any liability.

Non-marketable parcels

Where the Company complies with the relevant procedure outlined in the Constitution, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy shares in the Company on terms and at times determined by the Board.

Variation of class rights

At present, the Company's only class of shares on issue will be Shares. The rights attached to any class of shares may be varied in accordance with the Corporations Act.

Dividend reinvestment plan

The Directors may establish a plan under which shareholders may elect to reinvest cash dividends paid or payable by the Company, by acquiring by way of issue or transfer (or both) shares in the Company or any other body.

Directors – appointment and rotation

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum number of Directors is seven unless the Shareholders pass a resolution varying that number. Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the managing director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. Subject to the ASX Listing Rules, in the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to a deliberative vote.

Directors – remuneration

The Directors, other than an Executive Director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum per annum is $750,000, with the initial remuneration of the Directors set out in Section 6.3. Any change to that maximum aggregate sum needs to be approved by Shareholders. Pursuant to the Constitution, Non-Executive Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

Indemnities

The Company, to the extent permitted by law, indemnifies every person who is or has been a director or secretary of the Company against any liability incurred by that person as an officer of the Company (including liabilities incurred by the officer as a director or secretary of a subsidiary of the Company where the Company requested the officer to accept that appointment), and reasonable legal costs incurred or allegedly incurred by that person as an officer of the Company (including such legal costs incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment). The Directors, to the extent permitted by law, may advance to an officer an amount which it might otherwise be liable to pay to the officer under the terms of the indemnity outlined above. The Company may enter into a deed with any officer of the Company to give effect to those matters outline in this paragraph.

The Company, to the extent permitted by law, may pay a premium for a contract insuring a person who is or has been a Director against liability incurred by that person as a Director.

Amendment

The Constitution may be amended only by special resolution passed by at least three-quarters of the Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

10.13 Dividend reinvestment plan

The Directors have established a dividend reinvestment plan pursuant to which Shareholders may elect to receive additional Shares in lieu of cash dividends that they would otherwise be entitled to receive. Shares may be acquired by the Company on-market, through a broker, or new Shares may be issued, as determined by the Board from time to time, on such terms, including any discount, determined by the Board. The plan does not impose a limit on participation.

10.14 Costs of the Offer

Based on estimations by the Board, the total fees and expenses pertaining to the Offer, the LEA Restructure and the acquisition of the Baker Street Centres payable in cash will be approximately $5,065,000, to be funded by the proceeds of the Offer and from the Debt Facility. This includes, but is not limited to, outlays relating to corporate, accounting and legal services, professional advising and consultation, listing fees, advertising of the Offer and printing of the Prospectus, agents' commissions, and the Underwriting Agreement.

10.15 Privacy

By completing an Application Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage applications for Shares. The Company and the Share Registry on its behalf, collect, hold and use that personal information to process your Application, service your needs as a holder of Shares (**Shareholder**), provide facilities and services that you request and carry out appropriate administration. Once you have become a Shareholder, the Corporations Act requires that information about you (including your name, address and details of the Shares you hold) are included on the Shareholder register.

The information must continue to be included in the Shareholder register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including the following or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Shareholder register;
- the Joint Lead Managers in order to assess your Application; and printers and other companies for the purposes of preparation and administration of documents and for handling mail;
- market research companies for the purposes of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, management consultants and other advisers for the purposes of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Share Registry if any of the details you have provided change. The Company's Privacy Policy will provide further information on access and correction of information, and the Company's privacy complaints handling processes.
In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

10.16 Adequacy of the Company's capital

The Directors believe that the Company has sufficient working capital to carry out the Company's objectives.

Section 11

Glossary

11. Glossary

A$ or $	Australian dollar
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ACECQA	Australian Council for Education and Care Quality Assurance
Acquisition Agreements	The Option Deed and the Business Sale Agreement
ACN	Australian Company Number
Applicant	A person who submits an Application Form
Application	An application made to acquire Shares worth a specific amount at the Offer Price pursuant to this Prospectus
Application Form	An application form included in or accompanying this Prospectus
Application Monies	The Offer Price multiplied by the number of Shares applied for
Area Manager	Has the meaning set out in Section 2.6
ASIC	Australian Securities and Investments Commission
ASL	ASL Portfolio Investments Pty Ltd ACN 168 823 774
ASX	ASX Limited ABN 98 008 624 691 or Australian Securities Exchange, as the context requires
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532
ASX Settlement Operating Rules	The operating rules of ASX Settlement and to the extent that they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited ABN 48 001 314 503
Average Occupancy	The number of occupied licensed childcare places available in Centres during a period divided by the number of licensed childcare places available in those Centres during the same period, expressed as a percentage
Baker Street	Baker Street Childcare Education Pty Ltd, ACN 168 941 839, a proprietary company limited by shares which has entered into agreements to acquire Baker Street Centres

11. Glossary

Baker Street Acquisition	The acquisition by Baker Street of the 15 Baker Street Centres under the Option Deeds with the Centre Vendors
Baker Street Share Acquisition	The acquisition by the Company of the shares in Baker Street which has entered into Option Deeds with the Centre Vendors to acquire the Baker Street Centres, as described in Section 2.3
Baker Street Centres	Childcare Centres to be acquired by Baker Street using the proceeds of the Offer, under the Acquisition Agreements
Baker Street Vendors	Each of Riversdale Road Shareholding Company Pty Ltd as trustee of the Riversdale Road Shareholding Trust, Paradice Pty Ltd (a company controlled by Mark Kerr), Segue Corp Pty Ltd (a company controlled by Paul Gwilym), ASL, and Dean Wayland Clarke and Michelle Robyn Clarke as trustees for the DW & MR Clarke Family Trust
Board	The board of directors of the Company
Broker	Taylor Collison Limited or any other ASX participating organisation selected by the Joint Lead Managers to participate in the Broker Firm Offer
Business Sale Agreement	An agreement under which Baker Street will acquire a Childcare Centre, pursuant to an Option Deed
CAGR	Cumulative annual growth rate
Centre Director	Has the meaning set out in Section 2.6
CGT	Capital gains tax
CHESS	The Clearing House Electronic Sub-register System operated by ASX Settlement
Childcare Centre or Centre	A long day care centre
Centre Vendors	A vendor of a Baker Street Centre
Closing Date	The date by which Applications must be lodged for the Offer, being 13 October 2014, unless the Company and the Joint Lead Managers agree to vary this date
Company	Think Childcare and Education Limited ACN 600 793 388
Completion of the Offer	Completion in respect of the issuance of Shares under the Offer in accordance with the Underwriting Agreement
Constitution	The constitution of Think Childcare and Education

Corporations Act	*Corporations Act 2001* (Cth)
Corporations Regulations	Corporations Regulations 2001 (Cth)
CPI	Consumer Price Index
CY	Calender year
Debt Facility	The debt facility provided to the Company as described in Sections 1, 2.11 and 7.8
Director	Director of Think Childcare and Education Limited as at the Prospectus Date
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Edhod	Edhod Pty Ltd ACN 156 123 901
Edhod Operating Company	Each of Edhod MacLeod Pty Ltd ACN 159 719 338, Edhod Trafalgar Pty Ltd ACN 159 853 273 and Edhod Newcomb Pty Ltd ACN 160 006 735
Edhod Lease Company	Each of Edhod Greensborough Pty Ltd ACN 160 483 698, Edhod Settlement Pty Ltd ACN 160 483 689 and Edhod Wilson Pty Ltd ACN 160 483 965
Edhod Unit Trust	An entity associated with Mathew Edwards, a Director
Edhod Vendor	Edhod as trustee of the Edhod Unit Trust
Educator	A person employed at a Centre with primary responsibility for the care of children attending the Centre
Enterprise Value	Market capitalisation plus net debt
Escrow Period	Has the meaning given in Section 10.10
ESOP	Employee Share and Option Plan, described in Section 10.11
Existing Shares	The Shares held by the LEA Vendors as at the Prospectus Date
Expiry Date	The date that is 13 months after the date of the Original Prospectus, being 18 October 2015
Exposure Period	The period commencing on the date of lodgement of the Original Prospectus with ASIC and ending seven days after lodgement, subject to any extension of the period by ASIC

11. Glossary

Externally Owned Centres	A Centre that is not owned by the Group but is managed by the Group under a Management Agreement
Financial Information	The Pro Forma Historical Financial Information and Forecast Financial Information, as defined in Section 7
Forecast Financial Information	The Statutory Forecasts and Pro Forma Forecasts, as defined in Section 7
Forecast Period	The reporting period for which the Company is providing Forecast Financial Information in this Prospectus
Group	The Company and its subsidiaries from time to time
GST	Goods and services tax
Initial Third Party Owner	The Third Party Owners in respect of Externally Owned Centres as at the Prospectus Date, being entities associated with David Hodge (through the Edhod Vendor) and LEA Vendors
Institutional Investor	An investor to whom offers or invitations in respect of securities can be made without the need for a disclosure document, including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708(8) or section 708(11) of the Corporations Act, provided that such a person is not located in the United States and is not a US Person or acting for the account or benefit of a US Person
IFRS	International Financial Reporting Standards
Investigating Accountant	PricewaterhouseCoopers Securities Ltd ABN 54 003 311 617
Investigating Accountant's Report	The report prepared by the Investigating Accountant in Section 8
Joint Lead Managers	Morgans Corporate Limited and Patersons Securities Limited, and **Joint Lead Manager** means either one of them
LEA	Learning and Education Australia Pty Ltd ACN 135 155 949
LEA Centres	Childcare Centres owned and managed by LEA, Edhod or wholly owned subsidiaries of LEA or Edhod prior to the date of the Listing
LEA Childcare	LEA Childcare Pty Ltd ACN 601 173 264

LEA Childcare Services	LEA Childcare Services Pty Ltd ACN 601 210 833
LEA Restructure	The transaction steps relating to the LEA Centres to be undertaken by the LEA Vendors, pursuant to the Share Sale Deed, as described in Section 2.3
LEA Vendors	Mathew Edwards and Elizabeth Peers, and entities controlled by them (and when the context requires, includes the Edhod Vendor)
Licence	The service approval provided by ACECQA to an operator of Childcare Centres in respect of a Childcare Centre
Listing	The admission of the Company to the Official List and the official quotation of its Shares
Listing Rules or ASX Listing Rules	The rules of ASX that govern the admission, quotation and removal of securities from the Official List
Management Agreement	A template agreement between the Company and a Third Party Owner pursuant to which the Company will manage a Centre and may receive a finder's fee
non-IFRS	Non-International Financial Reporting Standards
NQF	National Quality Framework for Early Childhood Education and Care
NQS	National Quality Standard
NPAT	Net profit after tax
Offer	The invitation under this Prospectus to apply for Shares to be issued by the Company excluding the Vendor Offer
Offer Period	The period commencing on the Opening Date and ending on the Closing Date
Offer Price	The price of Shares offered pursuant to this Prospectus
Official List	The official list of entities that ASX has admitted to and not removed from listing
Official Quotation	The quotation of Shares on ASX for trading purposes
Opening Date	The first date on which Applications may be lodged for the Offer, being 3 October 2014, unless the Company and the Joint Lead Managers agree to vary this date
Optioned Centre	A Childcare Centre to be acquired by the Company pursuant to an Option to Purchase and a Business Sale Agreement

11. Glossary

Option Deed	An option deed entered into by Baker Street and the vendor of a Childcare Centre to be acquired by the Company
Original Prospectus	This prospectus dated 18 September 2014 and lodged with ASIC on that date (which is replaced by this prospectus)
Prospectus	This prospectus dated 2 October 2014 and any supplementary or replacement prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC, being 2 October 2014
Quikkids	Specialised accounting and business software for Childcare Centres
Regulation S	Regulation S promulgated under the US Securities Act
Regulatory Authority	State and Territory Government authorities who take primary responsibility for the administration of the NQF
related body corporate	Has the meaning given in the Corporations Act
Resident Shareholder	A Shareholder who is a resident of Australia within the meaning of Section 7(1) of the *Income Tax Assessment Act 1936* (Cth)
Section	A section of this Prospectus
Settlement	The settlement of the Offer
Share	A fully paid ordinary share in the Company
Share Registry or Computershare	Computershare Investor Services Pty Limited
Shareholder	The registered holder of a Share
Share Sale Deed	The deed pursuant to which Think Childcare and Education Limited grants, and is granted, put and call options pursuant to the exercise of which the LEA Restructure and the Baker Street Share Acquisition will be completed
TFN	Tax file number
Think Childcare	Think Childcare Pty Ltd ACN 160 028 277
Third Party Owner	The owner of an Externally Owned Centre

Underwriters	Morgans and Patersons, and **Underwriter** means either one of them
Underwriting Agreement	The underwriting agreement between the Company and the Joint Lead Managers, described in Section 10.9
US Persons	Has the meaning given in Rule 902(k) of Regulation S
US Securities Act	United States Securities Act of 1933, as amended
Vendor Offer	The proposed issue to Mathew Edwards of 2,315,990 Shares, which he intends to subscribe for by applying a cash amount of $2,315,990 which he is entitled to receive as part consideration for the acquisition by the Company of the LEA Centres pursuant to the LEA Restructure and the Share Sale Deed

Appendix A

Summary of Key Accounting Policies

Appendix A. Summary of Key Accounting Policies

The principal accounting policies adopted in the preparation of the Financial Information are set out below.

Basis of preparation

Accounting standards

The Financial Information has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act. The Financial Information also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis of measurement

The Financial Information has been prepared on the historical cost basis.

Use of estimates and judgements

The preparation of the Financial Information in conformity with Australian Accounting Standards requires Think Childcare and Education management team to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Basis of consolidation

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

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

Intercompany transactions, balances and unrealised gains or losses on transactions between Company owned entities are eliminated in preparing the consolidated Financial Information.

Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

Revenue from Childcare

Fees paid by the Commonwealth Government (CCB) or parent fees are recognised as revenue as and when the early learning service is provided.

Management fees

Fees paid by Externally Owned Centres are recognised when the service has been performed.

Deferred income

Revenue received in advance from parents and Commonwealth, State or Territory Governments is recognised as deferred income and classified as a current liability until earned.

Commonwealth, State and Territory Government grants

Grants from the Commonwealth, State or Territory Governments are recognised at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all conditions associated with the grant.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and short term deposits with original maturities of 90 days or less.

Appendix A. Summary of Key Accounting Policies

Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Company's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Company's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the income statement.

Trade and other receivables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities are capitalised, offset against the liability and amortised over the period of the facility to which it relates. Borrowings are removed from the balance sheet when its contractual obligations are discharged or cancelled or expire.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of each respective financial period. The amounts are unsecured and are usually paid within 30 days of recognition. The carrying amount of trade and other payables is deemed to reflect fair value.

Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Think Childcare and Education's management team periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax base of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Plant and equipment

Recognition and measurement

Items of plant and equipment include, plant and equipment, computer equipment and motor vehicles. These are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed as they are incurred. The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the plant and equipment and is recognised net within other income/other expenses in profit or loss.

Depreciation

Depreciation is calculated using the straight-line method to allocate cost, net of residual value, over the estimated useful lives from date of acquisition. The estimated useful life of plant and equipment acquired in the LEA Restructure and the Baker Street Acquisition is 3 to 10 years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Impairment

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

Impairment of assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit (**CGU**) is the greater of its value in use, and its fair value less costs to sell. Depreciated replacement cost is used to determine value in use. Depreciated replacement cost is the current replacement cost of an item less accumulated depreciation to date. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (**CGUs**).

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

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to CGUs for the purposes of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from the business synergies.

Leased assets

Leases in which substantially all of the risks and rewards of ownership are not transferred to the Company are classified as operating leases and are not recognised in the balance sheet. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the term of the lease, which reflects the pattern in which economic benefits from the leased asset are consumed. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed. The Company has no finance lease obligations.

Leased property

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the years of the lease.

Inventories

Inventories relate to certain consumables including small amounts of food, nappies and other supplies. These are measured at the lower of cost and current replacement cost. Any write down in the value of inventory due to obsolescence is booked as an expense when the inventory becomes obsolete.

Employee benefits

Short term employee benefits

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

Long term employee benefits

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

Provisions

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

Make good provisions

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

Deferred consideration

Deferred consideration arises when settlement of all or any part of the cost of a business combination is deferred. It is stated at fair value at the date of acquisition, which is determined by discounting the amount due to present value at that date. Interest is imputed on the fair value of non-interest bearing deferred consideration at the discount rate and expensed within interest payable and similar charges. At each balance date, deferred consideration comprises the remaining deferred consideration valued at acquisition plus interest imputed on such amounts from acquisition to the balance date.

Where deferred consideration is in the form of shares and the number of shares to be issued is fixed, the fair value is credited to equity under the heading “Shares to be issued”.

Finance income and finance costs

Finance income comprises interest income on funds invested and fair value gains on derivative financial instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings, unwinding of discounts on provisions and fair value losses on derivative financial instruments that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest rate method. Fees paid on the establishment of loan facilities, which is not an incremental cost relating to the drawdown of the facility are capitalised, offset against the liability and amortised on a straight-line basis over the term of the facility.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (**GST**), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (**ATO**) is included as a current asset or liability in the balance sheet. Cash flows are included in the cash flow statement on a gross basis where applicable. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Share-based payments

The Company provides benefits to its employees in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares.

The cost of these equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. Fair value is determined using the Black Scholes model and the terms under which the instruments are granted.

The cost of these equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (**vesting period**), ending on the date on which the relevant employees become fully entitled to the award.

At each subsequent reporting date until vesting, the cumulative charge to profit or loss is the product of:

(a) the grant date fair value of the award;

(b) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

(c) the expired portion of the vesting period.

The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Under the employee share scheme, shares issued by the employee share trust to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

The fair value of deferred shares granted to employees for nil consideration under the short term incentive scheme is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at each reporting date and adjustments are recognised in profit or loss and the share-based payment reserve.

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Application Form (Front)

Application Form (Back)

Application Form (Front)

Application Form (Back)

12. Corporate Directory

Think Childcare and Education Limited

Suite 2, 2 East Street
Five Dock, NSW 2000

Directors

Mark Kerr – Chairman and Non-executive Director

Mathew Edwards – Managing Director and Chief Executive Officer

Paul Gwilym – Executive Director and Chief Financial Officer

Andrew Hanson – Non-executive Director

Auditor

Bentleys NSW Audit Pty Ltd

Level 10, 10 Spring Street
Sydney NSW 2000

Joint Lead Managers and Underwriters

Morgans Corporate Limited

Level 28, 367 Collins Street
Melbourne VIC 3000

Patersons Securities Limited

333 Collins Street
Melbourne VIC 3000

Broker to the Offer

Taylor Collison Limited

Level 10, 167 Macquarie Street
Sydney NSW 2000

Share Registrar

Computershare Investor Services Pty Ltd

452 Johnston Street
Abbotsford VIC 3067

Legal Adviser

Minter Ellison

Rialto Towers
Level 23
525 Collins Street
Melbourne VIC 3000

Corporate Adviser

JT Campbell & Co Pty Limited

Level 2
90 William Street
Melbourne VIC 3000

Investigating Accountant

PricewaterhouseCoopers Securities Ltd

Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

THINK
Childcare&Education Ltd